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

In re:	)	Chapter 11
TOYS "R" US, INC., *et al.*,[1]	)	Case No. 17-34665 (KLP)
Debtors.	)	(Jointly Administered)

NOTICE OF FILING OF DISCLOSURE STATEMENT FOR THE SECOND AMENDED CHAPTER 11 PLANS OF THE TOYS DELAWARE DEBTORS AND GEOFFREY DEBTORS

PLEASE TAKE NOTICE that on August 6, 2018, Toys "R" Us-Delaware, Inc. ("Toys Delaware") and certain of its subsidiaries and affiliates (collectively, the "Toys Delaware Debtors")[2] and Geoffrey Holdings, LLC ("Geoffrey") and its direct and indirect subsidiaries

[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.

[2] The Toys Delaware Debtors include Toys Delaware, TRU Guam, LLC, Toys Acquisition, LLC, Giraffe Holdings, LLC, TRU of Puerto Rico, Inc., and TRU-SVC, Inc.

(collectively, the "Geoffrey Debtors,"[3] and, together with the Toys Delaware Debtors, the "Debtors"), filed the *Disclosure Statement for Chapter 11 Plans of the Toys Delaware Debtors and Geoffrey Debtors* [Docket No. 4055] (the "Original Disclosure Statement") with the United States Bankruptcy Court for the Eastern District of Virginia (the "Court").

PLEASE TAKE FURTHER NOTICE that on August 31, 2018, the Debtors filed the *Disclosure Statement for First Amended Chapter 11 Plans of the Toys Delaware Debtors and Geoffrey Debtors* [Docket No. 4491] (the "First Amended Disclosure Statement").

PLEASE TAKE FURTHER NOTICE that the Debtors hereby file the *Disclosure Statement for Second Amended Chapter 11 Plans of the Toys Delaware Debtors and Geoffrey Debtors* (the "Second Amended Disclosure Statement"), attached hereto as **Exhibit A**.

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

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

PLEASE TAKE FURTHER NOTICE that the Debtors will appear in connection with the *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 Debtors' Proposed Chapter 11 Plans, (III) Approving the Forms of Ballots and Notices in Connection Therewith, (IV) Scheduling Certain Dates With Respect Thereto, and (V) Granting Related Relief* [Docket No. 4056] (the "Motion") on **September 6, 2018, at 11:00 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, the Original Disclosure Statement, the First Amended Disclosure Statement, the Second 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.

[*Remainder of page intentionally left blank*]

[3] The Geoffrey Debtors include Geoffrey Holdings, LLC, Geoffrey, LLC, and Geoffrey International, LLC.

Richmond, Virginia
Dated: September 5, 2018

/s/ *Jeremy S. Williams*

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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., *et al.*,[1]	)	Case No. 17-34665 (KLP)
Debtors.	)	(Jointly Administered)

DISCLOSURE STATEMENT FOR THE SECOND AMENDED CHAPTER 11 PLANS OF THE TOYS DELAWARE DEBTORS AND GEOFFREY DEBTORS

THIS IS NOT A SOLICITATION OF AN ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL THE COURT HAS APPROVED THIS DISCLOSURE STATEMENT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE COURT. THE INFORMATION IN THIS DISCLOSURE STATEMENT IS SUBJECT TO CHANGE. THIS DISCLOSURE STATEMENT IS NOT AN OFFER TO SELL ANY SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY ANY SECURITIES.

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[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.

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Co-counsel to Debtors and Debtors in Possession Geoffrey LLC and Geoffrey Holdings, LLC

Dated: September 5, 2018

THE DEBTORS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT TO HOLDERS OF CLAIMS AND INTERESTS FOR THE PURPOSE OF SOLICITING VOTES TO ACCEPT OR REJECT THE *SECOND AMENDED CHAPTER 11 PLANS OF THE TOYS DELAWARE DEBTORS AND GEOFFREY DEBTORS* (EACH PLAN COLLECTIVELY, THE "PLAN").[2] NOTHING IN THIS DISCLOSURE STATEMENT MAY BE RELIED UPON OR USED BY ANY ENTITY FOR ANY OTHER PURPOSE. EACH HOLDER ENTITLED TO VOTE SHOULD CAREFULLY CONSIDER ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN ARTICLE VII HEREIN, BEFORE DECIDING WHETHER TO VOTE FOR OR AGAINST THE PLAN.

THE DEBTORS, THE AD HOC GROUP OF B-4 LENDERS, THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS (THE "CREDITORS' COMMITTEE"), THE AD HOC GROUP OF POSTPETITION VENDOR ADMINISTRATIVE CLAIMANTS (THE "AD HOC VENDOR GROUP"), NEXBANK SSB (THE "TERM DIP FACILITY AGENT"), BANK OF AMERICA, N.A. (THE "PREPETITION TERM LOAN AGENT"), AND EACH OF BAIN CAPITAL PRIVATE EQUITY, LP, KOHLBERG KRAVIS ROBERTS & CO. L.P., AND VORNADO REALTY TRUST IN THEIR CAPACITY AS EQUITY OWNERS OF TOYS "R" US, INC. (COLLECTIVELY, THE "SPONSORS") SUPPORT THE PLAN. ALL SUCH PARTIES URGE HOLDERS OF CLAIMS AND INTERESTS WHOSE VOTES ARE BEING SOLICITED TO ACCEPT THE PLAN.

THE DEBTORS URGE EACH HOLDER OF A CLAIM OR INTEREST 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 EVENTS IN THE DEBTORS' CHAPTER 11 CASES, AND ATTACHED HERETO OR INCORPORATED BY REFERENCE HEREIN ARE CERTAIN DOCUMENTS RELATED TO THE PLAN. ALTHOUGH THE 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 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 DEBTORS' MANAGEMENT EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTORS DO NOT REPRESENT OR WARRANT THAT THE INFORMATION CONTAINED HEREIN OR ATTACHED HERETO IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH BANKRUPTCY CODE SECTION 1125 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 WAS NOT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE AUTHORITY, AND NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE AUTHORITY HAVE PASSED UPON THIS DISCLOSURE STATEMENT'S ACCURACY OR ADEQUACY OR UPON THE PLAN'S MERITS. IN PREPARING THIS DISCLOSURE STATEMENT, THE DEBTORS RELIED ON FINANCIAL DATA

[2] Capitalized terms used but not otherwise defined herein shall have the same meaning ascribed to such terms in the Plan.

DERIVED FROM THE DEBTORS' BOOKS AND RECORDS AND ON VARIOUS ASSUMPTIONS REGARDING THE DEBTORS' BUSINESSES. WHILE THE DEBTORS BELIEVE THAT SUCH FINANCIAL INFORMATION FAIRLY REFLECTS THE FINANCIAL CONDITION OF THE 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 DEBTORS' BUSINESSES AND THEIR FUTURE RESULTS AND OPERATIONS. THE DEBTORS EXPRESSLY CAUTION READERS NOT TO PLACE UNDUE RELIANCE ON ANY FORWARD LOOKING STATEMENTS CONTAINED HEREIN.

THE DEBTORS MAKE STATEMENTS IN THIS DISCLOSURE STATEMENT THAT ARE CONSIDERED FORWARD-LOOKING STATEMENTS UNDER THE FEDERAL SECURITIES LAWS. THE DEBTORS CONSIDER ALL STATEMENTS REGARDING ANTICIPATED OR FUTURE MATTERS, INCLUDING THE FOLLOWING, TO BE FORWARD-LOOKING STATEMENTS:

- **BUSINESS STRATEGY;**
- **FINANCIAL CONDITION, REVENUES, CASH FLOWS, AND EXPENSES;**
- **LEVELS OF INDEBTEDNESS, LIQUIDITY, AND COMPLIANCE WITH DEBT COVENANTS;**
- **FINANCIAL STRATEGY, BUDGET, AND OPERATING RESULTS;**
- **SUCCESSFUL RESULTS FROM THE DEBTORS' OPERATIONS;**
- **GENERAL ECONOMIC AND BUSINESS CONDITIONS;**
- **COUNTERPARTY CREDIT RISK;**
- **THE OUTCOME OF PENDING AND FUTURE LITIGATION;**
- **UNCERTAINTY REGARDING THE DEBTORS' FUTURE OPERATING RESULTS; AND**
- **PLANS, OBJECTIVES, AND EXPECTATIONS.**

STATEMENTS CONCERNING THESE AND OTHER MATTERS ARE NOT GUARANTEES OF THE DEBTORS' FUTURE PERFORMANCE. SUCH STATEMENTS REPRESENT THE DEBTORS' ESTIMATES AND ASSUMPTIONS ONLY AS OF THE DATE HEREOF, UNLESS OTHERWISE SPECIFICALLY NOTED. THERE ARE RISKS, UNCERTAINTIES, AND OTHER IMPORTANT FACTORS THAT COULD CAUSE THE DEBTORS' ACTUAL PERFORMANCE OR ACHIEVEMENTS TO BE MATERIALLY DIFFERENT FROM THOSE THEY MAY PROJECT. ALTHOUGH THE DEBTORS MAY SUBSEQUENTLY UPDATE THE INFORMATION IN THIS DISCLOSURE STATEMENT, THE 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 DEBTORS RESERVE THE RIGHT TO FILE AN AMENDED OR MODIFIED PLAN AND RELATED DISCLOSURE STATEMENT FROM TIME TO TIME, SUBJECT TO THE TERMS OF THE PLAN.

THE 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 BY REFERENCE HEREIN HAS NOT BEEN AND WILL NOT BE AUDITED OR REVIEWED BY THE DEBTORS' INDEPENDENT AUDITORS UNLESS EXPLICITLY PROVIDED OTHERWISE.

THE 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 DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

THE PLAN'S CONFIRMATION AND EFFECTIVENESS ARE SUBJECT TO CERTAIN MATERIAL CONDITIONS PRECEDENT, WHICH ARE SET FORTH IN ARTICLE VIII 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.

IF THE COURT CONFIRMS THE PLAN AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS AND INTERESTS, INCLUDING THOSE HOLDERS OF CLAIMS WHO DO NOT SUBMIT BALLOTS TO ACCEPT OR REJECT THE PLAN, WHO VOTE TO REJECT THE PLAN, OR WHO ARE NOT ENTITLED TO VOTE ON THE PLAN, WILL BE BOUND BY THE TERMS OF THE PLAN AND THE RESTRUCTURING TRANSACTIONS CONTEMPLATED THEREBY.

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AND MAY NOT BE CONSTRUED AS AN ADMISSION OF FACT, LIABILITY, STIPULATION, OR WAIVER. THE DEBTORS 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.

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EXHIBITS

ARTICLE I.
INTRODUCTION

Toys "R" Us-Delaware, Inc. ("Toys Delaware") and certain Toys Delaware affiliates (collectively, "Toys Delaware Debtors")[3] and Geoffrey Holdings, LLC ("Geoffrey") and Geoffrey's subsidiaries (collectively, the "Geoffrey Debtors"),[4] as debtors and debtors in possession, (the Toys Delaware Debtors and Geoffrey Debtors, collectively, the "Debtors") submit this disclosure statement (the "Disclosure Statement") pursuant to section 1125 of the Bankruptcy Code to Holders of Claims and Interests against the Debtors in connection with soliciting votes to accept the amended Plan dated September 5, 2018. A copy of the Plan is attached hereto as **Exhibit A**. The Plan constitutes a separate chapter 11 plan for each Debtor and derives from a settlement agreement that was extensively negotiated in good faith and at arm's-length between the Debtors and certain stakeholders. If consummated, the Plan will distribute the proceeds derived from the wind-down, dissolution, and liquidation of the Debtors' Estates after the Effective Date. The Geoffrey Debtors and the Toys Delaware Debtors separately seek to confirm their respective Plans, and the confirmation of one Plan is not contingent on confirmation of the other.

THE DEBTORS BELIEVE THAT THE COMPROMISES CONTEMPLATED UNDER THE PLAN ARE FAIR AND EQUITABLE, MAXIMIZE THE VALUE DERIVED FROM THE DEBTORS' ESTATES, AND PROVIDE THE BEST RECOVERY TO CLAIM AND INTEREST HOLDERS UNDER THE CIRCUMSTANCES. AT THIS TIME, THE DEBTORS BELIEVE THE PLAN IS THE BEST AVAILABLE ALTERNATIVE FOR COMPLETING THESE CHAPTER 11 CASES. THE DEBTORS STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

A. *Preliminary Statement*

Toys "R" Us, Inc. (together with its subsidiaries, the "Company") started out as a small, local toy store in Washington D.C. in 1948 and eventually grew to approximately 2,000 operated and licensed stores in 38 countries. Accordingly, the Toys "R" Us enterprise became one of the most widely recognized brands in the world among children. However, recent macroeconomic trends and changing consumer preferences have caused many retail companies to face financial pressures and operational issues. Specifically, online retailers obtained a competitive edge over those with expansive brick-and-mortar footprints, such as Toys "R" Us. The Company has struggled to compete in the new marketplace and, in addition, faced certain challenges with its supply-chain and online presence. These and other issues eventually led to the Company's inability to procure sufficient liquidity to stabilize its operations leading up to the 2017 holiday season. As a result, Toys Delaware, a direct and wholly-owned subsidiary of Toys "R" Us, Inc. ("Toys Inc."), and certain subsidiaries filed voluntarily petitions under title 11 of the United States Code (the "Bankruptcy Code") on September 18, 2017 (the "Petition Date").

The Debtors filed for chapter 11 intending to restructure their businesses and continue operating as a going concern. At the outset of these cases, the Debtors secured over $3.1 billion in three separate debtor-in-possession financing facilities (collectively, the "DIP Facilities"). This financing allowed the Debtors to begin reopening their global supply chain and positioned the Company to implement its holiday business plan, which historically accounted for approximately 40% of its annual revenue.

Ultimately, sales from the holiday season did not meet performance expectations, and the Debtors' restructuring efforts were derailed. Several factors contributed to the Debtors performance, including (a) delays and disruptions associated with reopening the supply chain in chapter 11 and during the holiday season, (b) competitors pricing toys at low-margins or as loss-leaders to drive store traffic, which undermined the Company's pricing structure, (c) a greater than expected decline in toy and gift card sales and baby gift registries after the Petition Date,

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[3] The Toys Delaware Debtors are Toys Delaware, TRU Guam, LLC, Toys Acquisition, LLC, Giraffe Holdings, LLC, TRU of Puerto Rico, Inc., and TRU-SVC, Inc.

[4] The Geoffrey Debtors are Geoffrey, Geoffrey LLC, and Geoffrey International, LLC.

and (d) the Company's inability to offer online prices or shipping on more attractive terms than their competitors. As a result, in early 2018, the Debtors defaulted on certain DIP covenants and certain lenders began imposing reserve restrictions after the U.S. businesses failed to meet revenue expectations, further constraining liquidity. The Debtors projected at that time that they would require significant new liquidity to continue operating through the fall. The Debtors were able to obtain certain waivers through early March 2018 while they negotiated for additional liquidity, but their efforts ultimately proved unsuccessful, and further waivers could not be obtained. On March 14, 2018, the Debtors filed a motion seeking authority to wind-down their U.S. operations, setting forth more fully the events leading up to the U.S. Wind-Down [Docket No. 2050] (the "Wind-Down Motion"). The Bankruptcy Court entered an order approving the wind-down of U.S. operations (the "U.S. Wind-Down") on May 22, 2018 [Docket No. 2344] (the "Wind-Down Order").

At the hearing on the U.S. Wind-Down Motion and subsequent hearings on proposed amendments to the DIP Facilities, certain creditors and other parties-in-interest, including the Creditors' Committee, alleged claims related to the U.S. Wind-Down that would have resulted in lengthy, complex, and expensive litigation regarding the myriad of disputed issues among secured, administrative, and unsecured creditors. On June 14, 2018, after engaging in months-long arm's-length negotiations, the Debtors, the Ad Hoc Group of B-4 Lenders, the Creditors' Committee, the Ad Hoc Vendor Group, the Term DIP Facility Agent, the Prepetition Term Loan Agent, the Sponsors, and certain other administrative claimants and lender parties reached an agreement on settlement terms that both resolved and preserved certain claims and causes of action related to the U.S. Wind-Down, among other things. The terms of this agreement were documented in a settlement agreement executed on July 17, 2018 (the "Settlement Agreement" and, the parties thereto, the "Settlement Parties"). A motion seeking to approve the Settlement Agreement was filed on July 17, 2018 [Docket No. 3814] (the "Settlement Agreement Motion"). The Settlement Agreement is more fully described in the Settlement Agreement Motion and in Article I.B hereof. The Bankruptcy Court entered an order approving the Settlement Agreement Motion on August 8, 2018. [Docket No. 4083]

As part of the U.S. Wind-Down, the Debtors shut down their U.S. operations, closing stores and distribution centers, assuming and assigning (or rejecting) their unexpired leases, and establishing processes to sell their other assets, including real property, intellectual property, and joint venture interests. Asset sales for Toys Delaware's leases, stores, real estate joint ventures, and distribution centers are expected to generate approximately $380 million. On April 25, 2018, the Bankruptcy Court approved a sale of Toys Delaware's 100% equity interest in Toys "R" Us (Canada) Ltd./Toys "R" Us (Canada) Ltee ("Toys Canada") to Fairfax Financial Holdings Limited for approximately CAD 300 million. In addition, Toys Delaware and Geoffrey are conducting a process to sell or exclusively license certain U.S. and international intellectual property assets in accordance with the procedures that the Bankruptcy Court has approved [Docket No. 3233; 3601].[5] The auction for such intellectual property assets is currently scheduled for the end of September, subject to further postponement or cancellation. These, among other value-maximizing transactions, are expected to be completed in the coming months as the Debtors near the end of the U.S. Wind-Down.

The Debtors and the Settlement Parties believe that the Settlement Agreement, as embodied in the Plan, maximizes stakeholder recoveries, minimizes risk and uncertainty to all parties, and will bring these Chapter 11 Cases to an appropriate resolution in light of the potential alternatives. Accordingly, the Debtors are seeking the Bankruptcy Court's approval of the Plan. All Holders of Claims and Interests entitled to vote are urged to vote in favor of the Plan and are encouraged to return their ballots to Prime Clerk LLC ("Prime Clerk" or the "Solicitation Agent") or electronically submit them online so that they are **actually received** on or before **October 5, 2018, at 5:00 p.m., prevailing Eastern Time** (the "Voting Deadline"). Assuming the Plan receives the requisite acceptance under the Bankruptcy Code, the Debtors will seek the Bankruptcy Court's approval of the Plan at the Confirmation Hearing.

[5] The Debtors' affiliates are also conducting sale processes for certain of their international assets.

B. *Questions and Answers Regarding this Disclosure Statement and the Plan*

The following are some frequently asked questions and corresponding answers regarding this Disclosure Statement and the Plan.

1. **What is chapter 11?**

Chapter 11 is the principal business reorganization chapter in the Bankruptcy Code. This chapter permits a debtor to maximize the value of its operations and promotes equal treatment for creditors and similarly situated equity interest holders, subject to the priority distribution scheme set forth in the Bankruptcy Code. An estate is created when a chapter 11 case is commenced, and it comprises all of a debtor's legal and equitable interests as of the date the case is filed. The Bankruptcy Code provides that a debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

A principle objective of a chapter 11 is to consummate a plan. A confirmed plan will be binding upon the debtor, any person acquiring property under the plan, any creditor or equity interest holder of the debtor, and any other entity as the court may order. Subject to certain limited exceptions, a court's order confirming a plan provides for the treatment of the debtor's liabilities in accordance with the confirmed plan's terms.

2. **Why are the Debtors sending me this Disclosure Statement?**

The Debtors are seeking to obtain Bankruptcy Court approval of the Plan. Prior to soliciting acceptances of a proposed plan, section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing information of a kind and in sufficient detail to enable a hypothetical reasonable investor to make an informed judgment about accepting a chapter 11 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 such requirements. The Disclosure Statement includes, without limitation, the following information:

- the Debtors' corporate history and structure, business operations, and prepetition capital structure and indebtedness (Article II hereof);
- events leading to the Chapter 11 Cases, including the Debtors' restructuring negotiations (Article II hereof);
- significant events in the Debtors' Chapter 11 Cases (Article III hereof);
- a summary of the Plan, including how certain Claims' and Interests' are classified and treated under the Plan, the means of implementing the Plan, and certain important effects of Confirmation of the Plan (Article IV hereof);
- releases contemplated under the Plan that are integral to the overall settlement of Claims and Interests pursuant to the Plan (Article IV hereof);
- the voting and solicitation process for the Plan (Article V hereof);
- the statutory requirements for confirming the Plan (Article VI hereof);
- certain risk factors Holders of Claims should consider before voting to accept or reject the Plan and information regarding alternatives to Confirmation of the Plan (Article VII hereof);
- certain securities law disclosures (Article VIII hereof); and
- certain United States federal income tax consequences of the Plan (Article IX hereof).

In light of the foregoing, the Debtors believe the Disclosure Statement contains "adequate information" to enable a hypothetical reasonable investor to make an informed judgment about the Plan and complies with all aspects of section 1125 of the Bankruptcy Code.

3. **Am I entitled to vote on the Plan?**

Your ability to vote and your distribution, if any, depends on what kind of Claim or Interest you hold. Each category of holders of Claims or Interests set forth in Article III of the Plan, pursuant to section 1122(a) of the Bankruptcy Code, is referred to as a "Class." The voting status for each Class is below.

The following table is a summary of the classification, impairment status, and voting rights under the Plan. Reference should be made to the entire Disclosure Statement and the Plan for a complete description of the classification and treatment of Claims and Interests.

Class	Claims and Interests	Status	Voting Rights
Classified Claims and Interests against the Toys Delaware Debtors			
Class A1	Other Secured Claims against the Toys Delaware Debtors	Unimpaired	Deemed to Accept
Class A2	Other Priority Claims against the Toys Delaware Debtors	Impaired	Deemed to Reject
Class A3	Delaware Secured ABL/FILO Facility Claims against the Toys Delaware Debtors	Unimpaired	Deemed to Accept
Class A4	Term B-2 Loan and Term B-3 Loan Claims against the Toys Delaware Debtors	Impaired	Entitled to Vote
Class A5	Term B-4 Loan Claims against the Toys Delaware Debtors	Impaired	Entitled to Vote
Class A6	General Unsecured Claims against the Toys Delaware Debtors	Impaired	Deemed to Reject
Class A7	Toys Delaware Debtor Intercompany Claims against other Toys Delaware Debtors	Unimpaired or Impaired	Deemed to Accept/Reject
Class A8	Toys Delaware Intercompany Interests	Unimpaired or Impaired	Deemed to Accept/Reject
Class A9	Toys Inc. Intercompany Interests	Impaired	Deemed to Reject
Classified Claims and Interests against the Geoffrey Debtors			
Class B1	Other Secured Claims against the Geoffrey Debtors	Unimpaired	Deemed to Accept
Class B2	Other Priority Claims against the Geoffrey Debtors	Impaired	Deemed to Reject
Class B3	Term B-2 Loan, Term B-3 Loan, and Term B-4 Loan Claims against the Geoffrey Debtors	Impaired	Entitled to Vote
Class B4	General Unsecured Claims against the Geoffrey Debtors	Impaired	Deemed to Reject
Class B5	Geoffrey Debtor Intercompany Claims against other Geoffrey Debtors	Unimpaired or Impaired	Deemed to Accept/Reject
Class B6	Geoffrey Debtor Intercompany Interests	Unimpaired or Impaired	Deemed to Accept/Reject
Class B7	Interests in Geoffrey	Impaired	Deemed to Reject

Only Holders of Claims or Interests included in one of the Classes entitled to vote to accept or reject the Plan will receive a Solicitation Package from the Solicitation Agent. For more information about the treatment of Claims and Interests, see Article III of the Plan entitled "Classification and Treatment of Claims and Interests" and Article IV of this Disclosure Statement entitled "Summary of the Plan."

4. **What materials will be sent to Holders of Claims who are eligible to vote to accept or reject the Plan?**

Holders of Claims who are eligible to vote to accept or reject the Plan will receive appropriate solicitation materials (the "Solicitation Package"), which include the following:

- the Disclosure Statement, as approved by the Bankruptcy Court (with all exhibits thereto, including the Plan and the exhibits to the Plan);
- the Solicitation Procedures;
- the Confirmation Hearing Notice;
- an appropriate Ballot with voting instructions with respect thereto, together with a pre-addressed postage prepaid return envelope and directions to an online balloting platform;
- a letter from the Debtors, substantially in the form attached to the Disclosure Statement Order, recommending that holders of Claims entitled to vote on the Plan vote to accept the Plan; and
- any supplemental documents the Debtors may file with the Bankruptcy Court or that the Bankruptcy Court orders to be made available.

The Solicitation Package may also be obtained (a) from the Debtors' Solicitation Agent by (i) visiting https://cases.primeclerk.com/toysrus, (ii) writing to Toys "R" Us, Inc., c/o Prime Clerk LLC, 830 Third Avenue, New York, New York 10022, or (iii) calling (844) 794-3476 (toll free) or (917) 962-8499 (international) or (b) for a fee via PACER (except for ballots) at https://www.vaeb.uscourts.gov.

5. **When is the deadline to vote on the Plan?**

The Voting Deadline for the Plan is **October 5, 2018, at 5:00 p.m., prevailing Eastern Time**.

6. **How do I vote to accept or reject the Plan?**

The Debtors are distributing this Disclosure Statement along with a ballot to be used for voting to accept or reject the Plan to the Holders of Claims entitled to vote on the Plan. Detailed instructions regarding how to vote to accept or reject the Plan are contained on the ballots, return envelope, and other materials contained in the Solicitation Package. If you are a Holder of a Claim in Classes A4, A5, and B3, you may complete and sign the ballot and return it in the envelope provided on or before the Voting Deadline. It is within the Debtors' sole and absolute discretion to decide whether to count ballots that the Solicitation Agent receives after the Voting Deadline.

Any ballot that a Holder of a Claim properly executes but 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. Moreover, ballots received by facsimile will not be counted. Each Holder of a Claim entitled to vote to accept or reject the Plan may cast only one ballot for each Claim held by such Holder. By signing and returning a ballot, each Holder of a Claim in Classes A4, A5, and B3 will certify to the Bankruptcy Court and the Debtors that no other ballots with respect to such Claim have been cast or, if any other ballots have been cast with respect to such Claim, such earlier ballots are superseded and revoked.

The Solicitation Agent 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
The Solicitation Agent must **actually receive** ballots on or before the Voting Deadline, which is **October 5, 2018, at 5:00 p.m., prevailing Eastern Time**, either via the online portal, https://cases.primeclerk.com/toysrus, or at the following address: **Toys "R" Us, Inc. Ballot Processing** c/o Prime Clerk LLC 830 Third Avenue, New York, New York 10022 If you have any questions on the procedure for voting on the Plans, please call the Debtors at: (844) 794-3476 (toll free) or (917) 962-8499 (international)

7. **What is the Settlement Agreement and does it affect me?**

The order approving the Settlement Agreement can be found at https://cases.primeclerk.com/toysrus. The Settlement Agreement is the product of extensive and intense arm's-length negotiations over claims associated with the Debtors' domestic business by and among the Debtors, the Creditors' Committee, a group of prepetition secured lenders, a group of administrative claim holders, and the Sponsors. In short, at the hearing related to the U.S. Wind-Down, certain administrative creditors and the Creditors' Committee alleged potential Claims and Causes of Action against, among others, the Debtors, the Prepetition Secured Lenders, and the Sponsors related to the U.S. Wind-Down. In addition, the Creditors' Committee undertook an investigation into the Prepetition Secured Lenders' claims and liens in accordance with its authority under the Final DIP Orders and identified certain potential claims and causes of action that could be pursued against the Prepetition Secured Lenders. Through negotiations, the Settlement Parties determined that the Settlement Agreement struck a proper balance between those claims that should be preserved for the benefit of certain creditors and those claims that should be resolved through litigation, which could be value-destructive and reduce the likelihood that these cases would be expeditiously resolved. As such, they agreed that a consensual path forward would be the most efficient way to bring clarity, closure, and finality to these Chapter 11 Cases.

You are not being asked to take any action with respect to the Settlement Agreement now. If you are a Holder of an Administrative Claim, you had the right to opt out of the Settlement Agreement by following the opt-out procedures that the Bankruptcy Court had approved and was mailed to you on or about August 8, 2018. **Please refer to the Settlement Agreement for its complete terms, which control over any description or summary of those terms in this Disclosure Statement.**

Among other things, the Settlement Agreement resolves potential Claims and Causes of Action that the Creditors' Committee (on behalf of the Debtors' estates) or certain other parties could have asserted against the Term B-4 Lenders or other Prepetition Secured Lenders. First, the Settlement Agreement contemplates a significant cash payment for the benefit of Administrative Claim Holders—along with the potential for increased recoveries through preserved litigation and contingent sharing arrangements—from the Prepetition Secured Lenders' carve out, which will include significant value from their collateral, notwithstanding their superpriority administrative claims that were granted to such lenders as adequate protection. Second, it provides a waiver of all preference actions against prepetition creditors as well as postpetition creditors and vendors (other than any administrative creditors who choose to opt out of the Settlement Agreement). Third, the Settlement Agreement specifically preserves all potential claims and causes of action against the North American Debtors' current and former directors, officers, and managers (including Sponsor-appointed directors, officers, and managers) and transfers such claims and certain avoidance actions that Toys Inc. and the Toys Delaware Debtors may have under chapter 5 in the Bankruptcy Code

to a trust for the primary benefit of Holders of Administrative Claims, with the Holders of the Term B-4 Lenders Claims participating in a portion of those recoveries. Finally, the Settlement Agreement provides certainty to the Prepetition Secured Lenders and provides for mutual releases of claims among creditor constituencies in addition to the estate releases of Claims and Causes of Action against creditors. As such, creditors are receiving a significant benefit in exchange for the resolutions contained in the Settlement Agreement.

A baseline recovery for Holders of Administrative Claims is contemplated under the Settlement Agreement. Holders of Administrative Claims that participate in the Settlement Agreement will be entitled to their pro rata share of (a) $180 million set aside from the Prepetition Secured Lenders' recoveries, (b) certain contingent amounts once the post-petition recovery to the B-4 Lenders exceeds certain thresholds at Toys Delaware and Wayne (but not Geoffrey), and (c) the proceeds from the Non-Released Claims Trust, if any. Additionally, such Holders that do not opt out of the Settlement Agreement will receive a waiver of all preference and avoidance actions pursuant to the releases.

The key terms contained in the Plan pursuant to the Settlement Agreement are as follows:[6]

Terms	Summary Description
Economic Terms	• Toys Delaware will repay the Term DIP Facility in full. • After the Term DIP Facility is repaid in full, the Prepetition Secured Lenders will receive all remaining value in the Toys Delaware Estate, except as otherwise expressly set forth in the Settlement Agreement. • The Term Loan Wind-Down Carve Out will include the following consideration (collectively, the "Administrative Claims Distribution Pool"), which will be made available to merchandise vendors, critical vendors with agreed to but unpaid claims, and holders of other unpaid administrative claims not accounted for in the Wind-Down Budget (collectively, the "Administrative Claim Holders" and, the Allowed Claims held by such Administrative Claim Holders, the "Administrative Claims").
Fixed Amounts	• A fixed amount equal to $180 million ($160 million of which will be funded before the Term DIP Facility is repaid and $20 million of which will be funded with the first distributions after the Term DIP Facility is repaid), which shall include amounts required to be funded into the Merchandise Reserve pursuant to the DIP Amendment Order [Docket No. 2853]
Contingent Amounts	• Once the aggregate postpetition recovery of all Term B-4 Lenders from Toys Delaware and Wayne Real Estate Parent Company, LLC ("Wayne") reaches 50% of the face amount of the $1.003 billion in aggregate Term B-4 Claims (after giving effect to applicable distributions on account of Term B-2 Loans and Term B-3 Loans), (a) the Prepetition Secured Lenders will receive 50% of any further recoveries from Toys Delaware and the remaining 50% will be distributed to the Administrative Claims Distribution Pool, and (b) the Term B-4 Lenders will receive 50% of any further recoveries from Wayne and the remaining 50% will be distributed

[6] This summary is being provided for convenience only. In the event of any conflict between anything contained in this Disclosure Statement—including this summary—and the Settlement Agreement, the Settlement Agreement shall control.

Terms	Summary Description
	to the Administrative Claims Distribution Pool.
Residual Amounts	• If the Prepetition Secured Lenders receive payment in full, all other proceeds derived from the Toys Delaware liquidation will be distributed (a) first to Holders of all Administrative Claims in the Chapter 11 Cases until such Claims are paid in full and (b) then to Holders of Allowed General Unsecured Claims.
Non-Released Claims Trust	• The Administrative Claims Distribution Pool will fund a trust (the "Non-Released Claims Trust") that will be established for certain non-released claims and causes of action that Toys Delaware and Toys Inc. and their Estates have (the "Non-Released Claims") (a) against current and former directors, officers, or managers and (b) pursuant to the avoidance provisions under chapter 5 in the Bankruptcy Code or any state law equivalents against other parties including, among others, other debtor parties not defined as "Debtors" under the Plan and non-insider creditors not otherwise released. Additionally, proceeds available under the D&O Liability Insurance Policies will be used to satisfy recoveries that the Non-Released Claims Trust obtains on account of D&O Claims, if any. • Subject to Section 3.2(k) in the Settlement Agreement, amounts received from settling or litigating the Non-Released Claims will be distributed (a) first, to the Administrative Claims Distribution Pool until the amount provided to fund the Non-Released Claims has been recovered and (b) thereafter, 80% to the Administrative Claims Distribution Pool and 20% to the Prepetition Secured Lenders.

8. **What will I receive from the Debtors if the Plan is consummated?**

The following chart summarizes 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 Debtors' ability to confirm 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 such Holder's Allowed Claim or Allowed Interest, except to the extent that the Debtors and the Holders of such Allowed Claim or Allowed Interest, as applicable, agree to different treatment. 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 AND, THEREFORE, ARE SUBJECT TO CHANGE. FOR A COMPLETE DESCRIPTION OF THE DEBTORS' CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS, REFERENCE SHOULD BE MADE TO THE ENTIRE PLAN.[7]

[7] The recoveries set forth below may change based upon changes in the amount of Claims or Interests that are "Allowed" as well as other factors related to the Debtors' business operations and general economic conditions. "Allowed" means with respect to any Claim or Interest the following: (a) any Claim, proof of which is timely filed by the applicable Claims Bar Date or which, pursuant to the Bankruptcy Code or a Final Order is not required to be filed; (b) any Claim that is listed in (Continued…)

SUMMARY OF EXPECTED RECOVERIES[8]				
Class	**Claims/ Equity Interests**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
Class A1	Other Secured Claims against the Toys Delaware Debtors	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 Toys Delaware Debtors, each Holder thereof shall receive, at the option of the applicable Toys Delaware Debtor: (i) payment in full in cash solely from the proceeds of collateral securing such Allowed Other Secured Claim; (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, *provided*, *however*, that holders of Allowed Other Secured Claims shall not receive any distribution from the Administrative Claims Distribution Pool.	$300,000-400,000	100%
Class A2	Other Priority Claims against the Toys Delaware Debtors	Except to the extent there is any excess value available for distribution from the applicable Toys Delaware Debtor following repayment of all Secured Claims and all Claims entitled to senior or administrative priority in accordance with the Bankruptcy Code, on the Effective Date, or as soon as reasonably practicable thereafter, each Allowed Other Priority Claim against the Toys Delaware Debtors shall receive no distribution. The failure to object to Confirmation by a Holder of an Allowed Other Priority Claim against the Toys Delaware Debtors shall be deemed to be such Holder's consent to receive treatment for such Claim that	$275,000 - 1.5 million	0%

the Schedules as of the Effective Date as neither contingent, unliquidated, nor disputed, and for which no Proof of Claim has been timely filed; or (c) any Claim Allowed pursuant to the Plan; *provided*, *however*, that with respect to any Claim described in clause (a) above, such Claim shall be considered Allowed only if and to the extent that with respect to any Claim no objection to the allowance thereof has been interposed within the applicable period of time fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court or such an objection is so interposed and the Claim shall have been Allowed for distribution purposes only by a Final Order. 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 timely filed, is not considered Allowed and shall be expunged without further action by the Debtors or the Reorganized Debtors and without any further notice to or action, order or approval of the Bankruptcy Court.

8 As of the date hereof, there have been administrative claims filed in this proceeding totaling approximately $2.8 billion. This estimated amount does not include Claim No. 16963, filed in the amount of $100 billion. The Debtors are working to reconcile and diligence these claims.

SUMMARY OF EXPECTED RECOVERIES[8]				
Class	**Claims/ Equity Interests**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
		is different from that set forth in section 1129(a)(9) of the Bankruptcy Code.		
Class A3	Delaware Secured ABL/FILO Facility Claims against the Toys Delaware Debtors	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 Delaware Secured ABL/FILO Facility Claim, each holder thereof shall receive payment in full and cash.	$0.00	N/A[9]
Class A4	Term B-2 Loan and Term B-3 Loan Claims against the Toys Delaware Debtors	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 Term B-2 Loan and Term B-3 Loan claim, each Holder thereof shall receive its Term Loan Pro Rata Share of the Term B-2/B-3 Delaware Portion of (i) the Delaware Term Loan Distributable Proceeds and (ii) the Delaware Residual Interest Pool.	$185 million	38-50%[10]
Class A5	Term B-4 Loan Claims against the Toys Delaware Debtors	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 Term B-4 Loan Claim, each Holder thereof shall receive its Term Loan Pro Rata Share of (A) fifty percent (50%) of the Aggregate Canada Proceeds, and (B) the Term B-4 Delaware Portion of (i) the Delaware Term Loan Distributable Proceeds and (ii) the Delaware Residual Interest Pool.	$1 billion	38-55%[11]
Class A6	General Unsecured Claims against the Toys Delaware Debtors	Except to the extent there is any residual value available for distribution from the Toys Delaware Debtors after Classes A1 through A5, as well as Allowed Administrative Claims and Priority Tax Claims are paid in full, each General Unsecured Claim against the Toys	$1.07 billion- $1.76 billion	0%

9 The Delaware Secured ABL/FILO Facility has already been paid in full.

10 The current estimated recovery for this Class is an aggregate recovery for the Class based on Claims such Holders have against both the Toys Delaware and Geoffrey Debtors, incorporating similar assumptions with respect to all collateral held by such Holders. This estimate is based on information available as of the date hereof and subject to change.

11 The current estimated recovery for this Class is an aggregate recovery for the Class based on Claims such Holders have against both the Toys Delaware and Geoffrey Debtors, incorporating similar assumptions with respect to all collateral held by such Holders. This estimate is based on information available as of the date hereof and subject to change.

SUMMARY OF EXPECTED RECOVERIES[8]				
Class	**Claims/ Equity Interests**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
		Delaware Debtors shall receive no distribution on account of such General Unsecured Claim; however, Holders of General Unsecured Claims will receive their pro rata share of any such residual value.		
Class A7	Toys Delaware Debtor Intercompany Claims against other Toys Delaware Debtors	On the Effective Date or as soon as reasonably practicable thereafter, each allowed Toys Delaware Debtor Intercompany Claim against another Toys Delaware Debtor shall be reinstated, canceled and released, or receive such other treatment, in each case as agreed to by the applicable Debtors and the Ad Hoc Group of Term B-4 Lenders.	$374 million	0%
Class A8	Toys Delaware Intercompany Interests	Except as otherwise provided in the Toys Delaware Plan, Interests in the Toys Delaware Debtors other than Toys Delaware shall be reinstated, canceled and released, or receive such other treatment, in each case as agreed to by the applicable Debtors and the Ad Hoc Group of Term B-4 Lenders.	N/A	N/A
Class A9	Interests in Toys Delaware	On the Effective Date, each interest in Toys Delaware shall be canceled and released, unless the Delaware Retention Structure is utilized.	N/A	N/A
Claims and Interests Against the Geoffrey Debtors				
Class B1	Other Secured Claims against the Geoffrey Debtors	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, each Holder thereof shall receive, at the option of the Geoffrey Debtors: (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 in compliance; (iii) reinstatement of such other secured claim; or (iv) such other treatment as shall render such claim unimpaired.	$0-500	100%

SUMMARY OF EXPECTED RECOVERIES[8]				
Class	**Claims/ Equity Interests**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
Class B2	Other Priority Claims against the Geoffrey Debtors	On the Effective Date, or as soon as reasonably practicable thereafter, each allowed other priority claim against the Geoffrey Debtors shall be discharged and canceled in full and shall receive no distribution. The failure to object to Confirmation by a Holder of an Allowed Other Priority Claim against the Geoffrey Debtors shall be deemed to be such Holder's consent to receive treatment for such Claim that is different from that set forth in section 1129(a)(9) of the Bankruptcy Code.	$0.00	0%
Class B3	Term B-2 Loan, Term B-3 Loan, and Term B-4 Loan Claims against the Geoffrey Debtors	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction and discharge of each allowed Term B-2 Loan, Term B-3 Loan and Term B-4 Loan Claim, each holder thereof shall receive its Term Loan Pro Rata Share of: (i) the Geoffrey Proceeds, if any, and/or (ii) the Geoffrey Equity Pool.	$1.19 billion	38-54%[12]
Class B4	General Unsecured Claims against the Geoffrey Debtors	On the Effective Date, or as soon as reasonably practicable thereafter, each Allowed General Unsecured Claim against the Geoffrey Debtors shall be compromised, settled, released, and canceled in full and shall receive no distribution.	$0- $7.8 million	0%
Class B5	Geoffrey Debtor Intercompany Claims against other Geoffrey Debtors	On the Effective Date, or as soon as reasonably practicable thereafter, each Geoffrey Debtor Intercompany Claim against the other Geoffrey Debtors shall be reinstated, canceled and released, or receive such other treatment, in each case as agreed to by the applicable Debtors and the Ad Hoc Group of Term B-4 Lenders.	$45,000- 100,000	0-100%

[12] The current estimated recovery for this Class is an aggregate recovery for the Class based on Claims such Holders have against both the Toys Delaware and Geoffrey Debtors, incorporating similar assumptions with respect to all collateral held by such Holders. This estimate is based on information available as of the date hereof and subject to change.

SUMMARY OF EXPECTED RECOVERIES[8]				
Class	**Claims/ Equity Interests**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
Class B6	Geoffrey Debtor Intercompany Interests	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 Geoffrey Debtor Intercompany Interest, each Allowed Geoffrey Debtor Intercompany Interest shall be reinstated, canceled and released, or receive such other treatment, in each case as agreed to by the applicable Debtors and the Ad Hoc Group of Term B-4 Lenders.	N/A	N/A
Class B7	Interests in Geoffrey	On the Effective Date, each Interest in Geoffrey shall be cancelled, and released, unless the Delaware Retention Structure is utilized.	N/A	N/A

Any reinstatement of Intercompany Claims or Interests pursuant to the Plan (including pursuant to the Delaware Retention Structure) will be done solely for administrative ease and to avoid further liabilities to the Debtors. Any such preservation or reinstatement of Intercompany Claims or Interests or Interests in Toys Delaware will not provide any additional economic benefit to Holders of such Claims or Interests in contravention of the absolute priority rule.

9. **What will I receive from the Debtors if I hold an Allowed Administrative Claim or a Priority Tax Claim?**

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

10. **Will the Debtors file reports with the SEC?**

The Debtors do not expect to file reports with the SEC after these Chapter 11 Cases because they do not expect to be subject to the public reporting requirements under the Securities Exchange Act of 1934 or the regulations promulgated thereunder.

11. **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 Debtors will be able to effectuate the Restructuring Transactions. It is possible that any alternative may provide Holders of Claims and Interests with less than what they would have received pursuant to the Plan. Notwithstanding the foregoing, parties to the Settlement Agreement (including any Administrative Claim Holder that did not exercise its right to opt out therefrom) will still obtain certain recovery as contemplated under the Settlement Agreement.

12. **If the Plan provides that I get a distribution, when do I get it, and what does "Confirmation," "Effective Date," and "Consummation" mean?**

Confirmation of the Plan refers to the Bankruptcy Court's approval of the Plan. Confirmation of the Plan does not guarantee that you will receive the distribution indicated under the Plan. After the Plan is confirmed, there are conditions (described in Article IX of the Plan) that need to be satisfied or waived so that the Plan can be Consummated and become effective. References to the Effective Date mean the date that all conditions to the Plan have been satisfied or waived, at which point the Plan may be "consummated." Distributions will be made only after Consummation of the Plan and will be made only to Holders on account of Claims or Interests that are or become Allowed. See Article VI in this Disclosure Statement entitled "Statutory Requirements for Confirmation of the Plan" for further information on the confirmation process. For the avoidance of doubt, Settlement Parties may receive distributions pursuant to the Settlement Agreement Order notwithstanding Plan Confirmation.

13. **Is there potential litigation related to the Plan?**

Parties in interest may object to the Plan being confirmed, which could potentially give rise to litigation. In the event that it becomes necessary to confirm the Plan over a Classes' objection to or vote to reject the Plan, the Debtors may seek to confirm the Plan notwithstanding such objecting Classes' dissent. The Bankruptcy Court may confirm the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code. Section 1129(b) of the Bankruptcy Code allows the Bankruptcy Court to confirm a plan that has been rejected by an impaired Class, if it determines that the plan meets certain requirements for confirmation.

The Bankruptcy Court has established **October 5, 2018, at 5:00 p.m., prevailing Eastern Time**, as the deadline to object to Confirmation of the Plan (the "Plan Objection Deadline"). All objections to the Plan's confirmation must be filed with the Bankruptcy Court and served on the Debtors and certain other parties in interest in accordance with the order approving the Disclosure Statement and Solicitation Procedures so that they are **actually received** on or before the Plan Objection Deadline. The Debtors believe the Plan Objection Deadline, as established by the Bankruptcy Court, affords the Bankruptcy Court, the Debtors, and other parties in interest reasonable time to consider the objections to the Plan prior to a Confirmation Hearing.

14. **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.L of this Disclosure Statement, entitled "Settlement, Release, Injunction, and Related Provisions"), including releases for the following Released Parties, collectively, and, in each case, solely in its capacity as such: (a) the Creditors' Committee and its members; (b) the Delaware Secured ABL/FILO Facility Lenders; (c) the Prepetition Secured Term Lenders and the Secured Term Loan B Facility Agent; (d) the Ad Hoc Vendor Group and its members; (e) each of the Sponsors (but not for the avoidance of doubt Sponsor-appointed directors, officers, and managers in their capacities as such); (f) the members of the Ad Hoc Group of Term B-4 Lenders; (g) the Trustees and Agents; (h) the lenders under the North American DIP Facilities; (i) the Ad Hoc Group of Term B-2 and B-3 Lenders and its members; (j) all Holders of Administrative Claims who do not affirmatively opt-out of the Settlement Agreement; (k) the Debtors' employees, attorneys, accountants, consultants, investment bankers, and other professionals; and (l) with respect to each of the foregoing entities in clauses (a) through (k), such entity's non-Debtor affiliates (that are not the Taj Debtors, TRU Inc. Debtors, Propco I Debtors, Wayne, or the Propco II Plan Entities), and its and their respective directors, officers, agents, advisors, and professionals; *provided that*, notwithstanding any other provision in the Plan, "Released Parties" shall not include (i) Toys Inc. or any direct or indirect subsidiaries of Toys Inc., other than the Debtors (as defined the Plan), including the Propco I Debtors, the Propco II Plan Entities, Wayne, Toys "R" Us Europe, LLC, Toys (Labuan) Holding Limited or any of their direct or indirect subsidiaries or (ii) any D&O Party, regardless of whether they would otherwise meet the definition of Released Party under the Plan.

Releasing Parties under the Plan are collectively, and in each case solely in its capacity as such: (a) the Debtors (to the extent expressly set forth in the "Debtor Release" provision of the Plan); (b) the reorganized Debtors; (c) the Creditors' Committee and its members; (d) the Delaware Secured ABL/FILO Facility Lenders; (e) the Prepetition Secured Term Lenders and the Secured Term Loan B Facility Agent; (f) the Ad Hoc Vendor Group and its members; (g) each of the Sponsors (but not the Sponsor-appointed directors, officers, and managers); (h)

the members of the Ad Hoc Group of Term B-4 Lenders; (i) the Trustees and Agents; (j) the lenders under the North American DIP Facilities; (k) the Ad Hoc Group of Term B-2 and B-3 Lenders and its members; (l) all Holders of Administrative Claims who do not affirmatively opt-out of the Settlement Agreement; (m) all Holders of Claims and Interests that are deemed Unimpaired and presumed to accept the Plan and do not opt-out of the releases; (n) all Holders of Claims who vote to accept the Plan; (o) all Holders of Claims who receive a Ballot, abstain from voting, and do not otherwise opt-out of the releases; and (q) with respect to each of the foregoing entities in clauses (a) through (o), such entity's non-Debtor affiliates—except, for the avoidance of doubt, Toys "R" Us Europe, LLC and its direct and indirect subsidiaries—and its and their respective directors, officers, agents, advisors, and professionals; *provided that* parties deemed to reject the Plan are not Releasing Parties, *provided, further,* that "Releasing Parties" shall not include Toys Inc. or any subsidiaries (including Toys "R" Us Europe, LLC and its direct and indirect subsidiaries) or affiliates of Toys Inc. not specifically identified in this definition under the Plan.

The Plan also contains Avoidance Actions releases, which apply to any and all avoidance, recovery, subordination, or similar remedies that may be brought by or on behalf of the Debtors or the Estates, including Causes of Action or defenses arising under chapter 5 of the Bankruptcy Code or under similar or analogous state or federal law and common law, including fraudulent transfer and/or preference law. An Avoidance Action Released Party is (a) any non-insider holder of a prepetition or postpetition Claim against the Debtors (other than holders of Administrative Settlement Claims that opt out of the Settlement), regardless of whether such holder is entitled to participate in the Administrative Claims Distribution Pool, (b) any non-insider holder of an Administrative Settlement Claim other than holders of Administrative Settlement Claims that opt out of the Settlement Agreement, and (c) with respect to each of the foregoing entities in clauses (a) and (b), such entity's current and former affiliates, and each of such entity's, subsidiaries, officers, directors, managers, principals, members, employees, agents, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, in each case, solely in their capacity as such, *provided that,* notwithstanding the foregoing, Avoidance Action Released Parties shall not include (i) any affiliate or direct or indirect subsidiary of Toys Inc. (including the Propco I Debtors, the Propco II Plan Entities, Toys (Labuan) Holding Limited or any of their direct or indirect subsidiaries) or (ii) any of the D&O Parties.

The Debtors believe that the releases, third-party releases, exculpation, and avoidance action releases included in the Plan are an integral part of the Restructuring Transactions, Settlement Agreement, Plan, and the Debtors' overall efforts during these Chapter 11 Cases. Further, the Debtors assert that many of the Released Parties and the Exculpated Parties have made substantial and valuable contributions to the U.S. Wind-Down through efforts to negotiate and implement the Settlement Agreement and the Plan, which will maximize the value of the Debtors' estates for the benefit of all parties in interest. Accordingly, the Debtors believe the Released Parties, the Exculpated Parties, and the Avoidance Action Released Parties warrant the benefit of such release and exculpation provisions, as applicable.

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

In addition, the Plan provides that (a) all Holders of Claims and Interests that are deemed to accept the Plan and do not opt-out of the releases; (b) all Holders of Claims that vote to accept the Plan; and (c) all Holders in Voting Classes who abstain from voting on the Plan and who do not opt out of the releases provided pursuant to the Plan will be deemed to have released all Causes of Action against the Debtors and the Released Parties. Holders of Claims and Interests in classes that are deemed to reject the Plan are not being asked to give—and will not be giving—any releases under the Plan.

The Asia JV and the Taj Holders Steering Group dispute that there are any valid causes of action against the Asia JV relating to the Asia JV MLA, the Subsidy Agreement, or any other contract or transaction and reserve any and all rights, claims, arguments, and defenses with respect to the same. The Toys Delaware and Geoffrey Disinterested Directors dispute the foregoing assertions, and, as set forth in this Disclosure Statement, the Geoffrey Disinterested Director believes Geoffrey has valid and meritorious Causes of Action against the Asia JV and/or its subsidiaries in respect of the Asia JV MLA and/or the Subsidy Agreement, which were fully preserved under the IP Assumption Order entered by the Bankruptcy Court. In addition, Toys Delaware and Geoffrey maintain that any

purported reservation of rights by the Asia JV and the Taj Holders Steering Group (either in this Disclosure Statement or in the Plan) is subject in all respects to the IP Assumption Orders and any other final Court orders.

15. **Are any Claims being preserved for the benefit of creditors under the Plan?**

Yes; as set forth above, the Plan does not release any claims that Toys Delaware, Toys Inc., and their Estates may have against current and former directors, officers, or managers (including the Sponsor-affiliated directors, officers, or managers). All such claims are being expressly preserved under the Settlement Agreement and Plan. The claims that Toys Delaware and Toys Inc. have against these D&O Parties are being transferred and/or assigned to the Non-Released Claims Trust under the Plan for the primary benefit of holders of Administrative Claims that are eligible to participate in the Administrative Claims Distribution Pool. Such claims include, but are not limited to, claims for breach of fiduciary duty for transactions or actions that the Debtors have consummated both prior to and following the Petition Date as well as any claims against the D&O Parties related to conversion, constructive trust, and unjust enrichment. In addition, certain avoidance actions that Toys Delaware and Toys Inc. may have under chapter 5 of the Bankruptcy Code and state law equivalents and that are not otherwise released under the Settlement Agreement are being transferred to the Non-Released Claims Trust. These non-released avoidance action claims include, but are not limited to, avoidance actions against other Toys Inc. subsidiaries and affiliates, such as claims to recover potential overpayments in rent that Toys Delaware made to either Propco I or Propco II.

All claims that the Geoffrey Debtors have against D&O Parties are likewise being preserved under the Settlement Agreement and Plan for the benefit of the Term B-4 Lenders with claims against the Geoffrey Debtors.

16. **Do the Debtors recommend voting in favor of the Plan?**

Yes. The Debtors believe the Plan provides for a larger distribution to the Debtors' creditors than would otherwise result from any other available alternative. The Plan is the culmination of extensive arm's-length and good faith negotiations with various stakeholders. As such, the Debtors believe that the Plan is in the best interest of all Holders of Claims and Interests and that any alternatives, to the extent that they exist, fail to realize or recognize the value inherent under the Plan and the Settlement Agreement.

17. **When is the hearing on Confirmation of the Plan expected to occur?**

Assuming the requisite acceptances are obtained for the Plan, the Debtors intend to seek Confirmation of the Plan at a hearing to be scheduled on **October 10, 2018, at 1:00 p.m., prevailing Eastern Time**, before the Honorable Keith L. Phillips (or whomever may be sitting in his place and stead), United States Bankruptcy Judge, in Courtroom No. 5100 of the United States Court for the Eastern District of Virginia, 701 East Broad Street, Richmond, Virginia 23219 (each such hearing, a "Confirmation Hearing"). A 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 prior to a Confirmation Hearing, may put in place additional procedures governing that hearing. The Plan may be modified, if necessary, prior to, during, or as a result of the hearing to confirm the Plan without further notice to parties in interest.

ARTICLE II.
THE DEBTORS' BACKGROUND

A. *The Debtors' Business*

1. **The Debtors' Business Overview**

For many children around the world, Toys "R" Us is not just a retail store—it is an experience. Children find joy in perusing the toy-filled aisles for their favorite items while parents appreciate having all the latest merchandise available at one convenient location. The Company strategically placed stores across 49 states in the

U.S., Puerto Rico, Guam, and 37 other countries. As such, the Toys "R" Us enterprise can be divided generally into two silos: (a) the North American operations and (b) the European, Asian, African, Australian, and the Middle Eastern operations.

The North American Business. There were over 980 retail locations in the U.S., its territories, and Canada prior to the Petition Date (including temporary stores). These stores operated under brand names that include Toys "R" Us, Babies "R" Us, Toys "R" Us Outlet, and Toys "R" Us Express, with Toys "R" Us being one of the most widely recognizable brands among children. Toys "R" Us stores catered to kids and carried the newest and most popular bikes, scooters, building blocks, playsets, puzzles, video games, outdoor equipment, action figures, and dolls, among other merchandise. Babies "R" Us, on the other hand, is the Company's specialty retail store for baby products and furniture. Consumers turned to Babies "R" Us knowing that they can find the latest items for infants and toddlers, obtain shopping expertise for their babies' needs, and create gift registries for newborns and children. The Company's goal has been to develop loyal Babies "R" Us customers whose children would eventually grow up and become Toys "R" Us kids.

These Toys "R" Us and Babies "R" Us stores could be found in regional malls, strip malls, lifestyle centers, outlet centers, power centers, and street level locations. In the U.S., prior to the Petition Date, Toys Delaware owned thirteen retail properties (which included two surplus properties) and either leased or ground leased the remaining retail properties. It also either owned or leased eight distribution and warehouse centers, which contained management systems that stored and supplied the merchandise for the North American operations, and leased its corporate headquarters. The leases were executed between Toys Delaware and either (a) Toys "R" Us Property Company I, LLC, ("Propco I") an affiliated debtor in a separate chapter 11 proceeding,[13] pursuant to a certain Amended and Restated Master Lease Agreement dated as of July 9, 2009,[14] (b) Toys "R" Us Property Company II, LLC ("Propco II") and MAP 2005 Real Estate, LLC, both debtors in these chapter 11 cases, or (c) third-party landlords, including Simon Property Group, Inc., DDR Corp., Kimco, and Brixmor.

In addition to holding certain real estate assets, Toys Delaware served as the operating company for the U.S. business and wholly-owned Toys Canada, which operates the Canadian business. Toys Delaware would coordinate and provide various essential functions for certain international and North American operations. The Global Resource Center (the Company's global headquarters) served as the hub for such shared services and is located in Wayne, New Jersey. The functions provided range from shared IT infrastructure and services, certain corporate services, management services for the private label business, and global branding and communications teams to merchandising and supply chain management, finance and store operations, analytics and reporting, marketing, and e-commerce. Toys Delaware facilitated these services to allow the Company to realize economies of scale and avoid duplicative costs.

Furthermore, Geoffrey, a Toys Delaware subsidiary based in the U.S., owns substantially all of the Company's (excluding the Canadian affiliates) intellectual property (the "Intellectual Property"), which includes the Toys "R" Us trade name, trademarks, service marks, mascot, various registered domain names, a substantial private label business, a baby registry, and customer and email marketing lists. Geoffrey's sole function is to license this Intellectual Property to operating Debtor and non-Debtor affiliates and third parties in the ordinary course of business in exchange for royalty payments. These Intellectual Property assets are valuable, as such assets increase brand recognition and allow the Company to build equity value in its operations.

The International Business and Geoffrey Licensing. As of February 3, 2018, certain of the North American Debtors' affiliates operated over 770 Company-branded stores across 17 international markets. Geoffrey

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13 Toys "R" Us Property Company I, LLC's case is being administered under case no. 18-31429 in the Bankruptcy Court.

14 Toys "R" Us Property Company I, LLC, Toys "R" Us Property Company II, LLC, and MAP 2005 Real Estate LLC, separately, either own the properties or is party to the original lease agreements for certain properties that were leased to Toys Delaware.

licenses its Intellectual Property to these entities pursuant to certain agreements so as to ensure a cohesive global brand for the Toys "R" Us enterprise. Two significant intercompany license agreements govern Geoffrey's relationship with its foreign affiliates: (1) that certain Master License Agreement dated March 24, 2017, by and among Geoffrey, the Asia JV, Toys Inc., and Toys "R" Us Holdings (China) Limited[15] (as amended from time to time and together with the subsidiary license agreements issued pursuant thereto, the "Asia JV MLA") and (2) that certain License Agreement dated February 1, 2009, by and among Geoffrey and each of the non-Debtor affiliate counterparties thereto from time to time (the "European-Australian License Agreement"). In 2017, Geoffrey received approximately $81 million in total royalty payments pursuant to the Asia JV MLA and the European-Australian License Agreement. Geoffrey is currently undertaking a marketing process to sell the intellectual property assets.

Global Supply Chain. Prior to the U.S. Wind-Down, the Company obtained their merchandise from a variety of international and North American vendors, some of which offered the Company in-demand products at higher allocations, exclusive products, and advertising support. The Company had eighteen distribution centers to support the North American and international operations when these Chapter 11 Cases were filed. Such distribution centers implemented management systems for their inventory levels and distribution costs, and third-party logistic providers managed warehouse operations and deliveries to the stores. The systems and third-party logistic providers optimized flexibility and allowed the stores to maintain optimum stock levels.

Moreover, the Company's ability to maintain a robust and uninterrupted inventory supply was vital to customers shopping at Toys "R" Us, Babies "R" Us, and other band named stores on a repeat basis throughout the year. The Toys "R" Us enterprise could not compete in the marketplace if it failed to procure products in line with consumer expectations or did not obtain goods and services necessary to conduct business in the ordinary course. As such, there were certain vendors that the Company considered more critical to their North American and international operations. These vendors offered a number of important services, including general supplies and packaging materials, regulating direct mail and digital marketing campaigns, and providing brand creative services. Often times, the Company obtained these products and services from vendors on trade terms that were favorable and allowed stores to receive their purchases on a regularly scheduled basis.

2. The Debtors' Corporate History

Toys "R" Us has its roots in Children's Bargain Town, a baby furniture store that Charles Lazarus founded in 1948 to capitalize on the post-World War II baby boom. Lazarus eventually added toys and other baby products to the array of merchandise sold at Children's Bargain Town, which became a success. This led Lazarus to open his first store dedicated exclusively to toys in 1957 called Toys "R" Us. The Company went on to open big-box stores across the U.S., dominating the toy industry with deep discounts and a huge selection that soon squeezed out smaller mom-and-pop toy shops.

In light of the Company's opportunities for growth, the Company completed an initial public offering in 1978. This allowed the Company to capitalize on its popularity and brand recognition and execute on plans to expand into various markets. In 1984, the Company opened the first wholly-owned Toys "R" Us store in Canada and licensed operations in Singapore. Eventually, in 1996, Babies "R" Us was opened for business, and, shortly thereafter, Toysrus.com entered the burgeoning U.S. online marketplace. Over time, the Company grew a broad customer base and loyalty program that reached approximately 19 million and 12 million domestic and international users, respectively.

Following a highly competitive process, the Company was acquired and taken private in 2005. An investment group comprising entities advised by or affiliated with the Sponsors bought Toys "R" Us for approximately $6.6 billion, including $5.3 billion in debt secured in large part by the Company assets. After going

[15] In addition, Geoffrey entered into a subsidy letter agreement dated March 24, 2017, with the Asia JV (the "Subsidy Agreement").

private, the Company opened new stores in China and Southeast Asia. Accordingly, Toys "R" Us was a global enterprise and a leader in the toy industries throughout Asia, North America, Europe, Australia, and Africa.

B. *Summary of Prepetition Capital Structure*

As of the Petition Date, the Debtors had approximately $5.3 billion in total funded debt between its domestic and international operations. Toys Delaware Debtors' funded debt totaled approximately $2.8 billion, including the $250 million intercompany indebtedness owed to Toys Inc. The instruments evidencing the Debtors indebtedness are summarized in the table below, and more details are set forth thereafter.

Funded Debt	**Maturity**	**Outstanding Amount as of 9/17/17**
North American Debt Facilities[16]		
8.75% Unsecured Notes	September 1, 2021	$22 million
ABL Facility (Delaware Secured ABL Facility)	March 21, 2019	$1,025 million[17]
FILO Facility (Delaware Secured ABL Facility)	October 24, 2019	$280 million
Term B-2 Loans (Secured Term Loan B Facility)	May 25, 2018	$123 million
Term B-3 Loans (Secured Term Loan B Facility)	May 25, 2018	$61 million
Term B-4 Loans (Secured Term Loan B Facility)	April 24, 2020	$998 million
	Total Funded Debt	$2,509 million
Intercompany Indebtedness Between Toys Inc. and Toys Delaware[18]		
2006 Grid Promissory Note (Toys Inc. as Borrower)	November 30, 2020	$390 million
2009 Promissory Note (Toys Inc. as Borrower)	November 30, 2020	$313 million
2009 Promissory Note (Toys Delaware as Borrower)	February 3, 2018	$250 million[19]

16 The outstanding balances under the ABL Facility and FILO Facility includes Toys Canada's liabilities; the balances without Toys Canada's liabilities are $948 million and $155 million, respectively.

17 $1,850 million of total commitments.

18 The majority of the intercompany indebtedness listed is Toys Inc. debt that is owed to Toys Delaware and is included so parties are aware of the debt obligations between Toys Inc. and Toys Delaware.

19 This number is as of September 18, 2017.

Funded Debt	Maturity	Outstanding Amount as of 9/17/17
2012 Intercompany Credit Agreement (Toys Inc. as Borrower)	December 31, 2018	$91 million
2012 Promissory Note (Toys Inc. as Borrower)	August 1, 2018	$302 million

1. **North American Debt Facilities**

(a) **8.75% Unsecured Notes**

Toys Inc. and Toys Delaware, as co-issuers, and The Bank of New York, as successor trustee (the "8.75% Unsecured Notes Indenture Trustee"), are parties to that certain Indenture, dated as of August 21, 1991 (as amended, novated, supplemented, extended, or restated from time to time, the "8.75% Unsecured Notes Indenture"). Pursuant to the 8.75% Unsecured Notes Indenture, Toys Inc. and Toys Delaware co-issued $200 million in original principal amount of 8.75% unsecured notes due September 1, 2021 (the "8.75% Unsecured Notes"). No other Debtor entities guarantees or is otherwise obligated under the 8.75% Unsecured Notes. Approximately $22 million in aggregate principal amount remains outstanding.

(b) **Delaware Secured ABL Facility**

Toys Delaware, as lead borrower, Toys Canada, as Canadian borrower, Bank of America, N.A. as administrative agent (the "Delaware Secured ABL Facility Agent"), Bank of America, N.A. and Wells Fargo Bank, N.A., as co-collateral agents, and certain financial institutions, as lenders, entered into the Third Amended and Restated Credit Agreement, dated as of March 21, 2014 (as amended, novated, supplemented, extended or restated from time to time, including through the First Amendment dated as of October 24, 2014, the "Delaware Secured ABL Credit Agreement"). The Delaware ABL Credit Agreement provides for (a) a senior secured asset based revolving credit facility with a $1.85 billion revolving commitment that matures on March 21, 2019 (the "Delaware Secured ABL Facility") and (b) a senior secured tranche A-1 "first-in-last-out" $280 million term loan that matures on October 24, 2019 (the "Delaware A-1 FILO Facility" and, together with the Delaware Secured ABL Facility, the "Delaware Secured ABL/FILO Facility"). Certain Toys Delaware Debtors and Geoffrey serve as guarantors for the Delaware Secured ABL Facility.

Subject to certain exceptions, the Delaware Secured ABL Facility provides for a first priority lien on Toys Delaware's assets and the assets belonging to certain Toys Delaware Debtors and Geoffrey, all of which serve as guarantors thereunder. This includes accounts receivable, inventory, certain deposit accounts, and amounts deposited therein. A third priority lien exists on common equity shares in Toys Canada. In addition, certain assets belonging to Toys Canada serve as a security interest for Toys Canada's obligations under the Delaware ABL Facility. Such assets include accounts receivable, inventory, certain deposit accounts, and amounts deposited therein. Toys Canada has no liability for Toys Delaware's or any other U.S. loan party's obligations under the Delaware ABL Credit Agreement. As of the Petition Date, approximately $1,025 million in borrowings and approximately $91 million of letters of credit are outstanding under the Delaware Secured ABL Facility.

(c) **Secured Term Loan B Facility**

Toys Delaware, as borrower, entered into a certain Amended and Restated Credit Agreement, dated as of August 24, 2010 (as amended, novated, supplemented, extended, or restated from time to time, the "Term Loan B Credit Agreement"), with Bank of America, N.A., as administrative agent (the "Secured Term Loan B Facility Agent") and certain lender parties. The Term Loan B Credit Agreement provides for several tranches of term loans that include (a) term loans maturing on May 25, 2018, in an initial aggregate principal amount of approximately

$400 million (the "Term B-2 Loans"),[20] (b) term loans maturing on May 25, 2018, in an initial aggregate principal amount of approximately $225 million (the "Term B-3 Loans"),[21] and (c) term loans maturing on April 24, 2020, in an initial aggregate principal amount of approximately $1,025 million (the "Term B-4 Loans"[22] and, together with the Term B-2 Loans and Term B-3 Loans, the "Secured Term Loan B Facility"). Certain Toys Delaware Debtors, the Geoffrey Debtors, and Wayne are guarantors for the Secured Term Loan B Facility. As of the Petition Date, the Secured Term Loan B Facility's tranches had the following aggregate principal amounts outstanding: (a) approximately $123 million under the Term B-2 Loans; (b) approximately $61 million under the Term B-3 Loans; and (c) approximately $998 million under the Term B-4 Loans.

The Term B-4 Loans were created pursuant to an amendment to the Term Loan B Credit Agreement dated as of October 24, 2014 ("Amendment No. 3"). Amendment No. 3 permitted the lenders for the Term B-2 Loans and Term B-3 Loans to extend the maturity date on these loans in exchange for the Term B-4 Loans. Wayne serves as the unsecured guarantee for the Term B-4 Loans.

A first priority lien on Geoffrey's intellectual property and a second priority lien on the collateral that the guarantors have pledged under the Delaware Secured ABL Facility serves as the collateral for the Secured Term Loan B Facility, subject to certain restrictions and exceptions. In addition to the aforementioned security interests and subject to certain restrictions, the Term B-4 Loans' lenders have a first priority security interest in the Canadian Pledge and, after a certain springing covenant is triggered (which occurs on the date that either (a) the 7.375% Notes have been redeemed, defeased, or discharged or (b) the negative pledge covenant and any restrictions on liens related to certain specified real property are removed from the 7.375% Notes, whichever is earlier), a first priority security interest in certain specified real property (subject to permitted liens, applicable law and any restrictions or limitations under the applicable deeds, leases, or real estate contracts). The Term B-2 Loans and Term B-3 Loans have a second priority lien on the pledge of the common equity shares in Toys Canada.

(d) **Intercreditor Agreements**

On August 24, 2010, the Delaware Secured ABL Facility Agent, the Secured Term Loan B Facility Agent, and others entered into that certain Amended and Restated Intercreditor Agreement, dated as of August 24, 2010 (as amended, amended and restated, supplemented, or otherwise modified from time to time (including pursuant to that certain amendment to the Amended and Restated Intercreditor Agreement, dated as of October 24, 2014 ("Amendment No. 1")) (the "ABL-Term Intercreditor Agreement")), which, among other things, governs each agents' relative rights and priorities with respect to the shared collateral.

2. **Intercompany Indebtedness Between Toys Inc. and Toys Delaware**

(a) **Toys Inc. and Toys Delaware Intercompany Credit Agreement**

Toys Inc., borrowed $90 million from Toys Delaware under that certain Credit Agreement dated July 25, 2012 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Intercompany Credit Agreement"). The intercompany loan under the Intercompany Credit Agreement matures on December 31, 2018. Approximately $91 remains outstanding as of the Petition Date.

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20 Toys Delaware; Toys Acquisition, LLC; TRU of Puerto Rico, Inc.; TRU-SVC, Inc.; Geoffrey; Geoffrey LLC; and Geoffrey International, LLC are obligors on this debt.

21 Toys Delaware; Toys Acquisition, LLC; TRU of Puerto Rico, Inc.; TRU-SVC, Inc.; Geoffrey; Geoffrey LLC; and Geoffrey International, LLC are obligors on this debt.

22 Toys Delaware; Toys Acquisition, LLC; TRU of Puerto Rico, Inc.; TRU-SVC, Inc.; Geoffrey; Geoffrey LLC; Geoffrey International, LLC; and Wayne Real Estate Parent Company, LLC are obligors on this debt.

(b) **2006 Grid Promissory Note**

Toys Inc. and Toys Delaware are parties to that certain Promissory Note, dated January 28, 2006 (as amended, amended and restated, extended, supplemented or otherwise modified from time to time, the "2006 Grid Promissory Note"), which evidences the intercompany loans made between Toys Inc. and Toys Delaware both as borrowers and lenders. Both Toys Inc. and Toys Delaware are permitted to offset and net any amounts owed to the other under the 2006 Grid Promissory Note. As of the Petition Date, the outstanding amount under the 2006 Grid Promissory Note was approximately $390 million that Toys Inc. owed to Toys Delaware. The 2006 Grid Promissory Note matures on November 30, 2020.

(c) **2009 Intercompany Promissory Note (Toys Inc. as Borrower)**

Toys Inc., as borrower, and Toys Delaware, as lender, entered into that certain promissory note, dated as of June 15, 2009 (as amended, amended and restated, extended, supplemented or otherwise modified from time to time, the "2009 Promissory Note") pursuant to which Toys Inc. borrowed an initial principal amount of $150 million. On July 29, 2017, the outstanding amount under the 2009 Promissory Note was approximately $313 million. The 2009 Promissory Note matures on November 30, 2020.

(d) **2009 Intercompany Promissory Note (Toys Delaware as Borrower)**

Toys Delaware borrowed an initial principal amount of $286 million from Toys Inc. under that certain Promissory Note, dated as of July 22, 2009 (as amended, amended and restated, extended, supplemented, or otherwise modified from time to time, the "July 2009 Promissory Note"). As of the Petition Date, approximately $250 million remained outstanding under the July 2009 Promissory Note, which matured on February 3, 2018.

(e) **2012 Intercompany Promissory Note**

Toys Inc., as borrower, and Toy Delaware, as lender, entered into a promissory note, dated July 24, 2012 (as amended, amended and restated, extended, supplemented or otherwise modified from time to time, the "2012 Promissory Note") whereby Toys Inc. borrowed an aggregate principal amount of $175 million. As of the Petition Date, the amount outstanding under the 2012 Promissory Note was approximately $302 million. The 2012 Promissory Note matures on August 1, 2018

C. *Events Leading to the Chapter 11 Cases*

1. **Changing Retail Environment, Liquidity Concerns, and Debt Service Obligations**

The Debtors were no exception to the substantial challenges facing many other retailers over the last several years. Market forces in tandem with consumer trends towards online shopping have caused many retailers with primarily brick-and-mortar based business models to restructure their operations and, for some, to file voluntary petitions under the Bankruptcy Code. Toys "R" Us' business model fits this category of retailers, as it relied heavily on revenue being generated from consumer purchases at retail store locations to maintain profitability. Competition from online companies like Amazon® and big-box retailers such as Walmart® and Target® was a major contributing factor in the decline in the Company's revenues in recent years. Specifically, the Company's revenue decreased approximately 3.9 percent during the 2016 holiday season compared to the 2015 holiday season after certain competitors began implementing deep discounts to drive in-store sales. This trend continued into 2017, which forced the Company to limit its investments in growth initiatives.

In addition, prior to the Petition Date, the Company's capital structure was highly leveraged with an unsustainable cash debt service burden of approximately $400 million per year. The Company faced a $186 million liability, as the Term B-2 Loans and Term B-3 Loans had a scheduled maturity in May 2018. Applicable accounting regulations could have prompted the Company to make certain disclosures because there was substantial doubt about its ability to continue as a going concern in fiscal year 2018.

As a result, the Company decided that it needed a comprehensive deleveraging to right-size its balance sheet. The strategic decision to deleverage the capital structure would allow the Company to make necessary investments to maximize the business' long-term value. The Company hired Lazard Frères & Co. LLC ("Lazard") and other advisors to analyze different ways to raise approximately $200 million in incremental liquidity. They began engaging with potential lenders and their advisors about alternative structures for such incremental funds, including a sale-leaseback transaction with certain existing lenders. Ultimately, no such liquidity-enhancing transaction proved to be a viable option.

Meanwhile, the Company retained Kirkland & Ellis LLP ("K&E") and Alvarez & Marsal ("A&M") to focus on contingency planning, which involved securing DIP financing and preparing for an orderly chapter 11 filing. These plans were ultimately accelerated after a news article stating that the Company was considering restructuring options was published on September 6, 2017. Major media outlets around the world immediately picked up this story, and, within 72 hours, suppliers began to pull terms and withhold products that were not paid with cash on delivery. Most of the Company's international credit insurers withdrew or significantly limited their coverage for vendors shipping to the Company. This loss in product and tightening of liquidity had a deleterious impact on the Company's supply chain and happened at a time when the Company typically began securing additional inventory for the upcoming holiday season. Accordingly, the Company prepared for these Chapter 11 Cases, finalized negotiations, and documented the DIP financing arrangement on an expedited timeline so that it could resolve these operational and financial issues expeditiously.

2. **Internal Management and Operational Changes**

The 2013 adjusted EBITDA declined 43% from the prior year, which led to the Company implementing broad organizational changes to confront market headwinds and drive increased revenue. The Company's board of directors hired several new executives, such as a chief executive officer, chief financial officer, a chief talent officer, a communications and customer satisfaction officer, a supply chain officer, a chief technology officer, a general counsel, and a chief marketing officer. The newly revamped management team in coordination with the board of directors began making short- and long-term strategic changes to, among other things, the Company's inventory and supply chain process, website and information technology platform, and store formats. Investments and expansion into strategic geographic markets to stabilize and grow topline sales also became a priority. Yet, despite these efforts, the overall revenue trend in the U.S. continued to decline as the Company struggled to maintain market share and compete in the changing retail environment.

ARTICLE III.
EVENTS OF THE CHAPTER 11 CASES

A. *First Day Pleadings and Other Case Matters*

1. **First and Second Day Pleadings**

On the Petition Date, the Debtors filed their voluntary petitions for relief under chapter 11 (the "Petitions") of the Bankruptcy Code and various motions to facilitate the Chapter 11 Cases, to minimize disruption to the Debtors' businesses, and to continue operating as a going concern. The relief sought in the "first day" and "second day" pleadings allowed the Debtors to transition seamlessly into chapter 11 and aided in preserving the Company's going-concern value. A brief description of the first day motions and the evidence in support thereof are set forth in the *Declaration of David A. Brandon, Chief Executive Officer of Toys "R" Us, Inc., in Support of Chapter 11 Petitions and First Day Motio*ns (the "Brandon Declaration") [Docket No. 20] and the *Declaration of Michael J. Short, Chief Financial Officer of Toys "R" Us, Inc., in Support of Debtors' First Day Motions* [Docket No. 30] (the "Short Declaration" and, together with the Brandon Declaration, the "First Day Declarations") filed on September 19, 2017. The first and second day motions, the First Day Declarations, and all others for relief granted in these Chapter 11 Cases can be viewed at no charge at https://cases.primeclerk.com/toysrus.

2. **Procedural and Administrative Motions**

The Debtors received authorization to implement procedural and administrative measures that would allow them to efficiently administer their Chapter 11 Cases and reduce administrative burdens associated therewith. Such authority included the following:

- granting the joint administration of the Chapter 11 Cases;
- approving notice, case management, and administrative procedures to govern the Chapter 11 Cases;
- extending the time for the Debtors to file certain schedules of assets and liabilities, schedules of executory contracts and unexpired leases, and statements of financial affairs;
- authorizing the Debtors to file a consolidated list of creditors in lieu of a separate mailing matrix for each Debtor and to file a consolidated list of the Debtors' 50 largest creditors; and
- approving procedures for the interim compensation and reimbursement to retained Professionals in the Chapter 11 Cases.

3. **Stabilizing Operations**

The Debtors recognized that any interruption in their businesses, even if for a brief period of time, would negatively impact their operations, customer relationships, and revenue and profits. As a result, the Debtors obtained Court approval that facilitated stabilizing their businesses and effectuated a smooth transition into operating as debtors in possession. Specifically, the Debtors sought and obtained orders authorizing them to do the following:

- maintain and administer customer programs and honor obligations arising under or relating to those such programs;
- pay prepetition wages, salaries and other compensation, reimbursable employee expenses, employee medical costs, and similar benefits;
- determine adequate assurance for future utility service and establish procedures for utility providers to object to such assurance;
- continue insurance coverage, including performance under their self-insurance programs, and enter into new insurance policies, if necessary;
- establish procedures for certain transfers and declarations of worthlessness with respect to common stock;
- maintain their existing cash management systems; and
- remit and pay certain taxes and fees.

In addition to the foregoing relief, the Debtors sought and obtained Bankruptcy Court approval to pay up to approximately $325 million in certain prepetition vendor and third-party service providers' claims who the Debtors believed were essential to their ongoing business operations [Docket No. 708]. Importantly, the Debtors were able to condition payments of these prepetition claims on the vendors' agreement to provide, among other things, favorable trade terms for the postpetition procurement of goods from the vendors. This relief was critical to the Debtors maintaining their ongoing business operations at the early stages of their Chapter 11 Cases.

In connection with the Utility Motion and the Utility Objection, the Debtors and the Utility Objectors entered into the Utility Letter Agreement. Notwithstanding anything to the contrary in this Disclosure Statement or the Plan as filed or subsequently amended, the terms, conditions, and obligations of the Debtors and the Utility Objectors in the Utility Letter Agreement shall not be amended, modified, or changed absent a writing signed by the Debtors and the Utility Objectors authorizing any change to the foregoing.

4. **Retention Applications for Chapter 11 Professionals**

The Debtors filed several applications and obtained authority to retain various professionals to assist the Debtors in carrying out their duties under the Bankruptcy Code during the Chapter 11 Cases. These professionals include (a) K&E, as counsel, (b) Kutak Rock LLP, as co-counsel, (c) A&M, as restructuring advisors, (d) Lazard, as investment banker, (e) Prime Clerk, as solicitation agent and administrative agent, (f) A&G Realty Partners, LLC, as real estate consultant and advisor, (g) Cushman & Wakefield U.S., Inc., as co-real estate advisor, (h) Consensus Advisory Services LLC ("Consensus") and Consensus Securities LLC, as sale process investment bankers, (i) Malfitano Advisors, LLC, as asset dispositions advisor and consultant, (j) DJM Realty Services, LLC ("DJM"), as real estate consultant and advisor, (k) KPMG LLC, as tax consultants and internal audit advisor, and (l) PricewaterhouseCoopers LLP ("PwC"), as tax and accounting advisory consultants, among other professionals.

Toys Delaware and Geoffrey appointed their own Disinterested Directors who retained their own professionals for all matters involving a conflict of interest between other Debtors ("Conflict Matters"). Toys Delaware retained Curtis, Mallet-Prevost, Colt & Mosle LLP, as its counsel (Katten Muchin Rosenman LLP has succeeded Curtis, Mallet-Prevost, Colt & Mosle LLP, as counsel) and Zolfo Cooper, LLC, as its financial advisor, and Geoffrey retained Cleary Gottlieb Steen & Hamilton LLP, as its counsel, and Kaufman & Canoles, P.C, as co-counsel.

5. **Appointment of Members to the Creditors' Committee and its Counsel**

On September 26, 2017, the U.S. Trustee appointed the following constituents to the Creditors' Committee: (a) Mattel, Inc.; (b) Huffy Corporation; (c) Evenflo Company Inc.; (d) KIMCO Realty; (e) The Bank of New York Mellon, (f) Euler Hermes North America Insurance Co., (g) LEGO Systems, Inc., (h) Veritiv Operating Company, and (i) Simon Property Group, Inc. The Creditors' Committee retained (a) Kramer Levin Naftalis & Frankel LLP and Wolcott Rivers Gates as co-counsels, (b) Bennett Jones LLP as Canadian counsel, (c) Berwin Leighton Paisner LLP (which is now known as Bryan Cave Leighton Paisner LLP) as special foreign counsel, (d) Moelis & Company LLC as investment banker, (e) FTI Consulting, Inc. as financial advisor, and (f) JND Corporate Restructuring as information services agent. The Creditors' Committee established a website at www.jndla.com/cases/toyscommittee that has been maintained by and through JND Corporate Restructuring to share case information with unsecured creditors.

6. **Schedules, Statements, Claims Bar Date, and Administrative Claims Bar Date**

On November 16, 2017, the Debtors filed their Schedules and Statements with the Bankruptcy Court pursuant to section 521 of the Bankruptcy Code.

The Bankruptcy Code allows the time to be fixed as to when proofs of claim must be filed in a chapter 11 case. Subject to certain exceptions, any creditor whose Claim is not scheduled in the Schedules and Statements or whose Claim is scheduled as disputed, contingent, or unliquidated must file a Proof of Claim. The Bankruptcy Court entered the Amended Bar Date Order [Docket No. 1332] that established April 6, 2018, at 5:00 p.m., prevailing Eastern Time as the General Claims Bar Date ("Bar Date") for claimants with claims arising prior to the Petition Date, including claims under section 503(b)(9), to file Proofs of Claims. Government units and certain claimants with specific types of prepetition claims were required to submit their Proofs of Claim on or before June 18, 2018, at 5:00 p.m., prevailing Eastern Time.

Further, on May 25, 2018, the Bankruptcy Court entered an order establishing the following deadlines for filing certain administrative proofs of claim against the Debtors: (a) for an Administrative Claim arising on or prior to June 30, 2018: July 16, 2018, at 5:00 p.m., prevailing Eastern Time, and (b) for an Administrative Claim arising

after June 30, 2018: the affected party shall file a Proof of Administrative Claim with respect to such claim following the Administrative Claims Procedures by the earlier of (i) the 15th day of the month following the month in which the claim arose at 5:00 p.m., prevailing Eastern Time and (ii) 14 days following any hearing on a plan of liquidation, structured settlement, or other proposed resolution to the Debtors chapter 11 cases, at 5:00 p.m., prevailing Eastern Time [Docket No. 3260]. The Administrative Claims Procedures Order does not apply to Toys Canada or claims relating to Toys Canada.

The Debtors and their professionals continue to review and analyze Claims Filed in response to the Amended Bar Date Order and Administrative Bar Date Order and will file objections to Claims with the Bankruptcy Court as necessary and appropriate in compliance with the Bankruptcy Code, the Bankruptcy Rules, the Local Bankruptcy Rules, and the proposed Plan's terms. The Claims resolution process is ongoing, which means that the Claims figures identified in this Disclosure Statement represent *estimates* only. The recoveries set forth in this Disclosure Statement could be materially lower if the actual Allowed Claims are higher than the current estimates.

7. Postpetition Financing

Prior to the Petition Date, the Debtors and their advisors engaged in a marketing process to obtain DIP financing to fund their global operations during these Chapter 11 Cases. On October 25, 2017, the Bankruptcy Court approved approximately $3.1 billion in combined postpetition DIP financing for both the domestic and international silos. The North American DIP facility and subsequent waivers and amendments thereto is addressed below.

(a) Domestic Facilities

On October 24, 2017, the Bankruptcy Court authorized Toys Inc. and the Toys Delaware Debtors to receive approximately $2,750 million in postpetition financing on a final basis [Docket No. 711] (the "Final North American DIP Order") to support the Debtors' North American businesses in the U.S. and Canada. The Final North American DIP Order authorized on a senior secured and superpriority basis (a) $1,850 million in revolving commitments (the "ABL/FILO Revolving DIP Facility"), (b) $450 million pursuant to a "first in last out" term loan financing (the "ABL/FILO Term DIP Facility"), and (c) $450 million in term loan financing (the "Term DIP Facility"). The ABL/FILO Revolving DIP Facility and the ABL/FILO Term DIP Facility were obtained pursuant to that certain Superpriority Secured Debtor-In-Possession Credit Agreement, dated as of September 18, 2017, (as may be amended, restated, supplemented, waived, or otherwise modified from time to time and including the loan documents, the "ABL/FILO DIP Facility Credit Agreement") by and among Toys Delaware and Toys Canada, as borrowers, certain Debtor affiliates, as guarantors, Wells Fargo Bank, National Association, as collateral agent, and JPMorgan Chase Bank, N.A., as co-collateral agent and administrative agent (the "ABL/FILO DIP Facility Agents") for and on behalf of itself and the other lenders party thereto. The Term DIP Facility was issued pursuant to the terms and conditions under that certain Debtor-In-Possession Credit Agreement by and among Toys Delaware, as borrower, and NexBank SSB, as administrative agent and collateral agent (the "Term DIP Facility Agent," and, together with the ABL/FILO DIP Facility Agents, the "North American DIP Facility Agents") for and on behalf of itself and the other lenders party thereto (as may be amended, restated, supplemented, waived, or otherwise modified from time to time, the "Term DIP Facility Credit Agreement").

Pursuant to the Final North American DIP Order (a) the Debtors stipulated to, among other things, the amount, validity, perfection, enforceability, and priority of the claims and liens of the Prepetition Secured Parties (as defined in the Final DIP Financing Order) and waived and released the Prepetition Secured Parties and their representatives from any claims or causes of action arising prior to the Petition Date, and (b) all stipulations and releases by the Debtors were binding on all other parties in interest and the Creditors' Committee, subject to the Creditors' Committee's investigation of such claims and liens of the Prepetition Secured Parties and ability to commence an adversary proceeding or contested matter challenging such claims and liens (the "Challenge Period").

(b) Waiver for Domestic Facilities

The Debtors believed at the time of the Petition Date that the ABL/FILO Revolving DIP Facility, ABL/FILO Term DIP Facility, and the Term DIP Facility (collectively, the "North American DIP Facilities") were

sufficient to support their business operations as a going concern throughout these Chapter 11 Cases. It was the Debtors' belief that these financing agreements would provide the liquidity necessary to stabilize their vendor base and capitalize on the upcoming holiday season. The Debtors thought that the North American DIP Facilities were value-maximizing agreements and in the best interest of the estates. In particular, the Debtors believed that they would be able to comply with all financial covenants set forth therein.

However, sales from the holiday season came in lower than the Debtors' projections, which led to the Debtors' inability to comply with certain covenants set forth in the Term DIP Facility, declines in liquidity, and projected needs for a significant new cash investment to continue operating through the fall of 2018. The Debtors were able to obtain certain waivers through early March 2018 while they sought additional liquidity and/or a purchaser, but their efforts ultimately proved unsuccessful, and further waivers to permit operations in the ordinary course could not be obtained. In early March, the Debtors began an orderly wind-down of their U.S. operations following agreement with their lenders under the North American DIP Facilities on related waivers, a wind-down budget, and other matters. On April 25, 2018, the Bankruptcy Court entered final orders authorizing certain waivers under the North American DIP Facilities, which remain in full force and effect, except as modified [Docket No. 2853].

8. **IP Assumption**

Prior to the Petition Date, the Toys Inc. and its "Taj" debtor subsidiaries negotiated and agreed to a prospective waiver of certain defaults under certain indebtedness of the "Taj" debtors. Although no U.S. Debtor was liable in respect of such indebtedness, the waiver required the Debtors to assume certain "Intellectual Property Licenses" with certain subsidiaries of the "Taj" debtors within seven days following the Petition Date, which was later extended to December 15, 2017 (the "Taj Waiver"). On October 9, 2017, the definition of "Intellectual Property Licenses" was amended by the Taj Waiver to include the Subsidy Agreement in addition to the Asia JV MLA and other specific license agreements.[23] As a result, the Debtors filed the IP Assumption Motion [Docket No. 1263] and the Subsidy Motion [Docket No. 1264] on December 15, 2017, and the Bankruptcy Court entered final orders approving such motions on January 25, 2018 [Docket No. 1609; 1610] (collectively, the "IP Assumption Orders"). The IP Assumption Orders include certain reservations of rights and Causes of Action that were negotiated and agreed by and among all relevant parties to resolve objections of the Ad Hoc Group of B-4 Lenders and others. Among other things, the orders provide that the assumptions of the Asia JV MLA and the Subsidy Agreement "shall have no bearing on, and be without prejudice to, any and all causes of action of Geoffrey or its estate, any other Debtor or its estate or any creditor relating to the Intercompany IP License Agreements, the Subsidy Agreement, the March 2017 Transaction, or the transactions consummated in connection therewith, including without limitation: (i) any cause of action to avoid any obligation or transfer under any of the Intercompany IP License Agreements or the Subsidy Agreement . . . under sections 544 to 550 of the Bankruptcy Code."

While Geoffrey continues to investigate the circumstances of the March 2017 transactions, the Geoffrey Disinterested Director believes that valid and substantial causes of action against the Asia JV and/or its subsidiaries exist in respect of the Asia JV MLA and/or the Subsidy Agreement, which were fully preserved under the IP Assumption Orders. The Geoffrey Disinterested Director believes that the March 2017 transactions were designed to transfer significant value from Geoffrey to the Asia JV to the detriment of Geoffrey and its creditors. The Geoffrey Disinterested Director further believes that these transactions occurred at a time when Geoffrey was insolvent or undercapitalized and did not have an independent fiduciary and that Geoffrey did not receive reasonably equivalent value in connection with these transactions and, in particular, no value for entering into the Subsidy Agreement.

[23] The Debtors complied with the Taj Waiver, as amended, when they filed the *Debtors' Motion for Entry of an Order (I) Authorizing Geoffrey LLC to Assume the Intercompany IP License Agreements, and (II) Granting Related Relief* [Docket No. 1263] and the *Debtors' Motion for Entry of an Order (I) Authorizing Geoffrey LLC to Assume the Subsidy Agreement and (II) Granting Related Relief* [Docket No. 1264] on December 15, 2017.

The Asia JV and the Taj Holders Steering Group dispute Geoffrey's position and maintain instead that the IP Assumption Orders cannot be set aside and that there are no valid causes of action against the Asia JV and its subsidiaries relating to the Asia JV MLA or the Subsidy Agreement. They also maintain that a subsequent breach, repudiation, or rejection of those contracts will give rise to administrative expense claims in favor of the Asia JV. The Asia JV has filed Administrative Claims against Geoffrey asserting that as of August 15, 2018, Geoffrey owes no less than $21 million under the Subsidy Agreement. Geoffrey maintains that any successful challenge to the Asia JV MLA or the Subsidy Agreement, including a successful action to avoid the obligations under the Subsidy Agreement, will invalidate and render unenforceable any claims brought on the basis of any avoided agreement.

The parties, including the Geoffrey Debtors and the Asia JV, reserve any and all rights, claims, arguments, and defenses with respect to those contracts, the matters addressed in the IP Assumption Orders, and such other matters not specifically addressed therein.

Although the Geoffrey Disinterested Director and the Ad Hoc Group of B-4 Lenders believe that the Subsidy Agreement and the Asia JV MLA are separate agreements that could be disposed of separately, no transaction has been proposed under which the Subsidy Agreement and the Asia JV MLA will reside at different entities. To the extent any such transaction is proposed, it will be presented to the Bankruptcy Court for review and approval, as contemplated by the Bankruptcy Court-approved bidding procedures for the sale of the Debtors' intellectual property assets. For the avoidance of doubt, the Asia JV and the Taj Holders Steering Group believe the Subsidy Agreement and the Asia JV MLA are integrated agreements and cannot be separated.

9. **Litigation Matters**

In the ordinary course of business, the Debtors are parties to certain lawsuits, legal proceedings, collection proceedings, and claims arising out of their operations. The Debtors cannot predict with certainty the outcome of these lawsuits, legal proceedings, and claims. With certain exceptions, the filing of the Chapter 11 Cases operates as a stay with respect to litigation being commenced or continued against the Debtors that was or could have been commenced before the Petition Date. Any litigant's ability to collect on liabilities resulting therefrom is stayed due to these Chapter 11 Cases generally with such claims being subject to discharge, settlement, and release upon Plan confirmation, with certain exceptions.

On June 28, 2018, the Bankruptcy Court entered a second order extending the period during which the Debtors may file notices of removal with respect to civil actions that are subject to removal under 28 U.S.C. § 1452 [Docket No. 3596] to the later of (a) December 12, 2018, or (b) 30 days after entry of an order terminating the automatic stay with respect to any particular Civil Action sought to be removed.

10. **The Creditors' Committee Investigation of the Prepetition Secured Lenders**

To obtain post-petition financing, the Debtors stipulated to the validity, perfection, enforceability, priority, and extent of certain of their secured lenders' debt and liens and agreed to waive and release certain Claims and Causes of Action against those lenders. As noted above, the Creditors' Committee did not agree to be bound by these waivers, however. Instead, the Creditors' Committee negotiated certain periods of time during which it could investigate the scope of the lenders' claims and liens and, if warranted, seek standing to challenge such liens or to assert other Claims and Causes of Action relating to the Debtors' prepetition transactions. The Challenge Period as it relates to the Term B-4 Loan Claims and Term B-4 Lenders under the Final DIP Financing Order has been extended to August 3, 2018 [Docket Nos. 1772; 2465; 2920; 3282].

After conducting its investigation, the Creditors' Committee identified certain putative Claims and Causes of Action against the Prepetition Secured Lenders for which the Creditors' Committee intended to seek standing to pursue on behalf of the Debtors' estates. These putative Claims and Causes of Action can be broadly categorized as follows:

- **Lien Challenges.** Claims against the Prepetition Secured Lenders seeking to determine that certain collateral was actually unencumbered and seeking to avoid liens on certain collateral on the grounds that those liens were not properly perfected;

- **Alleged Term Loan B Collateral Preference.** Claims against the administrative agent for the Debtors' prepetition term loans asserting that an alleged increase in the value of the term lenders' collateral by virtue of inventory acquired in the 90 days prior to the Petition Date constituted an avoidable preference; and

- **Alleged Wayne Guaranty Claims.** Claims against the administrative agent for the Debtors' prepetition term loans asserting that the transaction pursuant to which Wayne issued a guaranty of the Term B-4 Lenders' secured indebtedness constituted a fraudulent conveyance.

The Prepetition Secured Parties believe that they have valid defenses to all of those potential claims. Among other things, the Prepetition Secured Lenders contend that any transfers during the 90-day period did not improve the lenders' collateral position and that any increase in collateral value prepetition is more than offset by postpetition decreases in collateral value and, thus, by adequate protection claims. They also contend that the Creditors' Committee cannot meet the elements of any claim to avoid the Wayne guarantee and that they have additional defenses as well. Nonetheless, in an effort to reach the Settlement Agreement, the Settlement Parties negotiated a good faith settlement of these and other similar Claims and Causes of Action that the Creditors' Committee may have sought standing to pursue on behalf of the North American Debtors' Estates pursuant to the Final DIP Financing Order.

These Claims and Causes of Action were ultimately compromised in connection with the negotiations that culminated in the Settlement Agreement. The Settlement Parties recognized that the outcome of litigation is uncertain and may cause the Settlement Parties to incur significant costs and suffer delay before resolving any such disputes. Thus, in consideration of the delays and carrying costs that would necessarily be borne by the Debtors' estates in the event the Creditors' Committee sought standing to pursue such Claims and Causes of Action, the Settlement Parties have agreed to resolve their disputes relating thereto by entering into the Settlement Agreement that formed the basis for the Plan.

11. **Rejection and Assumption of Executory Contracts and Unexpired Leases**

Prior to the Petition Date and in the ordinary course of business, the Debtors were party to over 11,000 Executory Contracts and Unexpired Leases related to, among other things, agreements with vendors, contractors, service providers, and landlords. The Debtors and their advisors have reviewed and will continue to review the Executory Contracts and Unexpired Leases to identify contracts and leases to either assume or reject pursuant to sections 365 or 1123 of the Bankruptcy Code. The Debtors intend to include such information in the Plan Supplement regarding the assumption or rejection of the remainder of their Executory Contracts and Unexpired Leases, although the Taj Debtors may elect to also assume or reject various Executory Contracts and Unexpired Leases before such time.

On December 8, 2017, the Bankruptcy Court entered the Order approving the Debtors' Assumption and Rejection Procedures for Executory Contracts and Unexpired Leases [Docket No. 1188]. Pursuant to these procedures, the Debtors have either rejected, assumed, or assumed and assigned over a thousand Executory Contracts and Unexpired Leases as of the date hereof.

B. *The Debtors' Restructuring Efforts*

The Debtors commenced their Chapter 11 Cases to address their organizational and operational issues, shrink their store footprint, and restructure their annual debt service obligations. However, the Debtors' financial projections for the 2017 fiscal year were not met, with EBITDA falling approximately $400 million below DIP budget projection for the 2017 fiscal year. As a result, the Debtors were unable to comply with certain covenants in the North American DIP Facilities and decided to wind-down their U.S. operations and sell U.S. and international assets after conversations with their secured creditors.

1. **U.S. Wind-Down**

On March 22, 2018, the Bankruptcy Court entered the Wind-Down Order authorizing the Debtors to begin closing U.S. stores and warehouses and selling inventory and certain real estate assets. By June 30, 2018, the Debtors successfully completed liquidation sales at all of their U.S. stores. The revenue derived therefrom will be used to fund recoveries under the Plan.

Additionally, the Debtors sought and obtained Bankruptcy Court authority to auction certain unexpired leases and real property [Docket Nos. 2351, 3056]. The Debtors conducted auctions on March 29, 2018, June 11, 2018, July 12, 2018, and July 19, 2018. As of the date hereof, the Debtors have obtained approval of the sale of the vast majority of such assets and are in the process of finalizing documentation and obtaining final approval for the properties sold in July.

2. **Canadian Sale**

The Debtors sold 100% of Toys Delaware's equity interest in Toys Canada to Fairfax Financial Holdings Limited free and clear of liens, claims, interests, and encumbrances after conducting a robust auction process. The Court approved this transaction [Docket No. 2852], which had a CAD 300 million purchase price. On May 24, 2018, the Bankruptcy Court entered an order dismissing Toys Canada from these Chapter 11 Cases.

3. **Transition Services**

The Canadian sale and the sale of certain international entities by the Debtors' affiliates both contemplate that Toys Delaware will continue to provide certain transition services to the respective purchasers, which is consistent with services that Toys Delaware provided to such operations previously. These services and related agreements were heavily negotiated between the parties, and the Bankruptcy Court has entered orders approving such agreements [Docket No. 3113, 3231]. If acceptable terms are negotiated, the Debtors anticipate that they will provide such services to the purchaser(s) of additional international operations, including the purchaser(s) of the Asia business. Accordingly, the Plan contemplates that a new entity will be created post-emergence to manage transition services.

A dispute has arisen between Toys Delaware and the Asia JV regarding $10,054,921.00 invoiced by Toys Delaware to two subsidiaries of the Asia JV (the "Invoiced Amounts") for services rendered prior to 2018 under that certain Information Technology and Administrative Support Services Agreement, dated as of February 1, 2009 (as amended from time to time, the "ITASSA"). The Asia JV has not paid any of the Invoiced Amounts. To avoid a contested hearing, the parties agreed to a 60-day reconciliation period concluding on the date of the July omnibus hearing during which time Toys Delaware and the Asia JV would endeavor to reach agreement on the Invoiced Amounts. During this 60-day period, Toys Delaware agreed to continue to provide shared services, both under the ITASSA and otherwise, to the Taj Debtors and their subsidiaries if and only to the extent that such entities paid for such services on a current basis. By order of the Bankruptcy Court entered on May 17, 2018 [Docket No. 3113] (the "TSA Order"), all rights of the parties were reserved with respect to these issues from and after the July Omnibus Hearing. *See id.*

The parties have engaged in extensive discussions regarding the Invoiced Amounts. However, as of the date hereof, the dispute remains unresolved, as Toys Delaware believes that it is entitled to payment in full of the Invoiced Amounts, and the Asia JV and the Taj Holders Steering Group dispute that assertion, and the Asia JV has not paid the Invoiced Amounts. To date, Toys Delaware has continued to provide services to the Asia JV even though the Asia JV has not paid the Invoiced Amounts and the dispute has not been resolved. Toys Delaware believes it is entitled to cease providing such services in light of the non-payment by the Asia JV and the expiration of the 60-day period in the TSA Order.

The Asia JV challenges the Invoiced Amounts and, consistent with the ITASSA, including section five thereof, the parties have been attempting to resolve the dispute.[24] The Asia JV notes that is has remained current with respect to its monthly ITASSA payments and has timely paid all invoices for services rendered since the chapter 11 cases began (except, for the avoidance of doubt, the Invoiced Amounts). The Asia JV also maintains that if Toys Delaware stops providing ITASSA Services without an acceptable transition services agreement in place, it may have an adverse impact on the value of the Asia business as well as the value of Toys Delaware's intellectual property. The Asia JV reserves any and all rights, claims, and defenses in the event Toys Delaware stops providing services or causes an interruption in services. Toys Delaware, in turn, reserves all rights, claims, and defenses resulting from the Asia JV's failure to pay any of the Invoiced Amounts and otherwise.

The Toys Delaware Disinterested Directors maintain that, notwithstanding anything contained in the *Objection of Toys (Labuan) Holding Limited to (A) Motion of Toys Delaware and Geoffrey for Entry of an Order (I) Approving Adequacy of Disclosure Statement, (II) Approving Solicitation and Notice Procedures with Respect to Confirmation of Proposed Chapter 11 Plans, (III) Approving Forms of Ballots and Notices in Connection Therewith, (IV) Scheduling Certain Dates with Respect Thereto, and (V) Granting Related Relief and (B) Related Disclosure Statement* [Docket No. 4367] (the "Asia JV Objection")[25] and the *Objection of the Ad Hoc Group of Taj Noteholders to the Debtors' Motion for Entry of an Order (I) Approving the Adequacy of the Disclosure Statement, (II) Approving the Solicitation Procedures with Respect to Confirmation of the Debtors' Proposed Chapter 11 Plans, (III) Approving the Forms of Ballots and Notices in Connection Therewith, (IV) Scheduling Certain Dates with Respect Thereto, and (V) Granting Related Relief* [Docket No. 4375] (the "Taj Noteholders Objection") filed by certain beneficial holders of, or the investment advisor or investment manager to certain beneficial holders of, Taj Senior Notes and Taj DIP Notes represented by Paul, Weiss, Rifkind, Wharton & Garrison LLP (the "Taj Holders Steering Group"), Toys Delaware (a) has no obligation to continue providing any shared services to the Taj Debtors or their subsidiaries during the remainder of these Chapter 11 Cases and (b) has no obligation to provide transition services to the purchaser(s) of the Asia business absent an agreement among the applicable parties and approval by the Bankruptcy Court. The Toys Delaware Disinterested Directors further submit that notwithstanding anything contained in the Asia JV Objection or the Taj Noteholders Objection, the terms of the prior transition services agreements approved by the Bankruptcy Court in these Chapter 11 Cases have no precedential effect on the terms, if any, that Toys Delaware may agree to in connection with a transition services agreement for the Asia business.

The Asia JV filed two objections to the Disclosure Statement [Docket Nos. 4637 and 4505] arguing, among other things, that any plan that does not provide for the payment in full in cash of administrative expense claims cannot satisfy section 1129(a)(9) of the Bankruptcy Code and cannot be confirmed. It also argued that to the extent the Toys Delaware Debtors' and Geoffrey Debtors' Disclosure Statements related to plans that did not provide for the payment of Allowed Administrative Expense Claims in full in cash, then they should not be approved. Toys Labuan similarly argued that the Geoffrey Debtors' Plan capped the Asia JV Allowed Administrative Claims and therefore could not satisfy section 1129(a)(9). The Toys Delaware Disinterested Directors, the Geoffrey Disinterested Directors, and the Ad Hoc Group of B-4 Lenders dispute each of those arguments.

The Asia JV's objections to the Disclosure Statement were resolved, however, when the Debtors advised the Asia JV that (a) the Administrative Claim asserted by the Asia JV (the "Asserted Asia JV Claim") is the only material Administrative Claim known to the Debtors to be asserted against the Geoffrey Debtors that may be

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[24] The Toys Delaware Disinterested Directors believe that only approximately $4.5 million of the Invoiced Amounts are currently in dispute.

[25] Among other things, the Asia JV Objection argues (at p. 11 (¶ 16)) that "Toys Delaware has acknowledged the importance of the ITASSA services to the continued operation of businesses like the Asia JV. Toys Delaware also exercised its business judgment on three occasions to enter into transition agreements to provide services through 2019 in connection with the sale of the Canadian Equity, the European Sale, and the sale of the Iberia business. It also recognized that Toys Labuan would profit from providing transition services regardless of the outcome of the Debtors' efforts to sell their non-U.S. operations through continuing payments and royalties from ongoing international operations." Toys Delaware's responses and disagreements with the Asia JV's assertions are set forth in this Disclosure Statement.

allowed; (b) in order for the Plan to go Effective, the Asserted Asia JV Claim, will need to be paid in full in cash to the extent, if any, of the Allowed amount thereof and not subject to any cap; (c) the $22,000,000 relating to the condition precedent to effectiveness of the Plan in section XI.B.5 is being increased to $26,000,000, which currently is expected to be sufficient to cover the full asserted amount of the Asia JV Allowed Administrative Claim; and (d) any and all of the Asia JV's objections to confirmation of the Plan are fully reserved, including, *inter alia*, the right to challenge confirmation on grounds that the Geoffrey Debtors' Plan does not comply with section 1129(a)(9) of the Bankruptcy Code and that the Debtors have not demonstrated that there is a valid basis to condition effectiveness of the Plan on the Allowed Administrative Claims against the Geoffrey Debtors not exceeding a dollar threshold.

4. **U.S. and International IP Sale Process**

Toys Delaware and Geoffrey are in the process of marketing or exclusively licensing their rights, title, and interest in and to their Intellectual Property [Docket No. 3601]. The Debtors' investment banker for this process, Consensus, has received numerous inquiries from parties interested in the assets and engaged with more than 100 potential purchasers, including major retailers, infant and juvenile consumer products businesses, brand buying and e-commerce organizations, and short-term strategic partners. The Debtors are continuing to work with interested parties regarding a potential sale.

5. **Asia JV Sale Process**

Toys "R" Us Europe, LLC and certain subsidiaries (collectively, the "Taj Debtors") are conducting a sale process for the 84.87% joint venture interest in the Asia JV, as of the date hereof. In connection with this process, Geoffrey is also offering the related intellectual property interest for sale and/or to modify the Asia JV MLA, subject to terms to be agreed. Over 125 potential investors were contacted and multiple prospective purchasers have submitted letters of intent and made both binding and non-binding bids. In order to facilitate a sale process designed to yield the highest and best price for these assets, the Debtors obtained the Bankruptcy Court's approval to provide bid protections for the joint venture and intellectual property assets and are seeking Bankruptcy Court approval to invalidate a right-of-first-refusal embedded in the governing shareholders' agreement and allow a "drag" right that permits the majority holder in the Asia JV to sell the minority interest on the same terms and conditions in conjunction with the sale process.

If acceptable terms are negotiated, the Debtors anticipate that they will provide certain transition services to the purchaser(s) of the Asia business. The Taj Debtors believe such services, whether provided pursuant to the ITASSA, or a substitute transition services agreement, are necessary to minimize disruption and maximize the value of the Asia business. The Asia JV and Taj Holders Steering Group assert that without continued ITASSA services, the Asia business may be adversely affected, as well as the value of the Asia business. However, Toys Delaware argues it is under no obligation to continue providing such services, in particular on the current terms, which the Toys Delaware Disinterested Directors and the Ad Hoc Group of B-4 Lenders believe were not negotiated at arm's length and do not adequately compensate Toys Delaware. The Toys Delaware Disinterested Directors further believe that, notwithstanding anything contained in the Asia JV Objection or the Taj Noteholders Objection, the terms of the prior transition services agreements approved by the Bankruptcy Court in these Chapter 11 Cases have no precedential effect on the terms, if any, that Toys Delaware may agree to in connection with a transition services agreement for the Asia business.

With respect to Geoffrey's Asia-related intellectual property and license agreement, the bids the Company received featured either (a) an offer to purchase Geoffrey Asia-related intellectual property, (b) the assumption of the existing licensing agreement (with multiple bids requiring certain modifications thereto), or (c) both a purchase/licensing option. In the most recent round of bidding, interested parties offered up to $216 million for the outright purchase of the Asia-related intellectual property and/or a license to the Asia-related intellectual property for a net 2% royalty, with one bidder requiring a 25-year extension of the license with an automatic 25-year renewal thereafter.

6. **Settlement Agreement**

As described herein, the Settlement Parties executed the Settlement Agreement on July 17, 2018, resolving and/or preserving certain parties' claims and allegations that related to the U.S. Wind-Down. The Settlement Parties engaged in extensive negotiations to set a baseline for recoveries for Administrative Claim Holders and established the Non-Released Claims Trust, the Merchandise Reserve, and the Administrative Distribution Pool for the benefit of various creditor constituencies. However, Holders of Allowed Administrative Claims are permitted to opt out of the Administrative Claims Distribution Pool if they do not wish to participate or be bound to the releases contained in the Plan. The Settlement Agreement Motion was filed on July 17, 2018, and a hearing to approve the Settlement Agreement was held on August 7, 2018. The Bankruptcy Court approved the Settlement Agreement on August 7, 2018, and the Settlement Order was entered on August 8, 2018, with all objections to the Settlement Agreement overruled. No appeal was taken from the Settlement Order, which is now final. On August 28, 2018, the Debtors Filed a notice confirming that the Settlement Agreement is fully effective.

ARTICLE IV.
SUMMARY OF THE PLAN

This section summarizes the Plan's structure, means for implementation, classification and treatment of Claims and Interests, and documents referred to therein. Statements contained in this Disclosure Statement do not purport to be precise or complete statements of all the terms and provisions in the Plan or documents referenced to therein. The Debtors refer you to the Plan and to such documents for the full and complete statement of such terms, provisions, and documents referred to therein.

In addition, the Plan controls the actual treatment of Claims against and Interests in the Debtors under the Plan and will be binding upon all Holders of Claims and Interests upon the occurrence of the Effective Date. In the event of any conflict between this Disclosure Statement and the Plan and operative documents, the Plan's terms and/or such other operative document shall control. Key terms under the Plan are summarized below.

A. *Administrative Claims*

Except for Claims of Professionals, unless previously Filed, requests for payment of Administrative Claims must be Filed with the Notice and Claims Agent no later than the Administrative Claims Bar Date as set forth in the Administrative Claims Bar Date Order or the Confirmation Order and notice of the Effective Date, as applicable. Holders of Administrative Claims that are required to File and serve or otherwise submit a request for payment of such Administrative Claims by the Administrative Bar Date that do not file and serve or otherwise submit such a request by the Administrative Claims Bar Date shall be forever barred, estopped, and enjoined from asserting such Administrative Claims against the Debtors, any purchaser of their assets, or their respective property, and such Administrative Claims shall be deemed compromised, settled, and released as of the Effective Date.[26]

Administrative Settlement Claims against the Toys Delaware Debtors shall be allowed and paid solely in accordance with the terms of the Settlement Agreement, which is appended to the Plan as **Exhibit A** and incorporated therein by reference as if fully set forth therein. Based on current analysis and working assumptions, the Debtors project that the total amount of Administrative Claims against the Toys Delaware Debtors will be between $808 million and $847 million.

On May 25, 2018, the Bankruptcy Court entered the Administrative Claims Bar Date Order, which *inter alia*, sets forth a process for reconciliation and allowance of asserted Administrative Claims. Pursuant to the Administrative Claims Bar Date Order, unless and until any other claims process is approved by the Bankruptcy Court, the Debtors are authorized but not required to reconcile and allow Administrative Claims and to allow such

[26] For the avoidance of doubt, administrative Intercompany Claims between Debtors will be treated separately than all other Administrative Claims or prepetition Intercompany Claims and will receive Treatment as agreed to by and among the applicable Debtors or as determined by the Bankruptcy Court.

claims in agreed amounts after (i) the Creditors' Committee is provided seven (7) business days' notice of such proposed reconciled and allowed amounts and does not object thereto or (ii) should the Creditors' Committee object thereto or seek additional diligence, after any objection has been resolved; *provided that* the Debtors' allowance of such Administrative Claim shall be consistent with the Final North American DIP Amendment Order. As such process for the reconciliation and allowance of asserted Administrative Claims applies to Administrative Claims of non-Debtor affiliates, including the Asia JV, any proposed allowance of any such asserted Administrative Claim against Geoffrey LLC or any objection to allowance of such asserted Administrative Claim shall be made solely by Geoffrey LLC in consultation with the creditors of Geoffrey LLC.

On the Effective Date, subject to the provisions regarding Professional Claims set forth below, excluding adequate protection claims and except to the extent that a holder of an Allowed Administrative Claim and the Geoffrey Debtors, as applicable, agree to less favorable treatment for such holder, any Holder of an Allowed Administrative Claim (including all Asia JV Allowed Administrative Claims, which the Asia JV asserts are no less than $21 million as of August 15, 2018) against the Geoffrey Debtors shall receive payment in full in cash, except to the extent that the Holder of such Administrative Claim agrees to less favorable treatment.[27] It is a condition precedent to the Consummation of the Geoffrey Plan that Allowed Administrative Claims against the Geoffrey Debtors not exceed $26,000,000.

Administrative Claims included in the Wind-Down Budget will be paid in full as provided for in the Wind-Down Budget, pursuant to the allocations included in the Wind-Down Budget. These Claims include, but are not limited to certain Claims for rent, services, and non-merchandise goods. For the avoidance of doubt, any party with claims included in the Wind-Down Budget shall not be entitled to any payments from the Administrative Claims Distribution Pool solely with respect to any amounts included in the Wind-Down Budget.

B. *Accrued Professional Compensation Claims*

1. **Professional Fee Escrow Account**

In accordance with Article II.B of the Plan, as soon as reasonably practicable after the Confirmation Date and no later than the Effective Date, the Debtors shall establish the Professional Fee Escrow Account. The Toys Delaware Debtors shall fund the Professional Fee Escrow Account with Cash in the amount of the aggregate Professional Fee Escrow Amount for all Professionals. The Professional Fee Escrow Account shall be funded on the Effective Date. The Professional Fee Escrow Account shall be maintained in trust for the Professionals. Such funds shall not be considered property of the Debtors' Estates or any of the Successor Entities, except as otherwise provided in the Settlement Agreement.

2. **Final Fee Applications and Payment of Accrued Professional Compensation Claims**

All final requests for payment of Claims of a Professional, including without limitation Substantial Contribution Claims, shall be Filed no later than 45 days after the last effective date of all chapter 11 plans filed in the Chapter 11 Cases of the Debtors and their affiliates that are being jointly administered with these Chapter 11 Cases. After notice and a hearing in accordance with the procedures established by the Bankruptcy Code and prior Bankruptcy Court orders, the Allowed amounts of such Accrued Professional Compensation Claims shall be determined by the Bankruptcy Court. The Allowed amount of Accrued Professional Compensation Claims owing to the Professionals shall be paid in Cash to such Professionals from funds held in the Professional Fee Escrow Account when such Claims are Allowed by a Final Order. After all Accrued Professional Compensation Claims have been paid in full, the Final Order allowing such Accrued Professional Compensation Claims shall direct the escrow agent to return any excess amounts contained in the Professional Fee Escrow Account to the applicable Successor Entities. Notwithstanding anything else to the contrary in the Plan or the Confirmation Order, at any time

[27] The Geoffrey Debtors reserve all rights to object to allowance of any asserted Administrative Claims, or to assert any setoff rights relating to such asserted Claims.

prior to the entry of the Final Order described in this section, any party in interest may object to the allocation of any professional fees or expenses to or among each or any of the Geoffrey Debtors, Toys Delaware Debtors, Toys Inc. or any of their respective subsidiaries and affiliates, whether or not they are debtors under the Bankruptcy Code. Notwithstanding anything to the contrary herein, the Fee Examiner Order shall remain in effect pursuant to its own terms.

The Creditors' Committee engaged Moelis & Company, LLC ("Moelis") as its investment banker pursuant to an engagement letter dated October 2, 2017 (the "Engagement Letter"). The Committee sought the Bankruptcy Court's approval to retain Moelis through the filing of the application [Docket No. 868]. The Bankruptcy Court entered an order approving the application (and the Engagement Letter) on November 21, 2017 [Docket No. 1054] (the "Moelis Retention Order"). Pursuant to the Moelis Retention Order, Moelis is retained as the Creditors' Committee's investment banker under section 328(a) of the Bankruptcy Code. The Moelis Retention Order directs each Debtor to pay Moelis's compensation and approves the terms and conditions of the Engagement Letter.

Moelis asserts that upon Consummation of the Plans, Moelis's fees and expenses will become Allowed Administrative Claims of the Debtors' estates pursuant to section 507(a)(2) of the Bankruptcy Code. Moelis further asserts that because the Plan requires Moelis to accept an undetermined amount of compensation that will be less than the amount to which it is entitled, the Plan faces a material confirmation issue. Moelis has been engaging and remains willing to engage with the Debtors and their stakeholders to consensually resolve this issue. Moelis reserves all of its rights in connection with Confirmation of the Plan.

For the avoidance of doubt, the allowance and payment of any fees and expenses of Moelis is subject in all respects to the *Order (I) Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Retained Professionals and (II) Granting Related Relief* [Docket No. 746] (the "Interim Compensation Order"). The Debtors and all other parties reserve all rights and arguments with respect to Moelis's claim, including the right to object to the claim on any grounds.

3. **Post-Confirmation Fees and Expenses**

Except as otherwise specifically provided in the Plan, from and after the Confirmation Date, the Debtors shall, in the ordinary course of business and without any further notice to or action, order, or approval of the Bankruptcy Court, pay in Cash the reasonable legal, professional, or other fees and expenses related to implementation and Consummation of the Plan incurred by the Debtors. Upon the Confirmation Date, any requirement that Professionals and Ordinary Course Professionals comply with sections 327 through 331 and 1103 of the Bankruptcy Code, the Interim Compensation Order, or the Ordinary Course Professionals Order, in seeking retention or compensation for services rendered after such date shall terminate, and the Debtors may employ and pay any Professional or Ordinary Course Professional in the ordinary course of business without any further notice to or action, order, or approval of the Bankruptcy Court.

4. **DIP Facility Claims against the Toys Delaware Debtors**

The ABL/FILO DIP Facility Claims against the Toys Delaware Debtors (other than any Claims based on the Debtors' contingent or indemnification obligations under the ABL/FILO DIP Facility Credit Agreement for which no claim has been made) have been paid in their entirety and shall, therefore, be allowed in the aggregate amount of $0.00.[28] Notwithstanding anything to the contrary herein, the ABL/FILO DIP Facility Credit Agreement shall continue in effect for the purpose of preserving the ABL/FILO DIP Agents' and the ABL/FILO DIP Lenders' rights to any contingent or indemnification obligations, which shall continue in full force and effect after the Effective Date, pursuant and subject to the terms of the ABL/FILO DIP Facility Credit Agreement or DIP Orders.

[28] All outstanding letters of credit under this facility have been fully cash collateralized.

Term DIP Facility Claims against the Toys Delaware Debtors shall be allowed in the aggregate principal amount of $200,000,000, or such lesser amount as may be outstanding as of the date of confirmation of the Plan, plus accrued and unpaid interest. In full and final satisfaction, compromise, settlement, and release of and in exchange for each allowed Term DIP Facility Claim against the Toys Delaware Debtors, each holder thereof shall receive residual proceeds from the sale of their collateral, as such proceeds are received, until paid in full or such proceeds are exhausted. For the avoidance of doubt, except for the Initial Fixed Amount, the Toys Delaware Debtors shall repay all remaining amounts owing under the Term DIP Facility prior to making any other distributions, including distributions into the Administrative Claims Distribution Pool.

C. *Priority Tax Claims*

Holders of Allowed Priority Tax Claims shall receive any excess value available for distribution from the applicable Debtor following repayment of all secured claims and all claims entitled to senior or administrative priority in accordance with the Bankruptcy Code, if any. The failure to object to Confirmation by a Holder of an Allowed Priority Tax Claim shall be deemed to be such Holder's consent to receive treatment for such Claim that is different from that set forth in section 1129(a)(9) of the Bankruptcy Code.

D. *Classification and Treatment of Claims and Interests Under the Plan*

1. **General Settlement of Claims**

In accordance with section 1123(a)(1) of the Bankruptcy Code, the DIP Facility Claims, Administrative Claims, and Priority Tax Claims have not been classified and, thus, are excluded from the Classes of Claims and Interests as set forth in Article III of the Plan.

2. **Treatment of Claims and Interests**

The recoveries to holders of Claims and Interests are described in Article III.D of this Disclosure Statement, entitled "Am I entitled to vote on the Plan?" and discussed in Article III of the Plan.

3. **Special Provision Governing Unimpaired Claims**

Except as otherwise provided in the Plan, nothing under the Plan shall affect the rights of the Debtors in respect of any Unimpaired Claims, including all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Unimpaired Claims.

4. **Elimination of Vacant Classes**

Any Class of Claims or Interests that, as of the commencement of the Confirmation Hearing, does not have at least one Holder of a Claim or Interest that is Allowed in an amount greater than zero for voting purposes pursuant to the Disclosure Statement Order shall be considered vacant, deemed eliminated from the Plan for purposes of voting to accept or reject the Plan, and disregarded for purposes of determining whether the Plan satisfies section 1129(a)(8) of the Bankruptcy Code with respect to that Class.

5. **Subordinated Claims**

The allowance, classification, and treatment of all Allowed Claims and Allowed Interests and the respective distributions and treatments under the Plan take into account and conform to the relative priority and rights of the Claims and Interests in each Class in connection with any contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code, or otherwise. Pursuant to section 510 of the Bankruptcy Code, the Debtors and the Successor Entities, as applicable, reserve the right to re-classify any Allowed Claim or Allowed Interest in accordance with any contractual, legal, or equitable subordination relating thereto.

E. *Means for Implementation of the Plan*

1. **Restructuring Transactions and Sources of Consideration for Plan Distributions**

The Confirmation Order shall be deemed to authorize the Debtors to 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. With respect to the Plan, all amounts of Cash necessary for the Debtors or the Disbursing Agent to make payments or distributions pursuant hereto (to the extent not already paid pursuant to the Settlement Order) shall be obtained from the proceeds of the wind-down of the Debtors' operations, Liquidating Trust, the Reorganized Debtors, Causes of Action held by the applicable Debtors (other than any Non-Released Causes of Action, including D&O Claims), or the Administrative Claims Distribution Pool, as applicable.

2. **Settlement**

The Settlement Order shall remain in full force and effect and the Debtors shall continue to fulfill their obligations thereunder. The Settlement Agreement shall be incorporated as if fully set forth in the Plan.

As set forth in the Settlement Order, holders of Administrative Claims shall (to the extent such holder does not opt out of the Settlement) provide the releases described in the Settlement Order in order to participate in the Administrative Claims Distribution Pool. Any portion of the Administrative Claims Distribution Pool allocable to opt outs will be paid to the Prepetition Secured Term Lenders.

3. **Geoffrey Plan**

The Geoffrey Plan contained herein is a separate chapter 11 plan with respect to the Geoffrey Debtors only, that may be confirmed notwithstanding the Confirmation, denial, or withdrawal of the chapter 11 plans of the Toys Delaware Debtors or any other debtor affiliates.

(a) **Asset Sales**

Prior to the Effective Date, the Geoffrey Debtors have been authorized to continue to conduct a marketing process for all or substantially all of the assets of the Geoffrey Debtors. In the event of a sale, the Holders of Claims against the Geoffrey Debtors will receive the Geoffrey Proceeds, if any, as set forth in Article III of the Plan.

As provided for in the Geoffrey Bidding Procedures, the Prepetition Secured Lenders shall be permitted to submit a credit bid for any or all of the Geoffrey Assets.

Although the Geoffrey Disinterested Director and the Ad Hoc Group of B-4 Lenders believe that the Subsidy Agreement and the Asia JV MLA are separate, independent agreements that could be disposed of separately, no transaction has been proposed under which the Subsidy Agreement and the Asia JV MLA will reside at different entities. To the extent any such transaction is proposed, it will be presented to the Bankruptcy Court for review and approval, as contemplated by the Bankruptcy Court-approved bidding procedures for the sale of the Debtors' intellectual property assets. For the avoidance of doubt, the Asia JV and the Taj Holders Steering Group believe the Subsidy Agreement and the Asia JV MLA are integrated agreements and cannot be separated.

(b) **Payment of Geoffrey Sale Proceeds**

Subject to revocation of the Geoffrey Plan in accordance with Article X.C of the Plan, the Geoffrey Debtors shall fund the distributions to Holders of Allowed Administrative Claims, Professional Fee Claims, Other Secured Claims, Priority Claims, and Priority Tax Claims against the Geoffrey Debtors in accordance with the treatment of such Claims as provided in the Plan. The Geoffrey Debtors' remaining Cash on hand (if any), including remaining Geoffrey Proceeds (if any) and any other Cash received or generated by the Geoffrey Debtors, shall be used to fund the distributions to Holders of Allowed Claims and Interests against the Geoffrey Debtors in accordance with the treatment of such Claims and Interests and subject to the terms provided in the Plan.

(c) **Transfer or Retention of Assets**

The Geoffrey Debtors may sell all or any of their assets pursuant to the Geoffrey Bidding Procedures Order or otherwise outside the Plan. Any un-sold Geoffrey Assets will be retained by the Reorganized Debtors (which may continue to be owned by Reorganized Toys Inc. if the Delaware Retention Structure is utilized), transferred to Toys NewCo in exchange for the equity interests of Toys NewCo, transferred to the Prepetition Secured Lenders as a turnover of collateral, or transferred to the Liquidating Trust. Holders of Allowed Claims and Interests against the Geoffrey Debtors will be treated in accordance with Article III of the Plan.

4. **Restructuring Transactions**

On the Effective Date, the Debtors shall implement the Restructuring Transactions. The actions to implement the Restructuring Transactions may include: (a) the execution and delivery of appropriate agreements or other documents of merger, amalgamation, consolidation, restructuring, conversion, disposition, transfer, arrangement, continuance, dissolution, sale, purchase, or liquidation containing terms that are consistent with the terms of the Plan and that satisfy the applicable requirements of applicable law and any other terms to which the applicable Entities may agree; (b) 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; (c) the filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion, amalgamation, arrangement, continuance, or dissolution pursuant to applicable state or provincial law; (d) creation of the Liquidating Trust or other Entities, foreign or domestic; (e) the exchange of indebtedness of the Debtors held by the Prepetition Secured Term Lenders (or by an entity formed by them) for all or a portion of the Geoffrey Assets, and/or the exchange of equity interests in an entity formed by the Prepetition Secured Term Lenders for all or a portion of the Geoffrey Assets, with such equity interests distributed to the Prepetition Secured Lenders as Plan consideration; and (f) all other actions that the applicable Entities determine to be necessary or appropriate and consistent with the Plan and Confirmation Order, including forming new entities and making filings or recordings that may be required by applicable law in connection with the Plan.

F. *Cancellation of Securities and Agreements*

On the Effective Date, except to the extent otherwise provided in the Plan, all notes, instruments, certificates, and other documents evidencing, or in any way related to, Claims or Interests shall be canceled and the obligations of the Debtors or the applicable Successor Entities thereunder or in any way related thereto shall be released, settled, and compromised; *provided*, *however*, that notwithstanding Confirmation or the occurrence of the Effective Date, any credit document or agreement that governs the rights of the Holder of a Claim or Interest shall continue in effect solely for the purposes of (a) allowing Holders of Allowed Claims to receive distributions under the Plan; (b) allowing the 8.75% Unsecured Notes Indenture Trustee to make distributions to holders of the 8.75% Unsecured Notes Claims pursuant to the indenture or bond agreement under which the 8.75% Unsecured Notes Indenture Trustee serves; (c) preserving the 8.75% Unsecured Notes Indenture Trustee's rights to compensation and indemnification under each of the applicable indentures or bond agreements as against any money or property distributable or allocable to Holders of 8.75% Unsecured Notes Claims, including, without limitation, the 8.75% Unsecured Notes Indenture Trustee's rights to maintain, enforce, and exercise its charging liens against such money or property; (d) permitting the 8.75% Unsecured Notes Indenture Trustee to appear in the Chapter 11 Cases or in any proceeding in the Bankruptcy Court or any other court.

G. *Settlement*

The Plan is intended to implement the Settlement Agreement in conjunction with the Settlement Order. The Debtors, the Reorganized Debtors, Non-Released Claims Trust Manager and the Liquidating Trustee are empowered to implement any and all Restructuring Transactions so long as (a) such actions do not materially reduce the distributions to Holders of Claims under the Plan or the Settlement Agreement and (b) the Settlement Parties consent to such actions (which consent shall not be unreasonably withheld).

H. *Transition Services*

On the Effective Date, all assets, contracts, resources, or any other personal property necessary to implement the Transition Services will vest in the applicable Successor Entities. The Successor Entities are authorized to provide all of the Transition Services, as set forth in any applicable Transition Service Agreements approved by the Bankruptcy Court. The Liquidating Trustee (or other applicable Successor Entity) will cooperate with Geoffrey and the Ad Hoc Group of Term B-4 Lenders to provide Transition Services to the Geoffrey Debtors if the Ad Hoc Group of Term B-4 Lenders determine that the Geoffrey Debtors require Transition Services after the Effective Date. The Successor Entities, and/or the Liquidating Trustee shall have no obligation to provide Transition Services absent an agreement among the applicable parties and, if entered into prior to the Effective Date, approval by the Bankruptcy Court. The Successor Entities and/or the Liquidating Trustee have no obligation to enter into any additional transition services agreements.

I. *Corporate Action*

Upon the Effective Date and without limiting any rights and remedies of the Debtors under the Plan or applicable law, the Debtors may structure the restructuring consummated pursuant to the Plan as a transfer of some or all of the Debtors' assets or stock to a newly formed corporation or other Entity, which transfer may be treated as a taxable transaction for United States federal income tax purposes and shall be deemed consummated on the Effective Date. Upon the Effective Date, all actions contemplated by the Plan shall be deemed authorized and approved in all respects, including the implementation of the Restructuring Transactions. All matters provided for in the Plan involving the corporate structure of the Debtors, and any corporate action required by the applicable Successor Entities or the Debtors in connection with the Plan shall be deemed to have occurred and shall be in effect, without any requirement of further action by the Security holders, directors, members, trustees, officers, or managers of the Debtors or any further notice to or action, order, or approval of the Bankruptcy Court. On or (as applicable) before the Effective Date, the appropriate officers of the Debtors shall be authorized and (as applicable) directed to issue, execute, and deliver the agreements, documents, securities, and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of the Debtors, including any and all other agreements, documents, securities, and instruments relating to the foregoing. The authorizations and approvals contemplated by Article IV.C of the Plan shall be effective notwithstanding any requirements under non-bankruptcy law.

1. **Dissolution and Board of the Directors**

As of the Effective Date, the existing boards of directors or boards of managers of the Debtors shall be dissolved without any further action required on the part of the Debtors or the Debtors' officers, directors, shareholders, and members and any all remaining officers, directors, managers, or managing members, with the exception of certain officers of each Debtor shall be dismissed without any further action required on the part of any such Debtor, the shareholders of such Debtor, the officers and directors of such Debtor, or the members of such Debtor, *provided that* the Liquidating Trust and/or the other Successor Entities may enter into agreements for the continued employment of certain Toys Delaware employees on reasonable terms, if reasonably necessary to effectuate the purpose of the Liquidating Trust or conduct its remaining business, as applicable.

2. **Effectuating Documents; Further Transactions**

On and after the Effective Date, the Debtors and their directors, members, trustees, officers, and managers are authorized to and may issue, execute, deliver, file, or record such contracts, Securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan and any Securities issued pursuant to the Plan in the name of and on behalf of the Debtors, without the need for any approvals, authorizations, or consents, except for those expressly required pursuant to the Plan, or any further notice to or action, order, or approval of the Bankruptcy Court.

J. *Section 1145 Exemption*

The offer, issuance, and distribution of the New Equity Interests in Toys NewCo, any other Successor Entity or newly-formed entity whose equity interests are distributed to Holders of Claims under the Plan, the Geoffrey Equity Pool, and if the Delaware Retention Structure is utilized, Reorganized Toys Inc. under the Plan shall be exempt (except with respect to an entity that is an "underwriter" as defined in subsection (b) of section 1145 of the Bankruptcy Code), pursuant to section 1145 of the Bankruptcy Code, without further act or action, from registration under (i) the Securities Act, and all rules and regulations promulgated thereunder and (ii) any state or local law requiring registration for the offer, issuance, or distribution of securities. Each of the foregoing securities (a) is not a "restricted security" as defined in Rule 144(a)(3) under the Securities Act, and (b) is freely tradable and transferable by any initial recipient thereof that (i) at the time of transfer, is not an "affiliate" (as defined in Rule 144(a)(1) under the Securities Act) of the issuer of such securities and has not been such an "affiliate" within 90 days of such transfer, and (ii) is not an entity that is an "underwriter" as defined in subsection (b) of section 1145 of the Bankruptcy Code.

To the extent beneficial interests in the Liquidating Trust are deemed to be "securities" as defined in section 2(a)(1) of the Securities Act, section 101 of the Bankruptcy Code, and applicable state securities laws, the Debtors intend that the exemption provisions of section 1145 of the Bankruptcy Code will apply to such beneficial interests.

Should the Debtors elect on or after the Effective Date to reflect any ownership of the New Equity Interests through the facilities of the DTC, the Debtors need not provide any further evidence other than the Plan or the Confirmation Order with respect to the treatment of the New Equity Interests under applicable securities laws. DTC shall be required to accept and conclusively rely upon the Plan and Confirmation Order in lieu of a legal opinion regarding whether the New Equity Interests issued under the Plan are exempt from registration and/or eligible for DTC book-entry delivery, settlement, and depository services. Notwithstanding anything to the contrary in the Plan, no entity (including, for the avoidance of doubt, DTC) may require a legal opinion regarding the validity of any transaction contemplated by the Plan, including, for the avoidance of doubt, whether the New Equity Interests issued under the Plan are exempt from registration and/or eligible for DTC book entry delivery, settlement, and depository services.

1. **Exemption from Certain Taxes and Fees**

Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property or any Interests pursuant to the Plan, including the recording of any amendments to such transfers, or any new mortgages or liens placed on the property in connection with such transfers, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, or other similar tax or governmental assessment, and upon entry of the Confirmation Order, the appropriate state or local governmental officials or agents shall forgo the collection of any such tax or governmental assessment and accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax, recordation fee, or governmental assessment

2. **D&O Insurance Policies**

After the Effective Date, the applicable Successor Entities shall not terminate or otherwise reduce the coverage under their directors' and officers' insurance policies (including the Existing Tail Policies) in effect on the Effective Date, with respect to conduct occurring prior thereto, and all officers, directors, trustees, managers, and members of the Debtors who served in such capacity at any time before the Effective Date shall be entitled to the full benefits of any such policy for the full term of such policy regardless of whether such officers, directors, trustees, or members remain in such positions after the Effective Date.

3. **Preservation of Rights of Action**

Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan, the Settlement Agreement, or a Bankruptcy Court order, the Debtors reserve

and may assert any and all Causes of Action, including any actions specifically enumerated in the Plan Supplement, whether arising before or after the Petition Date. The Debtors preserve, and assign to the applicable Successor Entities, the right to commence, prosecute, or settle all Causes of Action belonging to such Debtors or their estates, notwithstanding the occurrence of the Effective Date; *provided, however*, for the avoidance of doubt, the Non-Released Claims shall include all D&O Claims and shall be transferred and/or assigned to the Non-Released Claims Trust and the Non-Released Claims Trust Manager shall have the right to commence, prosecute, or settle such Non-Released Claims in its discretion, in consultation with the Non-Released Claims Trust Oversight Committee. The claims preserved hereunder and assigned to the applicable Successor Entities, also include, without limitation, all Causes of Action of the Geoffrey Debtors' estates against the D&O Parties and all Causes of Action (including under chapter 5 of the Bankruptcy Code) referenced or preserved in the *Order (I) Authorizing Geoffrey LLC to Assume the Subsidy Agreement and (II) Granting Related Relief* [Docket No. 1609] and/or the *Order (I) Authorizing Geoffrey LLC to Assume the Intercompany IP License Agreements and (II) Granting Related Relief* [Docket No. 1610]. The applicable Successor Entities may pursue such Causes of Action in their sole discretion. For the avoidance of doubt, Intercompany Claims and Causes of Action of the Debtors are preserved unless and until the applicable Debtor releases or compromises such claim pursuant to Article III of the Plan. Unless otherwise resolved prior to the Effective Date on terms acceptable to the Geoffrey Debtors, the Geoffrey Debtors and/or their applicable Successor Entities intend to pursue certain Claims and Causes of Action referenced and preserved by the IP Assumption Orders.

No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Cause of Action against them as any indication that the applicable Successor Entities or the Non-Released Claims Trust, as applicable, will not pursue any and all available Causes of Action against them. No preclusion doctrine, including the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation or Consummation.

The Debtors reserve the Causes of Action (including all Non-Released Claims and all D&O Claims) notwithstanding the assumption or rejection of any Executory Contract or Unexpired Lease during the Chapter 11 Cases or pursuant to the Plan. In accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that a Debtor may hold against any Entity shall vest in the Debtors, and, as applicable, be assigned to the applicable Successor Entities or the Non-Released Claims Trust, as applicable. The Debtors, the Successor Entities, or the Non-Released Claims Trust, as applicable, through their authorized agents or representatives, shall retain and may exclusively enforce any and all Causes of Action vested, transferred, or assigned to such entity. The Debtors, the Successor Entities, or the Non-Released Claims Trust, as applicable shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order, or approval of the Bankruptcy Court.

For the avoidance of doubt, under the Plan, and/or the Confirmation Order, all of the Debtors' rights, claims, interests, Causes of Action, damages, remedies, and equitable claims and interests on account of or with respect to all trademarks, trade names, service marks, symbols, logos, and any other intellectual property shall be reserved and, as applicable, assigned to the Successor Entities.

While Geoffrey continues to investigate the circumstances of the March 2017 transactions between Geoffrey and the Asia JV or its subsidiaries, the Geoffrey Disinterested Director believes that valid causes of action exist that are preserved under the IP Assumption Orders, including claims for actual intent and/or constructive fraudulent transfer, breach of fiduciary duty, and aiding and abetting breach of fiduciary duty. The Geoffrey Disinterested Director further believes that, contrary to certain assertions in objections to the Disclosure Statement, the Subsidy Agreement is a separate contract from the Asia JV MLA, where, *inter alia*, the agreements have different parties, do not contain cross-defaults, and, in several cases, have been executed at different times. .

The Asia JV and Taj Holders Steering Group dispute those assertions and dispute that there are any valid causes of action against the Asia JV relating to the Asia JV MLA, the Subsidy Agreement, or any other contract or transaction. They argue, among other things, that the Asia JV MLA and the Subsidy Agreement are integrated agreements, which the Geoffrey Disinterested Director disputes. The parties, including the Geoffrey Debtors and

the Asia JV, reserve any and all rights, claims, arguments, and defenses with respect to those contracts, the matters addressed in the IP Assumption Orders, and such other matters not specifically addressed therein.

K. *Wind-Down and Dissolution of the Toys Delaware Debtors*

On and after the Effective Date, the Liquidating Trustee (or other applicable Successor Entity) will implement any other provision of the Plan and any applicable orders of the Bankruptcy Court, and the Liquidating Trustee shall have the power and authority to take any action necessary to wind down and dissolve the Toys Delaware Debtors. After the Effective Date, the Debtors shall remain in existence for the sole purpose of dissolving. The Liquidating Trustee (or other applicable Successor Entity) shall: (1) cause the Debtors to comply with, and abide by, the terms of the Settlement Agreement; (2) file for each of the Debtors, a certificate of dissolution, together with all other necessary corporate and company documents, to effect the dissolution of the Debtors under the applicable laws of their state of incorporation or formation (as applicable); (3) complete and file all final or otherwise required federal, state, and local tax returns for each of the Debtors, and pursuant to section 505(b) of the Bankruptcy Code, request an expedited determination of any unpaid tax liability of such Debtor or its Estate for any tax incurred during the administration of such Debtor's Chapter 11 Case, as determined under applicable tax laws; and (4) reconcile (and if appropriate object to or settle) Claims against the Debtors in consultation with the Claims Oversight Representative; and (5) take such other actions as the Liquidating Trustee may determine to be necessary or desirable to carry out the purposes of the Plan. The filing by the Liquidating Trustee (or other applicable Successor Entity) of any Debtor's certificate of dissolution shall be authorized and approved in all respects without further action under applicable law, regulation, order, or rule, including any action by the stockholders, members, board of directors, or board of managers of each such Debtor. Solely to the extent and subject to the limitations provided in the Settlement Agreement, the Liquidator Agreement, the Plan, and the Confirmation Order, the Debtors shall fund the Liquidating Trust, as applicable, with funds to pay costs, expenses, or claims arising from or related to any Wind-Down. Notwithstanding anything in the Plan to the contrary, the Liquidating Trustee or the Disbursing Agent will make, or cause to be made, all distributions under the Plan other than those distributions made by the Debtors on the Effective Date.

In the event that the Debtors would continue to own any assets at the end of a tax year and the Debtors determine in consultation with the Ad Hoc Group of Term B-4 Lenders that steps should be taken to transfer all such remaining assets out of the Debtors into a separate entity, Reorganized Debtor, or trust prior to the conclusion of such tax year to minimize potential tax liabilities, the Debtors shall be authorized and empowered to make such transfer; *provided, however*, that such assets and the proceeds thereof shall remain subject to each provision of the Plan and Settlement Agreement as if such transfer had not occurred.

1. **Liquidation Trust**

On the Effective Date, to the extent any assets of the Toys Delaware Debtors or the Geoffrey Debtors remain and are not otherwise transferred to a trust or new entity pursuant to the Plan and the equity of such entities is not directly or indirectly distributed to Holders of Claims, a Liquidating Trust will be established for the primary purpose of liquidating the Liquidating Trust's assets, reconciling claims asserted against the Debtors (in consultation with the Claims Oversight Representative), and distributing the proceeds thereof in accordance with the applicable Plan, with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to, and consistent with, the purpose of the Liquidating Trust, including without limitation to provide Transition Services to the Debtors' affiliates in accordance with applicable agreements. Upon the transfer of the Debtors' assets and equity as more fully set forth in the Liquidator Agreement, the Debtors will have no reversionary or further interest in or with respect to the assets of the Liquidating Trust. The federal income tax treatment of the Liquidating Trust is discussed below.

To the extent beneficial interests in the Liquidating Trust are deemed to be "securities" as defined in section 2(a)(1) of the Securities Act, section 101 of the Bankruptcy Code, and applicable state securities laws, the Debtors intend that the exemption provisions of section 1145 of the Bankruptcy Code will apply to such beneficial interests.

2. **Liquidating Trustee**

Before or on the Effective Date, a Liquidating Trustee may be designated by the Debtors subject to the consent of the Ad Hoc Group of Term B-4 Lenders and the Creditors' Committee, pursuant to the terms of the Liquidator Agreement for the purposes administering the Liquidating Trust. The reasonable costs and expenses of the Liquidating Trustee shall be paid from the Liquidating Trust. The Liquidating Trustee shall only file tax returns for Debtors in jurisdictions where such Debtor previously filed tax returns, unless the Liquidating Trustee determines that a tax return is required to be filed due to a change in law, fact, or circumstance on or after the Effective Date. Following the Effective Date and in the event of the resignation or removal, liquidation, dissolution, death, or incapacity of the Liquidating Trustee, the Ad Hoc Group of Term B-4 Lenders in consultation with the Creditors' Committee shall designate another Entity to become Liquidating Trustee and such Entity will become the successor Liquidating Trustee and, without any further act, shall become fully vested with all of the rights, powers, duties, and obligations of the predecessor Liquidating Trustee.

The Entity chosen to be the successor Liquidating Trustee shall have such qualifications and experience to enable the Liquidating Trustee to perform its obligations under the Plan and under the Liquidator Agreement. The Liquidating Trustee shall be compensated and reimbursed for reasonable costs and expenses as set forth in, and in accordance with, the Liquidator Agreement.

L. *Settlement, Release, Injunction, and Related Provisions*

1. **Settlement, Compromise, and Release of Claims and Interests**

Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided pursuant to the Plan and Settlement Agreement, the distributions, rights, and treatment that are provided in the Plan shall be in settlement, compromise, and release, effective as of the Effective Date, of the Claims and Interests that are released, cancelled or discharged hereunder. The Confirmation Order shall be a judicial determination of the settlement, compromise, and release of such Claims and Interests subject to the Effective Date occurring.

2. **Discharge of Claims and Termination of Equity Interests**

Pursuant to section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan or in any contract, instrument, or other agreement or document created pursuant to the Plan, the distributions, rights, and treatment that are provided in the Plan shall be in complete satisfaction, discharge, and release, effective as of the Effective Date, of Claims (including any intercompany claims resolved or compromised after the Effective Date by the Debtors), interests, and causes of action of any nature whatsoever, including any interest accrued on claims or interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against, and interests in, the Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such claims and interests, including demands, liabilities, and causes of action that arose before the Effective Date, any liability (including withdrawal liability) to the extent such claims or interests relate to services performed by employees of the Debtors before the Effective Date and that arise from a termination of employment, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not: (1) a proof of claim based upon such debt or right is filed or deemed filed pursuant to section 501 of the Bankruptcy Code; (2) a claim or interest based upon such debt, right, or interest is allowed pursuant to section 502 of the Bankruptcy Code; or (3) the holder of such a claim or interest has accepted the Plan. Any default or "event of default" by the Debtors or their Affiliates with respect to any claim or interest that existed immediately before or on account of the filing of the chapter 11 cases shall be deemed cured (and no longer continuing) as of the Effective Date. The confirmation order shall be a judicial determination of the discharge of all Claims and Interests subject to the Effective Date occurring.

3. **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 Estates shall be fully released, settled, and compromised and all rights, titles, and interests of any Holder of such mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall revert to the Debtors.

4. **Releases by the Debtors**

Pursuant to section 1123(b) of the Bankruptcy Code, for good and valuable consideration, on and after the Effective Date, each Released Party shall be deemed released and discharged by the Debtors and the reorganized Debtors, and their estates from any and all claims and Causes of Action, including any derivative claims asserted on behalf of the Debtors, that the Debtors or the reorganized Debtors, or their 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 or Interest, or that any Holder of any Claim or Interest could have asserted on behalf of the Debtors, based on or relating to, or in any manner arising from, in whole or in part:

1. **the Debtors or the Debtors' in- or out-of-court restructuring efforts, intercompany transactions, the formulation, preparation, dissemination, negotiation, or filing of any documents related to the Restructuring;**
2. **any contract, instrument, release, or other agreement or document (including providing any legal opinion requested by any entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any Released Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the Restructuring, the Disclosure Statement, or the Plan;**
3. **the chapter 11 cases, the Disclosure Statement, the Plan, the filing of the 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;**
4. **all claims and Causes of Action, if any, against Administrative Claim Holders (including, without limitation, the merchandise vendors) that do not opt out of the Administrative Claims Distribution Pool[29] including from (a) all claims or Causes of Action relating to credits, rebates, advertising incentives, and like items, and (b) any claims for disgorgement or claw-back of any payments made on account of trade agreements or 503(b)(9) claims, provided that any claims described in clause (a) of this paragraph relating to credits, rebates, advertising incentives, and like items, may be asserted in a defensive manner as off-sets to the claims of merchandise vendors in the claims reconciliation procedures set forth in the Plan and in the Final North American DIP Amendment Order (or in any litigation in the event of a challenge to the reconciliation);**
5. **the negotiation, implementation, or terms of the Settlement Agreement and related term sheet;**
6. **the negotiation, implementation, terms, or amendments to the DIP Facilities or DIP Orders prior to or during the Chapter 11 Cases;**
7. **(a) the transactions undertaken by the Sponsors in relation to the acquisition of the interests in Toys Inc. or (b) any and all refinancing transactions or sale transactions related to the equity or assets of the Debtors undertaken, approved, planned, or implemented by any of the Sponsors and/or the**

[29] The Debtors reserve the right to reconcile the claims asserted by merchandise vendors based on trade allowances, credits or other trade agreements, and all merchandise vendors reserve and retain the right to challenge any such claim by the Debtors.

Debtor's managers, officers, directors, and employees, as applicable; or

8. **any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date relating to any of the foregoing.**

The Debtors shall also waive and release any Claims or Causes of Action relating to credits, rebates, advertising incentives, and like items against Holders of General Unsecured Claims, provided that the Debtors reserve the right to reconcile any asserted General Unsecured Claims based on such Claims or Causes of Action; *provided, further*, for the avoidance of doubt, nothing in this Section shall apply to any Intercompany Claim or Cause of Action.

For the avoidance of doubt, nothing in this Section of the Plan or the Plan shall release any Non-Released Claims, any D&O Claims, or any claims of the Geoffrey Debtors against the D&O Parties. Notwithstanding anything to the contrary, the releases set forth in this Section under the Plan do not release (i) any post-Effective Date obligations of any party or Entity under the Plan or any document, instrument, or agreement (including those set forth in the plan supplement) executed to implement the Plan or (ii) any Intercompany Claims or Causes of Action (including any claims or Causes of Action of any of the Geoffrey Debtors against Toys (Labuan) Holding Limited or any of its direct or indirect subsidiaries).

5. **Releases of Avoidance Actions by the Debtors**

On and after the Effective Date, the Debtors waive, release and discharge any and all Avoidance Actions against all Released Parties, including any Avoidance Action Released Party, *provided, however*, that, for the avoidance of doubt, nothing in this Section of the Plan or the Plan shall release any Non-Released Claims, any D&O Claims, or any claims of the Geoffrey Debtors against the D&O Parties, or against any direct or indirect subsidiaries of Toys Inc.

6. **Releases by Holders of Claims and Interests**

As of the Effective Date, in addition to the releases in the Settlement Agreement, each Releasing Party is deemed to have released and discharged each Debtor, reorganized Debtor, and other Released Party from any and all claims and Causes of Action, including any derivative claims asserted on behalf of the 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, and solely to the extent relating to the Debtors:

1. **the Debtors or the Debtors' in- or out-of-court restructuring efforts, intercompany transactions, the formulation, preparation, dissemination, negotiation, or filing of any documents related to the Restructuring;**
2. **any contract, instrument, release, or other agreement or document (including providing any legal opinion requested by any entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any Released Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the Restructuring, the Disclosure Statement, or the Plan;**
3. **the chapter 11 cases, the Disclosure Statement, the Plan, the filing of the 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;**
4. **any claims against the DIP Lenders or the Prepetition Secured Term Lenders that any party could seek to assert on behalf of any estate, including Toys Delaware, and based on any theory, including fraudulent transfer, preference, section 506(c) of the Bankruptcy Code, or section 552(b) of the Bankruptcy Code;**
5. **the negotiation, implementation, or terms of the Settlement Agreement and related term sheet;**
6. **the negotiation, implementation, terms, or amendments to the DIP Facilities or DIP Orders prior to**

or during the Chapter 11 Cases;

7. **all Claims and Causes of Action, if any, arising from or relating to (a) the transactions undertaken by the Sponsors in relation to the acquisition of the interests in Toys Inc., or (b) any and all refinancing transactions or sale transactions related to the equity or assets of the Debtors undertaken, approved, planned, or implemented by any of the Sponsors and/or the Debtor's managers, officers, directors, and employees, as applicable; or**

8. **any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date relating to any of the foregoing.**

For the avoidance of doubt, nothing in this Section or the Plan shall release any Non-Released Claims, any D&O Claims, or any claims of the Geoffrey Debtors against the D&O Parties. Notwithstanding anything to the contrary, the releases set forth in this Section under the Plan do not release (i) any post-Effective Date obligations of any party or entity under the Plan or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan or (ii) any Intercompany Claims or Causes of Action (including any claims or Causes of Action of any of the Geoffrey Debtors against Toys (Labuan) Holding Limited or any of its direct or indirect subsidiaries).

Notwithstanding anything to the contrary in the Plan, the allocation by and among Prepetition Secured Term Lenders of any recoveries and/or value from Wayne Real Estate Parent Company, LLC shall not be affected or altered by the terms of the Plan, and all arguments of the Prepetition Secured Term Lenders regarding such allocation are hereby expressly reserved.

7. **Exculpation**

Except as otherwise specifically provided in the Plan, no Exculpated Party shall have or incur, and each Exculpated Party is hereby 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 chapter 11 cases, the formulation, preparation, dissemination, negotiation, filing, or termination of the any documents related to the Settlement Agreement, the related term sheet, the Restructuring, and related prepetition transactions, the Disclosure Statement, the Plan, or any Restructuring transaction, contract, instrument, release or other agreement or document (including providing any legal opinion requested by any entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any Exculpated Party on the Plan or the Confirmation order in lieu of such legal opinion) created or entered into in connection with the Disclosure Statement, the Plan, the DIP Facilities, the filing of the 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, willful misconduct, 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, 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 to the contrary, the following shall not be released or exculpated hereby: (i) Intercompany Claims or Causes of Action, and (ii) "Non-Released Claims", "D&O Claims," and the Claims as against the "D&O Parties" by the Toys Delaware Debtors or Geoffrey Debtors, in respect of which the Settlement Agreement shall control over this provision in all respects with respect to the parties thereto, with respect to the parties thereto. For the avoidance of doubt, these exculpation provisions shall exculpate all Exculpated Parties of any liability otherwise arising out of any action taken in their capacity as or acting for fiduciaries of the Debtors' estates or any other party in interest.

8. **Injunction**

Except as otherwise expressly provided in the Plan or for obligations issued or required to be paid pursuant to the Plan or the Confirmation Order, all entities that have held, hold, or may hold claims or interests that have been compromised, settled, or released, or are subject to exculpation pursuant to the Plan, are permanently enjoined, from and after the Effective Date, from taking any of the following actions against, as applicable, the Debtors, the reorganized Debtors, or any of the other Released Parties: (i) 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; (ii) 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; (iii) creating, perfecting, or enforcing any lien or 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; (iv) 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 entity has timely asserted such setoff right in a document filed with the Bankruptcy Court explicitly preserving such setoff, and notwithstanding an indication of a claim or interest or otherwise that such entity asserts, has, or intends to preserve any right of setoff pursuant to applicable law or otherwise; and (v) 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.

9. **Certain Claims of Governmental Units**

Nothing in this Plan discharges, releases, precludes, or enjoins: (i) any liability to any Governmental Unit that is not a Claim; (ii) any Claim of a Governmental Unit arising on or after the Effective Date; (iii) any police or regulatory liability to a Governmental Unit on the part of any Entity as the owner or operator of property after the Effective Date; or (iv) any liability to a Governmental Unit on the part of any Person other than the Debtors. Nor shall anything in the Plan enjoin or otherwise bar a Governmental Unit from asserting or enforcing, outside this Bankruptcy Court, any liability described in the preceding sentence. Nothing in this Plan divests any tribunal of any jurisdiction it may have law to adjudicate any defense based on this paragraph of the Plan.

M. *Miscellaneous Provisions*

1. **Immediate Binding Effect**

Subject to Article IX and notwithstanding Bankruptcy Rules 3020(e), 6004(h), or 7062 or otherwise, upon the occurrence of the Effective Date, the Plan and the Plan Supplement shall be immediately effective and enforceable and deemed binding upon the Debtors, the Geoffrey Purchaser, and any and all Holders of Claims or Interests (irrespective of whether the Holders of such Claims or Interests accepted or rejected the Plan), all Entities that are parties to or are subject to the settlements, compromises, releases, and injunction described in the Plan, each Entity acquiring property under the Plan, and any and all non-Debtor parties to Executory Contracts and Unexpired Leases with the Debtors.

2. **Additional Documents**

On or before the Effective Date, the Debtors may File with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The Debtors, the Geoffrey Purchaser, and all Holders of Claims or Interests receiving distributions pursuant to the Plan and all other parties in interest shall, from time to time, prepare, execute, and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan.

3. **Payment of Statutory Fees**

All fees payable pursuant to section 1930(a) of the Judicial Code shall be paid by the Debtors for each quarter (including any fraction thereof) until the Chapter 11 Cases are converted, dismissed, or closed, whichever occurs first. For the avoidance of doubt, the Debtors shall pay any outstanding U.S. Trustee Fees in full on the Effective Date, and the Debtors or the applicable Successor Entities shall continue to pay such fees until the Chapter 11 cases are converted, dismissed, or closed, whichever occurs first.

4. **Dissolution of Committees**

On the Effective Date, any statutory committee appointed in the Chapter 11 Cases shall dissolve as to the Debtors (as defined in this Plan, only), and members, employees, or agents thereof shall be released and discharged from all rights and duties arising from or related to the Chapter 11 Cases; *provided*, *however*, each Professional shall be entitled to prosecute its respective Accrued Professional Compensation Claims and represent its respective constituents with respect to applications for payment of such Accrued Professional Compensation Claims, and the Claims Oversight Representative shall have the authority to continue consulting on the reconciliation of Claims as set forth herein. The Debtors, the Liquidating Trust, and the Geoffrey Purchaser shall no longer be responsible for paying any fees or expenses incurred by the members of or advisors to any statutory committees with respect to the Debtors in this Plan after the Effective Date.

5. **Monthly Operating Reports and Post-Effective Date Reports**

The Debtors will continue to include information regarding their deposits, expenditures, and other relevant financial information in monthly operating reports (prior to the Effective Date) and quarterly post-confirmation reports (after the Effective Date) Filed with the Bankruptcy Court until the applicable Chapter 11 Cases are converted, dismissed, or closed, whichever occurs first.

6. **Reservation of Rights**

The Plan shall have no force or effect unless the Bankruptcy Court shall enter the Confirmation Order. Neither the Plan, any statement or provision contained in the Plan, nor any action taken or not taken by any Debtor with respect to the Plan, the Disclosure Statement, the Confirmation Order, or the Plan Supplement shall be or shall be deemed to be an admission or waiver of any rights of any Debtor with respect to the Holders of Claims or Interests before the Effective Date.

7. **Successors and Assigns**

Except as specifically provided for in the Plan, the rights, benefits, and obligations of any Entity named or referred to in the Plan or the Confirmation Order shall be binding on, and shall inure to the benefit of any heir, executor, administrator, successor, or assign, Affiliate, officer, director, manager, trustee, agent, representative, attorney, beneficiaries, or guardian, if any, of each Entity.

8. **Service of Documents**

Any pleading, notice, or other document required by the Plan to be served on or delivered to the Debtors shall be served on:

1. the Debtors:

Toys "R" Us, Inc.
One Geoffrey Way,
Wayne, New Jersey 07470
Attention: James Young

with copies to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, New York 10022-4611
Facsimile: (212) 446-4900
Attention: Joshua A. Sussberg
E-mail addresses: joshua.sussberg@kirkland.com

and

Kirkland & Ellis LLP
300 North LaSalle
Chicago, Illinois 60654-3406
Facsimile: (312) 862-2200
Attention: Chad J. Husnick, Emily E. Geier
E-mail addresses: chad.husnick@kirkland.com, emily.geier@kirkland.com

Counsel for the Disinterested Directors of Toys "R" Us–Delaware, Inc.

Katten Muchin Rosenman LLP
575 Madison Avenue
New York, NY 10022-2585
Telephone: (212) 940-8800
Facsimile: (212) 940-8776
Attention: Steven J. Reisman, Shaya Rochester
Email: sreisman@kattenlaw.com, shaya.rochester@kattenlaw.com

Counsel for the Disinterested Directors of Geoffrey LLC and Geoffrey Holdings, LLC

Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
Telephone: (212) 225-2000
Facsimile: (212) 225-3999
Attention: James L. Bromley, Luke A. Barefoot
Email: jbromley@cgsh.comlbarefoot@cgsh.com

2. The Creditors' Committee:

Kramer Levin Naftalis & Frankel LLP
1177 Avenue of the Americas
New York, New York 10036
Facsimile: (212) 715-8000
Attention: Kenneth Eckstein, Adam Rogoff, Rachael Ringer
E-mail: keckstein@kramerlevin.com, arogoff@kramerlevin.com,
rringer@kramerlevin.com

3. The Ad Hoc Group of B-4 Lenders

Wachtell Lipton Rosen & Katz
51 W. 52nd St.
New York, New York 10019
Attention: Joshua A. Feltman, Emil A. Kleinhaus
E-mail: jafeltman@wlrk.com; eakleinhaus@wlrk.com

After the Effective Date, the Debtors have authority to send a notice to Entities that to continue to receive documents pursuant to Bankruptcy Rule 2002, such Entity must file a renewed request to receive documents pursuant to Bankruptcy Rule 2002. After the Effective Date, the Debtors are authorized to limit the list of Entities receiving documents pursuant to Bankruptcy Rule 2002 to those Entities who have Filed such renewed requests.

4. **Term of Injunctions or Stays**

Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Cases pursuant to sections 105 or 362 of the Bankruptcy Code or any order of the Bankruptcy Court, and extant on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order) shall remain in full force and effect until the Effective Date. All injunctions or stays contained in the Plan or the Confirmation Order (including the Injunction) shall remain in full force and effect in accordance with their terms.

5. **Entire Agreement**

Except as otherwise indicated, the Plan, the Confirmation Order, and the Plan Supplement supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into the Plan.

6. **Exhibits**

All exhibits and documents included in the Plan Supplement are incorporated into and are a part of the Plan as if set forth in full in the Plan. After the exhibits and documents are Filed, copies of such exhibits and documents shall be available upon written request to the Debtors' counsel at the address above or by downloading such exhibits and documents from the Debtors' restructuring website at https://cases.primeclerk.com/toysrus or the Bankruptcy Court's website at https://www.vaeb.uscourts.gov.

7. **Nonseverability of Plan Provisions**

If, before Confirmation, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is: (1) valid and enforceable pursuant to its terms; (2) integral to the Plan and may not be deleted or modified without the consent of the Debtors and the Geoffrey Purchaser; and (3) nonseverable and mutually dependent. Notwithstanding the foregoing, the Geoffrey Plan contained herein is a separate chapter 11 plan with respect to the Geoffrey Debtors only and therefore all of its provisions shall be severable from the Toys Delaware Plan in the event that Confirmation of the Toys Delaware Plan is denied or the Toys Delaware Plan is withdrawn.

8. **Waiver or Estoppel**

Each Holder of a Claim or an Interest shall be deemed to have waived any right to assert any argument, including the right to argue that its Claim or Interest should be Allowed in a certain amount, in a certain priority, Secured or not subordinated by virtue of an agreement made with the Debtors or their counsel, or any other Entity, if such agreement was not disclosed in the Plan, the Disclosure Statement, or papers Filed with the Bankruptcy Court before the Confirmation Date.

ARTICLE V.
VOTING AND CONFIRMATION

A. *Class Entitled to Vote on the Plan*

As described more fully above, Class A4 (Term B-2 Loan and Term B-3 Loan Claims against the Toys Delaware Debtors), Class A5 (Term B-4 Loan Claims against the Toys Delaware Debtors), and Class B3 (Term B-2 Loan, Term B-3 Loan, and Term B-4 Loan Claims against the Geoffrey Debtors) are the only classes entitled to vote to accept or reject the Plan (such classes collectively, 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 Debtors or the Solicitation Agent on the Debtors' behalf otherwise provide to you.

B. *Votes Required for Acceptance by a Class*

Under the Bankruptcy Code, acceptance of a plan 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 entitled to vote on the Plan will be considered to have accepted the Plan if (a) the holders of at least two-thirds in dollar amount of the Claims 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*

All Holders of Claims entitled to vote on the Plan should consider several factors prior to voting to accept or reject the Plan. The following factors, among others, may impact recoveries under the Plan:

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

While these factors could affect distributions available to Holders of Claims 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 in such Voting Classes.

For a further discussion of risk factors, please refer to Article VIII hereof.

D. *Solicitation Procedures*

1. **Solicitation Agent**

The Debtors retained Prime Clerk to act, among other things, as Solicitation Agent in connection with soliciting votes to accept or reject the Plan.

2. **Solicitation Package**

Holders of Claims who are entitled to vote to accept or reject the Plan as of **September 6, 2018** (the "Voting Record Date"), will receive appropriate solicitation materials in the Solicitation Package, which will include the following:

- the appropriate ballot(s) and applicable voting instructions along with a preaddressed postage -pre-paid return envelope; and
- this Disclosure Statement and the Plan as an exhibit thereto.

3. **Distribution of the Solicitation Package and Plan Supplement**

The Debtors will cause Prime Clerk to distribute or cause to distributed the Solicitation Packages to Holders of Claims in the Voting Classes on or before **September 12, 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 Inc. Ballot Processing Center, c/o Prime Clerk LLC, 830 3rd 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.usourts.gov.

Additionally, the Debtors intend to file the Plan Supplement on or before ten (10) business days prior to the Voting Deadline (subject to further supplementation as necessary) before the Voting Deadline. If the Plan Supplement is updated or otherwise modified, such modified or updated documents will be made available at https://cases.primeclerk.com/toysrus. The 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 Toys "R" Us Inc. Ballot Processing Center, c/o Prime Clerk LLC, 830 3rd Avenue, 3rd Floor, New York, New York 10022, and/or (iii) emailing toysrusinfo@primeclerk.com; or (b) for a fee via PACER at http://www.vaeb.usourts.gov.

As described above, certain Holders of Claims and Interests 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, therefore, are 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 Debtors are only distributing a Solicitation Package, which includes this Disclosure Statement and a ballot, to the Holders of Claims and Interests entitled to vote to accept or reject the Plan as determined on the Voting Record Date.

E. *Voting Procedures*

If, as of the Voting Record Date, you are a Holder of Classes A4, A5, and B3 you may vote to accept or reject the Plan in accordance with the Solicitation Procedures by following the instructions on your ballot. If your Claim 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 Debtors' solicitation and voting procedures shall apply to all of the Debtors' creditors and other parties in interest.

1. **Voting Deadline**

The deadline to vote on the Plan is **October 5, 2018, at 5:00 p.m., prevailing Eastern Time** (the "Voting Deadline"). To be counted as a vote to accept or reject the Plan, your vote must be included on the ballot or the master ballot that is properly executed, completed, and delivered in accordance with the instructions on the ballot or master ballot so that Prime Clerk **actually receives** the ballot or the master ballot, as applicable, no later than the Voting Deadline.

2. **Voting Instructions**

As described above, the 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
The Solicitation Agent must **actually receive** all Ballots must on or before the Voting Deadline, which is **October 5, 2018, at 5:00 p.m., prevailing Eastern Time**, either via the online portal, https://cases.primeclerk.com/toysrus, at the following address: **Toys "R" Us, Inc. Ballot Processing** c/o Prime Clerk LLC 830 Third Avenue, New York, New York 10022 If you have any questions on the procedure for voting on the Plan, please call the Debtors at: (844) 794-3476 (toll free) or (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 with the appropriate ballot or master ballot. All ballots and master ballots must be properly executed, completed, and delivered according to their applicable voting instructions so that Prime Clerk **actually receives** the ballots or master ballots no later than the Voting Deadline in accordance with the procedures set forth in the applicable ballot. Any ballot that a Holder of a Claim entitled to vote has properly executed but has not clearly indicated that the Plan has been accepted or rejected or that indicates that the Plan has been both an accepted and rejected will not be counted.

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

Ballots may 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 also provides that all Holders of Claims that (i) vote to accept or are deemed to accept the Plan or (ii) are in a voting Class who abstain from voting on the Plan and do not opt out of the release provisions contained in Article VIII of the Plan will be deemed to have expressly, unconditionally, generally, individually, and collectively released all Claims and Causes of Action against the Debtors and the Released Parties.

Importantly, all Holders of Claims and Interests that (i) are not in voting Classes, (ii) do not file an objection with the Bankruptcy Court in the Chapter 11 Cases that expressly objects to the inclusion of such holder as a Releasing Party under the provisions contained in Article VIII.F of the Plan or (iii) do not elect to opt out of the provisions contained in Article VIII.F of the Plan using the documents provided, if any, will be deemed to have expressly, unconditionally, generally, individually, and collectively consented to the release of all Claims and Causes of Action against the Debtors and the Released Parties. By objecting to or electing to opt out of the releases set forth in Article VIII.F of the Plan you will forgo the benefit of obtaining the releases set forth in Article VIII.F of the Plan if you otherwise would be a Released Party thereunder. The releases are an integral element of 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; (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 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 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.**

4. **Plan Objection Deadline**

Parties must object to Confirmation of the Plan by **October 5, 2018, at 5:00 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 Debtors, counsel to the committee, and certain other parties in interest so that they are **actually received** on or before the Plan Objection Deadline.

5. **Confirmation Hearing**

Assuming the Plan obtains the required acceptances, the Debtors intend to seek to confirm the Plan at the Confirmation Hearing. The Confirmation Hearing is scheduled to commence on **October 10, 2018, at 1:00 p.m., prevailing Eastern Time**, 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, before, during, or as a result of the Confirmation Hearing, without further notice to parties in interest.

ARTICLE VI.
STATUTORY REQUIREMENTS FOR CONFIRMATION OF THE PLAN

The confirmation process is summarized briefly below. Holders of Claims and Interests are encouraged to review the relevant Bankruptcy Code provisions and to consult their own advisors with respect to the summary provided in this Disclosure Statement.

A. *Confirmation Hearing*

Section 1128(a) of the Bankruptcy Code requires a bankruptcy court, after notice, to conduct a hearing to consider confirmation of a chapter 11 plan. Any party in interest may object to confirmation of the Plan in accordance with Section 1128(b) of the Bankruptcy Code. **The Bankruptcy Court has scheduled a Confirmation Hearing for October 10, 2018, at 1:00 p.m., prevailing Eastern Time**. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement of the adjourned date made at a Confirmation Hearing or the filing of a notice for such adjournment served in accordance with the order approving the Disclosure Statement and Solicitation Procedures, the Bankruptcy Code, and the Local Bankruptcy Rules, as applicable. An objection to the Plan must (1) be in writing, (2) conform to the Bankruptcy Rules and the Local Bankruptcy Rules, (3) state the objecting party's name, address, phone number, and e-mail address and the amount and nature of the Claim or Interest, if any, (4) state with particularity the basis and nature of any objection to the Plan and, if practicable, a proposed modification to the Plan that would resolve such objection, and (5) be filed contemporaneously with a proof of service with the Bankruptcy Court and served so that parties entitled to notice actually received no later than the Plan Objection Deadline, which is scheduled for **October 5, 2018, at 5:00 p.m., prevailing Eastern Time**. Objections that are not served and filed timely may not be considered.

B. *Confirmation Standards*

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies the requirements of section 1129 of the Bankruptcy Code. The Debtors believe that the Plan satisfies or will satisfy all of the statutory requirements of chapter 11 of the Bankruptcy Code and that they have complied or will have complied with all of the requirements of chapter 11 of the Bankruptcy Code. Among the requirements for Confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code are that (1) all Impaired Classes of Claims or Interests accept the Plan or, if an Impaired Class rejects the Plan, 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.

1. **Best Interests of Creditors Test—Liquidation Analysis**

Often called the "best interests" test, section 1129(a)(7) of the Bankruptcy Code requires that a bankruptcy court find that a chapter 11 plan provides that each holder of a claim or an interest in each class either (a) has accepted the plan or (b) will receive or retain under the plan property of a value, as of the plan's effective date, that is not less than the amount that such holder would receive or retain if the debtor liquidated under chapter 7 of the Bankruptcy Code.

The Debtors believe the Plan will satisfy the best interest 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.

Here, the Debtors are selling all of their assets and distributing such assets to their creditors, subject to the Settlement Agreement and the Plan. Recoveries in a chapter 7 case likely would be significantly lower in light of the absence of the Settlement Agreement and the additional expenses that would be incurred in a chapter 7 proceeding. Specifically, the Settlement Agreement contemplates recoveries for creditor groups that would otherwise likely be unavailable. For example, the Settlement Agreement provides for significant cash payment to Holders of Administrative Claims from a carve-out in the Prepetition Secured Lenders' collateral, additional funds flowing into the Merchandise Reserve, and the Non-Released Claims Trust that preserves certain Claims and Causes of Actions against the Debtors' directors, officers, and managers and under chapter 5 of the Bankruptcy Code. Moreover, in a chapter 7 liquidation, the Estates would incur additional costs associated with a chapter 7 trustee and any retained professionals who would need to familiarize themselves with the circumstances surrounding these Chapter 11 Cases. *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 administration and expenses of a chapter 7 trustee and such trustee's professionals).

In addition, the Estates would also be obligated to continue to pay all unpaid expenses that the Debtors incur during the Chapter 11 Cases, including compensation for Professionals, which may constitute Allowed Claims. There will also be new bar date that would be more than 90 days following the date that the cases are converted to a chapter 7. *See* Fed. R. Bankr. 1019(2); 3002. Therefore, the amount of Claims ultimately filed and Allowed against the Debtors could materially increase, further reducing creditor recoveries compared to those currently contemplated under the Plan.

For the foregoing reasons, the Debtors submit that a chapter 7 liquidation would result in materially reduced sale proceeds, increased expenses, delayed distributions, and the prospect that additional claims will be asserted in a chapter 7 that were not filed in the Chapter 11 Cases. Accordingly, the Debtors believe that the Plan provides an opportunity to bring a higher return for creditors.

2. **Financial Feasibility**

Section 1129(a)(11) of the Bankruptcy Code requires that the bankruptcy court find that confirmation is not likely to be followed by the liquidation of the reorganized debtors or the need for further financial reorganization, unless the plan contemplates such liquidation or reorganization. The Plan provides for the distribution of assets derived from the U.S. Wind-Down and an ultimate wind-down of all of the Debtors' operations. Accordingly, the Debtors believe that all Plan obligations will be satisfied without the need for the Reorganized Debtors' to be further reorganized.

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 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 interest entitles the Holder of such claim or interest; (2) cures any default, reinstates the original terms of such obligation, and compensates; or (3) provides that, on the Consummation date, the Holder of such claim or interest receives cash equal to the allowed amount of that claim or, with respect to any interest, any fixed liquidation preference to which the Holder of such interest is entitled or 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. Thus, a Class of creditor Claims will have voted to accept the Plan only if two-thirds in amount and more than one-half 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 impaired interests as acceptance by holders of at least two-thirds in dollar amount of those interests 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 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.

D. *Alternative Plans*

The Debtors do not believe that there are any alternative plans for the reorganization or liquidation of the Debtors' Estates. The Plan, as described herein, enables Holders of Claims and Interests to realize the greatest possible value under the circumstances and has the greatest chance to be confirmed and consummated when compared to any alternative plan. .

E. *Acceptance by Impaired Classes*

The Bankruptcy Code requires each class of claims or equity interests that is impaired under a plan to accept the plan, except as described below. 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 (a) 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, (b) cures any default, reinstates the original terms of such obligation, and compensates the applicable party in question, or (c) 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. Only Holders of Claims in the Voting Class 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 holders of Interests is entitled to vote on the Plan.

F. *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, however,* the plan is accepted by at least one impaired class (without regard to the votes of insiders). 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 interests that is impaired under and has not accepted the plan.

1. **No Unfair Discrimination**

The test for unfair discrimination 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, 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 Debtors do not believe the Plan discriminates unfairly against any Impaired Class of Claims or Interests. The Debtors believe that the Plan and the treatment of all Classes of Claims and Interests satisfy the foregoing requirements for non-consensual Confirmation.

2. **Fair and Equitable Test**

The fair and equitable 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 each non-accepting class, the test sets different standards depending on the type of claims or interests in such class. As set forth below, the Debtors believe that the Plan satisfies the "fair and equitable" requirement, notwithstanding the fact that certain Classes are deemed to reject the Plan. There is no Class receiving more than a 100 percent recovery and, with the exception of any recovery provided pursuant to the Settlement Agreement, no junior Class is receiving a distribution under the Plan until all senior Classes have received a 100 percent recovery.

(a) **Secured Claims**

The condition that a plan be "fair and equitable" to a non-accepting class of secured claims may be satisfied if, among other things, a debtor demonstrates 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.

(b) **Unsecured Claims**

The condition that a plan be "fair and equitable" to a non-accepting class of unsecured claims includes the requirement 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 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 interest any property.

(c) **Interests**

The condition that a plan be "fair and equitable" to a non-accepting class of interests includes the requirements that either (i) the plan provides that each holder of an interest in that class receives or retains under the plan on account of that interest property of a value, as of the effective date of the plan, equal to the greater of (1) the allowed amount of any fixed liquidation preference to which such holder is entitled, (2) any fixed redemption price to which such holder is entitled, or (3) the value of such interest, or (ii) if the class does not receive the amount as required under (i) no class of interests junior to the non-accepting class may receive a distribution under the plan.

ARTICLE VII.
CERTAIN RISK FACTORS TO BE CONSIDERED PRIOR TO VOTING

Holders of Claims entitled to vote should read and consider carefully the risk factors set forth below in addition to the other information contained in this Disclosure Statement and the documents delivered therewith, referred to, or incorporated by reference before voting to accept or reject the Plan. These factors should not be regarded as constituting the only risks present in connection with the Debtors' operations or the Plan and its implementation.

The Debtors are subject to a number of risks that can be categorized generally as either (1) bankruptcy-related risks or (2) general business and financial risk factors. Each factor that is related thereto and enumerated below may have a material adverse effect on the Debtors' financial condition or operational results, as applicable.

A. *Bankruptcy Law Considerations*

The occurrence or non-occurrence of any or all of the following contingencies and any others may affect distributions available to Holders of Allowed Claims and Allowed 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 in such Impaired Classes.

1. **Objections to the Classification of Claims and Interests Under the Plan**

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

2. **Conditions Precedent Under the Plan May Not Occur**

As more fully set forth in Article IX of the Plan, Confirmation and the Effective Date are subject to a number of conditions precedent that need to be met or otherwise waived or else either Confirmation or the Effective Date, as applicable, will not take place.

3. **Failure to Satisfy Vote Requirements**

The Bankruptcy Code requires Holders of at least two-thirds in dollar amount and more than one-half in number of Claims in Classes entitled to vote to accept the Plan. In the event that the required number and amount of votes received is sufficient to confirm the Plan, the Debtors intend to seek Confirmation of the Plan as promptly as practicable thereafter. However, if sufficient votes are not received, the Debtors may seek to confirm an alternative chapter 11 plan. There can be no assurance that the terms of any such alternative chapter 11 plan would be similar or as favorable to the Holders of Allowed Claims and Allowed Interests as those proposed in the Plan. As it stands, the Debtors do not believe that there is any such transaction that would be more beneficial to the Estates than the Plan.

4. **Inability to Confirm the Plan**

Section 1129 of the Bankruptcy Code sets forth the requirements for a chapter 11 plan to be confirmed. A Bankruptcy Court must find pursuant to section 1129 of the Bankruptcy Code that (a) such plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting classes, (b) liquidation or the need for further financial reorganization likely will not follow the plan's confirmation unless such liquidation or reorganization is contemplated under the plan, and (c) the value of distributions to non-accepting holders of claims and interests within a particular class under such plan will not be less than the value of distributions such holders would receive if the 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 an Allowed Interest might challenge either this Disclosure Statement's adequacy or whether the balloting procedures and voting results satisfy the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determines that this Disclosure Statement, the Solicitation Procedures, and the voting results are appropriate, the Bankruptcy Court can still decline to confirm the Plan if it finds that any statutory requirement for Confirmation has not been met, including the requirement that the Plan does not "unfairly discriminate" and are "fair and equitable" to non-accepting Classes. If the Plan is not confirmed, it is unclear what distributions, if any, Holders of Allowed Claims and Allowed Interests will receive with respect to their Allowed Claims and Allowed Interests.

The Debtors reserve the right to modify the terms and conditions under the Plan as necessary for Confirmation, subject to the terms and conditions contained therein. Any such modifications may result in less favorable treatment for any Class than the treatment currently provided in the Plan. Less favorable treatment may include distribution of property that is lesser in value than the property to be distributed currently under the Plan or no distribution of property whatsoever.

(a) **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 has accepted the plan (with such acceptance being determined without including the vote of any "insider" in such class) and it is determined that the plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting classes. The Debtors believe that the Plan satisfies these requirements and the Debtors may request such nonconsensual Confirmation in accordance with section 1129(b) of the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will reach this conclusion. In addition, if the Debtors pursue a nonconsensual Confirmation of the Plan, then it may result in increased expenses and certain conditions under the Settlement Agreement lapsing, among other things.

(b) **The Debtors May Object to the Amount or Classification of a Claim**

Except as specifically provided in the Plan, the Debtors reserve the right under the Plan to object to the amount or classification of any Claim. The estimates set forth in this Disclosure Statement cannot be relied upon by any Holder of a Claim or Interest where such Claim or Interest is or may be subject to an objection. Any Holder of a

Claim or Interest that is or may be subject to an objection may not receive its expected share of the estimated distributions described in this Disclosure Statement.

(c) **Parties Who Opted Out of the Settlement Agreement May Decline to Change Their Election or Otherwise Settle Their Claims.**

Four parties who have opted out of the Settlement Agreement have objected to the Disclosure Statement and asserted that as holders of Administrative Claims they are entitled to payment in full of their respective Administrative Claims on the Effective Date of the Plan. *See* Objections of PlayFusion Limited [Docket No. 4346] (asserted Administrative Claim of $2,014,708.58), The Singing Machine Company, Inc. [Docket No. 4357] (asserted Administrative Claim of $2,846,338.37), Brightview Enterprise Solutions, LLC [Docket No.4360] (asserted Administrative Claim of $815,810.74), and The Maya Group HK, LTD. [Docket No. 4368] (asserted Administrative Claim of $464,679) (collectively, the "Objecting Claimants"). Section 1129(a)(9)(A) of the Bankruptcy Code provides that all administrative claims be paid upon the effective date of a plan unless the holder of a claim agrees to different treatment. The Debtors acknowledge that, (x) if these holders have Allowed Administrative Claims and (y) do not otherwise agree to different treatment ahead of or in connection with Confirmation, in order to confirm the Plan, the Allowed Administrative Claims would need to be paid in full. The Debtors have already objected to the claims asserted by the Objecting Claimants. *See* Docket No. 4462. Moreover, and consistent with the terms of the Settlement Agreement, the Debtors intend to commence actions pursuant to section 547 of the Bankruptcy Code against both The Maya Group HK, LTD and The Singing Machine Company, Inc. The Debtors will continue to engage with these parties ahead of Confirmation. Notably, the Settlement Agreement provides that if the Plan cannot be confirmed, the Debtors will seek a structured dismissal of the applicable Chapter 11 Cases. *See* Settlement Agreement, § 3.3(a)(2).

(d) **Contingencies May 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 whether the Bankruptcy Court orders certain Allowed Claims and Allowed Interests to be subordinated to other Allowed Claims and Allowed Interests. The occurrence of any and all such contingencies, which may affect distributions available to Holders of Allowed Claims and Allowed 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 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 the percentage recoveries to Holders of Allowed Claims and Interests under the Plan, among other things.

(e) **The Chapter 11 Cases May Be Converted to Cases Under Chapter 7 of the Bankruptcy Code**

If a 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 set forth in the Bankruptcy Code. The 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 remaining assets would have to be administered in a disorderly fashion, (b) additional administrative expenses with a chapter 7 trustee being appointed to administer the cases, (c) additional expenses and Claims, some of which would be entitled to priority, that would be generated during the liquidation, and (d) the absence of a consensual resolution among the various creditor constituencies as set forth in the Settlement Agreement.

5. **Releases, Injunctions, and Exculpations Provisions May Not Be Approved**

Article VIII of the Plan provides for certain mutual releases, injunctions, and exculpations, including releases of liens and third-party releases that may otherwise be asserted against the Debtors or Released Parties, as applicable. Parties in Interest may object to the releases, injunctions, and exculpations provided in the Plan, which might result in them not being approved. If the releases, injunctions, and exculpations are not approved, certain Released Parties may withdraw their support for the Plan and the Debtors may not be able to obtain Confirmation of the Plan.

B. *Risk Related to Recoveries Under the Plan*

1. **Risks Related to the Settlement Agreement**

As described above, the Settlement Parties entered into the Settlement Agreement to resolve claims related to the U.S. Wind-Down. This settlement serves as the basis for the Plan's distributions and releases, and its implementation remains subject to the Bankruptcy Court's approval and certain prerequisites. Although the Debtors believe that all the Settlement Parties are working diligently to ensure that the Settlement Agreement is consummated, the Debtors are aware that there are certain risks associated with this process. For example, the Settlement Agreement contemplates that Holders of an Allowed Administrative Claim are permitted to opt out of receiving a distribution from the Administrative Claims Distribution Pool if they decide to neither provide nor receive releases. If Holders of Administrative Claims holding more than 7.5% in value of such Claims opt out, then the Ad Hoc Group of B-4 Lenders and the Debtors have the option to not move forward with the Vender Settlement Agreement.

2. **Risk of Non-Occurrence of the Effective Date**

Although the 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 such an Effective Date will in fact occur.

3. **The Tax Implications of the Plan and the Bankruptcy of the Debtors and Certain of the Debtors' Affiliates are Complex**

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

4. **Financial Information Is Based on the Debtors' Books and Records**

The financial information contained in this Disclosure Statement has not been audited. In preparing this Disclosure Statement, the Debtors relied on financial data derived from their books and records that was available at the time of such preparation. Although the Debtors have used their reasonable business judgment to ensure the accuracy of the financial information provided in this Disclosure Statement and while the Debtors believe that such financial information fairly reflects the financial condition of the Debtors, the Debtors are unable to represent or warrant that the financial information contained in this Disclosure Statement and attached hereto is without inaccuracies.

C. *Disclosure Statement Disclaimer*

1. **Information Contained in this Disclosure Statement Is for Soliciting Votes**

The information contained in this Disclosure Statement is for the purposes of soliciting acceptances of the Plan and may not be relied upon for any other purpose.

2. **The United States Securities and Exchange Commission Has Not Approved This Disclosure Statement**

This Disclosure Statement was not filed with the United States Securities and Exchange Commission under the Securities Act or applicable state securities laws. Neither the United States Securities and Exchange Commission nor any state regulatory authority has passed upon the accuracy or adequacy of this Disclosure Statement, or the exhibits or the statements contained in this Disclosure Statement.

3. **This Disclosure Statement Does Not Provide Legal or Tax Advice**

This Disclosure Statement is not legal advice to you. The contents of this Disclosure Statement should not be construed as legal, business, or tax advice. Each Holder of a Claim or an Interest should consult his or her own legal counsel, accountant, or other applicable advisor with regard to any legal, tax, and other matters concerning his or her Claim or Interest. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to Confirmation of the Plan.

4. **No Admissions Made**

The information and statements contained in this Disclosure Statement will neither (a) constitute an admission of any fact or liability by any entity nor (b) be deemed evidence of the tax or other legal effects of the Plan on the Debtors, Holders of Allowed Claims or Allowed Interests, or any other parties in interest.

5. **Failure to Identify Litigation Claims or Projected Objections**

No reliance should be placed on the fact that a particular litigation claim or projected objection to a particular Claim or Interest is or is not identified in this Disclosure Statement. The Debtors may seek to investigate, File, and prosecute Claims and Interests and may object to Claims or Interests after the Confirmation or Effective Date of the Plan irrespective of whether this Disclosure Statement identifies such Claims or Interests or objections to such Claims or Interests.

6. **Information Was Provided by the Debtors and Was Relied Upon by the Debtors' Advisors**

The Debtors' advisors have relied upon information provided by the Debtors in connection with the preparation of this Disclosure Statement. Although the Debtors' advisors have performed certain limited due diligence in connection with the preparation of this Disclosure Statement, they have not verified independently the information contained in this Disclosure Statement.

7. **Potential Exists for Inaccuracies, and the Debtors Have No Duty to Update**

The Debtors have made the statements contained in this Disclosure Statement as of the date of this Disclosure Statement, unless otherwise specified in this Disclosure Statement. The delivery of this Disclosure Statement after the date of this Disclosure Statement does not imply that there has not been a change in the information set forth in this Disclosure Statement such date. While the Debtors have used their reasonable business judgment to ensure the accuracy of all of the information provided in this Disclosure Statement and in the Plan, the Debtors nonetheless cannot and do not confirm the current accuracy of all statements appearing in this Disclosure Statement. Further, although the Debtors may subsequently update the information in this Disclosure Statement, the Debtors have no affirmative duty to do so unless ordered to do so by the Bankruptcy Court.

8. **No Representations Outside this Disclosure Statement Are Authorized**

Neither the Bankruptcy Court nor the Bankruptcy Code authorizes representations concerning or relating to the Debtors, the Chapter 11 Cases, or the Plan, except as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan other than as contained herein or in accordance with the Settlement Agreement should not be relied upon when deciding making your decision. You

should promptly report unauthorized representations or inducements to the counsel to the Debtors, the United States Trustee for the Eastern District of Virginia, and counsel to the Creditors' Committee.

D. *Liquidation Under Chapter 7*

If no plan can be confirmed, the Debtors' Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the assets of the Debtors for distribution in accordance with the priorities established by the Bankruptcy Code. A discussion of the effects that a chapter 7 liquidation would have on the recoveries of Holders of Claims and Interests and the Debtors' liquidation analysis is set forth in Article VI of this Disclosure Statement, "Statutory Requirements for Confirmation of the Plan."

ARTICLE VIII.
IMPORTANT SECURITIES LAW DISCLOSURE

Under the Plan, New Equity Interests in Toys NewCo, any other newly formed entity, the Geoffrey Equity Pool, and, if the Delaware Retention Structure is used, Reorganized Toys Inc. may be distributed to certain Holders of Claims. The Debtors believe that such New Equity Interests may constitute "securities" as defined in section 2(a)(1) of the Securities Act, section 101 of the Bankruptcy Code, and applicable state securities laws.

The offer, issuance, and distribution of the New Equity Interests in Toys NewCo, any other newly formed entity where equity interests are distributed to Holders of Claims under the Plan, the Geoffrey Equity Pool, and, if the Delaware Retention Structure is used, Reorganized Toys Inc. under the Plan shall be exempt (except with respect to an entity that is an "underwriter" as defined in subsection (b) of section 1145 of the Bankruptcy Code), pursuant to section 1145 of the Bankruptcy Code, without further act or action, from registration under (i) the Securities Act, and all rules and regulations promulgated thereunder and (ii) any state or local law requiring registration for the offer, issuance, or distribution of securities. Each of the foregoing securities (a) is not a "restricted security" as defined in Rule 144(a)(3) under the Securities Act, and (b) is freely tradable and transferable by any initial recipient thereof that (i) at the time of transfer, is not an "affiliate" (as defined in Rule 144(a)(1) under the Securities Act) of the issuer of such securities and has not been such an "affiliate" within 90 days of such transfer, and (ii) is not an entity that is an "underwriter" as defined in subsection (b) of section 1145 of the Bankruptcy Code.

To the extent beneficial interests in the Successor Entities are deemed to be "securities" as defined in section 2(a)(1) of the Securities Act, section 101 of the Bankruptcy Code, and applicable state securities laws, the Debtors intend that the exemption provisions of section 1145 of the Bankruptcy Code will apply to such beneficial interests.

Section 1145(b) of the Bankruptcy Code defines "underwriter" as one who, except with respect to ordinary trading transactions, (a) purchases a claim with a view to distribution of any security to be received in exchange for the claim, (b) offers to sell securities issued under a plan for the holders of such securities, (c) offers to buy securities issued under a plan from persons receiving such securities, if the offer to buy is made with a view to distribution or (d) is an issuer, as used in Section 2(a)(11) of the Securities Act, with respect to such securities, which includes control persons of the issuer.

You should confer with your own legal advisors to help determine whether or not you are an "underwriter."

Persons who receive securities that are exempt under section 1145 of the Bankruptcy Code but who are deemed "underwriters," "affiliates," or "control persons" may, however, be permitted to sell such securities without registration if an available resale exemption exists, including the exemption provided by Rule 144 under the Securities Act, subject to applicable volume limitations, notice and manner of sale requirements, and certain other conditions.

Persons who receive securities under the Plan are urged to consult their own legal advisor with respect to the restrictions applicable under the federal or state securities laws and the circumstances under which securities may be sold in reliance on such laws.

The foregoing summary discussion is general in nature and has been included in this Disclosure Statement solely for informational purposes. The Debtors make no representations concerning, and do not provide, any opinions or advice with respect to the securities or bankruptcy matters described in this Disclosure Statement. In light of the uncertainty concerning the availability of exemptions from the relevant provisions of federal and state securities laws, we encourage each Holder and party in interest to consider carefully and consult with its own legal advisors with respect to all such matters. Because of the complex, subjective nature of the question of whether a security is exempt from the registration requirements under the federal or state securities laws or whether a particular Holder may be an underwriter, the Debtors make no representation concerning the ability of a person to dispose of the securities issued under the Plan.

A. *No Registration or Listing*

Issuers of the New Equity Interests will not be required to file periodic reports under the Securities Exchange Act or seek to list the New Equity Interests for trading on a national securities exchange. Consequently, there will not be "current public information" (as such term is defined in Rule 144) regarding issuers of the New Equity Interests.

ARTICLE IX.
CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following discussion summarizes certain United States ("U.S.") federal income tax consequences of the implementation of the Plan to the Debtors, and the U.S. federal income tax consequences to certain holders of Claims or Interests entitled to vote on the Plan. It does not address the U.S. federal income tax consequences to Holders of Claims or Interests not entitled to vote on the Plan. This summary is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), the U.S. Treasury Regulations promulgated thereunder (the "Treasury Regulations"), judicial decisions, and published administrative rules and pronouncements of the IRS, all as in effect on the date hereof (collectively, "Applicable U.S. Tax Law"). Changes in the rules or new interpretations of the rules may have retroactive effect and could significantly affect the U.S. federal income tax consequences described below. The discussion below is not binding upon the IRS or the courts. 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.

This summary does not address non-U.S., state, local or non-income tax consequences of the Plan (including such consequences with respect to the Debtors), 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 Debtors within the meaning of the Tax Code, persons liable for alternative minimum tax, U.S. Holders whose functional currency is not the U.S. dollar, U.S. expatriates, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax exempt organizations, controlled foreign corporations, passive foreign investment companies, partnerships (or other entities treated as partnerships or other pass-through entities), beneficial owners of partnerships (or other entities treated as partnerships or other pass-through entities), subchapter S corporations, persons who hold Claims or who will hold any consideration received pursuant to the Plan as part of a straddle, hedge, conversion transaction, or other integrated investment, persons using a mark-to-market method of accounting, and Holders of Claims who are themselves in bankruptcy). Furthermore, this summary assumes that a Holder of a Claim or Interest holds only Claims or Interests in a single Class and holds a Claim or Interest only as a "capital asset" (within the meaning of section 1221 of the Tax Code). This summary also assumes that Claims will be treated in accordance with their form for U.S. federal income tax purposes. The U.S. federal income tax consequences of the implementation of the Plan to the Debtors and Holders of Claims or Interests described below also may vary depending on the nature of any Restructuring Transactions that the Debtors engaged in.

For purposes of this discussion, a "U.S. Holder" is a Holder of a Claim or Interest 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 Tax Code) 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 neither a U.S. Holder nor a 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 of a Claim or Interest, 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 entities treated as partnerships or other pass-through entities) that are Holders of Claims or Interests 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 and is not a substitute for careful tax planning and advice based upon the individual circumstances pertaining to a Holder of a Claim or Interest. All Holders of Claims or Interests are urged to consult their own tax advisors as to the federal, state, local, non-U.S., non-income, and other tax consequences

A. *Certain U.S. Federal Income Tax Consequences to the Debtors*

1. **Classification of Debtors for U.S. Federal Income Tax Purposes**

The Debtors are either (a) members of the U.S. federal consolidated tax group, of which Toys "R" Us, Inc. ("Toys Inc.") is the parent (the "Toys Inc. Consolidated Group"); (b) disregarded subsidiaries of such members; or (c) "controlled foreign corporations" ("CFCs"). Members of a consolidated group have joint and several liability for the U.S. federal income taxes of the consolidated group. According to certain nonbinding IRS guidance, disregarded entities of members in a consolidated group do not have liability for the taxes of such group. CFCs do not have liability for the tax liability of their parent companies that are members of a U.S. consolidated tax group. Specifically, Toys "R" Us Delaware, Inc. ("Toys Delaware") and TRU-SVC, Inc. are members of the Toys Inc. Consolidated Group; TRU of Puerto Rico, Inc. is a CFC; and the other Debtors (including the Geoffrey Debtors; Giraffe Holdings, LLC, and its subsidiaries; and Wayne Real Estate Parent Company, LLC and its subsidiaries) are disregarded entities.

The Debtors currently anticipate that the consummation of the Plan, taken together with transactions that are expected to occur with respect to Toys Inc. and its direct and indirect subsidiaries other than the Debtors (e.g., Toys "R" Us Europe, LLC and its direct and indirect subsidiaries), will give rise to administrative tax liabilities for which the members of the Toys Inc. Consolidated Group will be jointly and severally liable. As they relate to the Debtors, such liabilities will be subject to the treatment generally outlined above with respect to Administrative Claims. These administrative tax liabilities may be reduced or, potentially eliminated, in certain transaction structures in which Toys Inc. continues to own the stock of Toys Delaware and Toys Delaware continues to directly or indirectly own sufficient assets so that the stock of Toys Delaware is not treated as "worthless" for applicable tax purposes (such structure, the "Delaware Retention Structure"). At this time, the Debtors have not determined whether the Delaware Retention Structure can or will be pursued or the extent to which administrative tax liabilities would arise if the Delaware Retention Structure were to be utilized.

The Plan generally provides that certain of the Debtors' assets may be transferred to one or more newly-formed entities, the stock of which may be distributed to Holders of Claims in partial satisfaction thereof. Any such transaction would be anticipated to be a taxable transaction, that tax consequences of which would generally be factored into the overall determination of whether any administrative tax liabilities are owed by the Toys Inc. Consolidated Group.

2. **Survival of Tax Attributes**

Unless the Delaware Retention Structure is consummated, the Debtors expect that all of the Debtors' assets will be disposed of in taxable transactions. In such a case, all of the Debtors' tax attributes (and the tax attributes of

the Toys Inc. Consolidated Group in general), to the extent not utilized in connection with the consummation of the Plan and the various other transactions occurring within the Toys Inc. Consolidated Group, will be eliminated.

In the event the Delaware Retention Structure is consummated, the Toys Inc. Consolidated Group will be at least partially preserved, and the survival of any of the Toys Inc. Consolidated Group's tax attributes will depend upon, among other things, (a) the utilization of such attributes in connection with the transactions undertaken by the Toys Inc. Consolidated Group, and (b) the reduction of tax attributes as a result of the cancellation of indebtedness income ("CODI") rules. Because the amount of any attribute reduction under the CODI rules will depend, in significant part, on the recovery received by Holders of Claims against the Debtors and Claims against the other direct and indirect subsidiaries of Toys Inc., the amount of any CODI--and any surviving tax attributes--cannot be known with certainty until tax returns are prepared.

To the extent any tax attributes survive after taking the above factors into account, any such attributes would be subject to limitation under Section 382 of the IRC. Under sections 382 and 383 of the Tax Code, if a corporation undergoes an "ownership change," the amount of its surviving NOL carryovers, capital loss carryovers, tax credit carryovers, and certain other tax attributes (potentially including losses and deductions that have accrued economically but are unrecognized as of the date of the ownership change) of the Debtors allocable to periods before the Effective Date (collectively, the "Pre-Change Losses") that may be utilized to offset future taxable income generally is subject to an annual limitation.

In general, the amount of the annual limitation to which a corporation that undergoes an "ownership change" would be subject is equal to the product of (a) the fair market value of the stock of the corporation immediately before the "ownership change" (with certain adjustments) multiplied by (b) the "long-term tax-exempt rate" (which is the highest of the adjusted federal long-term rates in effect for any month in the 3-calendar-month period ending with the calendar month in which the "ownership change" occurs).

If a corporation (or affiliated group) has a net unrealized built-in gain at the time of an ownership change (taking into account most assets and items of "built-in" income and deductions), then the section 382 limitation may be increased to the extent that the debtors recognize certain built-in gains in their assets during the five-year period following the ownership change, or are treated as recognizing built-in gains pursuant to the safe harbors provided in IRS Notice 2003-65. If a corporation (or affiliated group) has a net unrealized built-in loss at the time of an ownership change (taking into account most assets and items of "built-in" income and deductions), then generally built-in losses (including amortization or depreciation deductions attributable to such built-in losses) recognized during the following five years (up to the amount of the original net unrealized built-in loss) will be treated as Pre-Change Losses and similarly will be subject to the annual limitation. In general, a corporation's (or affiliated group's) net unrealized built-in gain or net unrealized built-in loss will be deemed to be zero unless it is greater than the lesser of (a) $10,000,000 or (b) 15% of the fair market value of its assets (with certain adjustments) before the ownership change.

Section 383 of the Tax Code applies a similar limitation to capital loss carryforwards and tax credits. Any unused limitation may be carried forward, thereby increasing the annual limitation in the subsequent taxable year.

Notwithstanding the rules described above, if post-ownership change, a debtor corporation and its subsidiaries do not continue the debtor corporation's historic business or use a significant portion of its historic business assets in a new business for two years after the ownership change (the "Business Continuity Requirement"), the annual limitation resulting from the ownership change is zero.

Special rules may apply in the case of a corporation that experiences an ownership change as the result of a bankruptcy proceeding. When shareholders or so-called "qualified creditors" of a debtor corporation in chapter 11 receive, in respect of their claims, at least 50% of the vote and value of the stock of the reorganized debtor (or a controlling corporation if also in chapter 11) pursuant to a confirmed chapter 11 plan (the "382(l)(5) Exception"). Under the 382(l)(5) Exception, a debtor's Pre-Change Losses are not limited on an annual basis, but, instead, NOL carryforwards will be reduced by the amount of any interest deductions claimed during the three taxable years preceding the taxable year that includes the effective date of the plan of reorganization, and during the part of the taxable year prior to and including the effective date of the plan of reorganization, in respect of all debt converted into stock in the reorganization. If the 382(l)(5) Exception applies, the Business Continuity Requirement does not

apply, although a different business continuation requirement may apply under the Treasury Regulations. If the 382(l)(5) Exception applies and the Debtors undergo another "ownership change" within two years after the Effective Date, then the Debtors' Pre-Change Losses effectively would be eliminated in their entirety.

Where the 382(l)(5) Exception is not applicable to a corporation in bankruptcy (either because the debtor does not qualify for it or the debtor otherwise elects not to utilize the 382(l)(5) Exception), a second special rule will generally apply (the "382(l)(6) Exception"). Under the 382(l)(6) Exception, the annual limitation will be calculated by reference to the lesser of the value of the debtor corporation's new stock (with certain adjustments) immediately after the ownership change or the value of such debtor corporation's assets (determined without regard to liabilities) immediately before the ownership change. This differs from the ordinary rule that requires the fair market value of a debtor corporation that undergoes an "ownership change" to be determined before the events giving rise to the change. The 382(l)(6) Exception also differs from the 382(l)(5) Exception because under the 382(l)(6) Exception, the debtor corporation is not required to reduce its NOL carryforwards by the amount of interest deductions claimed within the prior three-year period, and the debtor may undergo an ownership change within two years without automatically triggering the elimination of its Pre-Change Losses. If the 382(l)(6) Exception applies, the Business Continuity Requirement discussed above also applies.

The Debtors have not determined whether the 382(l)(5) Exception would be available in the Delaware Retention Structure or, if it is available, whether the Debtors and Reorganized Toys Inc. would elect not to apply the 382(l)(5) Exception.

B. *Certain U.S. Federal Income Tax Consequences of the Plan to U.S. Holders of Allowed Claims Entitled to Vote.*

1. **Receipt of Consideration for All U.S. Holders of Claims Expected to be Taxable**

In general, the U.S. federal income tax treatment of Holders of Claims or Interests will depend, in part, on whether the receipt of consideration under the Plan qualifies as an exchange of stock or securities pursuant to a tax free reorganization or if, instead, the consideration under the Plan is treated as having been received in a fully taxable disposition. Whether the receipt of consideration under the Plan qualifies for reorganization treatment will depend on, among other things, (a) whether the Claim being exchanged constitutes a "security" and (b) whether the Debtor against which a Claim is asserted is the same entity that is issuing the consideration under the Plan.

In general, the Debtors do not expect that clause (b) in the preceding paragraph will be satisfied by the receipt of any consideration under the Plan, even if the Delaware Retention Structure is utilized. As a result, the Debtors expect that all Holders of Claims will be treated as receiving their distribution under the Plan in taxable exchange under Section 1001 of the Tax Code. Accordingly, other than with respect to any amounts received that are attributable to accrued but untaxed interest (or OID), a U.S. Holder of such a claim would recognize gain or loss equal to the difference between (a) the sum of the cash and the fair market value (or issue price, in the case of debt instruments) of the consideration received and (b) such U.S. Holder's adjusted basis in such Claim.

Such U.S. Holder should obtain a tax basis in the non-cash consideration received, other than with respect to any amounts received that are attributable to accrued but untaxed interest (or OID), equal to the fair market value of the non-cash consideration as of the receipt of such property.

The tax basis of any non-cash consideration treated as received in satisfaction of accrued but untaxed interest (or OID) should equal the amount of such accrued but untaxed interest (or OID). The holding period of the non-cash consideration should begin on the day following the receipt of such property.

See discussion below regarding the extent to which any consideration should be treated as attributable to accrued interest (or OID).

To the extent that a U.S. Holder receives distributions with respect to a Claim or Interest subsequent to the Effective Date, such U.S. Holder may recognize additional gain (if such U.S. Holder is in a gain position), and a portion of such distribution may be treated as imputed interest income. In addition, it is possible that the recognition

of any loss realized by a U.S. Holder may be deferred until all payments have been made out of any such account. U.S. Holders are urged to consult their tax advisors regarding the possible application (and the ability to elect out) of the "installment method" of reporting any gain that may be recognized by such U.S. Holders in respect of their Claims or Interests due to the receipt of property in a taxable year subsequent to the taxable year in which the Effective Date occurs. The discussion herein assumes that the installment method does not apply

2. **Transfer of Assets to Liquidating Trusts or Similar Structures**

The Plan provides that, among other things, (a) certain potential claims will be contribute to a Non-Released Claims Trust or other similar structure, with the proceeds of such litigation being distributed to certain Holders of Claims; (b) under certain circumstances, assets by be transferred by the Debtors to a liquidating trust vehicle or a similar structure in order to facilitate the sale of such assets and the disposition of the proceeds thereof to Holders of Claims. Such assets may either be subject to "liquidating trust" treatment or "disputed ownership fund" treatment, as described below.

C. *Liquidating Trust Treatment*

Other than with respect to any assets that are subject to potential disputed claims of ownership or uncertain distributions, any such trust or similar structure may be classified as a "liquidating trust" under section 301.7701-4(d) of the Treasury Regulations and qualify as a "grantor trust" under section 671 of the Tax Code. In such case, any beneficiaries of such trust or similar structure would be treated as grantors and deemed owners thereof and, for all United States federal income tax purposes, any beneficiaries would be treated as if they had received a distribution of an undivided interest in the assets of such vehicle and then contributed such undivided interest to the vehicle. If this treatment applies, the person or persons responsible for administering the vehicle shall, in an expeditious but orderly manner, make timely distributions to beneficiaries of such vehicle pursuant to the Plan and not unduly prolong its duration. Such vehicle would not be deemed a successor in interest of the Debtors for any purpose other than as specifically set forth herein or in the governing documents for such vehicle.

Other than with respect to any assets of such vehicle that are subject to potential disputed claims of ownership or uncertain distributions, the treatment of the deemed transfer of assets to applicable Claims and Interests prior to the contribution of such assets to such vehicle should generally be consistent with the treatment described above with respect to the receipt of the applicable assets directly.

Other than with respect to any assets of such vehicle that are subject to potential disputed claims of ownership or uncertain distributions, no entity-level tax should be imposed on such vehicle with respect to earnings generated by the assets held by them. Each beneficiary must report on its federal income tax return its allocable share of income, gain, loss, deduction and credit, if any, recognized or incurred by such vehicle, even if no distributions are made. Allocations of taxable income with respect to such vehicle shall be determined by reference to the manner in which an amount of cash equal to such taxable income would be distributed (without regard to any restriction on distributions described herein) if, immediately before such deemed distribution, such vehicle had distributed all of its other assets (valued for this purpose at their tax book value) to the beneficiaries, taking into account all prior and concurrent distributions from such vehicle. Similarly, taxable losses of such vehicle will be allocated by reference to the manner in which an economic loss would be borne immediately after a liquidating 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 Tax Code, Treasury Regulations and other applicable administrative and judicial authorities and pronouncements.

The character of items of income, gain, loss, deduction and credit to any Holder of a beneficial interest in such vehicle, and the ability of such Holder to benefit from any deductions or losses, may depend on the particular circumstances or status of the Holder. Taxable income or loss allocated to a beneficiary should be treated as income or loss with respect to the interest of such beneficiary in such vehicle and not as income or loss with respect to such beneficiary's applicable Claim or Interest. In the event any tax is imposed on such vehicle, the person or persons responsible for administering such vehicle shall be responsible for payment, solely out of the assets of such vehicle of any taxes imposed on such vehicle.

The person or persons responsible for administering such vehicle 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, including, if required under applicable law, notices required to report interest or dividend income. The person or persons responsible for administering such vehicle will file tax returns pursuant to section 1.671-4(a) of the Treasury Regulations on the basis that such vehicle is a "liquidating trust" within the meaning of section 301.7701-4(d) of the Treasury Regulations and related Treasury Regulations. As soon as reasonably practicable after the close of each calendar year, the person or persons responsible for administering such vehicle will send each affected beneficiary a statement setting forth such beneficiary's respective share of income, gain, deduction, loss and credit for the year, and will instruct the Holder to report all such items on its tax return for such year and to pay any tax due with respect thereto.

D. *Disputed Ownership Fund Treatment*

With respect to any of the assets of such vehicle that are subject to potential disputed claims of ownership or uncertain distributions, *or* to the extent "liquidating trust" treatment is otherwise unavailable or not elected to be applied with respect to the Non-Released Claims Trust or any similar vehicle, the Debtors intend that such assets will be subject to disputed ownership fund treatment under Section 1.468B-9 of the Treasury Regulations, that any appropriate elections with respect thereto shall be made, and that such treatment will also be applied to the extent possible for state and local tax purposes. Under such treatment, a separate federal income tax return shall be filed with the IRS for any such account. Any taxes (including with respect to interest, if any, earned in the account) imposed on such account shall be paid out of the assets of the respective account (and reductions shall be made to amounts disbursed from the account to account for the need to pay such taxes). To the extent property is not distributed to U.S. Holders of applicable Claims or Interests on the Effective Date but, instead, is transferred to any such account, although not free from doubt, U.S. Holders should not recognize any gain or loss on the date that the property is so transferred. Instead, gain or loss should be recognized when and to the extent property is actually distributed to such U.S. Holders.

1. **Accrued Interest and OID**

A portion of the consideration received by Holders of Allowed Claims may be attributable to accrued interest or OID on such Claims. Such amounts 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 Debtors.

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 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.

2. **Market Discount**

Under the "market discount" provisions of sections 1276 through 1278 of the Tax Code, 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 OID, its adjusted issue price, in each case, by at least a *de minimis* amount (equal to 0.25 percent 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). To the extent that any Allowed Claims that had been acquired with market discount are exchanged in a tax-free or other reorganization transaction for other property (as may occur here), any market discount that accrued thereon but was not recognized by the U.S. Holder may be required to be carried over to the property received therefore and any gain recognized on the subsequent sale, exchange, redemption, or other disposition of such property may be treated as ordinary income to the extent of the accrued but unrecognized market discount with respect to the exchanged debt instrument.

3. **Medicare Tax on Net Investment Income**

Certain U.S. Holders that are individuals, estates, or trusts are required to pay an additional 3.8% tax on, among other things, interest, dividends and gains from the sale or other disposition of capital assets. U.S. Holders that are individuals, estates, or trusts should consult their tax advisors regarding the effect, if any, of this tax provision on their ownership and disposition of consideration received pursuant to the Plan.

E. *Certain U.S. Federal Income Tax Consequences to U.S. Holders of Owning and Disposing of Consideration Received Under the Plan.*

Because the form of consideration to be received under the Plan is uncertain, the U.S. federal income tax consequences of owning and disposing of the consideration received under the Plan is also uncertain.

In general, if cash is received under the Plan, no further U.S. federal income tax consequences would be anticipated.

If equity of any entity taxed as a U.S. corporation (whether newly-formed or, in the case of the Delaware Retention Structure, Toys Inc.) is received pursuant to the Plan, then the following treatment would apply. If any such entity makes distributions with respect to its stock, the distributions will generally be includable as ordinary dividend income on the day on which the dividends are actually or constructively received by a U.S. Holder to the extent paid out of current earnings and profits or earnings and profits accumulated as of the end of the prior year of such entity. A distribution in excess of such current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent, and in reduction, of the U.S. Holder's adjusted tax basis in such entity's stock, and as a capital gain to the extent it exceeds the U.S. Holder's adjusted tax basis in such stock. Non-corporate U.S. Holders may be eligible for reduced rates of taxation on dividends. Dividends paid to corporate U.S. Holders will generally be eligible for the dividends-received deduction, subject to applicable restrictions. A U.S. Holder will generally recognize gain or loss for U.S. federal income tax purposes, upon the sale, exchange or other taxable disposition of such entity's stock, equal to the difference, if any, between (i) the amount realized from such sale, exchange or other taxable disposition and (ii) the U.S. Holder's adjusted tax basis in the stock of such entity. Subject to the treatment of any accrued market discount on the surrendered Claim that, as discussed above, carried over to the stock of such entity, such gain or loss will be capital gain or loss and will generally be long-term capital gain or loss if the U.S. Holder's holding period for the stock of such entity exceeds one year. Under current U.S. federal income tax law, certain non-corporate U.S. Holders (including individuals) are eligible for preferential rates of U.S. federal income tax on long-term capital gains. The deductibility of capital losses is subject to limitations.

The Debtors do not anticipate that Holders of Claims will receive the equity of an entity that is taxed as a "flow-through" entity for U.S. federal income tax purposes, and this summary does not address the receipt of any such consideration.

The Debtors anticipate that under some circumstances, Holders of Claims could potentially receive the equity of an entity that is taxed as a corporation that is not a U.S. corporation. The tax rules that would apply to the

ownership of such entity would be highly complex and depend on, among other things, (a) whether such entity was treated as a "controlled foreign corporation" or a "passive foreign investment corporation" and (b) whether such entity was subject to the so-called "inversion" rules. These issues are highly complex, and Holders of Claims should seek advice from their own advisors in the event any consideration received under the Plan constitutes stock of a corporation that is not a U.S. corporation.

F. *Certain U.S. Federal Income Tax Consequences of the Plan and Owning or Disposing of Consideration Received Under the Plan to Non-U.S. Holders of Claims Entitled to Vote*

The following discussion includes only certain U.S. federal income tax consequences of the implementation of the Plan 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 Plan to such Non-U.S. Holder and the ownership and disposition of non-Cash consideration.

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

1. **Gain Recognition**

Any gain realized by a Non-U.S. Holder on the exchange of its Claim generally will not be subject to U.S. federal income taxation unless (a) 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 or (b) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States (and if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States).

If the first exception 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 exception 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. In order to claim an exemption from withholding tax, such Non-U.S. Holder will be required to provide properly executed original copies of IRS Form W-8ECI (or such successor form as the IRS designates). In addition, if such a Non-U.S. Holder is a corporation, it may be subject to a branch profits tax equal to 30 percent (or such lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

2. **Interest Payments; Accrued but Untaxed Interest**

Payments to a Non-U.S. Holder that are attributable to either (a) interest on (or OID accruals with respect to) debt received under the Plan, or (b) accrued but untaxed interest (or OID) on their Allowed Claim 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:

1. the Non-U.S. Holder actually or constructively owns 10 percent or more of the total combined voting power of the Debtors (in the case of consideration received in respect of accrued but unpaid interest or OID);

2. the Non-U.S. Holder is a "controlled foreign corporation" that is a "related person" with respect to the Debtors (each, within the meaning of the Tax Code);

3. the Non-U.S. Holder is a bank receiving interest described in section 881(c)(3)(A) of the Tax Code; or

4. such interest (or OID) 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 (i) generally will not be subject to withholding tax, but (ii) 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 (or OID) 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 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 (a) interest on debt received under the Plan and (b) payments that are attributable to accrued but untaxed interest (or OID) on such Non-U.S. Holder's Allowed Claim. For purposes of providing a properly executed IRS Form W-8BEN or W-8BEN-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.

3. **Sale, Redemption, or Repurchase of Non-Cash Consideration**

A Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to any gain realized on the sale or other taxable disposition (including a cash redemption) of its Pro Rata share of the consideration received under the Plan unless:

1. such Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition or who is subject to special rules applicable to former citizens and residents of the United States;

2. such gain is effectively connected with such Non-U.S. Holder's conduct of a U.S. trade or business (and if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States);

3. in the case of the sale of equity in an entity, such entity is or has been, during a specified testing period, a "U.S. real property holding corporation" (a "USRPHC") for U.S. federal income tax purposes, and certain other circumstances exist; or

4. such Non-U.S. Holder receives a "flow-through" interest (including pursuant to assets held in a "liquidating trust") or direct ownership of an interest in assets that constitute a "U.S. real property interest" (a "USRPI").

If the first exception applies, 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 disposition. If the second exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax with respect to such gain in the same manner as a U.S. Holder, 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 earnings and profits effectively connected with a U.S. trade or business that are attributable to such gains at a rate of 30 percent (or at a reduced rate or exemption from tax under an applicable income tax treaty).

If the third exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax on any gain recognized on the disposition of all or a portion of applicable equity under the Foreign Investment in Real Property Tax Act ("FIRPTA"), unless (a) the equity is regularly traded on an established securities market and (b) such Non-U.S. Holder did not own 5% or more of the equity the relevant entity was a USRPHCs.

If the fourth exception applies, FIRPTA will generally be applicable to any such USRPI.

If FIRPTA applies, taxable gain from the disposition of an interest in a USRPHC or USRPI (generally equal to the difference between the amount realized and such Non-U.S. Holder's adjusted tax basis in such interest) will constitute effectively connected income. Further, the buyer of such item may be required to withhold on any sale of such interest unless, in the case of equity in a USRPHC, such equity is regularly traded on an established securities market. The amount of any such withholding would be allowed as a credit against the Non-U.S. Holder's federal income tax liability and may entitle the Non-U.S. Holder to a refund, provided that the Non-U.S. Holder properly and timely files a tax return with the IRS.

It is unknown whether the FIRPTA rules will apply to any consideration received under the Plan.

G. *Information Reporting and Backup Withholding*

The Debtors will withhold all amounts required by law to be withheld from payments of interest and dividends. The Debtors will also comply with all applicable reporting requirements of the Tax Code. In general, information reporting requirements may apply to distributions or payments made to a Holder of a Claim under the Plan, as well as future payments made with respect to consideration received under the Plan. The Debtors do not expect distributions or payments to Holders of Claims under the Plan to be subject to material withholding under the Tax Code.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be credited against a holder's U.S. federal income tax liability, and a holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS (generally, a U.S. federal income tax return).

In addition, from an information reporting perspective, the Treasury Regulations generally require 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 specified thresholds. Holders are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the Holders' tax returns

H. *FATCA*

Under legislation commonly referred to as 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 (including dividends, if any, on any equity received pursuant to the Plan), and also include 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.

As currently proposed, FATCA withholding rules would apply to payments of gross proceeds from the sale or other disposition of property of a type which can produce U.S. source interest or dividends that occur after December 31, 2018. Each Non-U.S. Holder should consult its own tax advisor regarding the possible impact of these rules on such Non-U.S. Holder.

ARTICLE X.
RECOMMENDATION OF THE DEBTORS

In the opinion of the Debtors, the Plan is the best alternative because it provides for a larger distribution to the Holders of Allowed Claims and Allowed Interests than would otherwise result in a liquidation under chapter 7 of the Bankruptcy Code. In addition, any alternative other than Confirmation of the Plan could result in extensive

delays and increased administrative expenses resulting in smaller distributions to Holders of Allowed Claims and Allowed Interests than proposed under the Plan. Accordingly, the Debtors recommend that Holders of Claims and Interests entitled to vote on the Plan support Confirmation of the Plan and vote to accept the Plan.

Dated: September 5, 2018

Toys "R" Us Delaware, Inc. (for itself and all Toys Delaware Debtors)

By: */s/ Matthew Finigan*
Name: Matthew Finigan
Title: Executive Vice President - Chief Financial Officer and Treasurer

Dated: September 5, 2018

Geoffrey Holdings, LLC (for itself and all Geoffrey Debtors)

By: */s/ Matthew Finigan*
Name: Matthew Finigan
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Exhibit A

Second Amended Chapter 11 Plans of the Toys Delaware Debtors and Geoffrey Debtors

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., *et al.*,[1]	)	Case No. 17-34665 (KLP)
Debtors.	)	(Jointly Administered)

DISCLOSURE STATEMENT FOR THE ~~FIRST~~SECOND AMENDED CHAPTER 11 PLANS OF THE TOYS DELAWARE DEBTORS AND GEOFFREY DEBTORS

THIS IS NOT A SOLICITATION OF AN ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL THE COURT HAS APPROVED THIS DISCLOSURE STATEMENT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE COURT. THE INFORMATION IN THIS DISCLOSURE STATEMENT IS SUBJECT TO CHANGE. THIS DISCLOSURE STATEMENT IS NOT AN OFFER TO SELL ANY SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY ANY SECURITIES.

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[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.

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Co-counsel to Debtors and Debtors in Possession Geoffrey LLC and Geoffrey Holdings, LLC

Dated: ~~August 31~~September 5, 2018

THE DEBTORS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT TO HOLDERS OF CLAIMS AND INTERESTS FOR THE PURPOSE OF SOLICITING VOTES TO ACCEPT OR REJECT THE *SECOND AMENDED CHAPTER 11 PLANS OF THE TOYS DELAWARE DEBTORS AND GEOFFREY DEBTORS* (EACH PLAN COLLECTIVELY, THE "PLAN").[2] NOTHING IN THIS DISCLOSURE STATEMENT MAY BE RELIED UPON OR USED BY ANY ENTITY FOR ANY OTHER PURPOSE. EACH HOLDER ENTITLED TO VOTE SHOULD CAREFULLY CONSIDER ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN ARTICLE VII HEREIN, BEFORE DECIDING WHETHER TO VOTE FOR OR AGAINST THE PLAN.

THE DEBTORS, THE AD HOC GROUP OF B-4 LENDERS, THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS (THE "CREDITORS' COMMITTEE"), THE AD HOC GROUP OF POSTPETITION VENDOR ADMINISTRATIVE CLAIMANTS (THE "AD HOC VENDOR GROUP"), NEXBANK SSB (THE "TERM DIP FACILITY AGENT"), BANK OF AMERICA, N.A. (THE "PREPETITION TERM LOAN AGENT"), AND EACH OF BAIN CAPITAL PRIVATE EQUITY, LP, KOHLBERG KRAVIS ROBERTS & CO. L.P., AND VORNADO REALTY TRUST IN THEIR CAPACITY AS EQUITY OWNERS OF TOYS "R" US, INC. (COLLECTIVELY, THE "SPONSORS") SUPPORT THE PLAN. ALL SUCH PARTIES URGE HOLDERS OF CLAIMS AND INTERESTS WHOSE VOTES ARE BEING SOLICITED TO ACCEPT THE PLAN.

THE DEBTORS URGE EACH HOLDER OF A CLAIM OR INTEREST 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 EVENTS IN THE DEBTORS' CHAPTER 11 CASES, AND ATTACHED HERETO OR INCORPORATED BY REFERENCE HEREIN ARE CERTAIN DOCUMENTS RELATED TO THE PLAN. ALTHOUGH THE 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 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 DEBTORS' MANAGEMENT EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTORS DO NOT REPRESENT OR WARRANT THAT THE INFORMATION CONTAINED HEREIN OR ATTACHED HERETO IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH BANKRUPTCY CODE SECTION 1125 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 WAS NOT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE AUTHORITY, AND NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE AUTHORITY HAVE PASSED UPON THIS DISCLOSURE STATEMENT'S ACCURACY OR ADEQUACY OR UPON THE PLAN'S MERITS. IN PREPARING THIS DISCLOSURE STATEMENT, THE DEBTORS RELIED ON FINANCIAL DATA DERIVED FROM THE DEBTORS' BOOKS AND RECORDS AND ON VARIOUS ASSUMPTIONS REGARDING THE DEBTORS' BUSINESSES. WHILE THE DEBTORS BELIEVE THAT SUCH

[2] Capitalized terms used but not otherwise defined herein shall have the same meaning ascribed to such terms in the Plan.

FINANCIAL INFORMATION FAIRLY REFLECTS THE FINANCIAL CONDITION OF THE 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 DEBTORS' BUSINESSES AND THEIR FUTURE RESULTS AND OPERATIONS. THE DEBTORS EXPRESSLY CAUTION READERS NOT TO PLACE UNDUE RELIANCE ON ANY FORWARD LOOKING STATEMENTS CONTAINED HEREIN.

THE DEBTORS MAKE STATEMENTS IN THIS DISCLOSURE STATEMENT THAT ARE CONSIDERED FORWARD-LOOKING STATEMENTS UNDER THE FEDERAL SECURITIES LAWS. THE DEBTORS CONSIDER ALL STATEMENTS REGARDING ANTICIPATED OR FUTURE MATTERS, INCLUDING THE FOLLOWING, TO BE FORWARD-LOOKING STATEMENTS:

- **BUSINESS STRATEGY;**
- **FINANCIAL CONDITION, REVENUES, CASH FLOWS, AND EXPENSES;**
- **LEVELS OF INDEBTEDNESS, LIQUIDITY, AND COMPLIANCE WITH DEBT COVENANTS;**
- **FINANCIAL STRATEGY, BUDGET, AND OPERATING RESULTS;**
- **SUCCESSFUL RESULTS FROM THE DEBTORS' OPERATIONS;**
- **GENERAL ECONOMIC AND BUSINESS CONDITIONS;**
- **COUNTERPARTY CREDIT RISK;**
- **THE OUTCOME OF PENDING AND FUTURE LITIGATION;**
- **UNCERTAINTY REGARDING THE DEBTORS' FUTURE OPERATING RESULTS; AND**
- **PLANS, OBJECTIVES, AND EXPECTATIONS.**

STATEMENTS CONCERNING THESE AND OTHER MATTERS ARE NOT GUARANTEES OF THE DEBTORS' FUTURE PERFORMANCE. SUCH STATEMENTS REPRESENT THE DEBTORS' ESTIMATES AND ASSUMPTIONS ONLY AS OF THE DATE HEREOF, UNLESS OTHERWISE SPECIFICALLY NOTED. THERE ARE RISKS, UNCERTAINTIES, AND OTHER IMPORTANT FACTORS THAT COULD CAUSE THE DEBTORS' ACTUAL PERFORMANCE OR ACHIEVEMENTS TO BE MATERIALLY DIFFERENT FROM THOSE THEY MAY PROJECT. ALTHOUGH THE DEBTORS MAY SUBSEQUENTLY UPDATE THE INFORMATION IN THIS DISCLOSURE STATEMENT, THE 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 DEBTORS RESERVE THE RIGHT TO FILE AN AMENDED OR MODIFIED PLAN AND RELATED DISCLOSURE STATEMENT FROM TIME TO TIME, SUBJECT TO THE TERMS OF THE PLAN.

THE 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 BY

REFERENCE HEREIN HAS NOT BEEN AND WILL NOT BE AUDITED OR REVIEWED BY THE DEBTORS' INDEPENDENT AUDITORS UNLESS EXPLICITLY PROVIDED OTHERWISE.

THE 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 DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

THE PLAN'S CONFIRMATION AND EFFECTIVENESS ARE SUBJECT TO CERTAIN MATERIAL CONDITIONS PRECEDENT, WHICH ARE SET FORTH IN ARTICLE VIII 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.

IF THE COURT CONFIRMS THE PLAN AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS AND INTERESTS, INCLUDING THOSE HOLDERS OF CLAIMS WHO DO NOT SUBMIT BALLOTS TO ACCEPT OR REJECT THE PLAN, WHO VOTE TO REJECT THE PLAN, OR WHO ARE NOT ENTITLED TO VOTE ON THE PLAN, WILL BE BOUND BY THE TERMS OF THE PLAN AND THE RESTRUCTURING TRANSACTIONS CONTEMPLATED THEREBY.

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AND MAY NOT BE CONSTRUED AS AN ADMISSION OF FACT, LIABILITY, STIPULATION, OR WAIVER. THE DEBTORS 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.

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EXHIBITS

EXHIBIT A ~~*First*~~*Second Amended Chapter 11 Plans of the Toys Delaware Debtors and Geoffrey Debtors*

ARTICLE I.
INTRODUCTION

Toys "R" Us-Delaware, Inc. ("Toys Delaware") and certain Toys Delaware affiliates (collectively, "Toys Delaware Debtors")[3] and Geoffrey Holdings, LLC ("Geoffrey") and Geoffrey's subsidiaries (collectively, the "Geoffrey Debtors"),[4] as debtors and debtors in possession, (the Toys Delaware Debtors and Geoffrey Debtors, collectively, the "Debtors") submit this disclosure statement (the "Disclosure Statement") pursuant to section 1125 of the Bankruptcy Code to Holders of Claims and Interests against the Debtors in connection with soliciting votes to accept the amended Plan dated ~~August 31~~September 5, 2018. A copy of the Plan is attached hereto as **Exhibit A**. The Plan constitutes a separate chapter 11 plan for each Debtor and derives from a settlement agreement that was extensively negotiated in good faith and at arm's-length between the Debtors and certain stakeholders. If consummated, the Plan will distribute the proceeds derived from the wind-down, dissolution, and liquidation of the Debtors' Estates after the Effective Date. The Geoffrey Debtors and the Toys Delaware Debtors separately seek to confirm their respective Plans, and the confirmation of one Plan is not contingent on confirmation of the other.

THE DEBTORS BELIEVE THAT THE COMPROMISES CONTEMPLATED UNDER THE PLAN ARE FAIR AND EQUITABLE, MAXIMIZE THE VALUE DERIVED FROM THE DEBTORS' ESTATES, AND PROVIDE THE BEST RECOVERY TO CLAIM AND INTEREST HOLDERS UNDER THE CIRCUMSTANCES. AT THIS TIME, THE DEBTORS BELIEVE THE PLAN IS THE BEST AVAILABLE ALTERNATIVE FOR COMPLETING THESE CHAPTER 11 CASES. THE DEBTORS STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

A. *Preliminary Statement*

Toys "R" Us, Inc. (together with its subsidiaries, the "Company") started out as a small, local toy store in Washington D.C. in 1948 and eventually grew to approximately 2,000 operated and licensed stores in 38 countries. Accordingly, the Toys "R" Us enterprise became one of the most widely recognized brands in the world among children. However, recent macroeconomic trends and changing consumer preferences have caused many retail companies to face financial pressures and operational issues. Specifically, online retailers obtained a competitive edge over those with expansive brick-and-mortar footprints, such as Toys "R" Us. The Company has struggled to compete in the new marketplace and, in addition, faced certain challenges with its supply-chain and online presence. These and other issues eventually led to the Company's inability to procure sufficient liquidity to stabilize its operations leading up to the 2017 holiday season. As a result, Toys Delaware, a direct and wholly-owned subsidiary of Toys "R" Us, Inc. ("Toys Inc."), and certain subsidiaries filed voluntarily petitions under title 11 of the United States Code (the "Bankruptcy Code") on September 18, 2017 (the "Petition Date").

The Debtors filed for chapter 11 intending to restructure their businesses and continue operating as a going concern. At the outset of these cases, the Debtors secured over $3.1 billion in three separate debtor-in-possession financing facilities (collectively, the "DIP Facilities"). This financing allowed the Debtors to begin reopening their global supply chain and positioned the Company to implement its holiday business plan, which historically accounted for approximately 40% of its annual revenue.

Ultimately, sales from the holiday season did not meet performance expectations, and the Debtors' restructuring efforts were derailed. Several factors contributed to the Debtors performance, including (a) delays and disruptions associated with reopening the supply chain in chapter 11 and during the holiday season, (b) competitors pricing toys at low-margins or as loss-leaders to drive store traffic, which undermined the Company's pricing structure, (c) a greater than expected decline in toy and gift card sales and baby gift registries after the Petition Date, and (d) the Company's inability to offer online prices or shipping on more attractive terms than their competitors. As a result, in early 2018, the Debtors defaulted on certain DIP covenants and certain lenders began imposing

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[3] The Toys Delaware Debtors are Toys Delaware, TRU Guam, LLC, Toys Acquisition, LLC, Giraffe Holdings, LLC, TRU of Puerto Rico, Inc., and TRU-SVC, Inc.

[4] The Geoffrey Debtors are Geoffrey, Geoffrey LLC, and Geoffrey International, LLC.

reserve restrictions after the U.S. businesses failed to meet revenue expectations, further constraining liquidity. The Debtors projected at that time that they would require significant new liquidity to continue operating through the fall. The Debtors were able to obtain certain waivers through early March 2018 while they negotiated for additional liquidity, but their efforts ultimately proved unsuccessful, and further waivers could not be obtained. On March 14, 2018, the Debtors filed a motion seeking authority to wind-down their U.S. operations, setting forth more fully the events leading up to the U.S. Wind-Down [Docket No. 2050] (the "Wind-Down Motion"). The Bankruptcy Court entered an order approving the wind-down of U.S. operations (the "U.S. Wind-Down") on May 22, 2018 [Docket No. 2344] (the "Wind-Down Order").

At the hearing on the U.S. Wind-Down Motion and subsequent hearings on proposed amendments to the DIP Facilities, certain creditors and other parties-in-interest, including the Creditors' Committee, alleged claims related to the U.S. Wind-Down that would have resulted in lengthy, complex, and expensive litigation regarding the myriad of disputed issues among secured, administrative, and unsecured creditors. On June 14, 2018, after engaging in months-long arm's-length negotiations, the Debtors, the Ad Hoc Group of B-4 Lenders, the Creditors' Committee, the Ad Hoc Vendor Group, the Term DIP Facility Agent, the Prepetition Term Loan Agent, the Sponsors, and certain other administrative claimants and lender parties reached an agreement on settlement terms that both resolved and preserved certain claims and causes of action related to the U.S. Wind-Down, among other things. The terms of this agreement were documented in a settlement agreement executed on July 17, 2018 (the "Settlement Agreement" and, the parties thereto, the "Settlement Parties"). A motion seeking to approve the Settlement Agreement was filed on July 17, 2018 [Docket No. 3814] (the "Settlement Agreement Motion"). The Settlement Agreement is more fully described in the Settlement Agreement Motion and in Article I.B hereof. The Bankruptcy Court entered an order approving the Settlement Agreement Motion on August 8, 2018. [Docket No. 4083]

As part of the U.S. Wind-Down, the Debtors shut down their U.S. operations, closing stores and distribution centers, assuming and assigning (or rejecting) their unexpired leases, and establishing processes to sell their other assets, including real property, intellectual property, and joint venture interests. Asset sales for Toys Delaware's leases, stores, real estate joint ventures, and distribution centers are expected to generate approximately $380 million. On April 25, 2018, the Bankruptcy Court approved a sale of Toys Delaware's 100% equity interest in Toys "R" Us (Canada) Ltd./Toys "R" Us (Canada) Ltee ("Toys Canada") to Fairfax Financial Holdings Limited for approximately CAD 300 million. In addition, Toys Delaware and Geoffrey are conducting a process to sell or exclusively license certain U.S. and international intellectual property assets in accordance with the procedures that the Bankruptcy Court has approved [Docket No. 3233; 3601].[5] The auction for such intellectual property assets is currently scheduled for the end of September, subject to further postponement or cancellation. These, among other value-maximizing transactions, are expected to be completed in the coming months as the Debtors near the end of the U.S. Wind-Down.

The Debtors and the Settlement Parties believe that the Settlement Agreement, as embodied in the Plan, maximizes stakeholder recoveries, minimizes risk and uncertainty to all parties, and will bring these Chapter 11 Cases to an appropriate resolution in light of the potential alternatives. Accordingly, the Debtors are seeking the Bankruptcy Court's approval of the Plan. All Holders of Claims and Interests entitled to vote are urged to vote in favor of the Plan and are encouraged to return their ballots to Prime Clerk LLC ("Prime Clerk" or the "Solicitation Agent") or electronically submit them online so that they are **actually received** on or before **October ~~3~~5, 2018, at 5:00 p.m., prevailing Eastern Time** (the "Voting Deadline"). Assuming the Plan receives the requisite acceptance under the Bankruptcy Code, the Debtors will seek the Bankruptcy Court's approval of the Plan at the Confirmation Hearing.

B. *Questions and Answers Regarding this Disclosure Statement and the Plan*

The following are some frequently asked questions and corresponding answers regarding this Disclosure Statement and the Plan.

[5] The Debtors' affiliates are also conducting sale processes for certain of their international assets.

1. **What is chapter 11?**

Chapter 11 is the principal business reorganization chapter in the Bankruptcy Code. This chapter permits a debtor to maximize the value of its operations and promotes equal treatment for creditors and similarly situated equity interest holders, subject to the priority distribution scheme set forth in the Bankruptcy Code. An estate is created when a chapter 11 case is commenced, and it comprises all of a debtor's legal and equitable interests as of the date the case is filed. The Bankruptcy Code provides that a debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

A principle objective of a chapter 11 is to consummate a plan. A confirmed plan will be binding upon the debtor, any person acquiring property under the plan, any creditor or equity interest holder of the debtor, and any other entity as the court may order. Subject to certain limited exceptions, a court's order confirming a plan provides for the treatment of the debtor's liabilities in accordance with the confirmed plan's terms.

2. **Why are the Debtors sending me this Disclosure Statement?**

The Debtors are seeking to obtain Bankruptcy Court approval of the Plan. Prior to soliciting acceptances of a proposed plan, section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing information of a kind and in sufficient detail to enable a hypothetical reasonable investor to make an informed judgment about accepting a chapter 11 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 such requirements. The Disclosure Statement includes, without limitation, the following information:

- the Debtors' corporate history and structure, business operations, and prepetition capital structure and indebtedness (Article II hereof);
- events leading to the Chapter 11 Cases, including the Debtors' restructuring negotiations (Article II hereof);
- significant events in the Debtors' Chapter 11 Cases (Article III hereof);
- a summary of the Plan, including how certain Claims' and Interests' are classified and treated under the Plan, the means of implementing the Plan, and certain important effects of Confirmation of the Plan (Article IV hereof);
- releases contemplated under the Plan that are integral to the overall settlement of Claims and Interests pursuant to the Plan (Article IV hereof);
- the voting and solicitation process for the Plan (Article V hereof);
- the statutory requirements for confirming the Plan (Article VI hereof);
- certain risk factors Holders of Claims should consider before voting to accept or reject the Plan and information regarding alternatives to Confirmation of the Plan (Article VII hereof);
- certain securities law disclosures (Article VIII hereof); and
- certain United States federal income tax consequences of the Plan (Article IX hereof).

In light of the foregoing, the Debtors believe the Disclosure Statement contains "adequate information" to enable a hypothetical reasonable investor to make an informed judgment about the Plan and complies with all aspects of section 1125 of the Bankruptcy Code.

3. **Am I entitled to vote on the Plan?**

Your ability to vote and your distribution, if any, depends on what kind of Claim or Interest you hold. Each category of holders of Claims or Interests set forth in Article III of the Plan, pursuant to section 1122(a) of the Bankruptcy Code, is referred to as a "Class." The voting status for each Class is below.

The following table is a summary of the classification, impairment status, and voting rights under the Plan. Reference should be made to the entire Disclosure Statement and the Plan for a complete description of the classification and treatment of Claims and Interests.

Class	Claims and Interests	Status	Voting Rights
Classified Claims and Interests against the Toys Delaware Debtors			
Class A1	Other Secured Claims against the Toys Delaware Debtors	Unimpaired	Deemed to Accept
Class A2	Other Priority Claims against the Toys Delaware Debtors	Impaired	Deemed to Reject
Class A3	Delaware Secured ABL/FILO Facility Claims against the Toys Delaware Debtors	Unimpaired	Deemed to Accept
Class A4	Term B-2 Loan and Term B-3 Loan Claims against the Toys Delaware Debtors	Impaired	Entitled to Vote
Class A5	Term B-4 Loan Claims against the Toys Delaware Debtors	Impaired	Entitled to Vote
Class A6	General Unsecured Claims against the Toys Delaware Debtors	Impaired	Deemed to Reject
Class A7	Toys Delaware Debtor Intercompany Claims against other Toys Delaware Debtors	Unimpaired or Impaired	Deemed to Accept/Reject
Class A8	Toys Delaware Intercompany Interests	Unimpaired or Impaired	Deemed to Accept/Reject
Class A9	Toys Inc. Intercompany Interests	Impaired	Deemed to Reject
Classified Claims and Interests against the Geoffrey Debtors			
Class B1	Other Secured Claims against the Geoffrey Debtors	Unimpaired	Deemed to Accept
Class B2	Other Priority Claims against the Geoffrey Debtors	Impaired	Deemed to Reject
Class B3	Term B-2 Loan, Term B-3 Loan, and Term B-4 Loan Claims against the Geoffrey Debtors	Impaired	Entitled to Vote
Class B4	General Unsecured Claims against the Geoffrey Debtors	Impaired	Deemed to Reject
Class B5	Geoffrey Debtor Intercompany Claims against other Geoffrey Debtors	Unimpaired or Impaired	Deemed to Accept/Reject
Class B6	Geoffrey Debtor Intercompany Interests	Unimpaired or Impaired	Deemed to Accept/Reject
Class B7	Interests in Geoffrey	Impaired	Deemed to Reject

Only Holders of Claims or Interests included in one of the Classes entitled to vote to accept or reject the Plan will receive a Solicitation Package from the Solicitation Agent. For more information about the treatment of Claims and Interests, see Article III of the Plan entitled "Classification and Treatment of Claims and Interests" and Article IV of this Disclosure Statement entitled "Summary of the Plan."

4. **What materials will be sent to Holders of Claims who are eligible to vote to accept or reject the Plan?**

Holders of Claims who are eligible to vote to accept or reject the Plan will receive appropriate solicitation materials (the "Solicitation Package"), which include the following:

- the Disclosure Statement, as approved by the Bankruptcy Court (with all exhibits thereto, including the Plan and the exhibits to the Plan);
- the Solicitation Procedures;
- the Confirmation Hearing Notice;
- an appropriate Ballot with voting instructions with respect thereto, together with a pre-addressed postage prepaid return envelope and directions to an online balloting platform;
- a letter from the Debtors, substantially in the form attached to the Disclosure Statement Order, recommending that holders of Claims entitled to vote on the Plan vote to accept the Plan; and
- any supplemental documents the Debtors may file with the Bankruptcy Court or that the Bankruptcy Court orders to be made available.

The Solicitation Package may also be obtained (a) from the Debtors' Solicitation Agent by (i) visiting https://cases.primeclerk.com/toysrus, (ii) writing to Toys "R" Us, Inc., c/o Prime Clerk LLC, 830 Third Avenue, New York, New York 10022, or (iii) calling (844) 794-3476 (toll free) or (917) 962-8499 (international) or (b) for a fee via PACER (except for ballots) at https://www.vaeb.uscourts.gov.

5. **When is the deadline to vote on the Plan?**

The Voting Deadline for the Plan is **October ~~3~~5, 2018, at 5:00 p.m., prevailing Eastern Time**.

6. **How do I vote to accept or reject the Plan?**

The Debtors are distributing this Disclosure Statement along with a ballot to be used for voting to accept or reject the Plan to the Holders of Claims entitled to vote on the Plan. Detailed instructions regarding how to vote to accept or reject the Plan are contained on the ballots, return envelope, and other materials contained in the Solicitation Package. If you are a Holder of a Claim in Classes A4, A5, and B3, you may complete and sign the ballot and return it in the envelope provided on or before the Voting Deadline. It is within the Debtors' sole and absolute discretion to decide whether to count ballots that the Solicitation Agent receives after the Voting Deadline.

Any ballot that a Holder of a Claim properly executes but 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. Moreover, ballots received by facsimile will not be counted. Each Holder of a Claim entitled to vote to accept or reject the Plan may cast only one ballot for each Claim held by such Holder. By signing and returning a ballot, each Holder of a Claim in Classes A4, A5, and B3 will certify to the Bankruptcy Court and the Debtors that no other ballots with respect to such Claim have been cast or, if any other ballots have been cast with respect to such Claim, such earlier ballots are superseded and revoked.

The Solicitation Agent 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
The Solicitation Agent must **actually receive** ballots on or before the Voting Deadline, which is **October ~~3~~5, 2018, at 5:00 p.m., prevailing Eastern Time**, either via the online portal, https://cases.primeclerk.com/toysrus, or at the following address: **Toys "R" Us, Inc. Ballot Processing** c/o Prime Clerk LLC 830 Third Avenue, New York, New York 10022 If you have any questions on the procedure for voting on the Plans, please call the Debtors at: (844) 794-3476 (toll free) or (917) 962-8499 (international)

7. **What is the Settlement Agreement and does it affect me?**

The order approving the Settlement Agreement can be found at https://cases.primeclerk.com/toysrus. The Settlement Agreement is the product of extensive and intense arm's-length negotiations over claims associated with the Debtors' domestic business by and among the Debtors, the Creditors' Committee, a group of prepetition secured lenders, a group of administrative claim holders, and the Sponsors. In short, at the hearing related to the U.S. Wind-Down, certain administrative creditors and the Creditors' Committee alleged potential Claims and Causes of Action against, among others, the Debtors, the Prepetition Secured Lenders, and the Sponsors related to the U.S. Wind-Down. In addition, the Creditors' Committee undertook an investigation into the Prepetition Secured Lenders' claims and liens in accordance with its authority under the Final DIP Orders and identified certain potential claims and causes of action that could be pursued against the Prepetition Secured Lenders. Through negotiations, the Settlement Parties determined that the Settlement Agreement struck a proper balance between those claims that should be preserved for the benefit of certain creditors and those claims that should be resolved through litigation, which could be value-destructive and reduce the likelihood that these cases would be expeditiously resolved. As such, they agreed that a consensual path forward would be the most efficient way to bring clarity, closure, and finality to these Chapter 11 Cases.

You are not being asked to take any action with respect to the Settlement Agreement now. If you are a Holder of an Administrative Claim, you had the right to opt out of the Settlement Agreement by following the opt-out procedures that the Bankruptcy Court had approved and was mailed to you on or about August 8, 2018. **Please refer to the Settlement Agreement for its complete terms, which control over any description or summary of those terms in this Disclosure Statement.**

Among other things, the Settlement Agreement resolves potential Claims and Causes of Action that the Creditors' Committee (on behalf of the Debtors' estates) or certain other parties could have asserted against the Term B-4 Lenders or other Prepetition Secured Lenders. First, the Settlement Agreement contemplates a significant cash payment for the benefit of Administrative Claim Holders—along with the potential for increased recoveries through preserved litigation and contingent sharing arrangements—from the Prepetition Secured Lenders' carve out, which will include significant value from their collateral, notwithstanding their superpriority administrative claims that were granted to such lenders as adequate protection. Second, it provides a waiver of all preference actions against prepetition creditors as well as postpetition creditors and vendors (other than any administrative creditors who choose to opt out of the Settlement Agreement). Third, the Settlement Agreement specifically preserves all potential claims and causes of action against the North American Debtors' current and former directors, officers, and managers (including Sponsor-appointed directors, officers, and managers) and transfers such claims and certain avoidance actions that Toys Inc. and the Toys Delaware Debtors may have under chapter 5 in the Bankruptcy Code to a trust for the primary benefit of Holders of Administrative Claims, with the Holders of the Term B-4 Lenders Claims participating in a portion of those recoveries. Finally, the Settlement Agreement provides certainty to the Prepetition Secured Lenders and provides for mutual releases of claims among creditor constituencies in addition to

the estate releases of Claims and Causes of Action against creditors. As such, creditors are receiving a significant benefit in exchange for the resolutions contained in the Settlement Agreement.

A baseline recovery for Holders of Administrative Claims is contemplated under the Settlement Agreement. Holders of Administrative Claims that participate in the Settlement Agreement will be entitled to their pro rata share of (a) $180 million set aside from the Prepetition Secured Lenders' recoveries, (b) certain contingent amounts once the post-petition recovery to the B-4 Lenders exceeds certain thresholds at Toys Delaware and Wayne (but not Geoffrey), and (c) the proceeds from the Non-Released Claims Trust, if any. Additionally, such Holders that do not opt out of the Settlement Agreement will receive a waiver of all preference and avoidance actions pursuant to the releases.

The key terms contained in the Plan pursuant to the Settlement Agreement are as follows:[6]

Terms	Summary Description
Economic Terms	• Toys Delaware will repay the Term DIP Facility in full. • After the Term DIP Facility is repaid in full, the Prepetition Secured Lenders will receive all remaining value in the Toys Delaware Estate, except as otherwise expressly set forth in the Settlement Agreement. • The Term Loan Wind-Down Carve Out will include the following consideration (collectively, the "Administrative Claims Distribution Pool"), which will be made available to merchandise vendors, critical vendors with agreed to but unpaid claims, and holders of other unpaid administrative claims not accounted for in the Wind-Down Budget (collectively, the "Administrative Claim Holders" and, the Allowed Claims held by such Administrative Claim Holders, the "Administrative Claims").
Fixed Amounts	• A fixed amount equal to $180 million ($160 million of which will be funded before the Term DIP Facility is repaid and $20 million of which will be funded with the first distributions after the Term DIP Facility is repaid), which shall include amounts required to be funded into the Merchandise Reserve pursuant to the DIP Amendment Order [Docket No. 2853]
Contingent Amounts	• Once the aggregate postpetition recovery of all Term B-4 Lenders from Toys Delaware and Wayne Real Estate Parent Company, LLC ("Wayne") reaches 50% of the face amount of the $1.003 billion in aggregate Term B-4 Claims (after giving effect to applicable distributions on account of Term B-2 Loans and Term B-3 Loans), (a) the Prepetition Secured Lenders will receive 50% of any further recoveries from Toys Delaware and the remaining 50% will be distributed to the Administrative Claims Distribution Pool, and (b) the Term B-4 Lenders will receive 50% of any further recoveries from Wayne and the remaining 50% will be distributed to the Administrative Claims Distribution Pool.

[6] This summary is being provided for convenience only. In the event of any conflict between anything contained in this Disclosure Statement—including this summary—and the Settlement Agreement, the Settlement Agreement shall control.

Terms	Summary Description
Residual Amounts	• If the Prepetition Secured Lenders receive payment in full, all other proceeds derived from the Toys Delaware liquidation will be distributed (a) first to Holders of all Administrative Claims in the Chapter 11 Cases until such Claims are paid in full and (b) then to Holders of Allowed General Unsecured Claims.
Non-Released Claims Trust	• The Administrative Claims Distribution Pool will fund a trust (the "Non-Released Claims Trust") that will be established for certain non-released claims and causes of action that Toys Delaware and Toys Inc. and their Estates have (the "Non-Released Claims") (a) against current and former directors, officers, or managers and (b) pursuant to the avoidance provisions under chapter 5 in the Bankruptcy Code or any state law equivalents against other parties including, among others, other debtor parties not defined as "Debtors" under the Plan and non-insider creditors not otherwise released. Additionally, proceeds available under the D&O Liability Insurance Policies will be used to satisfy recoveries that the Non-Released Claims Trust obtains on account of D&O Claims, if any. • Subject to Section 3.2(k) in the Settlement Agreement, amounts received from settling or litigating the Non-Released Claims will be distributed (a) first, to the Administrative Claims Distribution Pool until the amount provided to fund the Non-Released Claims has been recovered and (b) thereafter, 80% to the Administrative Claims Distribution Pool and 20% to the Prepetition Secured Lenders.

8. **What will I receive from the Debtors if the Plan is consummated?**

The following chart summarizes 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 Debtors' ability to confirm 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 such Holder's Allowed Claim or Allowed Interest, except to the extent that the Debtors and the Holders of such Allowed Claim or Allowed Interest, as applicable, agree to different treatment. 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 AND, THEREFORE, ARE SUBJECT TO CHANGE. FOR A COMPLETE DESCRIPTION OF THE DEBTORS' CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS, REFERENCE SHOULD BE MADE TO THE ENTIRE PLAN.[7]

[7] The recoveries set forth below may change based upon changes in the amount of Claims or Interests that are "Allowed" as well as other factors related to the Debtors' business operations and general economic conditions. "Allowed" means with respect to any Claim or Interest the following: (a) any Claim, proof of which is timely filed by the applicable Claims Bar Date or which, pursuant to the Bankruptcy Code or a Final Order is not required to be filed; (b) any Claim that is listed in the Schedules as of the Effective Date as neither contingent, unliquidated, nor disputed, and for which no Proof of Claim has been timely filed; or (c) any Claim Allowed pursuant to the Plan; *provided*, *however*, that with respect to any Claim described in clause (a) above, such Claim shall be considered Allowed only if and to the extent that with respect to any Claim no objection to the allowance thereof has been interposed within the applicable period of time fixed by the Plan, the

SUMMARY OF EXPECTED RECOVERIES[8]				
Class	**Claims/ Equity Interests**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
Class A1	Other Secured Claims against the Toys Delaware Debtors	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 Toys Delaware Debtors, each Holder thereof shall receive, at the option of the applicable Toys Delaware Debtor: (i) payment in full in cash solely from the proceeds of collateral securing such Allowed Other Secured Claim; (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, *provided, however*, that holders of Allowed Other Secured Claims shall not receive any distribution from the Administrative Claims Distribution Pool.	~~$[~~$300,000-400,000~~]~~	100%
Class A2	Other Priority Claims against the Toys Delaware Debtors	Except to the extent there is any excess value available for distribution from the applicable Toys Delaware Debtor following repayment of all Secured Claims and all Claims entitled to senior or administrative priority in accordance with the Bankruptcy Code, on the Effective Date, or as soon as reasonably practicable thereafter, each Allowed Other Priority Claim against the Toys Delaware Debtors shall receive no distribution. The failure to object to Confirmation by a Holder of an Allowed Other Priority Claim against the Toys Delaware Debtors shall be deemed to be such Holder's consent to receive treatment for such Claim that is different from that set forth in section 1129(a)(9) of the Bankruptcy Code.	~~$[~~$275,000 - 1.5 million~~]~~	0%

Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court or such an objection is so interposed and the Claim shall have been Allowed for distribution purposes only by a Final Order. 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 timely filed, is not considered Allowed and shall be expunged without further action by the Debtors or the Reorganized Debtors and without any further notice to or action, order or approval of the Bankruptcy Court.

8 As of the date hereof, there have been administrative claims filed in this proceeding totaling approximately $2.8 billion. This estimated amount does not include Claim No. 16963, filed in the amount of $100 billion. The Debtors are working to reconcile and diligence these claims.

SUMMARY OF EXPECTED RECOVERIES[8]				
Class	**Claims/ Equity Interests**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
Class A3	Delaware Secured ABL/FILO Facility Claims against the Toys Delaware Debtors	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 Delaware Secured ABL/FILO Facility Claim, each holder thereof shall receive payment in full and cash.	$0.00	N/A[9]
Class A4	Term B-2 Loan and Term B-3 Loan Claims against the Toys Delaware Debtors	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction, compromise, settlement, and release of and in exchange for each allowed Term B-2 Loan and Term B-3 Loan claim, each Holder thereof shall receive its Term Loan Pro Rata Share of the Term B-2/B-3 Delaware Portion of (i) the Delaware Term Loan Distributable Proceeds and (ii) the Delaware Residual Interest Pool.	~~$[~~$185 million~~]~~	~~[_]%~~38-50%[10]
Class A5	Term B-4 Loan Claims against the Toys Delaware Debtors	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction, compromise, settlement, and release of and in exchange for each allowed Term B-4 Loan Claim, each Holder thereof shall receive its Term Loan Pro Rata Share of (A) fifty percent (50%) of the Aggregate Canada Proceeds, and (B) the Term B-4 Delaware Portion of (i) the Delaware Term Loan Distributable Proceeds and (ii) the Delaware Residual Interest Pool.	~~$[~~$1 billion~~]~~	~~[_]%~~38-55%[11]
Class A6	General Unsecured Claims against the Toys Delaware Debtors	Except to the extent there is any residual value available for distribution from the Toys Delaware Debtors after Classes A1 through A5, as well as Allowed Administrative Claims and Priority Tax Claims are paid in full, each General Unsecured Claim against the Toys Delaware Debtors shall receive no distribution on account of such General Unsecured Claim; however, Holders of General Unsecured Claims	~~$[~~$1.~~13~~07 billion~~-$-~~ $1.~~85~~76 billion~~]~~	0%

9 The Delaware Secured ABL/FILO Facility has already been paid in full.

10 The current estimated recovery for this Class is an aggregate recovery for the Class based on Claims such Holders have against both the Toys Delaware and Geoffrey Debtors, incorporating similar assumptions with respect to all collateral held by such Holders. This estimate is based on information available as of the date hereof and subject to change.

11 The current estimated recovery for this Class is an aggregate recovery for the Class based on Claims such Holders have against both the Toys Delaware and Geoffrey Debtors, incorporating similar assumptions with respect to all collateral held by such Holders. This estimate is based on information available as of the date hereof and subject to change.

SUMMARY OF EXPECTED RECOVERIES[8]				
Class	**Claims/ Equity Interests**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
		will receive their pro rata share of any such residual value.		
Class A7	Toys Delaware Debtor Intercompany Claims against other Toys Delaware Debtors	On the Effective Date or as soon as reasonably practicable thereafter, each allowed Toys Delaware Debtor Intercompany Claim against another Toys Delaware Debtor shall be reinstated, canceled and released, or receive such other treatment, in each case as agreed to by the applicable Debtors and the Ad Hoc Group of Term B-4 Lenders.	~~$[~~$374 million~~]~~	0~~-100~~%
Class A8	Toys Delaware Intercompany Interests	Except as otherwise provided in the Toys Delaware Plan, Interests in the Toys Delaware Debtors other than Toys Delaware shall be reinstated, canceled and released, or receive such other treatment, in each case as agreed to by the applicable Debtors and the Ad Hoc Group of Term B-4 Lenders.	N/A	N/A
Class A9	~~Toys Inc.~~ Interests in Toys Delaware	On the Effective Date, each interest in Toys Delaware shall be canceled and released, unless the Delaware Retention Structure is utilized.	N/A	N/A
Claims and Interests Against the Geoffrey Debtors				
Class B1	Other Secured Claims against the Geoffrey Debtors	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction, compromise, settlement, and release of and in exchange for each Allowed Other Secured Claim, each Holder thereof shall receive, at the option of the Geoffrey Debtors: (i) payment in full in cash; (ii) delivery of the collateral securing any such claim and payment of any interest required under section 506(b) of the Bankruptcy Code in compliance; (iii) reinstatement of such other secured claim; or (iv) such other treatment as shall render such claim unimpaired.	~~$[~~$0-500~~]~~	100%
Class B2	Other Priority Claims against the Geoffrey Debtors	On the Effective Date, or as soon as reasonably practicable thereafter, each allowed other priority claim against the Geoffrey Debtors shall be discharged and canceled in full and shall receive no distribution. The failure to object to Confirmation by a Holder of an Allowed Other Priority Claim against the Geoffrey Debtors shall be deemed to be such Holder's consent to receive treatment for such Claim that is different from that set forth in section 1129(a)(9) of the Bankruptcy Code.	~~$[~~$0.00~~]~~	0%

SUMMARY OF EXPECTED RECOVERIES[8]				
Class	**Claims/ Equity Interests**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
Class B3	Term B-2 Loan, Term B-3 Loan, and Term B-4 Loan Claims against the Geoffrey Debtors	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction and discharge of each allowed Term B-2 Loan, Term B-3 Loan and Term B-4 Loan Claim, each holder thereof shall receive its Term Loan Pro Rata Share of: (i) the Geoffrey Proceeds, if any, and/or (ii) the Geoffrey Equity Pool.	~~$[~~$1.19 billion~~]~~	~~[ ]%~~38-54%[12]
Class B4	General Unsecured Claims against the Geoffrey Debtors	On the Effective Date, or as soon as reasonably practicable thereafter, each Allowed General Unsecured Claim against the Geoffrey Debtors shall be compromised, settled, released, and canceled in full and shall receive no distribution.	~~$[~~$0-$7.8 million~~]~~	0%
Class B5	Geoffrey Debtor Intercompany Claims against other Geoffrey Debtors	On the Effective Date, or as soon as reasonably practicable thereafter, each Geoffrey Debtor Intercompany Claim against the other Geoffrey Debtors shall be reinstated, canceled and released, or receive such other treatment, in each case as agreed to by the applicable Debtors and the Ad Hoc Group of Term B-4 Lenders.	~~$[~~$45,000-100,000~~]~~	0-100%
Class B6	Geoffrey Debtor Intercompany Interests	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 Geoffrey Debtor Intercompany Interest, each Allowed Geoffrey Debtor Intercompany Interest shall be reinstated, canceled and released, or receive such other treatment, in each case as agreed to by the applicable Debtors and the Ad Hoc Group of Term B-4 Lenders.	N/A	N/A
Class B7	Interests in Geoffrey	On the Effective Date, each Interest in Geoffrey shall be cancelled, and released, unless the Delaware Retention Structure is utilized.	N/A	N/A

Any reinstatement of Intercompany Claims or Interests pursuant to the Plan (including pursuant to the Delaware Retention Structure) will be done solely for administrative ease and to avoid further liabilities to the Debtors. Any such preservation or reinstatement of Intercompany Claims or Interests or Interests in Toys Delaware will not provide any additional economic benefit to Holders of such Claims or Interests in contravention of the absolute priority rule.

[12] The current estimated recovery for this Class is an aggregate recovery for the Class based on Claims such Holders have against both the Toys Delaware and Geoffrey Debtors, incorporating similar assumptions with respect to all collateral held by such Holders. This estimate is based on information available as of the date hereof and subject to change.

9. **What will I receive from the Debtors if I hold an Allowed Administrative Claim or a Priority Tax Claim?**

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

10. **Will the Debtors file reports with the SEC?**

The Debtors do not expect to file reports with the SEC after these Chapter 11 Cases because they do not expect to be subject to the public reporting requirements under the Securities Exchange Act of 1934 or the regulations promulgated thereunder.

11. **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 Debtors will be able to effectuate the Restructuring Transactions. It is possible that any alternative may provide Holders of Claims and Interests with less than what they would have received pursuant to the Plan. Notwithstanding the foregoing, parties to the Settlement Agreement (including any Administrative Claim Holder that did not exercise its right to opt out therefrom) will still obtain certain recovery as contemplated under the Settlement Agreement.

12. **If the Plan provides that I get a distribution, when do I get it, and what does "Confirmation," "Effective Date," and "Consummation" mean?**

Confirmation of the Plan refers to the Bankruptcy Court's approval of the Plan. Confirmation of the Plan does not guarantee that you will receive the distribution indicated under the Plan. After the Plan is confirmed, there are conditions (described in Article IX of the Plan) that need to be satisfied or waived so that the Plan can be Consummated and become effective. References to the Effective Date mean the date that all conditions to the Plan have been satisfied or waived, at which point the Plan may be "consummated." Distributions will be made only after Consummation of the Plan and will be made only to Holders on account of Claims or Interests that are or become Allowed. See Article VI in this Disclosure Statement entitled "Statutory Requirements for Confirmation of the Plan" for further information on the confirmation process. For the avoidance of doubt, Settlement Parties may receive distributions pursuant to the Settlement Agreement Order notwithstanding Plan Confirmation.

13. **Is there potential litigation related to the Plan?**

Parties in interest may object to the Plan being confirmed, which could potentially give rise to litigation. In the event that it becomes necessary to confirm the Plan over a Classes' objection to or vote to reject the Plan, the Debtors may seek to confirm the Plan notwithstanding such objecting Classes' dissent. The Bankruptcy Court may confirm the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code. Section 1129(b) of the Bankruptcy Code allows the Bankruptcy Court to confirm a plan that has been rejected by an impaired Class, if it determines that the plan meets certain requirements for confirmation.

The Bankruptcy Court has established **October ~~3~~5, 2018, at 5:00 p.m., prevailing Eastern Time**, as the deadline to object to Confirmation of the Plan (the "Plan Objection Deadline"). All objections to the Plan's confirmation must be filed with the Bankruptcy Court and served on the Debtors and certain other parties in interest in accordance with the order approving the Disclosure Statement and Solicitation Procedures so that they are **actually received** on or before the Plan Objection Deadline. The Debtors believe the Plan Objection Deadline, as established by the Bankruptcy Court, affords the Bankruptcy Court, the Debtors, and other parties in interest reasonable time to consider the objections to the Plan prior to a Confirmation Hearing.

14. **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.L of this Disclosure Statement, entitled "Settlement, Release, Injunction, and Related Provisions"), including releases for the following Released Parties, collectively, and, in each case, solely in its capacity as such: (a) the Creditors' Committee and its members; (b) the Delaware Secured ABL/FILO Facility Lenders; (c) the Prepetition Secured Term Lenders and the Secured Term Loan B Facility Agent; (d) the Ad Hoc Vendor Group and its members; (e) each of the Sponsors (but not for the avoidance of doubt Sponsor-appointed directors, officers, and managers in their capacities as such); (f) the members of the Ad Hoc Group of Term B-4 Lenders; (g) the Trustees and Agents; (h) the lenders under the North American DIP Facilities; (i) the Ad Hoc Group of Term B-2 and B-3 Lenders and its members; (j) all Holders of Administrative Claims who do not affirmatively opt-out of the Settlement Agreement; (k) the Debtors' employees, attorneys, accountants, consultants, investment bankers, and other professionals; and (l) with respect to each of the foregoing entities in clauses (a) through (k), such entity's non-Debtor affiliates (that are not the Taj Debtors, TRU Inc. Debtors, Propco I Debtors, Wayne, or the Propco II Plan Entities), and its and their respective directors, officers, agents, advisors, and professionals; *provided that*, notwithstanding any other provision in the Plan, "Released Parties" shall not include (i) Toys Inc. or any direct or indirect subsidiaries of Toys Inc., other than the Debtors (as defined the Plan), including the Propco I Debtors, the Propco II Plan Entities, Wayne, Toys "R" Us Europe, LLC, Toys (Labuan) Holding Limited or any of their direct or indirect subsidiaries or (ii) any D&O Party, regardless of whether they would otherwise meet the definition of Released Party under the Plan.

Releasing Parties under the Plan are collectively, and in each case solely in its capacity as such: (a) the Debtors (to the extent expressly set forth in the "Debtor Release" provision of the Plan); (b) the reorganized Debtors; (c) the Creditors' Committee and its members; (d) the Delaware Secured ABL/FILO Facility Lenders; (e) the Prepetition Secured Term Lenders and the Secured Term Loan B Facility Agent; (f) the Ad Hoc Vendor Group and its members; (g) each of the Sponsors (but not the Sponsor-appointed directors, officers, and managers); (h) the members of the Ad Hoc Group of Term B-4 Lenders; (i) the Trustees and Agents; (j) the lenders under the North American DIP Facilities; (k) the Ad Hoc Group of Term B-2 and B-3 Lenders and its members; (l) all Holders of Administrative Claims who do not affirmatively opt-out of the Settlement Agreement; (m) all Holders of Claims and Interests that are deemed Unimpaired and presumed to accept the Plan and do not opt-out of the releases; (n) all Holders of Claims who vote to accept the Plan; (o) all Holders of Claims who receive a Ballot, abstain from voting, and do not otherwise opt-out of the releases; and (q) with respect to each of the foregoing entities in clauses (a) through (o), such entity's non-Debtor affiliates—except, for the avoidance of doubt, Toys "R" Us Europe, LLC and its direct and indirect subsidiaries—and its and their respective directors, officers, agents, advisors, and professionals; *provided that* parties deemed to reject the Plan are not Releasing Parties, *provided, further,* that "Releasing Parties" shall not include Toys Inc. or any subsidiaries (including Toys "R" Us Europe, LLC and its direct and indirect subsidiaries) or affiliates of Toys Inc. not specifically identified in this definition under the Plan.

The Plan also contains Avoidance Actions releases, which apply to any and all avoidance, recovery, subordination, or similar remedies that may be brought by or on behalf of the Debtors or the Estates, including Causes of Action or defenses arising under chapter 5 of the Bankruptcy Code or under similar or analogous state or federal law and common law, including fraudulent transfer and/or preference law. An Avoidance Action Released Party is (a) any non-insider holder of a prepetition or postpetition Claim against the Debtors (other than holders of Administrative Settlement Claims that opt out of the Settlement), regardless of whether such holder is entitled to participate in the Administrative Claims Distribution Pool, (b) any non-insider holder of an Administrative Settlement Claim other than holders of Administrative Settlement Claims that opt out of the Settlement Agreement, and (c) with respect to each of the foregoing entities in clauses (a) and (b), such entity's current and former affiliates, and each of such entity's, subsidiaries, officers, directors, managers, principals, members, employees, agents, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, in each case, solely in their capacity as such, *provided that*, notwithstanding the foregoing, Avoidance Action Released Parties shall not include (i) any affiliate or direct or indirect subsidiary of Toys Inc. (including the Propco I Debtors, the Propco II Plan Entities, Toys (Labuan) Holding Limited or any of their direct or indirect subsidiaries) or (ii) any of the D&O Parties.

The Debtors believe that the releases, third-party releases, exculpation, and avoidance action releases included in the Plan are an integral part of the Restructuring Transactions, Settlement Agreement, Plan, and the

Debtors' overall efforts during these Chapter 11 Cases. Further, the Debtors assert that many of the Released Parties and the Exculpated Parties have made substantial and valuable contributions to the U.S. Wind-Down through efforts to negotiate and implement the Settlement Agreement and the Plan, which will maximize the value of the Debtors' estates for the benefit of all parties in interest. Accordingly, the Debtors believe the Released Parties, the Exculpated Parties, and the Avoidance Action Released Parties warrant the benefit of such release and exculpation provisions, as applicable.

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

In addition, the Plan provides that (a) all Holders of Claims and Interests that are deemed to accept the Plan and do not opt-out of the releases; (b) all Holders of Claims that vote to accept the Plan; and (c) all Holders in Voting Classes who abstain from voting on the Plan and who do not opt out of the releases provided pursuant to the Plan will be deemed to have released all Causes of Action against the Debtors and the Released Parties. Holders of Claims and Interests in classes that are deemed to reject the Plan are not being asked to give—and will not be giving—any releases under the Plan.

The Asia JV and the Taj ~~N~~Hotel~~ho~~lders Steering Group dispute that there are any valid causes of action against the Asia JV relating to the Asia JV MLA, the Subsidy Agreement, or any other contract or transaction and~~,~~ ~~subject to the IP Assumption Orders (as defined below),~~ reserve any and all rights, claims, arguments, and defenses with respect to the same. The Toys Delaware and Geoffrey Disinterested Directors dispute the foregoing assertions, and, as set forth in this Disclosure Statement, the Geoffrey Disinterested Director believes ~~it~~Geoffrey has valid and meritorious Causes of Action against the Asia JV and/or its subsidiaries in respect of the Asia JV MLA and/or the Subsidy Agreement, which were fully preserved under the IP Assumption Order entered by the Bankruptcy Court. In addition, Toys Delaware and Geoffrey maintain that any purported reservation of rights by the Asia JV and the Taj Holders Steering Group (either in this Disclosure Statement or in the Plan) is subject in all respects to the IP Assumption Orders and any other final Court orders.

15. **Are any Claims being preserved for the benefit of creditors under the Plan?**

Yes; as set forth above, the Plan does not release any claims that Toys Delaware, Toys Inc., and their Estates may have against current and former directors, officers, or managers (including the Sponsor-affiliated directors, officers, or managers). All such claims are being expressly preserved under the Settlement Agreement and Plan. The claims that Toys Delaware and Toys Inc. have against these D&O Parties are being transferred and/or assigned to the Non-Released Claims Trust under the Plan for the primary benefit of holders of Administrative Claims that are eligible to participate in the Administrative Claims Distribution Pool. Such claims include, but are not limited to, claims for breach of fiduciary duty for transactions or actions that the Debtors have consummated both prior to and following the Petition Date as well as any claims against the D&O Parties related to conversion, constructive trust, and unjust enrichment. In addition, certain avoidance actions that Toys Delaware and Toys Inc. may have under chapter 5 of the Bankruptcy Code and state law equivalents and that are not otherwise released under the Settlement Agreement are being transferred to the Non-Released Claims Trust. These non-released avoidance action claims include, but are not limited to, avoidance actions against other Toys Inc. subsidiaries and affiliates, such as claims to recover potential overpayments in rent that Toys Delaware made to either Propco I or Propco II.

All claims that the Geoffrey Debtors have against D&O Parties are likewise being preserved under the Settlement Agreement and Plan for the benefit of the Term B-4 Lenders with claims against the Geoffrey Debtors.

16. **Do the Debtors recommend voting in favor of the Plan?**

Yes. The Debtors believe the Plan provides for a larger distribution to the Debtors' creditors than would otherwise result from any other available alternative. The Plan is the culmination of extensive arm's-length and good faith negotiations with various stakeholders. As such, the Debtors believe that the Plan is in the best interest of

all Holders of Claims and Interests and that any alternatives, to the extent that they exist, fail to realize or recognize the value inherent under the Plan and the Settlement Agreement.

17. **When is the hearing on Confirmation of the Plan expected to occur?**

Assuming the requisite acceptances are obtained for the Plan, the Debtors intend to seek Confirmation of the Plan at a hearing to be scheduled on **October 10, 2018, at 1:00 p.m., prevailing Eastern Time**, before the Honorable Keith L. Phillips (or whomever may be sitting in his place and stead), United States Bankruptcy Judge, in Courtroom No. 5100 of the United States Court for the Eastern District of Virginia, 701 East Broad Street, Richmond, Virginia 23219 (each such hearing, a "Confirmation Hearing"). A 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 prior to a Confirmation Hearing, may put in place additional procedures governing that hearing. The Plan may be modified, if necessary, prior to, during, or as a result of the hearing to confirm the Plan without further notice to parties in interest.

ARTICLE II.
THE DEBTORS' BACKGROUND

A. *The Debtors' Business*

1. **The Debtors' Business Overview**

For many children around the world, Toys "R" Us is not just a retail store—it is an experience. Children find joy in perusing the toy-filled aisles for their favorite items while parents appreciate having all the latest merchandise available at one convenient location. The Company strategically placed stores across 49 states in the U.S., Puerto Rico, Guam, and 37 other countries. As such, the Toys "R" Us enterprise can be divided generally into two silos: (a) the North American operations and (b) the European, Asian, African, Australian, and the Middle Eastern operations.

The North American Business. There were over 980 retail locations in the U.S., its territories, and Canada prior to the Petition Date (including temporary stores). These stores operated under brand names that include Toys "R" Us, Babies "R" Us, Toys "R" Us Outlet, and Toys "R" Us Express, with Toys "R" Us being one of the most widely recognizable brands among children. Toys "R" Us stores catered to kids and carried the newest and most popular bikes, scooters, building blocks, playsets, puzzles, video games, outdoor equipment, action figures, and dolls, among other merchandise. Babies "R" Us, on the other hand, is the Company's specialty retail store for baby products and furniture. Consumers turned to Babies "R" Us knowing that they can find the latest items for infants and toddlers, obtain shopping expertise for their babies' needs, and create gift registries for newborns and children. The Company's goal has been to develop loyal Babies "R" Us customers whose children would eventually grow up and become Toys "R" Us kids.

These Toys "R" Us and Babies "R" Us stores could be found in regional malls, strip malls, lifestyle centers, outlet centers, power centers, and street level locations. In the U.S., prior to the Petition Date, Toys Delaware owned thirteen retail properties (which included two surplus properties) and either leased or ground leased the remaining retail properties. It also either owned or leased eight distribution and warehouse centers, which contained management systems that stored and supplied the merchandise for the North American operations, and leased its corporate headquarters. The leases were executed between Toys Delaware and either (a) Toys "R" Us Property Company I, LLC, ("Propco I") an affiliated debtor in a separate chapter 11 proceeding,[13] pursuant to a certain Amended and Restated Master Lease Agreement dated as of July 9, 2009,[14] (b) Toys "R" Us Property Company II,

[13] Toys "R" Us Property Company I, LLC's case is being administered under case no. 18-31429 in the Bankruptcy Court.

LLC ("Propco II") and MAP 2005 Real Estate, LLC, both debtors in these chapter 11 cases, or (c) third-party landlords, including Simon Property Group, Inc., DDR Corp., Kimco, and Brixmor.

In addition to holding certain real estate assets, Toys Delaware served as the operating company for the U.S. business and wholly-owned Toys Canada, which operates the Canadian business. Toys Delaware would coordinate and provide various essential functions for certain international and North American operations. The Global Resource Center (the Company's global headquarters) served as the hub for such shared services and is located in Wayne, New Jersey. The functions provided range from shared IT infrastructure and services, certain corporate services, management services for the private label business, and global branding and communications teams to merchandising and supply chain management, finance and store operations, analytics and reporting, marketing, and e-commerce. Toys Delaware facilitated these services to allow the Company to realize economies of scale and avoid duplicative costs.

Furthermore, Geoffrey, a Toys Delaware subsidiary based in the U.S., owns substantially all of the Company's (excluding the Canadian affiliates) intellectual property (the "Intellectual Property"), which includes the Toys "R" Us trade name, trademarks, service marks, mascot, various registered domain names, a substantial private label business, a baby registry, and customer and email marketing lists. Geoffrey's sole function is to license this Intellectual Property to operating Debtor and non-Debtor affiliates and third parties in the ordinary course of business in exchange for royalty payments. These Intellectual Property assets are valuable, as such assets increase brand recognition and allow the Company to build equity value in its operations.

The International Business and Geoffrey Licensing. As of February 3, 2018, certain of the North American Debtors' affiliates operated over 770 Company-branded stores across 17 international markets. Geoffrey licenses its Intellectual Property to these entities pursuant to certain agreements so as to ensure a cohesive global brand for the Toys "R" Us enterprise. Two significant intercompany license agreements govern Geoffrey's relationship with its foreign affiliates: (1) that certain Master License Agreement dated March 24, 2017, by and among Geoffrey, the Asia JV, Toys Inc., and Toys "R" Us Holdings (China) Limited[15] (as amended from time to time and together with the subsidiary license agreements issued pursuant thereto, the "Asia JV MLA") and (2) that certain License Agreement dated February 1, 2009, by and among Geoffrey and each of the non-Debtor affiliate counterparties thereto from time to time (the "European-Australian License Agreement"). In 2017, Geoffrey received approximately $81 million in total royalty payments pursuant to the Asia JV MLA and the European-Australian License Agreement. Geoffrey is currently undertaking a marketing process to sell the intellectual property assets.

Global Supply Chain. Prior to the U.S. Wind-Down, the Company obtained their merchandise from a variety of international and North American vendors, some of which offered the Company in-demand products at higher allocations, exclusive products, and advertising support. The Company had eighteen distribution centers to support the North American and international operations when these Chapter 11 Cases were filed. Such distribution centers implemented management systems for their inventory levels and distribution costs, and third-party logistic providers managed warehouse operations and deliveries to the stores. The systems and third-party logistic providers optimized flexibility and allowed the stores to maintain optimum stock levels.

Moreover, the Company's ability to maintain a robust and uninterrupted inventory supply was vital to customers shopping at Toys "R" Us, Babies "R" Us, and other band named stores on a repeat basis throughout the year. The Toys "R" Us enterprise could not compete in the marketplace if it failed to procure products in line with consumer expectations or did not obtain goods and services necessary to conduct business in the ordinary course. As such, there were certain vendors that the Company considered more critical to their North American and international operations. These vendors offered a number of important services, including general supplies and

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14 Toys "R" Us Property Company I, LLC, Toys "R" Us Property Company II, LLC, and MAP 2005 Real Estate LLC, separately, either own the properties or is party to the original lease agreements for certain properties that were leased to Toys Delaware.

15 In addition, Geoffrey entered into a subsidy letter agreement dated ~~as of~~ March 24, 2017, with the Asia JV (the "Subsidy Agreement").

packaging materials, regulating direct mail and digital marketing campaigns, and providing brand creative services. Often times, the Company obtained these products and services from vendors on trade terms that were favorable and allowed stores to receive their purchases on a regularly scheduled basis.

2. **The Debtors' Corporate History**

Toys "R" Us has its roots in Children's Bargain Town, a baby furniture store that Charles Lazarus founded in 1948 to capitalize on the post-World War II baby boom. Lazarus eventually added toys and other baby products to the array of merchandise sold at Children's Bargain Town, which became a success. This led Lazarus to open his first store dedicated exclusively to toys in 1957 called Toys "R" Us. The Company went on to open big-box stores across the U.S., dominating the toy industry with deep discounts and a huge selection that soon squeezed out smaller mom-and-pop toy shops.

In light of the Company's opportunities for growth, the Company completed an initial public offering in 1978. This allowed the Company to capitalize on its popularity and brand recognition and execute on plans to expand into various markets. In 1984, the Company opened the first wholly-owned Toys "R" Us store in Canada and licensed operations in Singapore. Eventually, in 1996, Babies "R" Us was opened for business, and, shortly thereafter, Toysrus.com entered the burgeoning U.S. online marketplace. Over time, the Company grew a broad customer base and loyalty program that reached approximately 19 million and 12 million domestic and international users, respectively.

Following a highly competitive process, the Company was acquired and taken private in 2005. An investment group comprising entities advised by or affiliated with the Sponsors bought Toys "R" Us for approximately $6.6 billion, including $5.3 billion in debt secured in large part by the Company assets. After going private, the Company opened new stores in China and Southeast Asia. Accordingly, Toys "R" Us was a global enterprise and a leader in the toy industries throughout Asia, North America, Europe, Australia, and Africa.

B. *Summary of Prepetition Capital Structure*

As of the Petition Date, the Debtors had approximately $5.3 billion in total funded debt between its domestic and international operations. Toys Delaware Debtors' funded debt totaled approximately $2.8 billion, including the $250 million intercompany indebtedness owed to Toys Inc. The instruments evidencing the Debtors indebtedness are summarized in the table below, and more details are set forth thereafter.

Funded Debt	**Maturity**	**Outstanding Amount as of 9/17/17**
North American Debt Facilities[16]		
8.75% Unsecured Notes	September 1, 2021	$22 million
ABL Facility (Delaware Secured ABL Facility)	March 21, 2019	$1,025 million[17]
FILO Facility (Delaware Secured ABL Facility)	October 24, 2019	$280 million
Term B-2 Loans (Secured Term Loan B Facility)	May 25, 2018	$123 million

16 The outstanding balances under the ABL Facility and FILO Facility includes Toys Canada's liabilities; the balances without Toys Canada's liabilities are $948 million and $155 million, respectively.

17 $1,850 million of total commitments.

Funded Debt	Maturity	Outstanding Amount as of 9/17/17
Term B-3 Loans (Secured Term Loan B Facility)	May 25, 2018	$61 million
Term B-4 Loans (Secured Term Loan B Facility)	April 24, 2020	$998 million
	Total Funded Debt	$2,509 million
Intercompany Indebtedness Between Toys Inc. and Toys Delaware[18]		
2006 Grid Promissory Note (Toys Inc. as Borrower)	November 30, 2020	$390 million
2009 Promissory Note (Toys Inc. as Borrower)	November 30, 2020	$313 million
2009 Promissory Note (Toys Delaware as Borrower)	February 3, 2018	$250 million[19]
2012 Intercompany Credit Agreement (Toys Inc. as Borrower)	December 31, 2018	$91 million
2012 Promissory Note (Toys Inc. as Borrower)	August 1, 2018	$302 million

1. **North American Debt Facilities**

(a) **8.75% Unsecured Notes**

Toys Inc. and Toys Delaware, as co-issuers, and The Bank of New York, as successor trustee (the "8.75% Unsecured Notes Indenture Trustee"), are parties to that certain Indenture, dated as of August 21, 1991 (as amended, novated, supplemented, extended, or restated from time to time, the "8.75% Unsecured Notes Indenture"). Pursuant to the 8.75% Unsecured Notes Indenture, Toys Inc. and Toys Delaware co-issued $200 million in original principal amount of 8.75% unsecured notes due September 1, 2021 (the "8.75% Unsecured Notes"). No other Debtor entities guarantees or is otherwise obligated under the 8.75% Unsecured Notes. Approximately $22 million in aggregate principal amount remains outstanding.

(b) **Delaware Secured ABL Facility**

Toys Delaware, as lead borrower, Toys Canada, as Canadian borrower, Bank of America, N.A. as administrative agent (the "Delaware Secured ABL Facility Agent"), Bank of America, N.A. and Wells Fargo Bank, N.A., as co-collateral agents, and certain financial institutions, as lenders, entered into the Third Amended and Restated Credit Agreement, dated as of March 21, 2014 (as amended, novated, supplemented, extended or restated from time to time, including through the First Amendment dated as of October 24, 2014, the "Delaware Secured ABL Credit Agreement"). The Delaware ABL Credit Agreement provides for (a) a senior secured asset based revolving credit facility with a $1.85 billion revolving commitment that matures on March 21, 2019 (the "Delaware Secured ABL Facility") and (b) a senior secured tranche A-1 "first-in-last-out" $280 million term loan that matures on October 24, 2019 (the "Delaware A-1 FILO Facility" and, together with the Delaware Secured ABL Facility, the

18 The majority of the intercompany indebtedness listed is Toys Inc. debt that is owed to Toys Delaware and is included so parties are aware of the debt obligations between Toys Inc. and Toys Delaware.

19 This number is as of September 18, 2017.

"Delaware Secured ABL/FILO Facility"). Certain Toys Delaware Debtors and Geoffrey serve as guarantors for the Delaware Secured ABL Facility.

Subject to certain exceptions, the Delaware Secured ABL Facility provides for a first priority lien on Toys Delaware's assets and the assets belonging to certain Toys Delaware Debtors and Geoffrey, all of which serve as guarantors thereunder. This includes accounts receivable, inventory, certain deposit accounts, and amounts deposited therein. A third priority lien exists on common equity shares in Toys Canada. In addition, certain assets belonging to Toys Canada serve as a security interest for Toys Canada's obligations under the Delaware ABL Facility. Such assets include accounts receivable, inventory, certain deposit accounts, and amounts deposited therein. Toys Canada has no liability for Toys Delaware's or any other U.S. loan party's obligations under the Delaware ABL Credit Agreement. As of the Petition Date, approximately $1,025 million in borrowings and approximately $91 million of letters of credit are outstanding under the Delaware Secured ABL Facility.

(c) **Secured Term Loan B Facility**

Toys Delaware, as borrower, entered into a certain Amended and Restated Credit Agreement, dated as of August 24, 2010 (as amended, novated, supplemented, extended, or restated from time to time, the "Term Loan B Credit Agreement"), with Bank of America, N.A., as administrative agent (the "Secured Term Loan B Facility Agent") and certain lender parties. The Term Loan B Credit Agreement provides for several tranches of term loans that include (a) term loans maturing on May 25, 2018, in an initial aggregate principal amount of approximately $400 million (the "Term B-2 Loans"),[20] (b) term loans maturing on May 25, 2018, in an initial aggregate principal amount of approximately $225 million (the "Term B-3 Loans"),[21] and (c) term loans maturing on April 24, 2020, in an initial aggregate principal amount of approximately $1,025 million (the "Term B-4 Loans"[22] and, together with the Term B-2 Loans and Term B-3 Loans, the "Secured Term Loan B Facility"). Certain Toys Delaware Debtors, the Geoffrey Debtors, and Wayne are guarantors for the Secured Term Loan B Facility. As of the Petition Date, the Secured Term Loan B Facility's tranches had the following aggregate principal amounts outstanding: (a) approximately $123 million under the Term B-2 Loans; (b) approximately $61 million under the Term B-3 Loans; and (c) approximately $998 million under the Term B-4 Loans.

The Term B-4 Loans were created pursuant to an amendment to the Term Loan B Credit Agreement dated as of October 24, 2014 ("Amendment No. 3"). Amendment No. 3 permitted the lenders for the Term B-2 Loans and Term B-3 Loans to extend the maturity date on these loans in exchange for the Term B-4 Loans. Wayne serves as the unsecured guarantee for the Term B-4 Loans.

A first priority lien on Geoffrey's intellectual property and a second priority lien on the collateral that the guarantors have pledged under the Delaware Secured ABL Facility serves as the collateral for the Secured Term Loan B Facility, subject to certain restrictions and exceptions. In addition to the aforementioned security interests and subject to certain restrictions, the Term B-4 Loans' lenders have a first priority security interest in the Canadian Pledge and, after a certain springing covenant is triggered (which occurs on the date that either (a) the 7.375% Notes have been redeemed, defeased, or discharged or (b) the negative pledge covenant and any restrictions on liens related to certain specified real property are removed from the 7.375% Notes, whichever is earlier), a first priority security interest in certain specified real property (subject to permitted liens, applicable law and any restrictions or limitations under the applicable deeds, leases, or real estate contracts). The Term B-2 Loans and Term B-3 Loans have a second priority lien on the pledge of the common equity shares in Toys Canada.

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20 Toys Delaware; Toys Acquisition, LLC; TRU of Puerto Rico, Inc.; TRU-SVC, Inc.; Geoffrey; Geoffrey LLC; and Geoffrey International, LLC are obligors on this debt.

21 Toys Delaware; Toys Acquisition, LLC; TRU of Puerto Rico, Inc.; TRU-SVC, Inc.; Geoffrey; Geoffrey LLC; and Geoffrey International, LLC are obligors on this debt.

22 Toys Delaware; Toys Acquisition, LLC; TRU of Puerto Rico, Inc.; TRU-SVC, Inc.; Geoffrey; Geoffrey LLC; Geoffrey International, LLC; and Wayne Real Estate Parent Company, LLC are obligors on this debt.

(d) **Intercreditor Agreements**

On August 24, 2010, the Delaware Secured ABL Facility Agent, the Secured Term Loan B Facility Agent, and others entered into that certain Amended and Restated Intercreditor Agreement, dated as of August 24, 2010 (as amended, amended and restated, supplemented, or otherwise modified from time to time (including pursuant to that certain amendment to the Amended and Restated Intercreditor Agreement, dated as of October 24, 2014 ("Amendment No. 1")) (the "ABL-Term Intercreditor Agreement")), which, among other things, governs each agents' relative rights and priorities with respect to the shared collateral.

2. **Intercompany Indebtedness Between Toys Inc. and Toys Delaware**

(a) **Toys Inc. and Toys Delaware Intercompany Credit Agreement**

Toys Inc., borrowed $90 million from Toys Delaware under that certain Credit Agreement dated July 25, 2012 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Intercompany Credit Agreement"). The intercompany loan under the Intercompany Credit Agreement matures on December 31, 2018. Approximately $91 remains outstanding as of the Petition Date.

(b) **2006 Grid Promissory Note**

Toys Inc. and Toys Delaware are parties to that certain Promissory Note, dated January 28, 2006 (as amended, amended and restated, extended, supplemented or otherwise modified from time to time, the "2006 Grid Promissory Note"), which evidences the intercompany loans made between Toys Inc. and Toys Delaware both as borrowers and lenders. Both Toys Inc. and Toys Delaware are permitted to offset and net any amounts owed to the other under the 2006 Grid Promissory Note. As of the Petition Date, the outstanding amount under the 2006 Grid Promissory Note was approximately $390 million that Toys Inc. owed to Toys Delaware. The 2006 Grid Promissory Note matures on November 30, 2020.

(c) **2009 Intercompany Promissory Note (Toys Inc. as Borrower)**

Toys Inc., as borrower, and Toys Delaware, as lender, entered into that certain promissory note, dated as of June 15, 2009 (as amended, amended and restated, extended, supplemented or otherwise modified from time to time, the "2009 Promissory Note") pursuant to which Toys Inc. borrowed an initial principal amount of $150 million. On July 29, 2017, the outstanding amount under the 2009 Promissory Note was approximately $313 million. The 2009 Promissory Note matures on November 30, 2020.

(d) **2009 Intercompany Promissory Note (Toys Delaware as Borrower)**

Toys Delaware borrowed an initial principal amount of $286 million from Toys Inc. under that certain Promissory Note, dated as of July 22, 2009 (as amended, amended and restated, extended, supplemented, or otherwise modified from time to time, the "July 2009 Promissory Note"). As of the Petition Date, approximately $250 million remained outstanding under the July 2009 Promissory Note, which matured on February 3, 2018.

(e) **2012 Intercompany Promissory Note**

Toys Inc., as borrower, and Toy Delaware, as lender, entered into a promissory note, dated July 24, 2012 (as amended, amended and restated, extended, supplemented or otherwise modified from time to time, the "2012 Promissory Note") whereby Toys Inc. borrowed an aggregate principal amount of $175 million. As of the Petition Date, the amount outstanding under the 2012 Promissory Note was approximately $302 million. The 2012 Promissory Note matures on August 1, 2018

C. *Events Leading to the Chapter 11 Cases*

1. **Changing Retail Environment, Liquidity Concerns, and Debt Service Obligations**

The Debtors were no exception to the substantial challenges facing many other retailers over the last several years. Market forces in tandem with consumer trends towards online shopping have caused many retailers with primarily brick-and-mortar based business models to restructure their operations and, for some, to file voluntary petitions under the Bankruptcy Code. Toys "R" Us' business model fits this category of retailers, as it relied heavily on revenue being generated from consumer purchases at retail store locations to maintain profitability. Competition from online companies like Amazon® and big-box retailers such as Walmart® and Target® was a major contributing factor in the decline in the Company's revenues in recent years. Specifically, the Company's revenue decreased approximately 3.9 percent during the 2016 holiday season compared to the 2015 holiday season after certain competitors began implementing deep discounts to drive in-store sales. This trend continued into 2017, which forced the Company to limit its investments in growth initiatives.

In addition, prior to the Petition Date, the Company's capital structure was highly leveraged with an unsustainable cash debt service burden of approximately $400 million per year. The Company faced a $186 million liability, as the Term B-2 Loans and Term B-3 Loans had a scheduled maturity in May 2018. Applicable accounting regulations could have prompted the Company to make certain disclosures because there was substantial doubt about its ability to continue as a going concern in fiscal year 2018.

As a result, the Company decided that it needed a comprehensive deleveraging to right-size its balance sheet. The strategic decision to deleverage the capital structure would allow the Company to make necessary investments to maximize the business' long-term value. The Company hired Lazard Frères & Co. LLC ("Lazard") and other advisors to analyze different ways to raise approximately $200 million in incremental liquidity. They began engaging with potential lenders and their advisors about alternative structures for such incremental funds, including a sale-leaseback transaction with certain existing lenders. Ultimately, no such liquidity-enhancing transaction proved to be a viable option.

Meanwhile, the Company retained Kirkland & Ellis LLP ("K&E") and Alvarez & Marsal ("A&M") to focus on contingency planning, which involved securing DIP financing and preparing for an orderly chapter 11 filing. These plans were ultimately accelerated after a news article stating that the Company was considering restructuring options was published on September 6, 2017. Major media outlets around the world immediately picked up this story, and, within 72 hours, suppliers began to pull terms and withhold products that were not paid with cash on delivery. Most of the Company's international credit insurers withdrew or significantly limited their coverage for vendors shipping to the Company. This loss in product and tightening of liquidity had a deleterious impact on the Company's supply chain and happened at a time when the Company typically began securing additional inventory for the upcoming holiday season. Accordingly, the Company prepared for these Chapter 11 Cases, finalized negotiations, and documented the DIP financing arrangement on an expedited timeline so that it could resolve these operational and financial issues expeditiously.

2. **Internal Management and Operational Changes**

The 2013 adjusted EBITDA declined 43% from the prior year, which led to the Company implementing broad organizational changes to confront market headwinds and drive increased revenue. The Company's board of directors hired several new executives, such as a chief executive officer, chief financial officer, a chief talent officer, a communications and customer satisfaction officer, a supply chain officer, a chief technology officer, a general counsel, and a chief marketing officer. The newly revamped management team in coordination with the board of directors began making short- and long-term strategic changes to, among other things, the Company's inventory and supply chain process, website and information technology platform, and store formats. Investments and expansion into strategic geographic markets to stabilize and grow topline sales also became a priority. Yet, despite these efforts, the overall revenue trend in the U.S. continued to decline as the Company struggled to maintain market share and compete in the changing retail environment.

ARTICLE III.
EVENTS OF THE CHAPTER 11 CASES

A. *First Day Pleadings and Other Case Matters*

1. **First and Second Day Pleadings**

On the Petition Date, the Debtors filed their voluntary petitions for relief under chapter 11 (the "Petitions") of the Bankruptcy Code and various motions to facilitate the Chapter 11 Cases, to minimize disruption to the Debtors' businesses, and to continue operating as a going concern. The relief sought in the "first day" and "second day" pleadings allowed the Debtors to transition seamlessly into chapter 11 and aided in preserving the Company's going-concern value. A brief description of the first day motions and the evidence in support thereof are set forth in the *Declaration of David A. Brandon, Chief Executive Officer of Toys "R" Us, Inc., in Support of Chapter 11 Petitions and First Day Motio*ns (the "Brandon Declaration") [Docket No. 20] and the *Declaration of Michael J. Short, Chief Financial Officer of Toys "R" Us, Inc., in Support of Debtors' First Day Motions* [Docket No. 30] (the "Short Declaration" and, together with the Brandon Declaration, the "First Day Declarations") filed on September 19, 2017. The first and second day motions, the First Day Declarations, and all others for relief granted in these Chapter 11 Cases can be viewed at no charge at https://cases.primeclerk.com/toysrus.

2. **Procedural and Administrative Motions**

The Debtors received authorization to implement procedural and administrative measures that would allow them to efficiently administer their Chapter 11 Cases and reduce administrative burdens associated therewith. Such authority included the following:

- granting the joint administration of the Chapter 11 Cases;
- approving notice, case management, and administrative procedures to govern the Chapter 11 Cases;
- extending the time for the Debtors to file certain schedules of assets and liabilities, schedules of executory contracts and unexpired leases, and statements of financial affairs;
- authorizing the Debtors to file a consolidated list of creditors in lieu of a separate mailing matrix for each Debtor and to file a consolidated list of the Debtors' 50 largest creditors; and
- approving procedures for the interim compensation and reimbursement to retained Professionals in the Chapter 11 Cases.

3. **Stabilizing Operations**

The Debtors recognized that any interruption in their businesses, even if for a brief period of time, would negatively impact their operations, customer relationships, and revenue and profits. As a result, the Debtors obtained Court approval that facilitated stabilizing their businesses and effectuated a smooth transition into operating as debtors in possession. Specifically, the Debtors sought and obtained orders authorizing them to do the following:

- maintain and administer customer programs and honor obligations arising under or relating to those such programs;
- pay prepetition wages, salaries and other compensation, reimbursable employee expenses, employee medical costs, and similar benefits;
- determine adequate assurance for future utility service and establish procedures for utility providers to object to such assurance;

- continue insurance coverage, including performance under their self-insurance programs, and enter into new insurance policies, if necessary;

- establish procedures for certain transfers and declarations of worthlessness with respect to common stock;

- maintain their existing cash management systems; and

- remit and pay certain taxes and fees.

In addition to the foregoing relief, the Debtors sought and obtained Bankruptcy Court approval to pay up to approximately $325 million in certain prepetition vendor and third-party service providers' claims who the Debtors believed were essential to their ongoing business operations [Docket No. 708]. Importantly, the Debtors were able to condition payments of these prepetition claims on the vendors' agreement to provide, among other things, favorable trade terms for the postpetition procurement of goods from the vendors. This relief was critical to the Debtors maintaining their ongoing business operations at the early stages of their Chapter 11 Cases.

In connection with the Utility Motion and the Utility Objection, the Debtors and the Utility Objectors entered into the Utility Letter Agreement. Notwithstanding anything to the contrary in this Disclosure Statement or the Plan as filed or subsequently amended, the terms, conditions, and obligations of the Debtors and the Utility Objectors in the Utility Letter Agreement shall not be amended, modified, or changed absent a writing signed by the Debtors and the Utility Objectors authorizing any change to the foregoing.

4. Retention Applications for Chapter 11 Professionals

The Debtors filed several applications and obtained authority to retain various professionals to assist the Debtors in carrying out their duties under the Bankruptcy Code during the Chapter 11 Cases. These professionals include (a) K&E, as counsel, (b) Kutak Rock LLP, as co-counsel, (c) A&M, as restructuring advisors, (d) Lazard, as investment banker, (e) Prime Clerk, as solicitation agent and administrative agent, (f) A&G Realty Partners, LLC, as real estate consultant and advisor, (g) Cushman & Wakefield U.S., Inc., as co-real estate advisor, (h) Consensus Advisory Services LLC ("Consensus") and Consensus Securities LLC, as sale process investment bankers, (i) Malfitano Advisors, LLC, as asset dispositions advisor and consultant, (j) DJM Realty Services, LLC ("DJM"), as real estate consultant and advisor, (k) KPMG LLC, as tax consultants and internal audit advisor, and (l) PricewaterhouseCoopers LLP ("PwC"), as tax and accounting advisory consultants, among other professionals.

Toys Delaware and Geoffrey appointed their own Disinterested Directors who retained their own professionals for all matters involving a conflict of interest between other Debtors ("Conflict Matters"). Toys Delaware retained Curtis, Mallet-Prevost, Colt & Mosle LLP, as its counsel (Katten Muchin Rosenman LLP has succeeded Curtis, Mallet-Prevost, Colt & Mosle LLP, as counsel) and Zolfo Cooper, LLC, as its financial advisor, and Geoffrey retained Cleary Gottlieb Steen & Hamilton LLP, as its counsel, and Kaufman & Canoles, P.C, as co-counsel.

5. Appointment of Members to the Creditors' Committee and its Counsel

On September 26, 2017, the U.S. Trustee appointed the following constituents to the Creditors' Committee: (a) Mattel, Inc.; (b) Huffy Corporation; (c) Evenflo Company Inc.; (d) KIMCO Realty; (e) The Bank of New York Mellon, (f) Euler Hermes North America Insurance Co., (g) LEGO Systems, Inc., (h) Veritiv Operating Company, and (i) Simon Property Group, Inc. The Creditors' Committee retained (a) Kramer Levin Naftalis & Frankel LLP and Wolcott Rivers Gates as co-counsels, (b) Bennett Jones LLP as Canadian counsel, (c) Berwin Leighton Paisner LLP (which is now known as Bryan Cave Leighton Paisner LLP) as special foreign counsel, (d) Moelis & Company LLC as investment banker, (e) FTI Consulting, Inc. as financial advisor, and (f) JND Corporate Restructuring as information services agent. The Creditors' Committee established a website at www.jndla.com/cases/toyscommittee that has been maintained by and through JND Corporate Restructuring to share case information with unsecured creditors.

6. Schedules, Statements, Claims Bar Date, and Administrative Claims Bar Date

On November 16, 2017, the Debtors filed their Schedules and Statements with the Bankruptcy Court pursuant to section 521 of the Bankruptcy Code.

The Bankruptcy Code allows the time to be fixed as to when proofs of claim must be filed in a chapter 11 case. Subject to certain exceptions, any creditor whose Claim is not scheduled in the Schedules and Statements or whose Claim is scheduled as disputed, contingent, or unliquidated must file a Proof of Claim. The Bankruptcy Court entered the Amended Bar Date Order [Docket No. 1332] that established April 6, 2018, at 5:00 p.m., prevailing Eastern Time as the General Claims Bar Date ("Bar Date") for claimants with claims arising prior to the Petition Date, including claims under section 503(b)(9), to file Proofs of Claims. Government units and certain claimants with specific types of prepetition claims were required to submit their Proofs of Claim on or before June 18, 2018, at 5:00 p.m., prevailing Eastern Time.

Further, on May 25, 2018, the Bankruptcy Court entered an order establishing the following deadlines for filing certain administrative proofs of claim against the Debtors: (a) for an Administrative Claim arising on or prior to June 30, 2018: July 16, 2018, at 5:00 p.m., prevailing Eastern Time, and (b) for an Administrative Claim arising after June 30, 2018: the affected party shall file a Proof of Administrative Claim with respect to such claim following the Administrative Claims Procedures by the earlier of (i) the 15th day of the month following the month in which the claim arose at 5:00 p.m., prevailing Eastern Time and (ii) 14 days following any hearing on a plan of liquidation, structured settlement, or other proposed resolution to the Debtors chapter 11 cases, at 5:00 p.m., prevailing Eastern Time [Docket No. 3260]. The Administrative Claims Procedures Order does not apply to Toys Canada or claims relating to Toys Canada.

The Debtors and their professionals continue to review and analyze Claims Filed in response to the Amended Bar Date Order and Administrative Bar Date Order and will file objections to Claims with the Bankruptcy Court as necessary and appropriate in compliance with the Bankruptcy Code, the Bankruptcy Rules, the Local Bankruptcy Rules, and the proposed Plan's terms. The Claims resolution process is ongoing, which means that the Claims figures identified in this Disclosure Statement represent *estimates* only. The recoveries set forth in this Disclosure Statement could be materially lower if the actual Allowed Claims are higher than the current estimates.

7. Postpetition Financing

Prior to the Petition Date, the Debtors and their advisors engaged in a marketing process to obtain DIP financing to fund their global operations during these Chapter 11 Cases. On October 25, 2017, the Bankruptcy Court approved approximately $3.1 billion in combined postpetition DIP financing for both the domestic and international silos. The North American DIP facility and subsequent waivers and amendments thereto is addressed below.

(a) Domestic Facilities

On October 24, 2017, the Bankruptcy Court authorized Toys Inc. and the Toys Delaware Debtors to receive approximately $2,750 million in postpetition financing on a final basis [Docket No. 711] (the "Final North American DIP Order") to support the Debtors' North American businesses in the U.S. and Canada. The Final North American DIP Order authorized on a senior secured and superpriority basis (a) $1,850 million in revolving commitments (the "ABL/FILO Revolving DIP Facility"), (b) $450 million pursuant to a "first in last out" term loan financing (the "ABL/FILO Term DIP Facility"), and (c) $450 million in term loan financing (the "Term DIP Facility"). The ABL/FILO Revolving DIP Facility and the ABL/FILO Term DIP Facility were obtained pursuant to that certain Superpriority Secured Debtor-In-Possession Credit Agreement, dated as of September 18, 2017, (as may be amended, restated, supplemented, waived, or otherwise modified from time to time and including the loan documents, the "ABL/FILO DIP Facility Credit Agreement") by and among Toys Delaware and Toys Canada, as borrowers, certain Debtor affiliates, as guarantors, Wells Fargo Bank, National Association, as collateral agent, and JPMorgan Chase Bank, N.A., as co-collateral agent and administrative agent (the "ABL/FILO DIP Facility Agents") for and on behalf of itself and the other lenders party thereto. The Term DIP Facility was issued pursuant to the terms and conditions under that certain Debtor-In-Possession Credit Agreement by and among Toys Delaware, as

borrower, and NexBank SSB, as administrative agent and collateral agent (the "Term DIP Facility Agent," and, together with the ABL/FILO DIP Facility Agents, the "North American DIP Facility Agents") for and on behalf of itself and the other lenders party thereto (as may be amended, restated, supplemented, waived, or otherwise modified from time to time, the "Term DIP Facility Credit Agreement").

Pursuant to the Final North American DIP Order (a) the Debtors stipulated to, among other things, the amount, validity, perfection, enforceability, and priority of the claims and liens of the Prepetition Secured Parties (as defined in the Final DIP Financing Order) and waived and released the Prepetition Secured Parties and their representatives from any claims or causes of action arising prior to the Petition Date, and (b) all stipulations and releases by the Debtors were binding on all other parties in interest and the Creditors' Committee, subject to the Creditors' Committee's investigation of such claims and liens of the Prepetition Secured Parties and ability to commence an adversary proceeding or contested matter challenging such claims and liens (the "Challenge Period").

(b) **Waiver for Domestic Facilities**

The Debtors believed at the time of the Petition Date that the ABL/FILO Revolving DIP Facility, ABL/FILO Term DIP Facility, and the Term DIP Facility (collectively, the "North American DIP Facilities") were sufficient to support their business operations as a going concern throughout these Chapter 11 Cases. It was the Debtors' belief that these financing agreements would provide the liquidity necessary to stabilize their vendor base and capitalize on the upcoming holiday season. The Debtors thought that the North American DIP Facilities were value-maximizing agreements and in the best interest of the estates. In particular, the Debtors believed that they would be able to comply with all financial covenants set forth therein.

However, sales from the holiday season came in lower than the Debtors' projections, which led to the Debtors' inability to comply with certain covenants set forth in the Term DIP Facility, declines in liquidity, and projected needs for a significant new cash investment to continue operating through the fall of 2018. The Debtors were able to obtain certain waivers through early March 2018 while they sought additional liquidity and/or a purchaser, but their efforts ultimately proved unsuccessful, and further waivers to permit operations in the ordinary course could not be obtained. In early March, the Debtors began an orderly wind-down of their U.S. operations following agreement with their lenders under the North American DIP Facilities on related waivers, a wind-down budget, and other matters. On April 25, 2018, the Bankruptcy Court entered final orders authorizing certain waivers under the North American DIP Facilities, which remain in full force and effect, except as modified [Docket No. 2853].

8. **IP Assumption**

Prior to the Petition Date, the Toys Inc. and its "Taj" debtor subsidiaries negotiated and agreed to a prospective waiver of certain defaults under certain indebtedness of the "Taj" debtors. Although no U.S. Debtor was liable in respect of such indebtedness, the waiver required the Debtors to assume certain "Intellectual Property Licenses" with certain subsidiaries of the "Taj" debtors within seven days following the Petition Date, which was later extended to December 15, 2017 (the "Taj Waiver"). On October 9, 2017, the ~~Taj Waiver was amended to expand the~~ definition of "Intellectual Property Licenses" was amended by the Taj Waiver to include the Subsidy Agreement in addition to the Asia JV MLA and other specific license agreements.[23] As a result, the Debtors filed the IP Assumption Motion [Docket No. 1263] and the Subsidy Motion [Docket No. 1264] on December 15, 2017, and the Bankruptcy Court entered final orders approving such motions on January 25, 2018 [Docket No. 1609; 1610] (collectively, the "IP Assumption Orders"). The IP Assumption Orders include certain reservations of rights and Causes of Action that were negotiated and agreed by and among all relevant parties to resolve objections of the Ad Hoc Group of B-4 Lenders and others. Among other things, the orders provide that the assumptions of the Asia JV MLA and the Subsidy Agreement "shall have no bearing on, and be without prejudice to, any and all causes of

[23] The Debtors complied with the Taj Waiver, as amended, when they filed the *Debtors' Motion for Entry of an Order (I) Authorizing Geoffrey LLC to Assume the Intercompany IP License Agreements, and (II) Granting Related Relief* [Docket No. 1263] and the *Debtors' Motion for Entry of an Order (I) Authorizing Geoffrey LLC to Assume the Subsidy Agreement and (II) Granting Related Relief* [Docket No. 1264] on December 15, 2017.

action of Geoffrey or its estate, any other Debtor or its estate or any creditor relating to the Intercompany IP License Agreements, the Subsidy Agreement, the March 2017 Transaction, or the transactions consummated in connection therewith, including without limitation: (i) any cause of action to avoid any obligation or transfer under any of the Intercompany IP License Agreements or the Subsidy Agreement . . . under sections 544 to 550 of the Bankruptcy Code."

While Geoffrey continues to investigate the circumstances of the March 2017 transactions, the Geoffrey Disinterested Director believes that valid and substantial causes of action against the Asia JV and/or its subsidiaries exist in respect of the Asia JV MLA and/or the Subsidy Agreement, which were fully preserved under the IP Assumption Orders. The Geoffrey Disinterested Director believes that the March 2017 transactions were designed to transfer significant value from Geoffrey to the Asia JV to the detriment of Geoffrey and its creditors. The Geoffrey Disinterested Director further believes that these transactions occurred at a time when Geoffrey was insolvent or undercapitalized and did not have an independent fiduciary and that Geoffrey did not receive reasonably equivalent value in connection with these transactions and, in particular, no value for ~~its agreement to provide large "subsidy" payments to~~entering into the ~~Asia JV.~~ Subsidy Agreement.

The Asia JV and the Taj ~~N~~Hotel~~cho~~lders Steering Group ~~assert~~dispute Geoffrey's position and maintain instead that the IP Assumption Orders cannot be set aside and that there are no valid causes of action against the Asia JV and its subsidiaries relating to the Asia JV MLA or the Subsidy Agreement. They also maintain that a subsequent breach, repudiation, or rejection of those contracts will give rise to administrative expense claims in favor of the Asia JV. The Asia JV has filed Administrative Claims against Geoffrey asserting that as of August 15, 2018, Geoffrey owes no less than $21 million under the Subsidy Agreement. Geoffrey maintains that any successful challenge to the Asia JV MLA or the Subsidy Agreement, including a successful action to avoid the obligations under the Subsidy Agreement, will invalidate and render unenforceable any claims brought on the basis of any avoided agreement. ~~Subject to the IP Assumption Orders, the~~

The parties, including the Geoffrey Debtors and the Asia JV, reserve any and all rights, claims, arguments, and defenses with respect to those contracts, the matters addressed in the IP Assumption Orders, and such other matters not specifically addressed therein.

Although the Geoffrey Disinterested Director and the Ad Hoc Group of B-4 Lenders believe that the Subsidy Agreement and the Asia JV MLA are separate agreements that could be disposed of separately, no transaction has been proposed under which the Subsidy Agreement and the Asia JV MLA will reside at different entities. To the extent any such transaction is proposed, it will be presented to the Bankruptcy Court for review and approval, as contemplated by the Bankruptcy Court-approved bidding procedures for the sale of the Debtors' intellectual property assets. For the avoidance of doubt, the Asia JV and the Taj Holders Steering Group believe the Subsidy Agreement and the Asia JV MLA are integrated agreements and cannot be separated.

9. **Litigation Matters**

In the ordinary course of business, the Debtors are parties to certain lawsuits, legal proceedings, collection proceedings, and claims arising out of their operations. The Debtors cannot predict with certainty the outcome of these lawsuits, legal proceedings, and claims. With certain exceptions, the filing of the Chapter 11 Cases operates as a stay with respect to litigation being commenced or continued against the Debtors that was or could have been commenced before the Petition Date. Any litigant's ability to collect on liabilities resulting therefrom is stayed due to these Chapter 11 Cases generally with such claims being subject to discharge, settlement, and release upon Plan confirmation, with certain exceptions.

On June 28, 2018, the Bankruptcy Court entered a second order extending the period during which the Debtors may file notices of removal with respect to civil actions that are subject to removal under 28 U.S.C. § 1452 [Docket No. 3596] to the later of (a) December 12, 2018, or (b) 30 days after entry of an order terminating the automatic stay with respect to any particular Civil Action sought to be removed.

10. **The Creditors' Committee Investigation of the Prepetition Secured Lenders**

To obtain post-petition financing, the Debtors stipulated to the validity, perfection, enforceability, priority, and extent of certain of their secured lenders' debt and liens and agreed to waive and release certain Claims and Causes of Action against those lenders. As noted above, the Creditors' Committee did not agree to be bound by these waivers, however. Instead, the Creditors' Committee negotiated certain periods of time during which it could investigate the scope of the lenders' claims and liens and, if warranted, seek standing to challenge such liens or to assert other Claims and Causes of Action relating to the Debtors' prepetition transactions. The Challenge Period as it relates to the Term B-4 Loan Claims and Term B-4 Lenders under the Final DIP Financing Order has been extended to August 3, 2018 [Docket Nos. 1772; 2465; 2920; 3282].

After conducting its investigation, the Creditors' Committee identified certain putative Claims and Causes of Action against the Prepetition Secured Lenders for which the Creditors' Committee intended to seek standing to pursue on behalf of the Debtors' estates. These putative Claims and Causes of Action can be broadly categorized as follows:

- **Lien Challenges.** Claims against the Prepetition Secured Lenders seeking to determine that certain collateral was actually unencumbered and seeking to avoid liens on certain collateral on the grounds that those liens were not properly perfected;

- **Alleged Term Loan B Collateral Preference.** Claims against the administrative agent for the Debtors' prepetition term loans asserting that an alleged increase in the value of the term lenders' collateral by virtue of inventory acquired in the 90 days prior to the Petition Date constituted an avoidable preference; and

- **Alleged Wayne Guaranty Claims.** Claims against the administrative agent for the Debtors' prepetition term loans asserting that the transaction pursuant to which Wayne issued a guaranty of the Term B-4 Lenders' secured indebtedness constituted a fraudulent conveyance.

The Prepetition Secured Parties believe that they have valid defenses to all of those potential claims. Among other things, the Prepetition Secured Lenders contend that any transfers during the 90-day period did not improve the lenders' collateral position and that any increase in collateral value prepetition is more than offset by postpetition decreases in collateral value and, thus, by adequate protection claims. They also contend that the Creditors' Committee cannot meet the elements of any claim to avoid the Wayne guarantee and that they have additional defenses as well. Nonetheless, in an effort to reach the Settlement Agreement, the Settlement Parties negotiated a good faith settlement of these and other similar Claims and Causes of Action that the Creditors' Committee may have sought standing to pursue on behalf of the North American Debtors' Estates pursuant to the Final DIP Financing Order.

These Claims and Causes of Action were ultimately compromised in connection with the negotiations that culminated in the Settlement Agreement. The Settlement Parties recognized that the outcome of litigation is uncertain and may cause the Settlement Parties to incur significant costs and suffer delay before resolving any such disputes. Thus, in consideration of the delays and carrying costs that would necessarily be borne by the Debtors' estates in the event the Creditors' Committee sought standing to pursue such Claims and Causes of Action, the Settlement Parties have agreed to resolve their disputes relating thereto by entering into the Settlement Agreement that formed the basis for the Plan.

11. **Rejection and Assumption of Executory Contracts and Unexpired Leases**

Prior to the Petition Date and in the ordinary course of business, the Debtors were party to over 11,000 Executory Contracts and Unexpired Leases related to, among other things, agreements with vendors, contractors, service providers, and landlords. The Debtors and their advisors have reviewed and will continue to review the Executory Contracts and Unexpired Leases to identify contracts and leases to either assume or reject pursuant to sections 365 or 1123 of the Bankruptcy Code. The Debtors intend to include such information in the Plan Supplement regarding the assumption or rejection of the remainder of their Executory Contracts and Unexpired

Leases, although the Taj Debtors may elect to also assume or reject various Executory Contracts and Unexpired Leases before such time.

On December 8, 2017, the Bankruptcy Court entered the Order approving the Debtors' Assumption and Rejection Procedures for Executory Contracts and Unexpired Leases [Docket No. 1188]. Pursuant to these procedures, the Debtors have either rejected, assumed, or assumed and assigned over a thousand Executory Contracts and Unexpired Leases as of the date hereof.

B. *The Debtors' Restructuring Efforts*

The Debtors commenced their Chapter 11 Cases to address their organizational and operational issues, shrink their store footprint, and restructure their annual debt service obligations. However, the Debtors' financial projections for the 2017 fiscal year were not met, with EBITDA falling approximately $400 million below DIP budget projection for the 2017 fiscal year. As a result, the Debtors were unable to comply with certain covenants in the North American DIP Facilities and decided to wind-down their U.S. operations and sell U.S. and international assets after conversations with their secured creditors.

1. **U.S. Wind-Down**

On March 22, 2018, the Bankruptcy Court entered the Wind-Down Order authorizing the Debtors to begin closing U.S. stores and warehouses and selling inventory and certain real estate assets. By June 30, 2018, the Debtors successfully completed liquidation sales at all of their U.S. stores. The revenue derived therefrom will be used to fund recoveries under the Plan.

Additionally, the Debtors sought and obtained Bankruptcy Court authority to auction certain unexpired leases and real property [Docket Nos. 2351, 3056]. The Debtors conducted auctions on March 29, 2018, June 11, 2018, July 12, 2018, and July 19, 2018. As of the date hereof, the Debtors have obtained approval of the sale of the vast majority of such assets and are in the process of finalizing documentation and obtaining final approval for the properties sold in July.

2. **Canadian Sale**

The Debtors sold 100% of Toys Delaware's equity interest in Toys Canada to Fairfax Financial Holdings Limited free and clear of liens, claims, interests, and encumbrances after conducting a robust auction process. The Court approved this transaction [Docket No. 2852], which had a CAD 300 million purchase price. On May 24, 2018, the Bankruptcy Court entered an order dismissing Toys Canada from these Chapter 11 Cases.

3. **Transition Services**

The Canadian sale and the sale of certain international entities by the Debtors' affiliates both contemplate that Toys Delaware will continue to provide certain transition services to the respective purchasers, which is consistent with services that Toys Delaware provided to such operations previously. These services and related agreements were heavily negotiated between the parties, and the Bankruptcy Court has entered orders approving such agreements [Docket No. 3113, 3231]. If acceptable terms are negotiated, the Debtors anticipate that they will provide such services to the purchaser(s) of additional international operations, including the purchaser(s) of the Asia business. Accordingly, the Plan contemplates that a new entity will be created post-emergence to manage transition services.

~~In connection with the sale of the Debtors' international businesses, a dispute arose~~A dispute has arisen between Toys Delaware and the Asia JV regarding $10,054,921.00 invoiced by Toys Delaware to two subsidiaries of the Asia JV (the "Invoiced Amounts") for services rendered prior to 2018 under that certain Information Technology and Administrative Support Services Agreement, dated as of February 1, 2009 (as amended from time to time, the "ITASSA"). The Asia JV has not paid any of the Invoiced Amounts. To avoid a contested hearing, the parties agreed to a 60-day reconciliation period concluding on the date of the July omnibus hearing during which time Toys Delaware and the Asia JV would endeavor to reach agreement on the Invoiced Amounts. During this 60-

day period, Toys Delaware agreed to continue to provide shared services, both under the ITASSA and otherwise, to the Taj Debtors and their subsidiaries if and only to the extent that such entities paid for such services on a current basis. By order of the Bankruptcy Court entered on May 17, 2018 [Docket No. 3113] (the "TSA Order"), all rights of the parties were reserved with respect to these issues from and after the July Omnibus Hearing. *See id*.

The parties have engaged in extensive discussions regarding the Invoiced Amounts. However, as of the date hereof, the dispute remains unresolved, as Toys Delaware believes that it is entitled to payment in full of the Invoiced Amounts, and the Asia JV and the Taj ~~N~~Hoteholders Steering Group dispute that assertion, and the Asia JV has not paid the Invoiced Amounts. To date, Toys Delaware has continued to provide services to the Asia JV ~~despite~~even though the Asia ~~JV's failure to pay any of~~JV has not paid the Invoiced Amounts~~, but~~ and the dispute has not been resolved. Toys Delaware believes it is entitled to cease providing such services in light of the ~~Asia JV's material~~ non-payment ~~default under~~by the ~~ITASSA~~Asia JV and the expiration of the 60-day period in the TSA Order.

The Asia JV challenges the Invoiced Amounts and, consistent with the ITASSA, including section five thereof, the parties have been attempting to resolve the dispute.[24] The Asia JV notes that is has remained current with respect to its monthly ITASSA payments and has timely paid all invoices for services rendered since the chapter 11 cases began (except, for the avoidance of doubt, the Invoiced Amounts). The Asia JV also maintains that if Toys Delaware stops providing ITASSA Services without an acceptable transition services agreement in place, it may have an adverse impact on the value of the Asia business as well as the value of Toys Delaware's intellectual property. The Asia JV reserves any and all rights, claims, and defenses in the event Toys Delaware stops providing services or causes an interruption in services. Toys Delaware, in turn, reserves all rights, claims, and defenses resulting from the Asia JV's failure to pay any of the Invoiced Amounts and otherwise.

The Toys Delaware Disinterested Directors ~~assert~~maintain that, notwithstanding anything contained in the *Objection of Toys (Labuan) Holding Limited to (A) Motion of Toys Delaware and Geoffrey for Entry of an Order (I) Approving Adequacy of Disclosure Statement, (II) Approving Solicitation and Notice Procedures with Respect to Confirmation of Proposed Chapter 11 Plans, (III) Approving Forms of Ballots and Notices in Connection Therewith, (IV) Scheduling Certain Dates with Respect Thereto, and (V) Granting Related Relief and (B) Related Disclosure Statement* [Docket No. 4367] (the "Asia JV Objection")[25] and the *Objection of the Ad Hoc Group of Taj Noteholders to the Debtors' Motion for Entry of an Order (I) Approving the Adequacy of the Disclosure Statement, (II) Approving the Solicitation Procedures with Respect to Confirmation of the Debtors' Proposed Chapter 11 Plans, (III) Approving the Forms of Ballots and Notices in Connection Therewith, (IV) Scheduling Certain Dates with Respect Thereto, and (V) Granting Related Relief* [Docket No. 4375] (the "Taj Noteholders Objection") filed by certain beneficial holders of, or the investment advisor or investment manager to certain beneficial holders of, Taj Senior Notes and Taj DIP Notes represented by Paul, Weiss, Rifkind, Wharton & Garrison LLP (the "Taj ~~N~~Hoteholders Steering Group"), Toys Delaware (a) has no obligation to ~~(a)~~ continue providing any shared services to the Taj Debtors or their subsidiaries during the remainder of these Chapter 11 Cases ~~or~~and (b) has no obligation to provide transition services to the purchaser(s) of the Asia business absent an agreement among the applicable parties and approval by the Bankruptcy Court. ~~For the~~The Toys Delaware Disinterested Directors further ~~avoidance of doubt, and~~submit that notwithstanding anything contained in the Asia JV Objection or the Taj Noteholders Objection, the terms of the prior transition services agreements approved by the Bankruptcy Court in these Chapter 11 Cases have no precedential effect on the terms, if any, that Toys Delaware may agree to in connection with a transition services agreement for the Asia business.

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[24] The Toys Delaware Disinterested Directors believe that only approximately $4.5 million of the Invoiced Amounts are currently in dispute.

[25] Among other things, the Asia JV Objection argues (at p. 11 (¶ 16)) that "Toys Delaware has acknowledged the importance of the ITASSA services to the continued operation of businesses like the Asia JV. Toys Delaware also exercised its business judgment on three occasions to enter into transition agreements to provide services through 2019 in connection with the sale of the Canadian Equity, the European Sale, and the sale of the Iberia business. It also recognized that Toys Labuan would profit from providing transition services regardless of the outcome of the Debtors' efforts to sell their non-U.S. operations through continuing payments and royalties from ongoing international operations." Toys Delaware's responses and disagreements with the Asia JV's assertions are set forth in this Disclosure Statement.

The Asia JV filed two objections to the Disclosure Statement [Docket Nos. 4637 and 4505] arguing, among other things, that any plan that does not provide for the payment in full in cash of administrative expense claims cannot satisfy section 1129(a)(9) of the Bankruptcy Code and cannot be confirmed. It also argued that to the extent the Toys Delaware Debtors' and Geoffrey Debtors' Disclosure Statements related to plans that did not provide for the payment of Allowed Administrative Expense Claims in full in cash, then they should not be approved. Toys Labuan similarly argued that the Geoffrey Debtors' Plan capped the Asia JV Allowed Administrative Claims and therefore could not satisfy section 1129(a)(9). The Toys Delaware Disinterested Directors, the Geoffrey Disinterested Directors, and the Ad Hoc Group of B-4 Lenders dispute each of those arguments.

The Asia JV's objections to the Disclosure Statement were resolved, however, when the Debtors advised the Asia JV that (a) the Administrative Claim asserted by the Asia JV (the "Asserted Asia JV Claim") is the only material Administrative Claim known to the Debtors to be asserted against the Geoffrey Debtors that may be allowed; (b) in order for the Plan to go Effective, the Asserted Asia JV Claim, will need to be paid in full in cash to the extent, if any, of the Allowed amount thereof and not subject to any cap; (c) the $22,000,000 relating to the condition precedent to effectiveness of the Plan in section XI.B.5 is being increased to $26,000,000, which currently is expected to be sufficient to cover the full asserted amount of the Asia JV Allowed Administrative Claim; and (d) any and all of the Asia JV's objections to confirmation of the Plan are fully reserved, including, *inter alia*, the right to challenge confirmation on grounds that the Geoffrey Debtors' Plan does not comply with section 1129(a)(9) of the Bankruptcy Code and that the Debtors have not demonstrated that there is a valid basis to condition effectiveness of the Plan on the Allowed Administrative Claims against the Geoffrey Debtors not exceeding a dollar threshold.

4. **U.S. and International IP Sale Process**

Toys Delaware and Geoffrey are in the process of marketing or exclusively licensing their rights, title, and interest in and to their Intellectual Property [Docket No. 3601]. The Debtors' investment banker for this process, Consensus, has received numerous inquiries from parties interested in the assets and engaged with more than 100 potential purchasers, including major retailers, infant and juvenile consumer products businesses, brand buying and e-commerce organizations, and short-term strategic partners. The Debtors are continuing to work with interested parties regarding a potential sale.

5. **Asia JV Sale Process**

Toys "R" Us Europe, LLC and certain subsidiaries (collectively, the "Taj Debtors") are conducting a sale process for the 84.87% joint venture interest in the Asia JV, as of the date hereof. In connection with this process, Geoffrey is also offering the related intellectual property interest for sale and/or to modify the Asia JV MLA, subject to terms to be agreed. Over 125 potential investors were contacted and multiple prospective purchasers have submitted letters of intent and made both binding and non-binding bids. In order to facilitate a sale process designed to yield the highest and best price for these assets, the Debtors obtained the Bankruptcy Court's approval to provide bid protections for the joint venture and intellectual property assets and are seeking Bankruptcy Court approval to invalidate a right-of-first-refusal embedded in the governing shareholders' agreement and allow a "drag" right that permits the majority holder in the Asia JV to sell the minority interest on the same terms and conditions in conjunction with the sale process.

If acceptable terms are negotiated, the Debtors anticipate that they will provide certain transition services to the purchaser(s) of the Asia business. The Taj Debtors believe such services, whether provided pursuant to the ITASSA, or a substitute transition services agreement, are necessary to minimize disruption and maximize the value of the Asia business. The Asia JV and Taj ~~N~~Ho~~teho~~lders Steering Group assert that without continued ITASSA services, the Asia business may be adversely affected, ~~which could in turn adversely affect royalty payments to Geoffrey by~~as well as the value of the Asia ~~JV~~business. However, Toys Delaware argues it is under no obligation to continue providing such services, in particular on the current terms, which the Toys Delaware Disinterested Directors and the Ad Hoc Group of B-4 Lenders believe were not negotiated at arm's length and do not adequately compensate Toys Delaware. ~~For the~~The Toys Delaware Disinterested Directors further ~~avoidance of doubt, and~~believe that, notwithstanding anything contained in the Asia JV Objection or the Taj Noteholders Objection, the terms of the prior transition services agreements approved by the Bankruptcy Court in these Chapter 11 Cases have

no precedential effect on the terms, if any, that Toys Delaware may agree to in connection with a transition services agreement for the Asia business.

With respect to Geoffrey's Asia-related intellectual property and license agreement, the bids the Company received featured either (a) an offer to purchase Geoffrey Asia-related intellectual property, (b) the assumption of the existing licensing agreement (with multiple bids requiring certain modifications thereto), or (c) both a purchase/licensing option. In the most recent round of bidding, interested parties offered up to $216 million for the outright purchase of the Asia-related intellectual property and/or a license to the Asia-related intellectual property for a net 2% royalty, with one bidder requiring a 25-year extension of the license with an automatic 25-year renewal thereafter.

6. **Settlement Agreement**

As described herein, the Settlement Parties executed the Settlement Agreement on July 17, 2018, resolving and/or preserving certain parties' claims and allegations that related to the U.S. Wind-Down. The Settlement Parties engaged in extensive negotiations to set a baseline for recoveries for Administrative Claim Holders and established the Non-Released Claims Trust, the Merchandise Reserve, and the Administrative Distribution Pool for the benefit of various creditor constituencies. However, Holders of Allowed Administrative Claims are permitted to opt out of the Administrative Claims Distribution Pool if they do not wish to participate or be bound to the releases contained in the Plan. The Settlement Agreement Motion was filed on July 17, 2018, and a hearing to approve the Settlement Agreement was held on August 7, 2018. The Bankruptcy Court approved the Settlement Agreement on August 7, 2018, and the Settlement Order was entered on August 8, 2018, with all objections to the Settlement Agreement overruled. No appeal was taken from the Settlement Order, which is now final. On August 28, 2018, the Debtors Filed a notice confirming that the Settlement Agreement is fully effective.

ARTICLE IV.
SUMMARY OF THE PLAN

This section summarizes the Plan's structure, means for implementation, classification and treatment of Claims and Interests, and documents referred to therein. Statements contained in this Disclosure Statement do not purport to be precise or complete statements of all the terms and provisions in the Plan or documents referenced to therein. The Debtors refer you to the Plan and to such documents for the full and complete statement of such terms, provisions, and documents referred to therein.

In addition, the Plan controls the actual treatment of Claims against and Interests in the Debtors under the Plan and will be binding upon all Holders of Claims and Interests upon the occurrence of the Effective Date. In the event of any conflict between this Disclosure Statement and the Plan and operative documents, the Plan's terms and/or such other operative document shall control. Key terms under the Plan are summarized below.

A. *Administrative Claims*

Except for Claims of Professionals, unless previously Filed, requests for payment of Administrative Claims must be Filed with the Notice and Claims Agent no later than the Administrative Claims Bar Date as set forth in the Administrative Claims Bar Date Order or the Confirmation Order and notice of the Effective Date, as applicable. Holders of Administrative Claims that are required to File and serve or otherwise submit a request for payment of such Administrative Claims by the Administrative Bar Date that do not file and serve or otherwise submit such a request by the Administrative Claims Bar Date shall be forever barred, estopped, and enjoined from asserting such Administrative Claims against the Debtors, any purchaser of their assets, or their respective property, and such Administrative Claims shall be deemed compromised, settled, and released as of the Effective Date.[26]

[26] For the avoidance of doubt, administrative Intercompany Claims between Debtors will be treated separately than all other Administrative Claims or prepetition Intercompany Claims and will receive Treatment as agreed to by and among the applicable Debtors or as determined by the Bankruptcy Court.

Administrative Settlement Claims against the Toys Delaware Debtors shall be allowed and paid solely in accordance with the terms of the Settlement Agreement, which is appended to the Plan as **Exhibit A** and incorporated therein by reference as if fully set forth therein. Based on current analysis and working assumptions, the Debtors project that the total amount of Administrative Claims against the Toys Delaware Debtors will be between ~~[~~$~~$~~808 million and $847 million~~]~~.

On May 25, 2018, the Bankruptcy Court entered the Administrative Claims Bar Date Order, which *inter alia*, sets forth a process for reconciliation and allowance of asserted Administrative Claims. Pursuant to the Administrative Claims Bar Date Order, unless and until any other claims process is approved by the Bankruptcy Court, the Debtors are authorized but not required to reconcile and allow Administrative Claims and to allow such claims in agreed amounts after (i) the Creditors' Committee is provided seven (7) business days' notice of such proposed reconciled and allowed amounts and does not object thereto or (ii) should the Creditors' Committee object thereto or seek additional diligence, after any objection has been resolved; *provided that* the Debtors' allowance of such Administrative Claim shall be consistent with the Final North American DIP Amendment Order. As such process for the reconciliation and allowance of asserted Administrative Claims applies to Administrative Claims of non-Debtor affiliates, including the Asia JV, any proposed allowance of any such asserted Administrative Claim against Geoffrey LLC or any objection to allowance of such asserted Administrative Claim shall be made solely by Geoffrey LLC in consultation with the creditors of Geoffrey LLC.

On the Effective Date, subject to the provisions regarding Professional Claims set forth below, excluding adequate protection claims and except to the extent that a holder of an Allowed Administrative Claim and the Geoffrey Debtors, as applicable, agree to less favorable treatment for such holder, any Holder of an Allowed Administrative Claim (including all Asia JV Allowed Administrative Claims, which the Asia JV asserts are no less than $21 million as of August 15, 2018) against the Geoffrey Debtors shall receive payment in full in cash, except to the extent that the Holder of such Administrative Claim agrees to less favorable treatment.[27] It is a condition precedent to the Consummation of the Geoffrey Plan that Allowed Administrative Claims against the Geoffrey Debtors not exceed ~~$[21,750~~$26,000~~]~~,000.

Administrative Claims included in the Wind-Down Budget will be paid in full as provided for in the Wind-Down Budget, pursuant to the allocations included in the Wind-Down Budget. These Claims include, but are not limited to certain Claims for rent, services, and non-merchandise goods. For the avoidance of doubt, any party with claims included in the Wind-Down Budget shall not be entitled to any payments from the Administrative Claims Distribution Pool solely with respect to any amounts included in the Wind-Down Budget.

B. *Accrued Professional Compensation Claims*

1. **Professional Fee Escrow Account**

In accordance with Article II.B of the Plan, as soon as reasonably practicable after the Confirmation Date and no later than the Effective Date, the Debtors shall establish the Professional Fee Escrow Account. The Toys Delaware Debtors shall fund the Professional Fee Escrow Account with Cash in the amount of the aggregate Professional Fee Escrow Amount for all Professionals. The Professional Fee Escrow Account shall be funded on the Effective Date. The Professional Fee Escrow Account shall be maintained in trust for the Professionals. Such funds shall not be considered property of the Debtors' Estates or any of the Successor Entities, except as otherwise provided in the Settlement Agreement.

2. **Final Fee Applications and Payment of Accrued Professional Compensation Claims**

All final requests for payment of Claims of a Professional, including without limitation Substantial Contribution Claims, shall be Filed no later than 45 days after the last effective date of all chapter 11 plans filed in the Chapter 11 Cases of the Debtors and their affiliates that are being jointly administered with these Chapter 11

[27] The Geoffrey Debtors reserve all rights to object to allowance of any asserted Administrative Claims, or to assert any setoff rights relating to such asserted Claims.

Cases. After notice and a hearing in accordance with the procedures established by the Bankruptcy Code and prior Bankruptcy Court orders, the Allowed amounts of such Accrued Professional Compensation Claims shall be determined by the Bankruptcy Court. The Allowed amount of Accrued Professional Compensation Claims owing to the Professionals shall be paid in Cash to such Professionals from funds held in the Professional Fee Escrow Account when such Claims are Allowed by a Final Order. After all Accrued Professional Compensation Claims have been paid in full, the Final Order allowing such Accrued Professional Compensation Claims shall direct the escrow agent to return any excess amounts contained in the Professional Fee Escrow Account to the applicable Successor Entities. Notwithstanding anything else to the contrary in the Plan or the Confirmation Order, at any time prior to the entry of the Final Order described in this section, any party in interest may object to the allocation of any professional fees or expenses to or among each or any of the Geoffrey Debtors, Toys Delaware Debtors, Toys Inc. or any of their respective subsidiaries and affiliates, whether or not they are debtors under the Bankruptcy Code. Notwithstanding anything to the contrary herein, the Fee Examiner Order shall remain in effect pursuant to its own terms.

The Creditors' Committee engaged Moelis & Company, LLC ("Moelis") as its investment banker pursuant to an engagement letter dated October 2, 2017 (the "Engagement Letter"). The Committee sought the Bankruptcy Court's approval to retain Moelis through the filing of the application [Docket No. 868]. The Bankruptcy Court entered an order approving the application (and the Engagement Letter) on November 21, 2017 [Docket No. 1054] (the "Moelis Retention Order"). Pursuant to the Moelis Retention Order, Moelis is retained as the Creditors' Committee's investment banker under section 328(a) of the Bankruptcy Code. The Moelis Retention Order directs each Debtor to pay Moelis's compensation and approves the terms and conditions of the Engagement Letter.

Moelis asserts that upon Consummation of the Plans, Moelis's fees and expenses will become Allowed Administrative Claims of the Debtors' estates pursuant to section 507(a)(2) of the Bankruptcy Code. Moelis further asserts that because the Plan requires Moelis to accept an undetermined amount of compensation that will be less than the amount to which it is entitled, the Plan faces a material confirmation issue. Moelis has been engaging and remains willing to engage with the Debtors and their stakeholders to consensually resolve this issue. Moelis reserves all of its rights in connection with Confirmation of the Plan.

For the avoidance of doubt, the allowance and payment of any fees and expenses of Moelis is subject in all respects to the *Order (I) Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Retained Professionals and (II) Granting Related Relief* [Docket No. 746] (the "Interim Compensation Order"). The Debtors and all other parties reserve all rights and arguments with respect to Moelis's claim, including the right to object to the claim on any grounds.

Post-Confirmation Fees and Expenses

Except as otherwise specifically provided in the Plan, from and after the Confirmation Date, the Debtors shall, in the ordinary course of business and without any further notice to or action, order, or approval of the Bankruptcy Court, pay in Cash the reasonable legal, professional, or other fees and expenses related to implementation and Consummation of the Plan incurred by the Debtors. Upon the Confirmation Date, any requirement that Professionals and Ordinary Course Professionals comply with sections 327 through 331 and 1103 of the Bankruptcy Code, the Interim Compensation Order, or the Ordinary Course Professionals Order, in seeking retention or compensation for services rendered after such date shall terminate, and the Debtors may employ and pay any Professional or Ordinary Course Professional in the ordinary course of business without any further notice to or action, order, or approval of the Bankruptcy Court.

4. **DIP Facility Claims against the Toys Delaware Debtors**

The ABL/FILO DIP Facility Claims against the Toys Delaware Debtors (other than any Claims based on the Debtors' contingent or indemnification obligations under the ABL/FILO DIP Facility Credit Agreement for which no claim has been made) have been paid in their entirety and shall, therefore, be allowed in the aggregate amount of $0.00.[28] Notwithstanding anything to the contrary herein, the ABL/FILO DIP Facility Credit Agreement

[28] All outstanding letters of credit under this facility have been fully cash collateralized.

shall continue in effect for the purpose of preserving the ABL/FILO DIP Agents' and the ABL/FILO DIP Lenders' rights to any contingent or indemnification obligations, which shall continue in full force and effect after the Effective Date, pursuant and subject to the terms of the ABL/FILO DIP Facility Credit Agreement or DIP Orders.

Term DIP Facility Claims against the Toys Delaware Debtors shall be allowed in the aggregate principal amount of ~~$[~~$200,000,000~~],~~ or such lesser amount as may be outstanding as of the date of confirmation of the Plan, plus accrued and unpaid interest. In full and final satisfaction, compromise, settlement, and release of and in exchange for each allowed Term DIP Facility Claim against the Toys Delaware Debtors, each holder thereof shall receive residual proceeds from the sale of their collateral, as such proceeds are received, until paid in full or such proceeds are exhausted. For the avoidance of doubt, except for the Initial Fixed Amount, the Toys Delaware Debtors shall repay all remaining amounts owing under the Term DIP Facility prior to making any other distributions, including distributions into the Administrative Claims Distribution Pool.

C. *Priority Tax Claims*

Holders of Allowed Priority Tax Claims shall receive any excess value available for distribution from the applicable Debtor following repayment of all secured claims and all claims entitled to senior or administrative priority in accordance with the Bankruptcy Code, if any. The failure to object to Confirmation by a Holder of an Allowed Priority Tax Claim shall be deemed to be such Holder's consent to receive treatment for such Claim that is different from that set forth in section 1129(a)(9) of the Bankruptcy Code.

D. *Classification and Treatment of Claims and Interests Under the Plan*

1. **General Settlement of Claims**

In accordance with section 1123(a)(1) of the Bankruptcy Code, the DIP Facility Claims, Administrative Claims, and Priority Tax Claims have not been classified and, thus, are excluded from the Classes of Claims and Interests as set forth in Article III of the Plan.

2. **Treatment of Claims and Interests**

The recoveries to holders of Claims and Interests are described in Article III.D of this Disclosure Statement, entitled "Am I entitled to vote on the Plan?" and discussed in Article III of the Plan.

3. **Special Provision Governing Unimpaired Claims**

Except as otherwise provided in the Plan, nothing under the Plan shall affect the rights of the Debtors in respect of any Unimpaired Claims, including all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Unimpaired Claims.

4. **Elimination of Vacant Classes**

Any Class of Claims or Interests that, as of the commencement of the Confirmation Hearing, does not have at least one Holder of a Claim or Interest that is Allowed in an amount greater than zero for voting purposes pursuant to the Disclosure Statement Order shall be considered vacant, deemed eliminated from the Plan for purposes of voting to accept or reject the Plan, and disregarded for purposes of determining whether the Plan satisfies section 1129(a)(8) of the Bankruptcy Code with respect to that Class.

5. **Subordinated Claims**

The allowance, classification, and treatment of all Allowed Claims and Allowed Interests and the respective distributions and treatments under the Plan take into account and conform to the relative priority and rights of the Claims and Interests in each Class in connection with any contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code, or otherwise. Pursuant to section 510 of the Bankruptcy Code, the Debtors

and the Successor Entities, as applicable, reserve the right to re-classify any Allowed Claim or Allowed Interest in accordance with any contractual, legal, or equitable subordination relating thereto.

E. *Means for Implementation of the Plan*

1. **Restructuring Transactions and Sources of Consideration for Plan Distributions**

The Confirmation Order shall be deemed to authorize the Debtors to 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. With respect to the Plan, all amounts of Cash necessary for the Debtors or the Disbursing Agent to make payments or distributions pursuant hereto (to the extent not already paid pursuant to the Settlement Order) shall be obtained from the proceeds of the wind-down of the Debtors' operations, Liquidating Trust, the Reorganized Debtors, Causes of Action held by the applicable Debtors (other than any Non-Released Causes of Action, including D&O Claims), or the Administrative Claims Distribution Pool, as applicable.

2. **Settlement**

The Settlement Order shall remain in full force and effect and the Debtors shall continue to fulfill their obligations thereunder. The Settlement Agreement shall be incorporated as if fully set forth in the Plan.

As set forth in the Settlement Order, holders of Administrative Claims shall (to the extent such holder does not opt out of the Settlement) provide the releases described in the Settlement Order in order to participate in the Administrative Claims Distribution Pool. Any portion of the Administrative Claims Distribution Pool allocable to opt outs will be paid to the Prepetition Secured Term Lenders.

3. **Geoffrey Plan**

The Geoffrey Plan contained herein is a separate chapter 11 plan with respect to the Geoffrey Debtors only, that may be confirmed notwithstanding the Confirmation, denial, or withdrawal of the chapter 11 plans of the Toys Delaware Debtors or any other debtor affiliates.

(a) **Asset Sales**

Prior to the Effective Date, the Geoffrey Debtors have been authorized to continue to conduct a marketing process for all or substantially all of the assets of the Geoffrey Debtors. In the event of a sale, the Holders of Claims against the Geoffrey Debtors will receive the Geoffrey Proceeds, if any, as set forth in Article III of the Plan.

As provided for in the Geoffrey Bidding Procedures, the Prepetition Secured Lenders shall be permitted to submit a credit bid for any or all of the Geoffrey Assets.

Although the Geoffrey Disinterested Director and the Ad Hoc Group of B-4 Lenders believe that the Subsidy Agreement and the Asia JV MLA are separate, independent agreements that could be disposed of separately, no transaction has been proposed under which the Subsidy Agreement and the Asia JV MLA will reside at different entities. To the extent any such transaction is proposed, it will be presented to the Bankruptcy Court for review and approval, as contemplated by the Bankruptcy Court-approved bidding procedures for the sale of the Debtors' intellectual property assets. For the avoidance of doubt, the Asia JV and the Taj Holders Steering Group believe the Subsidy Agreement and the Asia JV MLA are integrated agreements and cannot be separated.

(b) **Payment of Geoffrey Sale Proceeds**

Subject to revocation of the Geoffrey Plan in accordance with Article X.C of the Plan, the Geoffrey Debtors shall fund the distributions to Holders of Allowed Administrative Claims, Professional Fee Claims, Other Secured Claims, Priority Claims, and Priority Tax Claims against the Geoffrey Debtors in accordance with the treatment of such Claims as provided in the Plan. The Geoffrey Debtors' remaining Cash on hand (if any), including remaining Geoffrey Proceeds (if any) and any other Cash received or generated by the Geoffrey Debtors,

shall be used to fund the distributions to Holders of Allowed Claims and Interests against the Geoffrey Debtors in accordance with the treatment of such Claims and Interests and subject to the terms provided in the Plan.

(c) **Transfer or Retention of Assets**

The Geoffrey Debtors may sell all or any of their assets pursuant to the Geoffrey Bidding Procedures Order or otherwise outside the Plan. Any un-sold Geoffrey Assets will be retained by the Reorganized Debtors (which may continue to be owned by Reorganized Toys Inc. if the Delaware Retention Structure is utilized), transferred to Toys NewCo in exchange for the equity interests of Toys NewCo, transferred to the Prepetition Secured Lenders as a turnover of collateral, or transferred to the Liquidating Trust. Holders of Allowed Claims and Interests against the Geoffrey Debtors will be treated in accordance with Article III of the Plan.

4. **Restructuring Transactions**

On the Effective Date, the Debtors shall implement the Restructuring Transactions. The actions to implement the Restructuring Transactions may include: (a) the execution and delivery of appropriate agreements or other documents of merger, amalgamation, consolidation, restructuring, conversion, disposition, transfer, arrangement, continuance, dissolution, sale, purchase, or liquidation containing terms that are consistent with the terms of the Plan and that satisfy the applicable requirements of applicable law and any other terms to which the applicable Entities may agree; (b) 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; (c) the filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion, amalgamation, arrangement, continuance, or dissolution pursuant to applicable state or provincial law; (d) creation of the Liquidating Trust or other Entities, foreign or domestic; (e) the exchange of indebtedness of the Debtors held by the Prepetition Secured Term Lenders (or by an entity formed by them) for all or a portion of the Geoffrey Assets, and/or the exchange of equity interests in an entity formed by the Prepetition Secured Term Lenders for all or a portion of the Geoffrey Assets, with such equity interests distributed to the Prepetition Secured Lenders as Plan consideration; and (f) all other actions that the applicable Entities determine to be necessary or appropriate and consistent with the Plan and Confirmation Order, including forming new entities and making filings or recordings that may be required by applicable law in connection with the Plan.

F. *Cancellation of Securities and Agreements*

On the Effective Date, except to the extent otherwise provided in the Plan, all notes, instruments, ~~C~~certificates, and other documents evidencing, or in any way related to, Claims or Interests shall be canceled and the obligations of the Debtors or the applicable Successor Entities thereunder or in any way related thereto shall be released, settled, and compromised; *provided*, *however*, that notwithstanding Confirmation or the occurrence of the Effective Date, any credit document or agreement that governs the rights of the Holder of a Claim or Interest shall continue in effect solely for the purposes of (a) allowing Holders of Allowed Claims to receive distributions under the Plan; (b) allowing the 8.75% Unsecured Notes Indenture Trustee to make distributions to holders of the 8.75% Unsecured Notes Claims pursuant to the indenture or bond agreement under which the 8.75% Unsecured Notes Indenture Trustee serves; (c) preserving the 8.75% Unsecured Notes Indenture Trustee's rights to compensation and indemnification under each of the applicable indentures or bond agreements as against any money or property distributable or allocable to Holders of 8.75% Unsecured Notes Claims, including, without limitation, the 8.75% Unsecured Notes Indenture Trustee's rights to maintain, enforce, and exercise its charging liens against such money or property; (d) permitting the 8.75% Unsecured Notes Indenture Trustee to appear in the Chapter 11 Cases or in any proceeding in the Bankruptcy Court or any other court.

G. *Settlement*

The Plan is intended to implement the Settlement Agreement in conjunction with the Settlement Order. The Debtors, the Reorganized Debtors, Non-Released Claims Trust Manager and the Liquidating Trustee are empowered to implement any and all Restructuring Transactions so long as (a) such actions do not materially reduce

the distributions to Holders of Claims under the Plan or the Settlement Agreement and (b) the Settlement Parties consent to such actions (which consent shall not be unreasonably withheld).

H. *Transition Services*

On the Effective Date, all assets, contracts, resources, or any other personal property necessary to implement the Transition Services will vest in the applicable Successor Entities. The Successor Entities are authorized to provide all of the Transition Services, as set forth in any applicable Transition Service Agreements approved by the Bankruptcy Court. The Liquidating Trustee (or other applicable Successor Entity) will cooperate with Geoffrey and the Ad Hoc Group of Term B-4 Lenders to provide Transition Services to the Geoffrey Debtors if the Ad Hoc Group of Term B-4 Lenders determine that the Geoffrey Debtors require Transition Services after the Effective Date. The Successor Entities, and/or the Liquidating Trustee shall have no obligation to provide Transition Services absent an agreement among the applicable parties and, if entered into prior to the Effective Date, approval by the Bankruptcy Court. The Successor Entities and/or the Liquidating Trustee have no obligation to enter into any additional transition services agreements.

I. *Corporate Action*

Upon the Effective Date and without limiting any rights and remedies of the Debtors under the Plan or applicable law, the Debtors may structure the restructuring consummated pursuant to the Plan as a transfer of some or all of the Debtors' assets or stock to a newly formed corporation or other Entity, which transfer may be treated as a taxable transaction for United States federal income tax purposes and shall be deemed consummated on the Effective Date. Upon the Effective Date, all actions contemplated by the Plan shall be deemed authorized and approved in all respects, including the implementation of the Restructuring Transactions. All matters provided for in the Plan involving the corporate structure of the Debtors, and any corporate action required by the applicable Successor Entities or the Debtors in connection with the Plan shall be deemed to have occurred and shall be in effect, without any requirement of further action by the Security holders, directors, members, trustees, officers, or managers of the Debtors or any further notice to or action, order, or approval of the Bankruptcy Court. On or (as applicable) before the Effective Date, the appropriate officers of the Debtors shall be authorized and (as applicable) directed to issue, execute, and deliver the agreements, documents, securities, and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of the Debtors, including any and all other agreements, documents, securities, and instruments relating to the foregoing. The authorizations and approvals contemplated by Article IV.C of the Plan shall be effective notwithstanding any requirements under non-bankruptcy law.

1. **Dissolution and Board of the Directors**

As of the Effective Date, the existing boards of directors or boards of managers of the Debtors shall be dissolved without any further action required on the part of the Debtors or the Debtors' officers, directors, shareholders, and members and any all remaining officers, directors, managers, or managing members, with the exception of certain officers of each Debtor shall be dismissed without any further action required on the part of any such Debtor, the shareholders of such Debtor, the officers and directors of such Debtor, or the members of such Debtor, *provided that* the Liquidating Trust and/or the other Successor Entities may enter into agreements for the continued employment of certain Toys Delaware employees on reasonable terms, if reasonably necessary to effectuate the purpose of the Liquidating Trust or conduct its remaining business, as applicable.

2. **Effectuating Documents; Further Transactions**

On and after the Effective Date, the Debtors and their directors, members, trustees, officers, and managers are authorized to and may issue, execute, deliver, file, or record such contracts, Securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan and any Securities issued pursuant to the Plan in the name of and on behalf of the Debtors, without the need for any approvals, authorizations, or consents, except for those expressly required pursuant to the Plan, or any further notice to or action, order, or approval of the Bankruptcy Court.

J. *Section 1145 Exemption*

The offer, issuance, and distribution of the New Equity Interests in Toys NewCo, any other Successor Entity or newly-formed entity whose equity interests are distributed to Holders of Claims under the Plan, the Geoffrey Equity Pool, and if the Delaware Retention Structure is utilized, Reorganized Toys Inc. under the Plan shall be exempt (except with respect to an entity that is an "underwriter" as defined in subsection (b) of section 1145 of the Bankruptcy Code), pursuant to section 1145 of the Bankruptcy Code, without further act or action, from registration under (i) the Securities Act, and all rules and regulations promulgated thereunder and (ii) any state or local law requiring registration for the offer, issuance, or distribution of securities. Each of the foregoing securities (a) is not a "restricted security" as defined in Rule 144(a)(3) under the Securities Act, and (b) is freely tradable and transferable by any initial recipient thereof that (i) at the time of transfer, is not an "affiliate" (as defined in Rule 144(a)(1) under the Securities Act) of the issuer of such securities and has not been such an "affiliate" within 90 days of such transfer, and (ii) is not an entity that is an "underwriter" as defined in subsection (b) of section 1145 of the Bankruptcy Code.

To the extent beneficial interests in the Liquidating Trust are deemed to be "securities" as defined in section 2(a)(1) of the Securities Act, section 101 of the Bankruptcy Code, and applicable state securities laws, the Debtors intend that the exemption provisions of section 1145 of the Bankruptcy Code will apply to such beneficial interests.

Should the Debtors elect on or after the Effective Date to reflect any ownership of the New Equity Interests through the facilities of the DTC, the Debtors need not provide any further evidence other than the Plan or the Confirmation Order with respect to the treatment of the New Equity Interests under applicable securities laws. DTC shall be required to accept and conclusively rely upon the Plan and Confirmation Order in lieu of a legal opinion regarding whether the New Equity Interests issued under the Plan are exempt from registration and/or eligible for DTC book-entry delivery, settlement, and depository services. Notwithstanding anything to the contrary in the Plan, no entity (including, for the avoidance of doubt, DTC) may require a legal opinion regarding the validity of any transaction contemplated by the Plan, including, for the avoidance of doubt, whether the New Equity Interests issued under the Plan are exempt from registration and/or eligible for DTC book entry delivery, settlement, and depository services.

1. **Exemption from Certain Taxes and Fees**

Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property or any Interests pursuant to the Plan, including the recording of any amendments to such transfers, or any new mortgages or liens placed on the property in connection with such transfers, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, or other similar tax or governmental assessment, and upon entry of the Confirmation Order, the appropriate state or local governmental officials or agents shall forgo the collection of any such tax or governmental assessment and accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax, recordation fee, or governmental assessment

2. **D&O Insurance Policies**

After the Effective Date, the applicable Successor Entities shall not terminate or otherwise reduce the coverage under their directors' and officers' insurance policies (including the Existing Tail Policies) in effect on the Effective Date, with respect to conduct occurring prior thereto, and all officers, directors, trustees, managers, and members of the Debtors who served in such capacity at any time before the Effective Date shall be entitled to the full benefits of any such policy for the full term of such policy regardless of whether such officers, directors, trustees, or members remain in such positions after the Effective Date.

3. **Preservation of Rights of Action**

Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan, the Settlement Agreement, or a Bankruptcy Court order, the Debtors reserve

and may assert any and all Causes of Action, including any actions specifically enumerated in the Plan Supplement, whether arising before or after the Petition Date. The Debtors preserve, and assign to the applicable Successor Entities, the right to commence, prosecute, or settle all Causes of Action belonging to such Debtors or their estates, notwithstanding the occurrence of the Effective Date; *provided, however*, for the avoidance of doubt, the Non-Released Claims shall include all D&O Claims and shall be transferred and/or assigned to the Non-Released Claims Trust and the Non-Released Claims Trust Manager shall have the right to commence, prosecute, or settle such Non-Released Claims in its discretion, in consultation with the Non-Released Claims Trust Oversight Committee. The claims preserved hereunder and assigned to the applicable Successor Entities, also include, without limitation, all Causes of Action of the Geoffrey Debtors' estates against the D&O Parties and all Causes of Action (including under chapter 5 of the Bankruptcy Code) referenced or preserved in the *Order (I) Authorizing Geoffrey LLC to Assume the Subsidy Agreement and (II) Granting Related Relief* [Docket No. 1609] and/or the *Order (I) Authorizing Geoffrey LLC to Assume the Intercompany IP License Agreements and (II) Granting Related Relief* [Docket No. 1610]. The applicable Successor Entities may pursue such Causes of Action in their sole discretion. For the avoidance of doubt, Intercompany Claims and Causes of Action of the Debtors are preserved unless and until the applicable Debtor releases or compromises such claim pursuant to Article III of the Plan. Unless otherwise resolved prior to the Effective Date on terms acceptable to the Geoffrey Debtors, the Geoffrey Debtors and/or their applicable Successor Entities intend to pursue certain Claims and Causes of Action referenced and preserved by the IP Assumption Orders.

No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Cause of Action against them as any indication that the applicable Successor Entities or the Non-Released Claims Trust, as applicable, will not pursue any and all available Causes of Action against them. No preclusion doctrine, including the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation or Consummation.

The Debtors reserve the Causes of Action (including all Non-Released Claims and all D&O Claims) notwithstanding the assumption or rejection of any Executory Contract or Unexpired Lease during the Chapter 11 Cases or pursuant to the Plan. In accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that a Debtor may hold against any Entity shall vest in the Debtors, and, as applicable, be assigned to the applicable Successor Entities or the Non-Released Claims Trust, as applicable. The Debtors, the Successor Entities, or the Non-Released Claims Trust, as applicable, through their authorized agents or representatives, shall retain and may exclusively enforce any and all Causes of Action vested, transferred, or assigned to such entity. The Debtors, the Successor Entities, or the Non-Released Claims Trust, as applicable shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order, or approval of the Bankruptcy Court.

For the avoidance of doubt, under the Plan, and/or the Confirmation Order, all of the Debtors' rights, claims, interests, Causes of Action, damages, remedies, and equitable claims and interests on account of or with respect to all trademarks, trade names, service marks, symbols, logos, and any other intellectual property shall be reserved and, as applicable, assigned to the Successor Entities.

While Geoffrey continues to investigate the circumstances of the March 2017 transactions between Geoffrey and the Asia JV or its subsidiaries, the Geoffrey Disinterested Director believes that valid causes of action exist that are preserved under the IP Assumption Orders, including claims for actual intent and/or constructive fraudulent transfer, breach of fiduciary duty, and aiding and abetting breach of fiduciary duty. The Geoffrey Disinterested Director further believes that, contrary to certain assertions in objections to the Disclosure Statement, the Subsidy Agreement is a separate contract from the Asia JV MLA, where, *inter alia*, the agreements have different parties, do not contain cross-defaults, and, in several cases, have been executed at different times. .

The Asia JV and Taj ~~N~~H~~otelho~~lders Steering Group dispute those assertions and dispute that there are any valid causes of action against the Asia JV relating to the Asia JV MLA, the Subsidy Agreement, or any other contract or transaction. ~~Subject to the IP Assumption Orders, the~~They argue, among other things, that the Asia JV MLA and the Subsidy Agreement are integrated agreements, which the Geoffrey Disinterested Director disputes. The parties, including the Geoffrey Debtors and the Asia JV, reserve any and all rights, claims, arguments, and

defenses with respect to those contracts, the matters addressed in the IP Assumption Orders, and such other matters not specifically addressed therein.

K. *Wind-Down and Dissolution of the Toys Delaware Debtors*

On and after the Effective Date, the Liquidating Trustee (or other applicable Successor Entity) will implement any other provision of the Plan and any applicable orders of the Bankruptcy Court, and the Liquidating Trustee shall have the power and authority to take any action necessary to wind down and dissolve the Toys Delaware Debtors. After the Effective Date, the Debtors shall remain in existence for the sole purpose of dissolving. The Liquidating Trustee (or other applicable Successor Entity) shall: (1) cause the Debtors to comply with, and abide by, the terms of the Settlement Agreement; (2) file for each of the Debtors, a certificate of dissolution, together with all other necessary corporate and company documents, to effect the dissolution of the Debtors under the applicable laws of their state of incorporation or formation (as applicable); (3) complete and file all final or otherwise required federal, state, and local tax returns for each of the Debtors, and pursuant to section 505(b) of the Bankruptcy Code, request an expedited determination of any unpaid tax liability of such Debtor or its Estate for any tax incurred during the administration of such Debtor's Chapter 11 Case, as determined under applicable tax laws; and (4) reconcile (and if appropriate object to or settle) Claims against the Debtors in consultation with the Claims Oversight Representative; and (5) take such other actions as the Liquidating Trustee may determine to be necessary or desirable to carry out the purposes of the Plan. The filing by the Liquidating Trustee (or other applicable Successor Entity) of any Debtor's certificate of dissolution shall be authorized and approved in all respects without further action under applicable law, regulation, order, or rule, including any action by the stockholders, members, board of directors, or board of managers of each such Debtor. Solely to the extent and subject to the limitations provided in the Settlement Agreement, the Liquidator Agreement, the Plan, and the Confirmation Order, the Debtors shall fund the Liquidating Trust, as applicable, with funds to pay costs, expenses, or claims arising from or related to any Wind-Down. Notwithstanding anything in the Plan to the contrary, the Liquidating Trustee or the Disbursing Agent will make, or cause to be made, all distributions under the Plan other than those distributions made by the Debtors on the Effective Date.

In the event that the Debtors would continue to own any assets at the end of a tax year and the Debtors determine in consultation with the Ad Hoc Group of Term B-4 Lenders that steps should be taken to transfer all such remaining assets out of the Debtors into a separate entity, Reorganized Debtor, or trust prior to the conclusion of such tax year to minimize potential tax liabilities, the Debtors shall be authorized and empowered to make such transfer; *provided, however*, that such assets and the proceeds thereof shall remain subject to each provision of the Plan and Settlement Agreement as if such transfer had not occurred.

1. **Liquidation Trust**

On the Effective Date, to the extent any assets of the Toys Delaware Debtors or the Geoffrey Debtors remain and are not otherwise transferred to a trust or new entity pursuant to the Plan and the equity of such entities is not directly or indirectly distributed to Holders of Claims, a Liquidating Trust will be established for the primary purpose of liquidating the Liquidating Trust's assets, reconciling claims asserted against the Debtors (in consultation with the Claims Oversight Representative), and distributing the proceeds thereof in accordance with the applicable Plan, with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to, and consistent with, the purpose of the Liquidating Trust, including without limitation to provide Transition Services to the Debtors' affiliates in accordance with applicable agreements. Upon the transfer of the Debtors' assets and equity as more fully set forth in the Liquidator Agreement, the Debtors will have no reversionary or further interest in or with respect to the assets of the Liquidating Trust. The federal income tax treatment of the Liquidating Trust is discussed below.

To the extent beneficial interests in the Liquidating Trust are deemed to be "securities" as defined in section 2(a)(1) of the Securities Act, section 101 of the Bankruptcy Code, and applicable state securities laws, the Debtors intend that the exemption provisions of section 1145 of the Bankruptcy Code will apply to such beneficial interests.

2. **Liquidating Trustee**

Before or on the Effective Date, a Liquidating Trustee may be designated by the Debtors subject to the consent of the Ad Hoc Group of Term B-4 Lenders and the Creditors' Committee, pursuant to the terms of the Liquidator Agreement for the purposes administering the Liquidating Trust. The reasonable costs and expenses of the Liquidating Trustee shall be paid from the Liquidating Trust. The Liquidating Trustee shall only file tax returns for Debtors in jurisdictions where such Debtor previously filed tax returns, unless the Liquidating Trustee determines that a tax return is required to be filed due to a change in law, fact, or circumstance on or after the Effective Date. Following the Effective Date and in the event of the resignation or removal, liquidation, dissolution, death, or incapacity of the Liquidating Trustee, the Ad Hoc Group of Term B-4 Lenders in consultation with the Creditors' Committee shall designate another Entity to become Liquidating Trustee and such Entity will become the successor Liquidating Trustee and, without any further act, shall become fully vested with all of the rights, powers, duties, and obligations of the predecessor Liquidating Trustee.

The Entity chosen to be the successor Liquidating Trustee shall have such qualifications and experience to enable the Liquidating Trustee to perform its obligations under the Plan and under the Liquidator Agreement. The Liquidating Trustee shall be compensated and reimbursed for reasonable costs and expenses as set forth in, and in accordance with, the Liquidator Agreement.

L. *Settlement, Release, Injunction, and Related Provisions*

1. **Settlement, Compromise, and Release of Claims and Interests**

Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided pursuant to the Plan and Settlement Agreement, the distributions, rights, and treatment that are provided in the Plan shall be in settlement, compromise, and release, effective as of the Effective Date, of the Claims and Interests that are released, cancelled or discharged hereunder. The Confirmation Order shall be a judicial determination of the settlement, compromise, and release of such Claims and Interests subject to the Effective Date occurring.

2. **Discharge of Claims and Termination of Equity Interests**

Pursuant to section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan or in any contract, instrument, or other agreement or document created pursuant to the Plan, the distributions, rights, and treatment that are provided in the Plan shall be in complete satisfaction, discharge, and release, effective as of the Effective Date, of Claims (including any intercompany claims resolved or compromised after the Effective Date by the Debtors), interests, and causes of action of any nature whatsoever, including any interest accrued on claims or interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against, and interests in, the Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such claims and interests, including demands, liabilities, and causes of action that arose before the Effective Date, any liability (including withdrawal liability) to the extent such claims or interests relate to services performed by employees of the Debtors before the Effective Date and that arise from a termination of employment, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not: (1) a proof of claim based upon such debt or right is filed or deemed filed pursuant to section 501 of the Bankruptcy Code; (2) a claim or interest based upon such debt, right, or interest is allowed pursuant to section 502 of the Bankruptcy Code; or (3) the holder of such a claim or interest has accepted the Plan. Any default or "event of default" by the Debtors or their Affiliates with respect to any claim or interest that existed immediately before or on account of the filing of the chapter 11 cases shall be deemed cured (and no longer continuing) as of the Effective Date. The confirmation order shall be a judicial determination of the discharge of all Claims and Interests subject to the Effective Date occurring.

3. **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 Estates shall be fully released, settled, and compromised and all rights, titles, and interests of any Holder of such mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall revert to the Debtors.

4. **Releases by the Debtors**

Pursuant to section 1123(b) of the Bankruptcy Code, for good and valuable consideration, on and after the Effective Date, each Released Party shall be deemed released and discharged by the Debtors and the reorganized Debtors, and their estates from any and all claims and Causes of Action, including any derivative claims asserted on behalf of the Debtors, that the Debtors or the reorganized Debtors, or their 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 or Interest, or that any Holder of any Claim or Interest could have asserted on behalf of the Debtors, based on or relating to, or in any manner arising from, in whole or in part:

1. **the Debtors or the Debtors' in- or out-of-court restructuring efforts, intercompany transactions, the formulation, preparation, dissemination, negotiation, or filing of any documents related to the Restructuring;**
2. **any contract, instrument, release, or other agreement or document (including providing any legal opinion requested by any entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any Released Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the Restructuring, the Disclosure Statement, or the Plan;**
3. **the chapter 11 cases, the Disclosure Statement, the Plan, the filing of the 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;**
4. **all claims and Causes of Action, if any, against Administrative Claim Holders (including, without limitation, the merchandise vendors) that do not opt out of the Administrative Claims Distribution Pool[29] including from (a) all claims or Causes of Action relating to credits, rebates, advertising incentives, and like items, and (b) any claims for disgorgement or claw-back of any payments made on account of trade agreements or 503(b)(9) claims, provided that any claims described in clause (a) of this paragraph relating to credits, rebates, advertising incentives, and like items, may be asserted in a defensive manner as off-sets to the claims of merchandise vendors in the claims reconciliation procedures set forth in the Plan and in the Final North American DIP Amendment Order (or in any litigation in the event of a challenge to the reconciliation);**
5. **the negotiation, implementation, or terms of the Settlement Agreement and related term sheet;**
6. **the negotiation, implementation, terms, or amendments to the DIP Facilities or DIP Orders prior to or during the Chapter 11 Cases;**
7. **(a) the transactions undertaken by the Sponsors in relation to the acquisition of the interests in Toys Inc. or (b) any and all refinancing transactions or sale transactions related to the equity or assets of the Debtors undertaken, approved, planned, or implemented by any of the Sponsors and/or the Debtor's managers, officers, directors, and employees, as applicable; or**

[29] The Debtors reserve the right to reconcile the claims asserted by merchandise vendors based on trade allowances, credits or other trade agreements, and all merchandise vendors reserve and retain the right to challenge any such claim by the Debtors.

8. any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date relating to any of the foregoing.

The Debtors shall also waive and release any Claims or Causes of Action relating to credits, rebates, advertising incentives, and like items against Holders of General Unsecured Claims, provided that the Debtors reserve the right to reconcile any asserted General Unsecured Claims based on such Claims or Causes of Action; *provided, further*, for the avoidance of doubt, nothing in this Section shall apply to any Intercompany Claim or Cause of Action.

For the avoidance of doubt, nothing in this Section of the Plan or the Plan shall release any Non-Released Claims, any D&O Claims, or any claims of the Geoffrey Debtors against the D&O Parties. Notwithstanding anything to the contrary, the releases set forth in this Section under the Plan do not release (i) any post-Effective Date obligations of any party or Entity under the Plan or any document, instrument, or agreement (including those set forth in the plan supplement) executed to implement the Plan or (ii) any Intercompany Claims or Causes of Action (including any claims or Causes of Action of any of the Geoffrey Debtors against Toys (Labuan) Holding Limited or any of its direct or indirect subsidiaries).

Releases of Avoidance Actions by the Debtors

On and after the Effective Date, the Debtors waive, release and discharge any and all Avoidance Actions against all Released Parties, including any Avoidance Action Released Party, *provided, however*, that, for the avoidance of doubt, nothing in this Section of the Plan or the Plan shall release any Non-Released Claims, any D&O Claims, or any claims of the Geoffrey Debtors against the D&O Parties, or against any direct or indirect subsidiaries of Toys Inc.

Releases by Holders of Claims and Interests

As of the Effective Date, in addition to the releases in the Settlement Agreement, each Releasing Party is deemed to have released and discharged each Debtor, reorganized Debtor, and other Released Party from any and all claims and Causes of Action, including any derivative claims asserted on behalf of the 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, and solely to the extent relating to the Debtors:

1. **the Debtors or the Debtors' in- or out-of-court restructuring efforts, intercompany transactions, the formulation, preparation, dissemination, negotiation, or filing of any documents related to the Restructuring;**
2. **any contract, instrument, release, or other agreement or document (including providing any legal opinion requested by any entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any Released Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the Restructuring, the Disclosure Statement, or the Plan;**
3. **the chapter 11 cases, the Disclosure Statement, the Plan, the filing of the 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;**
4. **any claims against the DIP Lenders or the Prepetition Secured Term Lenders that any party could seek to assert on behalf of any estate, including Toys Delaware, and based on any theory, including fraudulent transfer, preference, section 506(c) of the Bankruptcy Code, or section 552(b) of the Bankruptcy Code;**
5. **the negotiation, implementation, or terms of the Settlement Agreement and related term sheet;**
6. **the negotiation, implementation, terms, or amendments to the DIP Facilities or DIP Orders prior to or during the Chapter 11 Cases;**

7. all Claims and Causes of Action, if any, arising from or relating to (a) the transactions undertaken by the Sponsors in relation to the acquisition of the interests in Toys Inc., or (b) any and all refinancing transactions or sale transactions related to the equity or assets of the Debtors undertaken, approved, planned, or implemented by any of the Sponsors and/or the Debtor's managers, officers, directors, and employees, as applicable; or

8. any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date relating to any of the foregoing.

For the avoidance of doubt, nothing in this Section or the Plan shall release any Non-Released Claims, any D&O Claims, or any claims of the Geoffrey Debtors against the D&O Parties. Notwithstanding anything to the contrary, the releases set forth in this Section under the Plan do not release (i) any post-Effective Date obligations of any party or entity under the Plan or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan or (ii) any Intercompany Claims or Causes of Action (including any claims or Causes of Action of any of the Geoffrey Debtors against Toys (Labuan) Holding Limited or any of its direct or indirect subsidiaries).

Notwithstanding anything to the contrary in the Plan, the allocation by and among Prepetition Secured Term Lenders of any recoveries and/or value from Wayne Real Estate Parent Company, LLC shall not be affected or altered by the terms of the Plan, and all arguments of the Prepetition Secured Term Lenders regarding such allocation are hereby expressly reserved.

7. **Exculpation**

Except as otherwise specifically provided in the Plan, no Exculpated Party shall have or incur, and each Exculpated Party is hereby 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 chapter 11 cases, the formulation, preparation, dissemination, negotiation, filing, or termination of the any documents related to the Settlement Agreement, the related term sheet, the Restructuring, and related prepetition transactions, the Disclosure Statement, the Plan, or any Restructuring transaction, contract, instrument, release or other agreement or document (including providing any legal opinion requested by any entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any Exculpated Party on the Plan or the Confirmation order in lieu of such legal opinion) created or entered into in connection with the Disclosure Statement, the Plan, the DIP Facilities, the filing of the 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, willful misconduct, 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, 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 to the contrary, the following shall not be released or exculpated hereby: (i) Intercompany Claims or Causes of Action, and (ii) "Non-Released Claims", "D&O Claims," and the Claims as against the "D&O Parties" by the Toys Delaware Debtors or Geoffrey Debtors, in respect of which the Settlement Agreement shall control over this provision in all respects with respect to the parties thereto, with respect to the parties thereto. For the avoidance of doubt, these exculpation provisions shall exculpate all Exculpated Parties of any liability otherwise arising out of any action taken in their capacity as or acting for fiduciaries of the Debtors' estates or any other party in interest.

8. **Injunction**

Except as otherwise expressly provided in the Plan or for obligations issued or required to be paid pursuant to the Plan or the Confirmation Order, all entities that have held, hold, or may hold claims or

interests that have been compromised, settled, or released, or are subject to exculpation pursuant to the Plan, are permanently enjoined, from and after the Effective Date, from taking any of the following actions against, as applicable, the Debtors, the reorganized Debtors, or any of the other Released Parties: (i) 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; (ii) 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; (iii) creating, perfecting, or enforcing any lien or 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; (iv) 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 entity has timely asserted such setoff right in a document filed with the Bankruptcy Court explicitly preserving such setoff, and notwithstanding an indication of a claim or interest or otherwise that such entity asserts, has, or intends to preserve any right of setoff pursuant to applicable law or otherwise; and (v) 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.

9. **Certain Claims of Governmental Units**

Nothing in this Plan discharges, releases, precludes, or enjoins: (i) any liability to any Governmental Unit that is not a Claim; (ii) any Claim of a Governmental Unit arising on or after the Effective Date; (iii) any police or regulatory liability to a Governmental Unit on the part of any Entity as the owner or operator of property after the Effective Date; or (iv) any liability to a Governmental Unit on the part of any Person other than the Debtors. Nor shall anything in the Plan enjoin or otherwise bar a Governmental Unit from asserting or enforcing, outside this Bankruptcy Court, any liability described in the preceding sentence. Nothing in this Plan divests any tribunal of any jurisdiction it may have law to adjudicate any defense based on this paragraph of the Plan.

M. *Miscellaneous Provisions*

1. **Immediate Binding Effect**

Subject to Article IX and notwithstanding Bankruptcy Rules 3020(e), 6004(h), or 7062 or otherwise, upon the occurrence of the Effective Date, the Plan and the Plan Supplement shall be immediately effective and enforceable and deemed binding upon the Debtors, the Geoffrey Purchaser, and any and all Holders of Claims or Interests (irrespective of whether the Holders of such Claims or Interests accepted or rejected the Plan), all Entities that are parties to or are subject to the settlements, compromises, releases, and injunction described in the Plan, each Entity acquiring property under the Plan, and any and all non-Debtor parties to Executory Contracts and Unexpired Leases with the Debtors.

2. **Additional Documents**

On or before the Effective Date, the Debtors may File with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The Debtors, the Geoffrey Purchaser, and all Holders of Claims or Interests receiving distributions pursuant to the Plan and all other parties in interest shall, from time to time, prepare, execute, and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan.

3. **Payment of Statutory Fees**

All fees payable pursuant to section 1930(a) of the Judicial Code shall be paid by the Debtors for each quarter (including any fraction thereof) until the Chapter 11 Cases are converted, dismissed, or closed, whichever occurs first. For the avoidance of doubt, the Debtors shall pay any outstanding U.S. Trustee Fees in full on the Effective Date, and the Debtors or the applicable Successor Entities shall continue to pay such fees until the Chapter 11 cases are converted, dismissed, or closed, whichever occurs first.

4. **Dissolution of Committees**

On the Effective Date, any statutory committee appointed in the Chapter 11 Cases shall dissolve as to the Debtors (as defined in this Plan, only), and members, employees, or agents thereof shall be released and discharged from all rights and duties arising from or related to the Chapter 11 Cases; *provided*, *however*, each Professional shall be entitled to prosecute its respective Accrued Professional Compensation Claims and represent its respective constituents with respect to applications for payment of such Accrued Professional Compensation Claims, and the Claims Oversight Representative shall have the authority to continue consulting on the reconciliation of Claims as set forth herein. The Debtors, the Liquidating Trust, and the Geoffrey Purchaser shall no longer be responsible for paying any fees or expenses incurred by the members of or advisors to any statutory committees with respect to the Debtors in this Plan after the Effective Date.

5. **Monthly Operating Reports and Post-Effective Date Reports**

The Debtors will continue to include information regarding their deposits, expenditures, and other relevant financial information in monthly operating reports (prior to the Effective Date) and quarterly post-confirmation reports (after the Effective Date) Filed with the Bankruptcy Court until the applicable Chapter 11 Cases are converted, dismissed, or closed, whichever occurs first.

6. **Reservation of Rights**

The Plan shall have no force or effect unless the Bankruptcy Court shall enter the Confirmation Order. Neither the Plan, any statement or provision contained in the Plan, nor any action taken or not taken by any Debtor with respect to the Plan, the Disclosure Statement, the Confirmation Order, or the Plan Supplement shall be or shall be deemed to be an admission or waiver of any rights of any Debtor with respect to the Holders of Claims or Interests before the Effective Date.

7. **Successors and Assigns**

Except as specifically provided for in the Plan, the rights, benefits, and obligations of any Entity named or referred to in the Plan or the Confirmation Order shall be binding on, and shall inure to the benefit of any heir, executor, administrator, successor, or assign, Affiliate, officer, director, manager, trustee, agent, representative, attorney, beneficiaries, or guardian, if any, of each Entity.

8. **Service of Documents**

Any pleading, notice, or other document required by the Plan to be served on or delivered to the Debtors shall be served on:

the Debtors:

Toys "R" Us, Inc.
One Geoffrey Way,
Wayne, New Jersey 07470
Attention: James Young

with copies to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, New York 10022-4611
Facsimile: (212) 446-4900
Attention: Joshua A. Sussberg
E-mail addresses: joshua.sussberg@kirkland.com

and

Kirkland & Ellis LLP
300 North LaSalle
Chicago, Illinois 60654-3406
Facsimile: (312) 862-2200
Attention: Chad J. Husnick, Emily E. Geier
E-mail addresses: chad.husnick@kirkland.com, emily.geier@kirkland.com

Counsel for the Disinterested Directors of Toys "R" Us–Delaware, Inc.

Katten Muchin Rosenman LLP
575 Madison Avenue
New York, NY 10022-2585
Telephone: (212) 940-8800
Facsimile: (212) 940-8776
Attention: Steven J. Reisman, Shaya Rochester
Email: sreisman@kattenlaw.com, shaya.rochester@kattenlaw.com

Counsel for the Disinterested Directors of Geoffrey LLC and Geoffrey Holdings, LLC

Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
Telephone: (212) 225-2000
Facsimile: (212) 225-3999
Attention: James L. Bromley, Luke A. Barefoot
Email: jbromley@cgsh.comlbarefoot@cgsh.com

The Creditors' Committee:

Kramer Levin Naftalis & Frankel LLP
1177 Avenue of the Americas
New York, New York 10036
Facsimile: (212) 715-8000
Attention: Kenneth Eckstein, Adam Rogoff, Rachael Ringer
E-mail: keckstein@kramerlevin.com, arogoff@kramerlevin.com,
rringer@kramerlevin.com

The Ad Hoc Group of B-4 Lenders

Wachtell Lipton Rosen & Katz
51 W. 52nd St.
New York, New York 10019
Attention: Joshua A. Feltman, Emil A. Kleinhaus
E-mail: jafeltman@wlrk.com; eakleinhaus@wlrk.com

After the Effective Date, the Debtors have authority to send a notice to Entities that to continue to receive documents pursuant to Bankruptcy Rule 2002, such Entity must file a renewed request to receive documents pursuant to Bankruptcy Rule 2002. After the Effective Date, the Debtors are authorized to limit the list of Entities receiving documents pursuant to Bankruptcy Rule 2002 to those Entities who have Filed such renewed requests.

4. **Term of Injunctions or Stays**

Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Cases pursuant to sections 105 or 362 of the Bankruptcy Code or any order of the Bankruptcy Court, and extant on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order) shall remain in full force and effect until the Effective Date. All injunctions or stays contained in the Plan or the Confirmation Order (including the Injunction) shall remain in full force and effect in accordance with their terms.

5. **Entire Agreement**

Except as otherwise indicated, the Plan, the Confirmation Order, and the Plan Supplement supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into the Plan.

6. **Exhibits**

All exhibits and documents included in the Plan Supplement are incorporated into and are a part of the Plan as if set forth in full in the Plan. After the exhibits and documents are Filed, copies of such exhibits and documents shall be available upon written request to the Debtors' counsel at the address above or by downloading such exhibits and documents from the Debtors' restructuring website at https://cases.primeclerk.com/toysrus or the Bankruptcy Court's website at https://www.vaeb.uscourts.gov.

7. **Nonseverability of Plan Provisions**

If, before Confirmation, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is: (1) valid and enforceable pursuant to its terms; (2) integral to the Plan and may not be deleted or modified without the consent of the Debtors and the Geoffrey Purchaser; and (3) nonseverable and mutually dependent. Notwithstanding the foregoing, the Geoffrey Plan contained herein is a separate chapter 11 plan with respect to the Geoffrey Debtors only and therefore all of its provisions shall be severable from the Toys Delaware Plan in the event that Confirmation of the Toys Delaware Plan is denied or the Toys Delaware Plan is withdrawn.

8. **Waiver or Estoppel**

Each Holder of a Claim or an Interest shall be deemed to have waived any right to assert any argument, including the right to argue that its Claim or Interest should be Allowed in a certain amount, in a certain priority, Secured or not subordinated by virtue of an agreement made with the Debtors or their counsel, or any other Entity, if such agreement was not disclosed in the Plan, the Disclosure Statement, or papers Filed with the Bankruptcy Court before the Confirmation Date.

ARTICLE V.
VOTING AND CONFIRMATION

A. *Class Entitled to Vote on the Plan*

As described more fully above, Class A4 (Term B-2 Loan and Term B-3 Loan Claims against the Toys Delaware Debtors), Class A5 (Term B-4 Loan Claims against the Toys Delaware Debtors), and Class B3 (Term B-2 Loan, Term B-3 Loan, and Term B-4 Loan Claims against the Geoffrey Debtors) are the only classes entitled to vote

to accept or reject the Plan (such classes collectively, 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 Debtors or the Solicitation Agent on the Debtors' behalf otherwise provide to you.

B. *Votes Required for Acceptance by a Class*

Under the Bankruptcy Code, acceptance of a plan 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 entitled to vote on the Plan will be considered to have accepted the Plan if (a) the holders of at least two-thirds in dollar amount of the Claims 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*

All Holders of Claims entitled to vote on the Plan should consider several factors prior to voting to accept or reject the Plan. The following factors, among others, may impact recoveries under the Plan:

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

While these factors could affect distributions available to Holders of Claims 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 in such Voting Classes.

For a further discussion of risk factors, please refer to Article VIII hereof.

D. *Solicitation Procedures*

1. **Solicitation Agent**

The Debtors retained Prime Clerk to act, among other things, as Solicitation Agent in connection with soliciting votes to accept or reject the Plan.

2. **Solicitation Package**

Holders of Claims who are entitled to vote to accept or reject the Plan as of ~~**August 30**~~**September 6, 2018** (the "Voting Record Date"), will receive appropriate solicitation materials in the Solicitation Package, which will include the following:

- the appropriate ballot(s) and applicable voting instructions along with a preaddressed postage -pre-paid return envelope; and

- this Disclosure Statement and the Plan as an exhibit thereto.

3. **Distribution of the Solicitation Package and Plan Supplement**

The Debtors will cause Prime Clerk to distribute or cause to distributed the Solicitation Packages to Holders of Claims in the Voting Classes on or before **September ~~10~~12, 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 Inc. Ballot Processing Center, c/o Prime Clerk LLC, 830 3rd 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.usourts.gov.

Additionally, the Debtors intend to file the Plan Supplement on or before ten (10) business days prior to the Voting Deadline (subject to further supplementation as necessary) before the Voting Deadline. If the Plan Supplement is updated or otherwise modified, such modified or updated documents will be made available at https://cases.primeclerk.com/toysrus. The 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 Toys "R" Us Inc. Ballot Processing Center, c/o Prime Clerk LLC, 830 3rd Avenue, 3rd Floor, New York, New York 10022, and/or (iii) emailing toysrusinfo@primeclerk.com; or (b) for a fee via PACER at http://www.vaeb.usourts.gov.

As described above, certain Holders of Claims and Interests 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, therefore, are 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 Debtors are only distributing a Solicitation Package, which includes this Disclosure Statement and a ballot, to the Holders of Claims and Interests entitled to vote to accept or reject the Plan as determined on the Voting Record Date.

E. *Voting Procedures*

If, as of the Voting Record Date, you are a Holder of Classes A4, A5, and B3 you may vote to accept or reject the Plan in accordance with the Solicitation Procedures by following the instructions on your ballot. If your Claim 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 Debtors' solicitation and voting procedures shall apply to all of the Debtors' creditors and other parties in interest.

1. **Voting Deadline**

The deadline to vote on the Plan is **October ~~3~~5, 2018, at 5:00 p.m., prevailing Eastern Time** (the "Voting Deadline"). To be counted as a vote to accept or reject the Plan, your vote must be included on the ballot or the master ballot that is properly executed, completed, and delivered in accordance with the instructions on the ballot or master ballot so that Prime Clerk **actually receives** the ballot or the master ballot, as applicable, no later than the Voting Deadline.

2. **Voting Instructions**

As described above, the 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
The Solicitation Agent must **actually receive** all Ballots must on or before the Voting Deadline, which is **October ~~3~~5, 2018, at 5:00 p.m., prevailing Eastern Time**, either via the online portal, https://cases.primeclerk.com/toysrus, at the following address: **Toys "R" Us, Inc. Ballot Processing** c/o Prime Clerk LLC 830 Third Avenue, New York, New York 10022 If you have any questions on the procedure for voting on the Plan, please call the Debtors at: (844) 794-3476 (toll free) or (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 with the appropriate ballot or master ballot. All ballots and master ballots must be properly executed, completed, and delivered according to their applicable voting instructions so that Prime Clerk **actually receives** the ballots or master ballots no later than the Voting Deadline in accordance with the procedures set forth in the applicable ballot. Any ballot that a Holder of a Claim entitled to vote has properly executed but has not clearly indicated that the Plan has been accepted or rejected or that indicates that the Plan has been both an accepted and rejected will not be counted.

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

Ballots may 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 also provides that all Holders of Claims that (i) vote to accept or are deemed to accept the Plan or (ii) are in a voting Class who abstain from voting on the Plan and do not opt out of the release provisions contained in Article VIII of the Plan will be deemed to have expressly, unconditionally, generally, individually, and collectively released all Claims and Causes of Action against the Debtors and the Released Parties.

Importantly, all Holders of Claims and Interests that (i) are not in voting Classes, (ii) do not file an objection with the Bankruptcy Court in the Chapter 11 Cases that expressly objects to the inclusion of such holder as a Releasing Party under the provisions contained in Article VIII.F of the Plan or (iii) do not elect to opt out of the provisions contained in Article VIII.F of the Plan using the documents provided, if any, will be deemed to have expressly, unconditionally, generally, individually, and collectively consented to the release of all Claims and Causes of Action against the Debtors and the Released Parties. By objecting to or electing to opt out of the releases set forth in Article VIII.F of the Plan you will forgo the benefit of obtaining the releases set forth in Article VIII.F of the Plan if you otherwise would be a Released Party thereunder. The releases are an integral element of 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; (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 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 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.**

4. **Plan Objection Deadline**

Parties must object to Confirmation of the Plan by **October ~~3~~5, 2018, at 5:00 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 Debtors, counsel to the committee, and certain other parties in interest so that they are **actually received** on or before the Plan Objection Deadline.

5. **Confirmation Hearing**

Assuming the Plan obtains the required acceptances, the Debtors intend to seek to confirm the Plan at the Confirmation Hearing. The Confirmation Hearing is scheduled to commence on **October 10, 2018, at 1:00 p.m., prevailing Eastern Time**, 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, before, during, or as a result of the Confirmation Hearing, without further notice to parties in interest.

ARTICLE VI.
STATUTORY REQUIREMENTS FOR CONFIRMATION OF THE PLAN

The confirmation process is summarized briefly below. Holders of Claims and Interests are encouraged to review the relevant Bankruptcy Code provisions and to consult their own advisors with respect to the summary provided in this Disclosure Statement.

A. *Confirmation Hearing*

Section 1128(a) of the Bankruptcy Code requires a bankruptcy court, after notice, to conduct a hearing to consider confirmation of a chapter 11 plan. Any party in interest may object to confirmation of the Plan in accordance with Section 1128(b) of the Bankruptcy Code. **The Bankruptcy Court has scheduled a Confirmation Hearing for October 10, 2018, at 1:00 p.m., prevailing Eastern Time**. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement of the adjourned date made at a Confirmation Hearing or the filing of a notice for such adjournment served in accordance with the order approving the Disclosure Statement and Solicitation Procedures, the Bankruptcy Code, and the Local Bankruptcy Rules, as applicable. An objection to the Plan must (1) be in writing, (2) conform to the Bankruptcy Rules and the Local Bankruptcy Rules, (3) state the objecting party's name, address, phone number, and e-mail address and the amount and nature of the Claim or Interest, if any, (4) state with particularity the basis and nature of any objection to the Plan and, if practicable, a proposed modification to the Plan that would resolve such objection, and (5) be filed contemporaneously with a proof of service with the Bankruptcy Court and served so that parties entitled to notice actually received no later than the Plan Objection Deadline, which is scheduled for **October ~~3~~5, 2018, at 5:00 p.m., prevailing Eastern Time**. Objections that are not served and filed timely may not be considered.

B. *Confirmation Standards*

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies the requirements of section 1129 of the Bankruptcy Code. The Debtors believe that the Plan satisfies or will satisfy all of the statutory requirements of chapter 11 of the Bankruptcy Code and that they have complied or will have

complied with all of the requirements of chapter 11 of the Bankruptcy Code. Among the requirements for Confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code are that (1) all Impaired Classes of Claims or Interests accept the Plan or, if an Impaired Class rejects the Plan, 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.

1. **Best Interests of Creditors Test—Liquidation Analysis**

Often called the "best interests" test, section 1129(a)(7) of the Bankruptcy Code requires that a bankruptcy court find that a chapter 11 plan provides that each holder of a claim or an interest in each class either (a) has accepted the plan or (b) will receive or retain under the plan property of a value, as of the plan's effective date, that is not less than the amount that such holder would receive or retain if the debtor liquidated under chapter 7 of the Bankruptcy Code.

The Debtors believe the Plan will satisfy the best interest 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.

Here, the Debtors are selling all of their assets and distributing such assets to their creditors, subject to the Settlement Agreement and the Plan. Recoveries in a chapter 7 case likely would be significantly lower in light of the absence of the Settlement Agreement and the additional expenses that would be incurred in a chapter 7 proceeding. Specifically, the Settlement Agreement contemplates recoveries for creditor groups that would otherwise likely be unavailable. For example, the Settlement Agreement provides for significant cash payment to Holders of Administrative Claims from a carve-out in the Prepetition Secured Lenders' collateral, additional funds flowing into the Merchandise Reserve, and the Non-Released Claims Trust that preserves certain Claims and Causes of Actions against the Debtors' directors, officers, and managers and under chapter 5 of the Bankruptcy Code. Moreover, in a chapter 7 liquidation, the Estates would incur additional costs associated with a chapter 7 trustee and any retained professionals who would need to familiarize themselves with the circumstances surrounding these Chapter 11 Cases. *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 administration and expenses of a chapter 7 trustee and such trustee's professionals).

In addition, the Estates would also be obligated to continue to pay all unpaid expenses that the Debtors incur during the Chapter 11 Cases, including compensation for Professionals, which may constitute Allowed Claims. There will also be new bar date that would be more than 90 days following the date that the cases are converted to a chapter 7. *See* Fed. R. Bankr. 1019(2); 3002. Therefore, the amount of Claims ultimately filed and Allowed against the Debtors could materially increase, further reducing creditor recoveries compared to those currently contemplated under the Plan.

For the foregoing reasons, the Debtors submit that a chapter 7 liquidation would result in materially reduced sale proceeds, increased expenses, delayed distributions, and the prospect that additional claims will be asserted in a chapter 7 that were not filed in the Chapter 11 Cases. Accordingly, the Debtors believe that the Plan provides an opportunity to bring a higher return for creditors.

2. **Financial Feasibility**

Section 1129(a)(11) of the Bankruptcy Code requires that the bankruptcy court find that confirmation is not likely to be followed by the liquidation of the reorganized debtors or the need for further financial reorganization, unless the plan contemplates such liquidation or reorganization. The Plan provides for the distribution of assets derived from the U.S. Wind-Down and an ultimate wind-down of all of the Debtors' operations. Accordingly, the Debtors believe that all Plan obligations will be satisfied without the need for the Reorganized Debtors' to be further reorganized.

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 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 interest entitles the Holder of such claim or interest; (2) cures any default, reinstates the original terms of such obligation, and compensates; or (3) provides that, on the Consummation date, the Holder of such claim or interest receives cash equal to the allowed amount of that claim or, with respect to any interest, any fixed liquidation preference to which the Holder of such interest is entitled or 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. Thus, a Class of creditor Claims will have voted to accept the Plan only if two-thirds in amount and more than one-half 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 impaired interests as acceptance by holders of at least two-thirds in dollar amount of those interests 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 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.

D. *Alternative Plans*

The Debtors do not believe that there are any alternative plans for the reorganization or liquidation of the Debtors' Estates. The Plan, as described herein, enables Holders of Claims and Interests to realize the greatest possible value under the circumstances and has the greatest chance to be confirmed and consummated when compared to any alternative plan. .

E. *Acceptance by Impaired Classes*

The Bankruptcy Code requires each class of claims or equity interests that is impaired under a plan to accept the plan, except as described below. 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 (a) 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, (b) cures any default, reinstates the original terms of such obligation, and compensates the applicable party in question, or (c) 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. Only Holders of Claims in the Voting Class 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 holders of Interests is entitled to vote on the Plan.

F. *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, however*, the plan is accepted by at least one impaired class (without regard to the votes of insiders). 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 interests that is impaired under and has not accepted the plan.

1. **No Unfair Discrimination**

The test for unfair discrimination 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, 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 Debtors do not believe the Plan discriminates unfairly against any Impaired Class of Claims or Interests. The Debtors believe that the Plan and the treatment of all Classes of Claims and Interests satisfy the foregoing requirements for non-consensual Confirmation.

2. **Fair and Equitable Test**

The fair and equitable 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 each non-accepting class, the test sets different standards depending on the type of claims or interests in such class. As set forth below, the Debtors believe that the Plan satisfies the "fair and equitable" requirement, notwithstanding the fact that certain Classes are deemed to reject the Plan. There is no Class receiving more than a 100 percent recovery and, with the exception of any recovery provided pursuant to the Settlement Agreement, no junior Class is receiving a distribution under the Plan until all senior Classes have received a 100 percent recovery.

(a) **Secured Claims**

The condition that a plan be "fair and equitable" to a non-accepting class of secured claims may be satisfied if, among other things, a debtor demonstrates 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.

(b) **Unsecured Claims**

The condition that a plan be "fair and equitable" to a non-accepting class of unsecured claims includes the requirement 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 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 interest any property.

(c) **Interests**

The condition that a plan be "fair and equitable" to a non-accepting class of interests includes the requirements that either (i) the plan provides that each holder of an interest in that class receives or retains under the plan on account of that interest property of a value, as of the effective date of the plan, equal to the greater of (1) the allowed amount of any fixed liquidation preference to which such holder is entitled, (2) any fixed redemption price to which such holder is entitled, or (3) the value of such interest, or (ii) if the class does not receive the amount as required under (i) no class of interests junior to the non-accepting class may receive a distribution under the plan.

ARTICLE VII.
CERTAIN RISK FACTORS TO BE CONSIDERED PRIOR TO VOTING

Holders of Claims entitled to vote should read and consider carefully the risk factors set forth below in addition to the other information contained in this Disclosure Statement and the documents delivered therewith, referred to, or incorporated by reference before voting to accept or reject the Plan. These factors should not be regarded as constituting the only risks present in connection with the Debtors' operations or the Plan and its implementation.

The Debtors are subject to a number of risks that can be categorized generally as either (1) bankruptcy-related risks or (2) general business and financial risk factors. Each factor that is related thereto and enumerated below may have a material adverse effect on the Debtors' financial condition or operational results, as applicable.

A. *Bankruptcy Law Considerations*

The occurrence or non-occurrence of any or all of the following contingencies and any others may affect distributions available to Holders of Allowed Claims and Allowed 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 in such Impaired Classes.

1. **Objections to the Classification of Claims and Interests Under the Plan**

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

2. **Conditions Precedent Under the Plan May Not Occur**

As more fully set forth in Article IX of the Plan, Confirmation and the Effective Date are subject to a number of conditions precedent that need to be met or otherwise waived or else either Confirmation or the Effective Date, as applicable, will not take place.

3. **Failure to Satisfy Vote Requirements**

The Bankruptcy Code requires Holders of at least two-thirds in dollar amount and more than one-half in number of Claims in Classes entitled to vote to accept the Plan. In the event that the required number and amount of votes received is sufficient to confirm the Plan, the Debtors intend to seek Confirmation of the Plan as promptly as practicable thereafter. However, if sufficient votes are not received, the Debtors may seek to confirm an alternative chapter 11 plan. There can be no assurance that the terms of any such alternative chapter 11 plan would be similar or as favorable to the Holders of Allowed Claims and Allowed Interests as those proposed in the Plan. As it stands, the Debtors do not believe that there is any such transaction that would be more beneficial to the Estates than the Plan.

4. **Inability to Confirm the Plan**

Section 1129 of the Bankruptcy Code sets forth the requirements for a chapter 11 plan to be confirmed. A Bankruptcy Court must find pursuant to section 1129 of the Bankruptcy Code that (a) such plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting classes, (b) liquidation or the need for further financial reorganization likely will not follow the plan's confirmation unless such liquidation or reorganization is contemplated under the plan, and (c) the value of distributions to non-accepting holders of claims and interests within a particular class under such plan will not be less than the value of distributions such holders would receive if the 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 an Allowed Interest might challenge either this Disclosure Statement's adequacy or whether the balloting procedures and voting results satisfy the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determines that this Disclosure Statement, the Solicitation Procedures, and the voting results are appropriate, the Bankruptcy Court can still decline to confirm the Plan if it finds that any statutory requirement for Confirmation has not been met, including the requirement that the Plan does not "unfairly discriminate" and are "fair and equitable" to non-accepting Classes. If the Plan is not confirmed, it is unclear what distributions, if any, Holders of Allowed Claims and Allowed Interests will receive with respect to their Allowed Claims and Allowed Interests.

The Debtors reserve the right to modify the terms and conditions under the Plan as necessary for Confirmation, subject to the terms and conditions contained therein. Any such modifications may result in less favorable treatment for any Class than the treatment currently provided in the Plan. Less favorable treatment may include distribution of property that is lesser in value than the property to be distributed currently under the Plan or no distribution of property whatsoever.

(a) **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 has accepted the plan (with such acceptance being determined without including the vote of any "insider" in such class) and it is determined that the plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting classes. The Debtors believe that the Plan satisfies these requirements and the Debtors may request such nonconsensual Confirmation in accordance with section 1129(b) of the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will reach this conclusion. In addition, if the Debtors pursue a nonconsensual Confirmation of the Plan, then it may result in increased expenses and certain conditions under the Settlement Agreement lapsing, among other things.

(b) **The Debtors May Object to the Amount or Classification of a Claim**

Except as specifically provided in the Plan, the Debtors reserve the right under the Plan to object to the amount or classification of any Claim. The estimates set forth in this Disclosure Statement cannot be relied upon by any Holder of a Claim or Interest where such Claim or Interest is or may be subject to an objection. Any Holder of a

Claim or Interest that is or may be subject to an objection may not receive its expected share of the estimated distributions described in this Disclosure Statement.

(c) **Parties Who Opted Out of the Settlement Agreement May Decline to Change Their Election or Otherwise Settle Their Claims.**

Four parties who have opted out of the Settlement Agreement have objected to the Disclosure Statement and asserted that as holders of Administrative Claims they are entitled to payment in full of their respective Administrative Claims on the Effective Date of the Plan. *See* Objections of PlayFusion Limited [Docket No. 4346] (asserted Administrative Claim of $2,014,708.58), The Singing Machine Company, Inc. [Docket No. 4357] (asserted Administrative Claim of $2,846,338.37), Brightview Enterprise Solutions, LLC [Docket No.4360] (asserted Administrative Claim of $815,810.74), and The Maya Group HK, LTD. [Docket No. 4368] (asserted Administrative Claim of $464,679) (collectively, the "Objecting Claimants"). Section 1129(a)(9)(A) of the Bankruptcy Code provides that all administrative claims be paid upon the effective date of a plan unless the holder of a claim agrees to different treatment. The Debtors acknowledge that, (x) if these holders have Allowed Administrative Claims and (y) do not otherwise agree to different treatment ahead of or in connection with Confirmation, in order to confirm the Plan, the Allowed Administrative Claims would need to be paid in full. The Debtors have already objected to the claims asserted by the Objecting Claimants. *See* Docket No. 4462. Moreover, and consistent with the terms of the Settlement Agreement, the Debtors intend to commence actions pursuant to section 547 of the Bankruptcy Code against both The Maya Group HK, LTD and The Singing Machine Company, Inc. The Debtors will continue to engage with these parties ahead of Confirmation. Notably, the Settlement Agreement provides that if the Plan cannot be confirmed, the Debtors will seek a structured dismissal of the applicable Chapter 11 Cases. *See* Settlement Agreement, § 3.3(a)(2).

(d) **Contingencies May 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 whether the Bankruptcy Court orders certain Allowed Claims and Allowed Interests to be subordinated to other Allowed Claims and Allowed Interests. The occurrence of any and all such contingencies, which may affect distributions available to Holders of Allowed Claims and Allowed 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 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 the percentage recoveries to Holders of Allowed Claims and Interests under the Plan, among other things.

(e) **The Chapter 11 Cases May Be Converted to Cases Under Chapter 7 of the Bankruptcy Code**

If a 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 set forth in the Bankruptcy Code. The 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 remaining assets would have to be administered in a disorderly fashion, (b) additional administrative expenses with a chapter 7 trustee being appointed to administer the cases, (c) additional expenses and Claims, some of which would be entitled to priority, that would be generated during the liquidation, and (d) the absence of a consensual resolution among the various creditor constituencies as set forth in the Settlement Agreement.

5. **Releases, Injunctions, and Exculpations Provisions May Not Be Approved**

Article VIII of the Plan provides for certain mutual releases, injunctions, and exculpations, including releases of liens and third-party releases that may otherwise be asserted against the Debtors or Released Parties, as applicable. Parties in Interest may object to the releases, injunctions, and exculpations provided in the Plan, which might result in them not being approved. If the releases, injunctions, and exculpations are not approved, certain Released Parties may withdraw their support for the Plan and the Debtors may not be able to obtain Confirmation of the Plan.

B. *Risk Related to Recoveries Under the Plan*

1. **Risks Related to the Settlement Agreement**

As described above, the Settlement Parties entered into the Settlement Agreement to resolve claims related to the U.S. Wind-Down. This settlement serves as the basis for the Plan's distributions and releases, and its implementation remains subject to the Bankruptcy Court's approval and certain prerequisites. Although the Debtors believe that all the Settlement Parties are working diligently to ensure that the Settlement Agreement is consummated, the Debtors are aware that there are certain risks associated with this process. For example, the Settlement Agreement contemplates that Holders of an Allowed Administrative Claim are permitted to opt out of receiving a distribution from the Administrative Claims Distribution Pool if they decide to neither provide nor receive releases. If Holders of Administrative Claims holding more than 7.5% in value of such Claims opt out, then the Ad Hoc Group of B-4 Lenders and the Debtors have the option to not move forward with the Vender Settlement Agreement.

2. **Risk of Non-Occurrence of the Effective Date**

Although the 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 such an Effective Date will in fact occur.

3. **The Tax Implications of the Plan and the Bankruptcy of the Debtors and Certain of the Debtors' Affiliates are Complex**

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

4. **Financial Information Is Based on the Debtors' Books and Records**

The financial information contained in this Disclosure Statement has not been audited. In preparing this Disclosure Statement, the Debtors relied on financial data derived from their books and records that was available at the time of such preparation. Although the Debtors have used their reasonable business judgment to ensure the accuracy of the financial information provided in this Disclosure Statement and while the Debtors believe that such financial information fairly reflects the financial condition of the Debtors, the Debtors are unable to represent or warrant that the financial information contained in this Disclosure Statement and attached hereto is without inaccuracies.

C. *Disclosure Statement Disclaimer*

1. **Information Contained in this Disclosure Statement Is for Soliciting Votes**

The information contained in this Disclosure Statement is for the purposes of soliciting acceptances of the Plan and may not be relied upon for any other purpose.

2. **The United States Securities and Exchange Commission Has Not Approved This Disclosure Statement**

This Disclosure Statement was not filed with the United States Securities and Exchange Commission under the Securities Act or applicable state securities laws. Neither the United States Securities and Exchange Commission nor any state regulatory authority has passed upon the accuracy or adequacy of this Disclosure Statement, or the exhibits or the statements contained in this Disclosure Statement.

3. **This Disclosure Statement Does Not Provide Legal or Tax Advice**

This Disclosure Statement is not legal advice to you. The contents of this Disclosure Statement should not be construed as legal, business, or tax advice. Each Holder of a Claim or an Interest should consult his or her own legal counsel, accountant, or other applicable advisor with regard to any legal, tax, and other matters concerning his or her Claim or Interest. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to Confirmation of the Plan.

4. **No Admissions Made**

The information and statements contained in this Disclosure Statement will neither (a) constitute an admission of any fact or liability by any entity nor (b) be deemed evidence of the tax or other legal effects of the Plan on the Debtors, Holders of Allowed Claims or Allowed Interests, or any other parties in interest.

5. **Failure to Identify Litigation Claims or Projected Objections**

No reliance should be placed on the fact that a particular litigation claim or projected objection to a particular Claim or Interest is or is not identified in this Disclosure Statement. The Debtors may seek to investigate, File, and prosecute Claims and Interests and may object to Claims or Interests after the Confirmation or Effective Date of the Plan irrespective of whether this Disclosure Statement identifies such Claims or Interests or objections to such Claims or Interests.

6. **Information Was Provided by the Debtors and Was Relied Upon by the Debtors' Advisors**

The Debtors' advisors have relied upon information provided by the Debtors in connection with the preparation of this Disclosure Statement. Although the Debtors' advisors have performed certain limited due diligence in connection with the preparation of this Disclosure Statement, they have not verified independently the information contained in this Disclosure Statement.

7. **Potential Exists for Inaccuracies, and the Debtors Have No Duty to Update**

The Debtors have made the statements contained in this Disclosure Statement as of the date of this Disclosure Statement, unless otherwise specified in this Disclosure Statement. The delivery of this Disclosure Statement after the date of this Disclosure Statement does not imply that there has not been a change in the information set forth in this Disclosure Statement such date. While the Debtors have used their reasonable business judgment to ensure the accuracy of all of the information provided in this Disclosure Statement and in the Plan, the Debtors nonetheless cannot and do not confirm the current accuracy of all statements appearing in this Disclosure Statement. Further, although the Debtors may subsequently update the information in this Disclosure Statement, the Debtors have no affirmative duty to do so unless ordered to do so by the Bankruptcy Court.

8. **No Representations Outside this Disclosure Statement Are Authorized**

Neither the Bankruptcy Court nor the Bankruptcy Code authorizes representations concerning or relating to the Debtors, the Chapter 11 Cases, or the Plan, except as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan other than as contained herein or in accordance with the Settlement Agreement should not be relied upon when deciding making your decision. You

should promptly report unauthorized representations or inducements to the counsel to the Debtors, the United States Trustee for the Eastern District of Virginia, and counsel to the Creditors' Committee.

D. *Liquidation Under Chapter 7*

If no plan can be confirmed, the Debtors' Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the assets of the Debtors for distribution in accordance with the priorities established by the Bankruptcy Code. A discussion of the effects that a chapter 7 liquidation would have on the recoveries of Holders of Claims and Interests and the Debtors' liquidation analysis is set forth in Article VI of this Disclosure Statement, "Statutory Requirements for Confirmation of the Plan."

ARTICLE VIII.
IMPORTANT SECURITIES LAW DISCLOSURE

Under the Plan, New Equity Interests in Toys NewCo, any other newly formed entity, the Geoffrey Equity Pool, and, if the Delaware Retention Structure is used, Reorganized Toys Inc. may be distributed to certain Holders of Claims. The Debtors believe that such New Equity Interests may constitute "securities" as defined in section 2(a)(1) of the Securities Act, section 101 of the Bankruptcy Code, and applicable state securities laws.

The offer, issuance, and distribution of the New Equity Interests in Toys NewCo, any other newly formed entity where equity interests are distributed to Holders of Claims under the Plan, the Geoffrey Equity Pool, and, if the Delaware Retention Structure is used, Reorganized Toys Inc. under the Plan shall be exempt (except with respect to an entity that is an "underwriter" as defined in subsection (b) of section 1145 of the Bankruptcy Code), pursuant to section 1145 of the Bankruptcy Code, without further act or action, from registration under (i) the Securities Act, and all rules and regulations promulgated thereunder and (ii) any state or local law requiring registration for the offer, issuance, or distribution of securities. Each of the foregoing securities (a) is not a "restricted security" as defined in Rule 144(a)(3) under the Securities Act, and (b) is freely tradable and transferable by any initial recipient thereof that (i) at the time of transfer, is not an "affiliate" (as defined in Rule 144(a)(1) under the Securities Act) of the issuer of such securities and has not been such an "affiliate" within 90 days of such transfer, and (ii) is not an entity that is an "underwriter" as defined in subsection (b) of section 1145 of the Bankruptcy Code.

To the extent beneficial interests in the Successor Entities are deemed to be "securities" as defined in section 2(a)(1) of the Securities Act, section 101 of the Bankruptcy Code, and applicable state securities laws, the Debtors intend that the exemption provisions of section 1145 of the Bankruptcy Code will apply to such beneficial interests.

Section 1145(b) of the Bankruptcy Code defines "underwriter" as one who, except with respect to ordinary trading transactions, (a) purchases a claim with a view to distribution of any security to be received in exchange for the claim, (b) offers to sell securities issued under a plan for the holders of such securities, (c) offers to buy securities issued under a plan from persons receiving such securities, if the offer to buy is made with a view to distribution or (d) is an issuer, as used in Section 2(a)(11) of the Securities Act, with respect to such securities, which includes control persons of the issuer.

You should confer with your own legal advisors to help determine whether or not you are an "underwriter."

Persons who receive securities that are exempt under section 1145 of the Bankruptcy Code but who are deemed "underwriters," "affiliates," or "control persons" may, however, be permitted to sell such securities without registration if an available resale exemption exists, including the exemption provided by Rule 144 under the Securities Act, subject to applicable volume limitations, notice and manner of sale requirements, and certain other conditions.

Persons who receive securities under the Plan are urged to consult their own legal advisor with respect to the restrictions applicable under the federal or state securities laws and the circumstances under which securities may be sold in reliance on such laws.

The foregoing summary discussion is general in nature and has been included in this Disclosure Statement solely for informational purposes. The Debtors make no representations concerning, and do not provide, any opinions or advice with respect to the securities or bankruptcy matters described in this Disclosure Statement. In light of the uncertainty concerning the availability of exemptions from the relevant provisions of federal and state securities laws, we encourage each Holder and party in interest to consider carefully and consult with its own legal advisors with respect to all such matters. Because of the complex, subjective nature of the question of whether a security is exempt from the registration requirements under the federal or state securities laws or whether a particular Holder may be an underwriter, the Debtors make no representation concerning the ability of a person to dispose of the securities issued under the Plan.

A. *No Registration or Listing*

Issuers of the New Equity Interests will not be required to file periodic reports under the Securities Exchange Act or seek to list the New Equity Interests for trading on a national securities exchange. Consequently, there will not be "current public information" (as such term is defined in Rule 144) regarding issuers of the New Equity Interests.

ARTICLE IX.
CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following discussion summarizes certain United States ("U.S.") federal income tax consequences of the implementation of the Plan to the Debtors, and the U.S. federal income tax consequences to certain holders of Claims or Interests entitled to vote on the Plan. It does not address the U.S. federal income tax consequences to Holders of Claims or Interests not entitled to vote on the Plan. This summary is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), the U.S. Treasury Regulations promulgated thereunder (the "Treasury Regulations"), judicial decisions, and published administrative rules and pronouncements of the IRS, all as in effect on the date hereof (collectively, "Applicable U.S. Tax Law"). Changes in the rules or new interpretations of the rules may have retroactive effect and could significantly affect the U.S. federal income tax consequences described below. The discussion below is not binding upon the IRS or the courts. 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.

This summary does not address non-U.S., state, local or non-income tax consequences of the Plan (including such consequences with respect to the Debtors), 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 Debtors within the meaning of the Tax Code, persons liable for alternative minimum tax, U.S. Holders whose functional currency is not the U.S. dollar, U.S. expatriates, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax exempt organizations, controlled foreign corporations, passive foreign investment companies, partnerships (or other entities treated as partnerships or other pass-through entities), beneficial owners of partnerships (or other entities treated as partnerships or other pass-through entities), subchapter S corporations, persons who hold Claims or who will hold any consideration received pursuant to the Plan as part of a straddle, hedge, conversion transaction, or other integrated investment, persons using a mark-to-market method of accounting, and Holders of Claims who are themselves in bankruptcy). Furthermore, this summary assumes that a Holder of a Claim or Interest holds only Claims or Interests in a single Class and holds a Claim or Interest only as a "capital asset" (within the meaning of section 1221 of the Tax Code). This summary also assumes that Claims will be treated in accordance with their form for U.S. federal income tax purposes. The U.S. federal income tax consequences of the implementation of the Plan to the Debtors and Holders of Claims or Interests described below also may vary depending on the nature of any Restructuring Transactions that the Debtors engaged in.

For purposes of this discussion, a "U.S. Holder" is a Holder of a Claim or Interest 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 Tax Code) 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 neither a U.S. Holder nor a 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 of a Claim or Interest, 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 entities treated as partnerships or other pass-through entities) that are Holders of Claims or Interests 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 and is not a substitute for careful tax planning and advice based upon the individual circumstances pertaining to a Holder of a Claim or Interest. All Holders of Claims or Interests are urged to consult their own tax advisors as to the federal, state, local, non-U.S., non-income, and other tax consequences

A. *Certain U.S. Federal Income Tax Consequences to the Debtors*

1. **Classification of Debtors for U.S. Federal Income Tax Purposes**

The Debtors are either (a) members of the U.S. federal consolidated tax group, of which Toys "R" Us, Inc. ("Toys Inc.") is the parent (the "Toys Inc. Consolidated Group"); (b) disregarded subsidiaries of such members; or (c) "controlled foreign corporations" ("CFCs"). Members of a consolidated group have joint and several liability for the U.S. federal income taxes of the consolidated group. According to certain nonbinding IRS guidance, disregarded entities of members in a consolidated group do not have liability for the taxes of such group. CFCs do not have liability for the tax liability of their parent companies that are members of a U.S. consolidated tax group. Specifically, Toys "R" Us Delaware, Inc. ("Toys Delaware") and TRU-SVC, Inc. are members of the Toys Inc. Consolidated Group; TRU of Puerto Rico, Inc. is a CFC; and the other Debtors (including the Geoffrey Debtors; Giraffe Holdings, LLC, and its subsidiaries; and Wayne Real Estate Parent Company, LLC and its subsidiaries) are disregarded entities.

The Debtors currently anticipate that the consummation of the Plan, taken together with transactions that are expected to occur with respect to Toys Inc. and its direct and indirect subsidiaries other than the Debtors (e.g., Toys "R" Us Europe, LLC and its direct and indirect subsidiaries), will give rise to administrative tax liabilities for which the members of the Toys Inc. Consolidated Group will be jointly and severally liable. As they relate to the Debtors, such liabilities will be subject to the treatment generally outlined above with respect to Administrative Claims. These administrative tax liabilities may be reduced or, potentially eliminated, in certain transaction structures in which Toys Inc. continues to own the stock of Toys Delaware and Toys Delaware continues to directly or indirectly own sufficient assets so that the stock of Toys Delaware is not treated as "worthless" for applicable tax purposes (such structure, the "Delaware Retention Structure"). At this time, the Debtors have not determined whether the Delaware Retention Structure can or will be pursued or the extent to which administrative tax liabilities would arise if the Delaware Retention Structure were to be utilized.

The Plan generally provides that certain of the Debtors' assets may be transferred to one or more newly-formed entities, the stock of which may be distributed to Holders of Claims in partial satisfaction thereof. Any such transaction would be anticipated to be a taxable transaction, that tax consequences of which would generally be factored into the overall determination of whether any administrative tax liabilities are owed by the Toys Inc. Consolidated Group.

2. **Survival of Tax Attributes**

Unless the Delaware Retention Structure is consummated, the Debtors expect that all of the Debtors' assets will be disposed of in taxable transactions. In such a case, all of the Debtors' tax attributes (and the tax attributes of

the Toys Inc. Consolidated Group in general), to the extent not utilized in connection with the consummation of the Plan and the various other transactions occurring within the Toys Inc. Consolidated Group, will be eliminated.

In the event the Delaware Retention Structure is consummated, the Toys Inc. Consolidated Group will be at least partially preserved, and the survival of any of the Toys Inc. Consolidated Group's tax attributes will depend upon, among other things, (a) the utilization of such attributes in connection with the transactions undertaken by the Toys Inc. Consolidated Group, and (b) the reduction of tax attributes as a result of the cancellation of indebtedness income ("CODI") rules. Because the amount of any attribute reduction under the CODI rules will depend, in significant part, on the recovery received by Holders of Claims against the Debtors and Claims against the other direct and indirect subsidiaries of Toys Inc., the amount of any CODI--and any surviving tax attributes--cannot be known with certainty until tax returns are prepared.

To the extent any tax attributes survive after taking the above factors into account, any such attributes would be subject to limitation under Section 382 of the IRC. Under sections 382 and 383 of the Tax Code, if a corporation undergoes an "ownership change," the amount of its surviving NOL carryovers, capital loss carryovers, tax credit carryovers, and certain other tax attributes (potentially including losses and deductions that have accrued economically but are unrecognized as of the date of the ownership change) of the Debtors allocable to periods before the Effective Date (collectively, the "Pre-Change Losses") that may be utilized to offset future taxable income generally is subject to an annual limitation.

In general, the amount of the annual limitation to which a corporation that undergoes an "ownership change" would be subject is equal to the product of (a) the fair market value of the stock of the corporation immediately before the "ownership change" (with certain adjustments) multiplied by (b) the "long-term tax-exempt rate" (which is the highest of the adjusted federal long-term rates in effect for any month in the 3-calendar-month period ending with the calendar month in which the "ownership change" occurs).

If a corporation (or affiliated group) has a net unrealized built-in gain at the time of an ownership change (taking into account most assets and items of "built-in" income and deductions), then the section 382 limitation may be increased to the extent that the debtors recognize certain built-in gains in their assets during the five-year period following the ownership change, or are treated as recognizing built-in gains pursuant to the safe harbors provided in IRS Notice 2003-65. If a corporation (or affiliated group) has a net unrealized built-in loss at the time of an ownership change (taking into account most assets and items of "built-in" income and deductions), then generally built-in losses (including amortization or depreciation deductions attributable to such built-in losses) recognized during the following five years (up to the amount of the original net unrealized built-in loss) will be treated as Pre-Change Losses and similarly will be subject to the annual limitation. In general, a corporation's (or affiliated group's) net unrealized built-in gain or net unrealized built-in loss will be deemed to be zero unless it is greater than the lesser of (a) $10,000,000 or (b) 15% of the fair market value of its assets (with certain adjustments) before the ownership change.

Section 383 of the Tax Code applies a similar limitation to capital loss carryforwards and tax credits. Any unused limitation may be carried forward, thereby increasing the annual limitation in the subsequent taxable year.

Notwithstanding the rules described above, if post-ownership change, a debtor corporation and its subsidiaries do not continue the debtor corporation's historic business or use a significant portion of its historic business assets in a new business for two years after the ownership change (the "Business Continuity Requirement"), the annual limitation resulting from the ownership change is zero.

Special rules may apply in the case of a corporation that experiences an ownership change as the result of a bankruptcy proceeding. When shareholders or so-called "qualified creditors" of a debtor corporation in chapter 11 receive, in respect of their claims, at least 50% of the vote and value of the stock of the reorganized debtor (or a controlling corporation if also in chapter 11) pursuant to a confirmed chapter 11 plan (the "382(l)(5) Exception"). Under the 382(l)(5) Exception, a debtor's Pre-Change Losses are not limited on an annual basis, but, instead, NOL carryforwards will be reduced by the amount of any interest deductions claimed during the three taxable years preceding the taxable year that includes the effective date of the plan of reorganization, and during the part of the taxable year prior to and including the effective date of the plan of reorganization, in respect of all debt converted into stock in the reorganization. If the 382(l)(5) Exception applies, the Business Continuity Requirement does not

apply, although a different business continuation requirement may apply under the Treasury Regulations. If the 382(l)(5) Exception applies and the Debtors undergo another "ownership change" within two years after the Effective Date, then the Debtors' Pre-Change Losses effectively would be eliminated in their entirety.

Where the 382(l)(5) Exception is not applicable to a corporation in bankruptcy (either because the debtor does not qualify for it or the debtor otherwise elects not to utilize the 382(l)(5) Exception), a second special rule will generally apply (the "382(l)(6) Exception"). Under the 382(l)(6) Exception, the annual limitation will be calculated by reference to the lesser of the value of the debtor corporation's new stock (with certain adjustments) immediately after the ownership change or the value of such debtor corporation's assets (determined without regard to liabilities) immediately before the ownership change. This differs from the ordinary rule that requires the fair market value of a debtor corporation that undergoes an "ownership change" to be determined before the events giving rise to the change. The 382(l)(6) Exception also differs from the 382(l)(5) Exception because under the 382(l)(6) Exception, the debtor corporation is not required to reduce its NOL carryforwards by the amount of interest deductions claimed within the prior three-year period, and the debtor may undergo an ownership change within two years without automatically triggering the elimination of its Pre-Change Losses. If the 382(l)(6) Exception applies, the Business Continuity Requirement discussed above also applies.

The Debtors have not determined whether the 382(l)(5) Exception would be available in the Delaware Retention Structure or, if it is available, whether the Debtors and Reorganized Toys Inc. would elect not to apply the 382(l)(5) Exception.

B. *Certain U.S. Federal Income Tax Consequences of the Plan to U.S. Holders of Allowed Claims Entitled to Vote.*

1. **Receipt of Consideration for All U.S. Holders of Claims Expected to be Taxable**

In general, the U.S. federal income tax treatment of Holders of Claims or Interests will depend, in part, on whether the receipt of consideration under the Plan qualifies as an exchange of stock or securities pursuant to a tax free reorganization or if, instead, the consideration under the Plan is treated as having been received in a fully taxable disposition. Whether the receipt of consideration under the Plan qualifies for reorganization treatment will depend on, among other things, (a) whether the Claim being exchanged constitutes a "security" and (b) whether the Debtor against which a Claim is asserted is the same entity that is issuing the consideration under the Plan.

In general, the Debtors do not expect that clause (b) in the preceding paragraph will be satisfied by the receipt of any consideration under the Plan, even if the Delaware Retention Structure is utilized. As a result, the Debtors expect that all Holders of Claims will be treated as receiving their distribution under the Plan in taxable exchange under Section 1001 of the Tax Code. Accordingly, other than with respect to any amounts received that are attributable to accrued but untaxed interest (or OID), a U.S. Holder of such a claim would recognize gain or loss equal to the difference between (a) the sum of the cash and the fair market value (or issue price, in the case of debt instruments) of the consideration received and (b) such U.S. Holder's adjusted basis in such Claim.

Such U.S. Holder should obtain a tax basis in the non-cash consideration received, other than with respect to any amounts received that are attributable to accrued but untaxed interest (or OID), equal to the fair market value of the non-cash consideration as of the receipt of such property.

The tax basis of any non-cash consideration treated as received in satisfaction of accrued but untaxed interest (or OID) should equal the amount of such accrued but untaxed interest (or OID). The holding period of the non-cash consideration should begin on the day following the receipt of such property.

See discussion below regarding the extent to which any consideration should be treated as attributable to accrued interest (or OID).

To the extent that a U.S. Holder receives distributions with respect to a Claim or Interest subsequent to the Effective Date, such U.S. Holder may recognize additional gain (if such U.S. Holder is in a gain position), and a portion of such distribution may be treated as imputed interest income. In addition, it is possible that the recognition

of any loss realized by a U.S. Holder may be deferred until all payments have been made out of any such account. U.S. Holders are urged to consult their tax advisors regarding the possible application (and the ability to elect out) of the "installment method" of reporting any gain that may be recognized by such U.S. Holders in respect of their Claims or Interests due to the receipt of property in a taxable year subsequent to the taxable year in which the Effective Date occurs. The discussion herein assumes that the installment method does not apply

2. **Transfer of Assets to Liquidating Trusts or Similar Structures**

The Plan provides that, among other things, (a) certain potential claims will be contribute to a Non-Released Claims Trust or other similar structure, with the proceeds of such litigation being distributed to certain Holders of Claims; (b) under certain circumstances, assets by be transferred by the Debtors to a liquidating trust vehicle or a similar structure in order to facilitate the sale of such assets and the disposition of the proceeds thereof to Holders of Claims. Such assets may either be subject to "liquidating trust" treatment or "disputed ownership fund" treatment, as described below.

C. *Liquidating Trust Treatment*

Other than with respect to any assets that are subject to potential disputed claims of ownership or uncertain distributions, any such trust or similar structure may be classified as a "liquidating trust" under section 301.7701-4(d) of the Treasury Regulations and qualify as a "grantor trust" under section 671 of the Tax Code. In such case, any beneficiaries of such trust or similar structure would be treated as grantors and deemed owners thereof and, for all United States federal income tax purposes, any beneficiaries would be treated as if they had received a distribution of an undivided interest in the assets of such vehicle and then contributed such undivided interest to the vehicle. If this treatment applies, the person or persons responsible for administering the vehicle shall, in an expeditious but orderly manner, make timely distributions to beneficiaries of such vehicle pursuant to the Plan and not unduly prolong its duration. Such vehicle would not be deemed a successor in interest of the Debtors for any purpose other than as specifically set forth herein or in the governing documents for such vehicle.

Other than with respect to any assets of such vehicle that are subject to potential disputed claims of ownership or uncertain distributions, the treatment of the deemed transfer of assets to applicable Claims and Interests prior to the contribution of such assets to such vehicle should generally be consistent with the treatment described above with respect to the receipt of the applicable assets directly.

Other than with respect to any assets of such vehicle that are subject to potential disputed claims of ownership or uncertain distributions, no entity-level tax should be imposed on such vehicle with respect to earnings generated by the assets held by them. Each beneficiary must report on its federal income tax return its allocable share of income, gain, loss, deduction and credit, if any, recognized or incurred by such vehicle, even if no distributions are made. Allocations of taxable income with respect to such vehicle shall be determined by reference to the manner in which an amount of cash equal to such taxable income would be distributed (without regard to any restriction on distributions described herein) if, immediately before such deemed distribution, such vehicle had distributed all of its other assets (valued for this purpose at their tax book value) to the beneficiaries, taking into account all prior and concurrent distributions from such vehicle. Similarly, taxable losses of such vehicle will be allocated by reference to the manner in which an economic loss would be borne immediately after a liquidating 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 Tax Code, Treasury Regulations and other applicable administrative and judicial authorities and pronouncements.

The character of items of income, gain, loss, deduction and credit to any Holder of a beneficial interest in such vehicle, and the ability of such Holder to benefit from any deductions or losses, may depend on the particular circumstances or status of the Holder. Taxable income or loss allocated to a beneficiary should be treated as income or loss with respect to the interest of such beneficiary in such vehicle and not as income or loss with respect to such beneficiary's applicable Claim or Interest. In the event any tax is imposed on such vehicle, the person or persons responsible for administering such vehicle shall be responsible for payment, solely out of the assets of such vehicle of any taxes imposed on such vehicle.

The person or persons responsible for administering such vehicle 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, including, if required under applicable law, notices required to report interest or dividend income. The person or persons responsible for administering such vehicle will file tax returns pursuant to section 1.671-4(a) of the Treasury Regulations on the basis that such vehicle is a "liquidating trust" within the meaning of section 301.7701-4(d) of the Treasury Regulations and related Treasury Regulations. As soon as reasonably practicable after the close of each calendar year, the person or persons responsible for administering such vehicle will send each affected beneficiary a statement setting forth such beneficiary's respective share of income, gain, deduction, loss and credit for the year, and will instruct the Holder to report all such items on its tax return for such year and to pay any tax due with respect thereto.

D. *Disputed Ownership Fund Treatment*

With respect to any of the assets of such vehicle that are subject to potential disputed claims of ownership or uncertain distributions, *or* to the extent "liquidating trust" treatment is otherwise unavailable or not elected to be applied with respect to the Non-Released Claims Trust or any similar vehicle, the Debtors intend that such assets will be subject to disputed ownership fund treatment under Section 1.468B-9 of the Treasury Regulations, that any appropriate elections with respect thereto shall be made, and that such treatment will also be applied to the extent possible for state and local tax purposes. Under such treatment, a separate federal income tax return shall be filed with the IRS for any such account. Any taxes (including with respect to interest, if any, earned in the account) imposed on such account shall be paid out of the assets of the respective account (and reductions shall be made to amounts disbursed from the account to account for the need to pay such taxes). To the extent property is not distributed to U.S. Holders of applicable Claims or Interests on the Effective Date but, instead, is transferred to any such account, although not free from doubt, U.S. Holders should not recognize any gain or loss on the date that the property is so transferred. Instead, gain or loss should be recognized when and to the extent property is actually distributed to such U.S. Holders.

1. **Accrued Interest and OID**

A portion of the consideration received by Holders of Allowed Claims may be attributable to accrued interest or OID on such Claims. Such amounts 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 Debtors.

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 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.

2. **Market Discount**

Under the "market discount" provisions of sections 1276 through 1278 of the Tax Code, 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 OID, its adjusted issue price, in each case, by at least a *de minimis* amount (equal to 0.25 percent 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). To the extent that any Allowed Claims that had been acquired with market discount are exchanged in a tax-free or other reorganization transaction for other property (as may occur here), any market discount that accrued thereon but was not recognized by the U.S. Holder may be required to be carried over to the property received therefore and any gain recognized on the subsequent sale, exchange, redemption, or other disposition of such property may be treated as ordinary income to the extent of the accrued but unrecognized market discount with respect to the exchanged debt instrument.

3. **Medicare Tax on Net Investment Income**

Certain U.S. Holders that are individuals, estates, or trusts are required to pay an additional 3.8% tax on, among other things, interest, dividends and gains from the sale or other disposition of capital assets. U.S. Holders that are individuals, estates, or trusts should consult their tax advisors regarding the effect, if any, of this tax provision on their ownership and disposition of consideration received pursuant to the Plan.

E. *Certain U.S. Federal Income Tax Consequences to U.S. Holders of Owning and Disposing of Consideration Received Under the Plan.*

Because the form of consideration to be received under the Plan is uncertain, the U.S. federal income tax consequences of owning and disposing of the consideration received under the Plan is also uncertain.

In general, if cash is received under the Plan, no further U.S. federal income tax consequences would be anticipated.

If equity of any entity taxed as a U.S. corporation (whether newly-formed or, in the case of the Delaware Retention Structure, Toys Inc.) is received pursuant to the Plan, then the following treatment would apply. If any such entity makes distributions with respect to its stock, the distributions will generally be includable as ordinary dividend income on the day on which the dividends are actually or constructively received by a U.S. Holder to the extent paid out of current earnings and profits or earnings and profits accumulated as of the end of the prior year of such entity. A distribution in excess of such current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent, and in reduction, of the U.S. Holder's adjusted tax basis in such entity's stock, and as a capital gain to the extent it exceeds the U.S. Holder's adjusted tax basis in such stock. Non-corporate U.S. Holders may be eligible for reduced rates of taxation on dividends. Dividends paid to corporate U.S. Holders will generally be eligible for the dividends-received deduction, subject to applicable restrictions. A U.S. Holder will generally recognize gain or loss for U.S. federal income tax purposes, upon the sale, exchange or other taxable disposition of such entity's stock, equal to the difference, if any, between (i) the amount realized from such sale, exchange or other taxable disposition and (ii) the U.S. Holder's adjusted tax basis in the stock of such entity. Subject to the treatment of any accrued market discount on the surrendered Claim that, as discussed above, carried over to the stock of such entity, such gain or loss will be capital gain or loss and will generally be long-term capital gain or loss if the U.S. Holder's holding period for the stock of such entity exceeds one year. Under current U.S. federal income tax law, certain non-corporate U.S. Holders (including individuals) are eligible for preferential rates of U.S. federal income tax on long-term capital gains. The deductibility of capital losses is subject to limitations.

The Debtors do not anticipate that Holders of Claims will receive the equity of an entity that is taxed as a "flow-through" entity for U.S. federal income tax purposes, and this summary does not address the receipt of any such consideration.

The Debtors anticipate that under some circumstances, Holders of Claims could potentially receive the equity of an entity that is taxed as a corporation that is not a U.S. corporation. The tax rules that would apply to the

ownership of such entity would be highly complex and depend on, among other things, (a) whether such entity was treated as a "controlled foreign corporation" or a "passive foreign investment corporation" and (b) whether such entity was subject to the so-called "inversion" rules. These issues are highly complex, and Holders of Claims should seek advice from their own advisors in the event any consideration received under the Plan constitutes stock of a corporation that is not a U.S. corporation.

F. *Certain U.S. Federal Income Tax Consequences of the Plan and Owning or Disposing of Consideration Received Under the Plan to Non-U.S. Holders of Claims Entitled to Vote*

The following discussion includes only certain U.S. federal income tax consequences of the implementation of the Plan 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 Plan to such Non-U.S. Holder and the ownership and disposition of non-Cash consideration.

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

1. **Gain Recognition**

Any gain realized by a Non-U.S. Holder on the exchange of its Claim generally will not be subject to U.S. federal income taxation unless (a) 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 or (b) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States (and if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States).

If the first exception 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 exception 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. In order to claim an exemption from withholding tax, such Non-U.S. Holder will be required to provide properly executed original copies of IRS Form W-8ECI (or such successor form as the IRS designates). In addition, if such a Non-U.S. Holder is a corporation, it may be subject to a branch profits tax equal to 30 percent (or such lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

2. **Interest Payments; Accrued but Untaxed Interest**

Payments to a Non-U.S. Holder that are attributable to either (a) interest on (or OID accruals with respect to) debt received under the Plan, or (b) accrued but untaxed interest (or OID) on their Allowed Claim 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:

1. the Non-U.S. Holder actually or constructively owns 10 percent or more of the total combined voting power of the Debtors (in the case of consideration received in respect of accrued but unpaid interest or OID);

2. the Non-U.S. Holder is a "controlled foreign corporation" that is a "related person" with respect to the Debtors (each, within the meaning of the Tax Code);

3. the Non-U.S. Holder is a bank receiving interest described in section 881(c)(3)(A) of the Tax Code; or

4. such interest (or OID) 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 (i) generally will not be subject to withholding tax, but (ii) 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 (or OID) 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 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 (a) interest on debt received under the Plan and (b) payments that are attributable to accrued but untaxed interest (or OID) on such Non-U.S. Holder's Allowed Claim. For purposes of providing a properly executed IRS Form W-8BEN or W-8BEN-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.

3. **Sale, Redemption, or Repurchase of Non-Cash Consideration**

A Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to any gain realized on the sale or other taxable disposition (including a cash redemption) of its Pro Rata share of the consideration received under the Plan unless:

1. such Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition or who is subject to special rules applicable to former citizens and residents of the United States;

2. such gain is effectively connected with such Non-U.S. Holder's conduct of a U.S. trade or business (and if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States);

3. in the case of the sale of equity in an entity, such entity is or has been, during a specified testing period, a "U.S. real property holding corporation" (a "USRPHC") for U.S. federal income tax purposes, and certain other circumstances exist; or

4. such Non-U.S. Holder receives a "flow-through" interest (including pursuant to assets held in a "liquidating trust") or direct ownership of an interest in assets that constitute a "U.S. real property interest" (a "USRPI").

If the first exception applies, 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 disposition. If the second exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax with respect to such gain in the same manner as a U.S. Holder, 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 earnings and profits effectively connected with a U.S. trade or business that are attributable to such gains at a rate of 30 percent (or at a reduced rate or exemption from tax under an applicable income tax treaty).

If the third exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax on any gain recognized on the disposition of all or a portion of applicable equity under the Foreign Investment in Real Property Tax Act ("FIRPTA"), unless (a) the equity is regularly traded on an established securities market and (b) such Non-U.S. Holder did not own 5% or more of the equity the relevant entity was a USRPHCs.

If the fourth exception applies, FIRPTA will generally be applicable to any such USRPI.

If FIRPTA applies, taxable gain from the disposition of an interest in a USRPHC or USRPI (generally equal to the difference between the amount realized and such Non-U.S. Holder's adjusted tax basis in such interest) will constitute effectively connected income. Further, the buyer of such item may be required to withhold on any sale of such interest unless, in the case of equity in a USRPHC, such equity is regularly traded on an established securities market. The amount of any such withholding would be allowed as a credit against the Non-U.S. Holder's federal income tax liability and may entitle the Non-U.S. Holder to a refund, provided that the Non-U.S. Holder properly and timely files a tax return with the IRS.

It is unknown whether the FIRPTA rules will apply to any consideration received under the Plan.

G. *Information Reporting and Backup Withholding*

The Debtors will withhold all amounts required by law to be withheld from payments of interest and dividends. The Debtors will also comply with all applicable reporting requirements of the Tax Code. In general, information reporting requirements may apply to distributions or payments made to a Holder of a Claim under the Plan, as well as future payments made with respect to consideration received under the Plan. The Debtors do not expect distributions or payments to Holders of Claims under the Plan to be subject to material withholding under the Tax Code.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be credited against a holder's U.S. federal income tax liability, and a holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS (generally, a U.S. federal income tax return).

In addition, from an information reporting perspective, the Treasury Regulations generally require 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 specified thresholds. Holders are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the Holders' tax returns

H. *FATCA*

Under legislation commonly referred to as 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 (including dividends, if any, on any equity received pursuant to the Plan), and also include 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.

As currently proposed, FATCA withholding rules would apply to payments of gross proceeds from the sale or other disposition of property of a type which can produce U.S. source interest or dividends that occur after December 31, 2018. Each Non-U.S. Holder should consult its own tax advisor regarding the possible impact of these rules on such Non-U.S. Holder.

ARTICLE X.
RECOMMENDATION OF THE DEBTORS

In the opinion of the Debtors, the Plan is the best alternative because it provides for a larger distribution to the Holders of Allowed Claims and Allowed Interests than would otherwise result in a liquidation under chapter 7 of the Bankruptcy Code. In addition, any alternative other than Confirmation of the Plan could result in extensive

delays and increased administrative expenses resulting in smaller distributions to Holders of Allowed Claims and Allowed Interests than proposed under the Plan. Accordingly, the Debtors recommend that Holders of Claims and Interests entitled to vote on the Plan support Confirmation of the Plan and vote to accept the Plan.

Dated: ~~August 31~~September 5, 2018

Toys "R" Us Delaware, Inc. (for itself and all Toys Delaware Debtors)

By: */s/ Matthew Finigan*
Name: Matthew Finigan
Title: Executive Vice President - Chief Financial Officer and Treasurer

Dated: ~~August 31~~September 5, 2018

Geoffrey Holdings, LLC (for itself and all Geoffrey Debtors)

By: */s/ Matthew Finigan*
Name: Matthew Finigan
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Exhibit A

~~First~~Second Amended Chapter 11 Plans of the Toys Delaware Debtors and Geoffrey Debtors

Exhibit C

Redline

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

In re:	)	Chapter 11
TOYS "R" US, INC., *et al.*,[1]	)	Case No. 17-34665 (KLP)
Debtors.	)	(Jointly Administered)

DISCLOSURE STATEMENT FOR THE SECOND AMENDED CHAPTER 11 PLANS OF THE TOYS DELAWARE DEBTORS AND GEOFFREY DEBTORS

THIS IS NOT A SOLICITATION OF AN ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL THE COURT HAS APPROVED THIS DISCLOSURE STATEMENT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE COURT. THE INFORMATION IN THIS DISCLOSURE STATEMENT IS SUBJECT TO CHANGE. THIS DISCLOSURE STATEMENT IS NOT AN OFFER TO SELL ANY SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY ANY SECURITIES.

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Co-Counsel to 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.

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Co-counsel to Debtors and Debtors in Possession Geoffrey~~,~~ LLC and Geoffrey Holdings, LLC

Dated: ~~August 6~~September 5, 2018

THE DEBTORS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT TO HOLDERS OF CLAIMS AND INTERESTS FOR THE PURPOSE OF SOLICITING VOTES TO ACCEPT OR REJECT THE *SECOND AMENDED CHAPTER 11 PLANS OF THE TOYS DELAWARE DEBTORS AND GEOFFREY DEBTORS* (EACH PLAN COLLECTIVELY, THE "PLAN").[2] NOTHING IN THIS DISCLOSURE STATEMENT MAY BE RELIED UPON OR USED BY ANY ENTITY FOR ANY OTHER PURPOSE. EACH HOLDER ENTITLED TO VOTE SHOULD CAREFULLY CONSIDER ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN ARTICLE VII HEREIN, BEFORE DECIDING WHETHER TO VOTE FOR OR AGAINST THE PLAN.

THE DEBTORS, THE AD HOC GROUP OF B-4 LENDERS, THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS (THE "CREDITORS' COMMITTEE"), THE AD HOC GROUP OF POSTPETITION VENDOR ADMINISTRATIVE CLAIMANTS (THE "AD HOC VENDOR GROUP"), NEXBANK SSB (THE "TERM DIP FACILITY AGENT"), BANK OF AMERICA, N.A. (THE "PREPETITION TERM LOAN AGENT"), AND EACH OF BAIN CAPITAL PRIVATE EQUITY, LP, KOHLBERG KRAVIS ROBERTS & CO. L.P., AND VORNADO REALTY TRUST IN THEIR CAPACITY AS EQUITY OWNERS OF TOYS "R" US, INC. (COLLECTIVELY, THE "SPONSORS") SUPPORT THE PLAN. ALL SUCH PARTIES URGE HOLDERS OF CLAIMS AND INTERESTS WHOSE VOTES ARE BEING SOLICITED TO ACCEPT THE PLAN.

THE DEBTORS URGE EACH HOLDER OF A CLAIM OR INTEREST 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 EVENTS IN THE DEBTORS' CHAPTER 11 CASES, AND ATTACHED HERETO OR INCORPORATED BY REFERENCE HEREIN ARE CERTAIN DOCUMENTS RELATED TO THE PLAN. ALTHOUGH THE 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 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 DEBTORS' MANAGEMENT EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTORS DO NOT REPRESENT OR WARRANT THAT THE INFORMATION CONTAINED HEREIN OR ATTACHED HERETO IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH BANKRUPTCY CODE SECTION 1125 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 WAS NOT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE AUTHORITY, AND NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE AUTHORITY HAVE PASSED UPON THIS DISCLOSURE STATEMENT'S ACCURACY OR ADEQUACY OR UPON THE PLAN'S MERITS. IN PREPARING THIS DISCLOSURE STATEMENT, THE DEBTORS RELIED ON FINANCIAL DATA DERIVED FROM THE DEBTORS' BOOKS AND RECORDS AND ON VARIOUS ASSUMPTIONS REGARDING THE DEBTORS' BUSINESSES. WHILE THE DEBTORS BELIEVE THAT SUCH

[2] Capitalized terms used but not otherwise defined herein shall have the same meaning ascribed to such terms in the Plan.

FINANCIAL INFORMATION FAIRLY REFLECTS THE FINANCIAL CONDITION OF THE 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 DEBTORS' BUSINESSES AND THEIR FUTURE RESULTS AND OPERATIONS. THE DEBTORS EXPRESSLY CAUTION READERS NOT TO PLACE UNDUE RELIANCE ON ANY FORWARD LOOKING STATEMENTS CONTAINED HEREIN.

THE DEBTORS MAKE STATEMENTS IN THIS DISCLOSURE STATEMENT THAT ARE CONSIDERED FORWARD-LOOKING STATEMENTS UNDER THE FEDERAL SECURITIES LAWS. THE DEBTORS CONSIDER ALL STATEMENTS REGARDING ANTICIPATED OR FUTURE MATTERS, INCLUDING THE FOLLOWING, TO BE FORWARD-LOOKING STATEMENTS:

- **BUSINESS STRATEGY;**
- **FINANCIAL CONDITION, REVENUES, CASH FLOWS, AND EXPENSES;**
- **LEVELS OF INDEBTEDNESS, LIQUIDITY, AND COMPLIANCE WITH DEBT COVENANTS;**
- **FINANCIAL STRATEGY, BUDGET, AND OPERATING RESULTS;**
- **SUCCESSFUL RESULTS FROM THE DEBTORS' OPERATIONS;**
- **GENERAL ECONOMIC AND BUSINESS CONDITIONS;**
- **COUNTERPARTY CREDIT RISK;**
- **THE OUTCOME OF PENDING AND FUTURE LITIGATION;**
- **UNCERTAINTY REGARDING THE DEBTORS' FUTURE OPERATING RESULTS; AND**
- **PLANS, OBJECTIVES, AND EXPECTATIONS.**

STATEMENTS CONCERNING THESE AND OTHER MATTERS ARE NOT GUARANTEES OF THE DEBTORS' FUTURE PERFORMANCE. SUCH STATEMENTS REPRESENT THE DEBTORS' ESTIMATES AND ASSUMPTIONS ONLY AS OF THE DATE HEREOF, UNLESS OTHERWISE SPECIFICALLY NOTED. THERE ARE RISKS, UNCERTAINTIES, AND OTHER IMPORTANT FACTORS THAT COULD CAUSE THE DEBTORS' ACTUAL PERFORMANCE OR ACHIEVEMENTS TO BE MATERIALLY DIFFERENT FROM THOSE THEY MAY PROJECT. ALTHOUGH THE DEBTORS MAY SUBSEQUENTLY UPDATE THE INFORMATION IN THIS DISCLOSURE STATEMENT, THE 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 DEBTORS RESERVE THE RIGHT TO FILE AN AMENDED OR MODIFIED PLAN AND RELATED DISCLOSURE STATEMENT FROM TIME TO TIME, SUBJECT TO THE TERMS OF THE PLAN.

THE 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 BY

REFERENCE HEREIN HAS NOT BEEN AND WILL NOT BE AUDITED OR REVIEWED BY THE DEBTORS' INDEPENDENT AUDITORS UNLESS EXPLICITLY PROVIDED OTHERWISE.

THE 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 DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

THE PLAN'S CONFIRMATION AND EFFECTIVENESS ARE SUBJECT TO CERTAIN MATERIAL CONDITIONS PRECEDENT, WHICH ARE SET FORTH IN ARTICLE VIII 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.

IF THE COURT CONFIRMS THE PLAN AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS AND INTERESTS, INCLUDING THOSE HOLDERS OF CLAIMS WHO DO NOT SUBMIT BALLOTS TO ACCEPT OR REJECT THE PLAN, WHO VOTE TO REJECT THE PLAN, OR WHO ARE NOT ENTITLED TO VOTE ON THE PLAN, WILL BE BOUND BY THE TERMS OF THE PLAN AND THE RESTRUCTURING TRANSACTIONS CONTEMPLATED THEREBY.

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AND MAY NOT BE CONSTRUED AS AN ADMISSION OF FACT, LIABILITY, STIPULATION, OR WAIVER. THE DEBTORS 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.

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EXHIBITS

EXHIBIT A *Second Amended Chapter 11 Plans of the Toys Delaware Debtors and Geoffrey Debtors*

ARTICLE I.
INTRODUCTION

Toys "R" Us-Delaware, Inc. ("Toys Delaware") and certain Toys Delaware affiliates (collectively, "Toys Delaware Debtors")[3] and Geoffrey Holdings, LLC ("Geoffrey") and Geoffrey's subsidiaries (collectively, the "Geoffrey Debtors"),[4] as debtors and debtors in possession, (the Toys Delaware Debtors and Geoffrey Debtors, collectively, the "Debtors") submit this disclosure statement (the "Disclosure Statement") pursuant to section 1125 of the Bankruptcy Code to Holders of Claims and Interests against the Debtors in connection with soliciting votes to accept the amended Plan dated ~~August 6~~September 5, 2018. A copy of the Plan is attached hereto as **Exhibit A**. The Plan constitutes a separate chapter 11 plan for each Debtor and derives from a settlement agreement that was extensively negotiated in good faith and at arm's-length between the Debtors and certain stakeholders. If consummated, the Plan will distribute the proceeds derived from the wind-down, dissolution, and liquidation of the Debtors' Estates after the Effective Date. The Geoffrey Debtors and the Toys Delaware Debtors separately seek to confirm their respective Plans, and the confirmation of one Plan is not contingent on confirmation of the other.

THE DEBTORS BELIEVE THAT THE COMPROMISES CONTEMPLATED UNDER THE PLAN ARE FAIR AND EQUITABLE, MAXIMIZE THE VALUE DERIVED FROM THE DEBTORS' ESTATES, AND PROVIDE THE BEST RECOVERY TO CLAIM AND INTEREST HOLDERS UNDER THE CIRCUMSTANCES. AT THIS TIME, THE DEBTORS BELIEVE THE PLAN IS THE BEST AVAILABLE ALTERNATIVE FOR COMPLETING THESE CHAPTER 11 CASES. THE DEBTORS STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

A. *Preliminary Statement*

Toys "R" Us, Inc. (together with its subsidiaries, the "Company") started out as a small, local toy store in Washington D.C. in 1948 and eventually grew to approximately 2,000 operated and licensed stores in 38 countries. Accordingly, the Toys "R" Us enterprise became one of the most widely recognized brands in the world among children. However, recent macroeconomic trends and changing consumer preferences have caused many retail companies to face financial pressures and operational issues. Specifically, online retailers obtained a competitive edge over those with expansive brick-and-mortar footprints, such as Toys "R" Us. The Company has struggled to compete in the new marketplace and, in addition, faced certain challenges with its supply-chain and online presence. These and other issues eventually led to the Company's inability to procure sufficient liquidity to stabilize its operations leading up to the 2017 holiday season. As a result, Toys Delaware, a direct and wholly-owned subsidiary of Toys "R" Us, Inc. ("Toys Inc."), and certain subsidiaries filed voluntarily petitions under title 11 of the United States Code (the "Bankruptcy Code") on September 18, 2017 (the "Petition Date").

The Debtors filed for chapter 11 intending to restructure their businesses and continue operating as a going concern. At the outset of these cases, the Debtors secured over $3.1 billion in three separate debtor-in-possession financing facilities (collectively, the "DIP Facilities"). This financing allowed the Debtors to begin reopening their global supply chain and positioned the Company to implement its holiday business plan, which historically accounted for approximately 40% of its annual revenue.

Ultimately, sales from the holiday season did not meet performance expectations, and the Debtors' restructuring efforts were derailed. Several factors contributed to the Debtors performance, including (a) delays and disruptions associated with reopening the supply chain in chapter 11 and during the holiday season, (b) competitors pricing toys at low-margins or as loss-leaders to drive store traffic, which undermined the Company's pricing structure, (c) a greater than expected decline in toy and gift card sales and baby gift registries after the Petition Date, and (d) the Company's inability to offer online prices or shipping on more attractive terms than their competitors. As a result, in early 2018, the Debtors defaulted on certain DIP covenants and certain lenders began imposing

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[3] The Toys Delaware Debtors are Toys Delaware, TRU Guam, LLC, Toys Acquisition, LLC, Giraffe Holdings, LLC, TRU of Puerto Rico, Inc., and TRU-SVC, Inc.

[4] The Geoffrey Debtors are Geoffrey, Geoffrey~~,~~ LLC, and Geoffrey International, LLC.

reserve restrictions after the U.S. businesses failed to meet revenue expectations, further constraining liquidity. The Debtors projected at that time that they would require significant new liquidity to continue operating through the fall. The Debtors were able to obtain certain waivers through early March 2018 while they negotiated for additional liquidity, but their efforts ultimately proved unsuccessful, and further waivers could not be obtained. On March 14, 2018, the Debtors filed a motion seeking authority to wind-down their U.S. operations, setting forth more fully the events leading up to the U.S. Wind-Down [Docket No. 2050] (the "Wind-Down Motion"). The Bankruptcy Court entered an order approving the wind-down of U.S. operations (the "U.S. Wind-Down") on May 22, 2018 [Docket No. 2344] (the "Wind-Down Order").

At the hearing on the U.S. Wind-Down Motion and subsequent hearings on proposed amendments to the DIP Facilities, certain creditors and other parties-in-interest, including the Creditors' Committee, alleged claims related to the U.S. Wind-Down that would have resulted in lengthy, complex, and expensive litigation regarding the myriad of disputed issues among secured, administrative, and unsecured creditors. On June 14, 2018, after engaging in months-long arm's-length negotiations, the Debtors, the Ad Hoc Group of B-4 Lenders, the Creditors' Committee, the Ad Hoc Vendor Group, the Term DIP Facility Agent, the Prepetition Term Loan Agent, the Sponsors, and certain other administrative claimants and lender parties reached an agreement on settlement terms that both resolved and preserved certain claims and causes of action related to the U.S. Wind-Down, among other things. The terms of this agreement were documented in a settlement agreement executed on July 17, 2018 (the "Settlement Agreement" and, the parties thereto, the "Settlement Parties"). A motion seeking to approve the Settlement Agreement was filed on July 17, 2018 [Docket No. 3814] (the "Settlement Agreement Motion"). The Settlement Agreement is more fully described in the Settlement Agreement Motion and in Article I.B hereof. ~~A hearing on~~The Bankruptcy Court entered an order approving the Settlement Agreement Motion ~~is currently scheduled to be held~~ on August ~~7~~8, 2018. [Docket No. 4083]

As part of the U.S. Wind-Down, the Debtors shut down their U.S. operations, closing stores and distribution centers, assuming and assigning (or rejecting) their unexpired leases, and establishing processes to sell their other assets, including real property, intellectual property, and joint venture interests. Asset sales for Toys Delaware's leases, stores, real estate joint ventures, and distribution centers are expected to generate approximately $380 million. On April 25, 2018, the Bankruptcy Court approved a sale of Toys Delaware's 100% equity interest in Toys "R" Us (Canada) Ltd./Toys "R" Us (Canada) Ltee ("Toys Canada") to Fairfax Financial Holdings Limited for approximately CAD 300 million. In addition, Toys Delaware and Geoffrey are conducting a process to sell or exclusively license certain U.S. and international intellectual property assets in accordance with the procedures that the Bankruptcy Court has approved [Docket No. 3233; 3601].[5] The auction for such intellectual property assets is currently scheduled for the end of September, subject to further postponement or cancellation. These, among other value-maximizing transactions, are expected to be completed in the coming months as the Debtors near the end of the U.S. Wind-Down.

The Debtors and the Settlement Parties believe that the Settlement Agreement, as embodied in the Plan, maximizes stakeholder recoveries, minimizes risk and uncertainty to all parties, and will bring these Chapter 11 Cases to an appropriate resolution in light of the potential alternatives. Accordingly, the Debtors are seeking the Bankruptcy Court's approval of the Plan ~~in addition to the Settlement Agreement.~~. All Holders of Claims and Interests entitled to vote are urged to vote in favor of the Plan and are encouraged to return their ballots to Prime Clerk LLC ("Prime Clerk" or the "Solicitation Agent") or electronically submit them online so that they are **actually received** on or before **October ~~3~~5, 2018, at 5:00 p.m., prevailing Eastern Time** (the "Voting Deadline"). Assuming the Plan receives the requisite acceptance under the Bankruptcy Code, the Debtors will seek the Bankruptcy Court's approval of the Plan at the Confirmation Hearing.

B. *Questions and Answers Regarding this Disclosure Statement and the Plan*

The following are some frequently asked questions and corresponding answers regarding this Disclosure Statement and the Plan.

5 The Debtors' affiliates are also conducting sale processes for certain of their international assets.

1. **What is chapter 11?**

Chapter 11 is the principal business reorganization chapter in the Bankruptcy Code. This chapter permits a debtor to maximize the value of its operations and promotes equal treatment for creditors and similarly situated equity interest holders, subject to the priority distribution scheme set forth in the Bankruptcy Code. An estate is created when a chapter 11 case is commenced, and it comprises all of a debtor's legal and equitable interests as of the date the case is filed. The Bankruptcy Code provides that a debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

A principle objective of a chapter 11 is to consummate a plan. A confirmed plan will be binding upon the debtor, any person acquiring property under the plan, any creditor or equity interest holder of the debtor, and any other entity as the court may order. Subject to certain limited exceptions, a court's order confirming a plan provides for the treatment of the debtor's liabilities in accordance with the confirmed plan's terms.

2. **Why are the Debtors sending me this Disclosure Statement?**

The Debtors are seeking to obtain Bankruptcy Court approval of the Plan. Prior to soliciting acceptances of a proposed plan, section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing information of a kind and in sufficient detail to enable a hypothetical reasonable investor to make an informed judgment about accepting a chapter 11 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 such requirements. The Disclosure Statement includes, without limitation, the following information:

- the Debtors' corporate history and structure, business operations, and prepetition capital structure and indebtedness (Article II hereof);
- events leading to the Chapter 11 Cases, including the Debtors' restructuring negotiations (Article II hereof);
- significant events in the Debtors' Chapter 11 Cases (Article III hereof);
- a summary of the Plan, including how certain Claims' and Interests' are classified and treated under the Plan, the means of implementing the Plan, and certain important effects of Confirmation of the Plan (Article IV hereof);
- releases contemplated under the Plan that are integral to the overall settlement of Claims and Interests pursuant to the Plan (Article IV hereof);
- the voting and solicitation process for the Plan (Article V hereof);
- the statutory requirements for confirming the Plan (Article VI hereof);
- certain risk factors Holders of Claims should consider before voting to accept or reject the Plan and information regarding alternatives to Confirmation of the Plan (Article VII hereof);
- certain securities law disclosures (Article VIII hereof); and
- certain United States federal income tax consequences of the Plan (Article IX hereof).

In light of the foregoing, the Debtors believe the Disclosure Statement contains "adequate information" to enable a hypothetical reasonable investor to make an informed judgment about the Plan and complies with all aspects of section 1125 of the Bankruptcy Code.

3. **Am I entitled to vote on the Plan?**

Your ability to vote and your distribution, if any, depends on what kind of Claim or Interest you hold. Each category of holders of Claims or Interests set forth in Article III of the Plan, pursuant to section 1122(a) of the Bankruptcy Code, is referred to as a "Class." The voting status for each Class is below.

The following table is a summary of the classification, impairment status, and voting rights under the Plan. Reference should be made to the entire Disclosure Statement and the Plan for a complete description of the classification and treatment of Claims and Interests.

Class	Claims and Interests	Status	Voting Rights
Classified Claims and Interests against the Toys Delaware Debtors			
Class A1	Other Secured Claims against the Toys Delaware Debtors	Unimpaired	Deemed to Accept
Class A2	Other Priority Claims against the Toys Delaware Debtors	Impaired	Deemed to Reject
Class A3	Delaware Secured ABL/FILO Facility Claims against the Toys Delaware Debtors	Unimpaired	Deemed to Accept
Class A4	Term B-2 Loan and Term B-3 Loan Claims against the Toys Delaware Debtors	Impaired	Entitled to Vote
Class A5	Term B-4 Loan Claims against the Toys Delaware Debtors	Impaired	Entitled to Vote
Class A6	General Unsecured Claims against the Toys Delaware Debtors	Impaired	Deemed to Reject
Class A7	Toys Delaware Debtor Intercompany Claims against other Toys Delaware Debtors	Unimpaired or Impaired	Deemed to Accept/Reject
Class A8	Toys Delaware Intercompany Interests	Unimpaired or Impaired	Deemed to Accept/Reject
Class A9	Toys Inc. Intercompany Interests	Impaired	Deemed to Reject
Classified Claims and Interests against the Geoffrey Debtors			
Class B1	Other Secured Claims against the Geoffrey Debtors	Unimpaired	Deemed to Accept
Class B2	Other Priority Claims against the Geoffrey Debtors	Impaired	Deemed to Reject
Class B3	Term B-2 Loan, Term B-3 Loan, and Term B-4 Loan Claims against the Geoffrey Debtors	Impaired	Entitled to Vote
Class B4	General Unsecured Claims against the Geoffrey Debtors	Impaired	Deemed to Reject
Class B5	Geoffrey Debtor Intercompany Claims against other Geoffrey Debtors	Unimpaired or Impaired	Deemed to Accept/Reject
Class B6	Geoffrey Debtor Intercompany Interests	Unimpaired or Impaired	Deemed to Accept/Reject
Class B7	Interests in Geoffrey	Impaired	Deemed to Reject

Only Holders of Claims or Interests included in one of the Classes entitled to vote to accept or reject the Plan will receive a Solicitation Package from the Solicitation Agent. For more information about the treatment of Claims and Interests, see Article III of the Plan entitled "Classification and Treatment of Claims and Interests" and Article IV of this Disclosure Statement entitled "Summary of the Plan."

4. **What materials will be sent to Holders of Claims who are eligible to vote to accept or reject the Plan?**

Holders of Claims who are eligible to vote to accept or reject the Plan will receive appropriate solicitation materials (the "Solicitation Package"), which include the following:

- the Disclosure Statement, as approved by the Bankruptcy Court (with all exhibits thereto, including the Plan and the exhibits to the Plan);
- the Solicitation Procedures;
- the Confirmation Hearing Notice;
- an appropriate Ballot with voting instructions with respect thereto, together with a pre-addressed postage prepaid return envelope and directions to an online balloting platform;
- a letter from the Debtors, substantially in the form attached to the Disclosure Statement Order, recommending that holders of Claims entitled to vote on the Plan vote to accept the Plan; and
- any supplemental documents the Debtors may file with the Bankruptcy Court or that the Bankruptcy Court orders to be made available.

The Solicitation Package may also be obtained (a) from the Debtors' Solicitation Agent by (i) visiting https://cases.primeclerk.com/toysrus, (ii) writing to Toys "R" Us, Inc., c/o Prime Clerk LLC, 830 Third Avenue, New York, New York 10022, or (iii) calling (844) 794-3476 (toll free) or (917) 962-8499 (international) or (b) for a fee via PACER (except for ballots) at https://www.vaeb.uscourts.gov.

5. **When is the deadline to vote on the Plan?**

The Voting Deadline for the Plan is **October ~~3~~5, 2018, at 5:00 p.m., prevailing Eastern Time**.

6. **How do I vote to accept or reject the Plan?**

The Debtors are distributing this Disclosure Statement along with a ballot to be used for voting to accept or reject the Plan to the Holders of Claims entitled to vote on the Plan. Detailed instructions regarding how to vote to accept or reject the Plan are contained on the ballots, return envelope, and other materials contained in the Solicitation Package. If you are a Holder of a Claim in Classes A4, A5, and B3, you may complete and sign the ballot and return it in the envelope provided on or before the Voting Deadline. It is within the Debtors' sole and absolute discretion to decide whether to count ballots that the Solicitation Agent receives after the Voting Deadline.

Any ballot that a Holder of a Claim properly executes but 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. Moreover, ballots received by facsimile will not be counted. Each Holder of a Claim entitled to vote to accept or reject the Plan may cast only one ballot for each Claim held by such Holder. By signing and returning a ballot, each Holder of a Claim in Classes A4, A5, and B3 will certify to the Bankruptcy Court and the Debtors that no other ballots with respect to such Claim have been cast or, if any other ballots have been cast with respect to such Claim, such earlier ballots are superseded and revoked.

The Solicitation Agent 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
The Solicitation Agent must **actually receive** ballots on or before the Voting Deadline, which is **October ~~3~~5, 2018, at 5:00 p.m., prevailing Eastern Time**, either via the online portal, https://cases.primeclerk.com/toysrus, or at the following address: **Toys "R" Us, Inc. Ballot Processing** c/o Prime Clerk LLC 830 Third Avenue, New York, New York 10022 If you have any questions on the procedure for voting on the Plans, please call the Debtors at: (844) 794-3476 (toll free) or (917) 962-8499 (international)

7. **What is the Settlement Agreement and does it affect me?**

The ~~Settlement Agreement is more fully described in~~order approving the Settlement Agreement ~~Motion, which~~ can be found at https://cases.primeclerk.com/toysrus. The Settlement Agreement is the product of extensive and intense arm's-length negotiations over claims associated with the Debtors' domestic business by and among the Debtors, the Creditors' Committee, a group of prepetition secured lenders, a group of administrative claim holders, and the Sponsors. In short, at the hearing related to the U.S. Wind-Down, certain administrative creditors and the Creditors' Committee alleged potential Claims and Causes of Action against, among others, the Debtors, the Prepetition Secured Lenders, and the Sponsors related to the U.S. Wind-Down. In addition, the Creditors' Committee undertook an investigation into the Prepetition Secured Lenders' claims and liens in accordance with its authority under the Final DIP Orders and identified certain potential claims and causes of action that could be pursued against the Prepetition Secured Lenders. Through negotiations, the Settlement Parties determined that the Settlement Agreement struck a proper balance between those claims that should be preserved for the benefit of certain creditors and those claims that should be resolved through litigation, which could be value-destructive and reduce the likelihood that these cases would be expeditiously resolved. As such, they agreed that a consensual path forward would be the most efficient way to bring clarity, closure, and finality to these Chapter 11 Cases.

You are not being asked to take any action with respect to the Settlement Agreement now. If you are a Holder of an Administrative Claim, you ha~~ve~~d the right to opt out of the Settlement Agreement by following the opt-out procedures that the Bankruptcy Court ha~~s~~d approved and was mailed to you on or about ~~[__].~~August 8, 2018. **Please refer to the Settlement Agreement for its complete terms, which control over any description or summary of those terms in this Disclosure Statement.**

Among other things, the Settlement Agreement resolves potential Claims and Causes of Action that the Creditors' Committee (on behalf of the Debtors' estates) or certain other parties could have asserted against the Term B-4 Lenders or other Prepetition Secured Lenders. First, the Settlement Agreement contemplates a significant cash payment for the benefit of Administrative Claim Holders—along with the potential for increased recoveries through preserved litigation and contingent sharing arrangements—from the Prepetition Secured Lenders' carve out, which will include significant value from their collateral, notwithstanding their superpriority administrative claims that were granted to such lenders as adequate protection. Second, it provides a waiver of all preference actions against prepetition creditors as well as postpetition creditors and vendors (other than any administrative creditors who choose to opt out of the Settlement Agreement). Third, the Settlement Agreement specifically preserves all potential claims and causes of action against the North American Debtors' current and former directors, officers, and managers (including Sponsor-appointed directors, officers, and managers) and transfers such claims and certain avoidance actions that Toys Inc. and the Toys Delaware Debtors may have under chapter 5 in the Bankruptcy Code to a trust for the primary benefit of Holders of Administrative Claims, with the Holders of the Term B-4 Lenders Claims participating in a portion of those recoveries. Finally, the Settlement Agreement provides certainty to the Prepetition Secured Lenders and provides for mutual releases of claims among creditor constituencies in addition to

the estate releases of Claims and Causes of Action against creditors. As such, creditors are receiving a significant benefit in exchange for the resolutions contained in the Settlement Agreement.

A baseline recovery for Holders of Administrative Claims is contemplated under the Settlement Agreement. Holders of Administrative Claims that participate in the Settlement Agreement will be entitled to their pro rata share of (a) $180 million set aside from the Prepetition Secured Lenders' recoveries, (b) certain contingent amounts once the post-petition recovery to the B-4 Lenders exceeds certain thresholds at Toys Delaware and Wayne (but not Geoffrey), and (c) the proceeds from the Non-Released Claims Trust, if any. Additionally, such Holders that do not opt out of the Settlement Agreement will receive a waiver of all preference and avoidance actions pursuant to the releases.

The key terms contained in the Plan pursuant to the Settlement Agreement are as follows:[6]

Terms	Summary Description
Economic Terms	• Toys Delaware will repay the Term DIP Facility in full. • After the Term DIP Facility is repaid in full, the Prepetition Secured Lenders will receive all remaining value in the Toys Delaware Estate, except as otherwise expressly set forth in the Settlement Agreement. • The Term Loan Wind-Down Carve Out will include the following consideration (collectively, the "Administrative Claims Distribution Pool"), which will be made available to merchandise vendors, critical vendors with agreed to but unpaid claims, and holders of other unpaid administrative claims not accounted for in the Wind-Down Budget (collectively, the "Administrative Claim Holders" and, the Allowed Claims held by such Administrative Claim Holders, the "Administrative Claims").
Fixed Amounts	• A fixed amount equal to $180 million ($160 million of which will be funded before the Term DIP Facility is repaid and $20 million of which will be funded with the first distributions after the Term DIP Facility is repaid), which shall include amounts required to be funded into the Merchandise Reserve pursuant to the DIP Amendment Order [Docket No. 2853]
Contingent Amounts	• Once the aggregate postpetition recovery of all Term B-4 Lenders from Toys Delaware and Wayne Real Estate Parent Company, LLC ("Wayne") reaches 50% of the face amount of the $1.003 billion in aggregate Term B-4 Claims (after giving effect to applicable distributions on account of Term B-2 Loans and Term B-3 Loans), (a) the Prepetition Secured Lenders will receive 50% of any further recoveries from Toys Delaware and the remaining 50% will be distributed to the Administrative Claims Distribution Pool, and (b) the Term B-4 Lenders will receive 50% of any further recoveries from Wayne and the remaining 50% will be distributed to the Administrative Claims Distribution Pool.

6 This summary is being provided for convenience only. In the event of any conflict between anything contained in this Disclosure Statement—including this summary—and the Settlement Agreement, the Settlement Agreement shall control.

Terms	Summary Description
Residual Amounts	• If the Prepetition Secured Lenders receive payment in full, all other proceeds derived from the Toys Delaware liquidation will be distributed (a) first to Holders of all Administrative Claims in the Chapter 11 Cases until such Claims are paid in full and (b) then to Holders of Allowed General Unsecured Claims.
Non-Released Claims Trust	• The Administrative Claims Distribution Pool will fund a trust (the "Non-Released Claims Trust") that will be established for certain non-released claims and causes of action that Toys Delaware and Toys Inc. and their Estates have (the "Non-Released Claims") (a) against current and former directors, officers, or managers and (b) pursuant to the avoidance provisions under chapter 5 in the Bankruptcy Code or any state law equivalents against other parties including, among others, other debtor parties not defined as "Debtors" under the Plan and non-insider creditors not otherwise released. Additionally, proceeds available under the D&O Liability Insurance Policies will be used to satisfy recoveries that the Non-Released Claims Trust obtains on account of D&O Claims, if any. • Subject to Section 3.2(k) in the Settlement Agreement, amounts received from settling or litigating the Non-Released Claims will be distributed (a) first, to the Administrative Claims Distribution Pool until the amount provided to fund the Non-Released Claims has been recovered and (b) thereafter, 80% to the Administrative Claims Distribution Pool and 20% to the Prepetition Secured Lenders.

8. **What will I receive from the Debtors if the Plan is consummated?**

The following chart summarizes 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 Debtors' ability to confirm 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 such Holder's Allowed Claim or Allowed Interest, except to the extent that the Debtors and the Holders of such Allowed Claim or Allowed Interest, as applicable, agree to different treatment. 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 AND, THEREFORE, ARE SUBJECT TO CHANGE. FOR A COMPLETE DESCRIPTION OF THE DEBTORS' CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS, REFERENCE SHOULD BE MADE TO THE ENTIRE PLAN.[7]

[7] The recoveries set forth below may change based upon changes in the amount of Claims or Interests that are "Allowed" as well as other factors related to the Debtors' business operations and general economic conditions. "Allowed" means with respect to any Claim or Interest the following: (a) any Claim, proof of which is timely filed by the applicable Claims Bar Date or which, pursuant to the Bankruptcy Code or a Final Order is not required to be filed; (b) any Claim that is listed in the Schedules as of the Effective Date as neither contingent, unliquidated, nor disputed, and for which no Proof of Claim has been timely filed; or (c) any Claim Allowed pursuant to the Plan; *provided*, *however*, that with respect to any Claim described in clause (a) above, such Claim shall be considered Allowed only if and to the extent that with respect to any Claim no objection to the allowance thereof has been interposed within the applicable period of time fixed by the Plan, the

SUMMARY OF EXPECTED RECOVERIES[8]				
Class	**Claims/ Equity Interests**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
Class A1	Other Secured Claims against the Toys Delaware Debtors	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction ~~and discharge of~~, compromise, settlement, and release of and in exchange for each Allowed Other Secured Claim against the Toys Delaware Debtors, each Holder thereof shall receive, at the option of the applicable Toys Delaware Debtor: (i) payment in full in cash solely from the proceeds of collateral securing such Allowed Other Secured Claim; (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, *provided*, *however*, that holders of Allowed Other Secured Claims shall not receive any distribution from the Administrative Claims Distribution Pool.	~~$[___]~~$300,000-400,000	~~[_]%~~100%
Class A2	Other Priority Claims against the Toys Delaware Debtors	Except to the extent there is any excess value available for distribution from the applicable Toys Delaware Debtor following repayment of all Secured Claims and all Claims entitled to senior or administrative priority in accordance with the Bankruptcy Code, on the Effective Date, or as soon as reasonably practicable thereafter, each Allowed Other Priority Claim against the Toys Delaware Debtors shall receive no distribution. The failure to object to Confirmation by a Holder of an Allowed Other Priority Claim against the Toys Delaware Debtors shall be deemed to be such Holder's consent to receive treatment for such Claim that is different from that set forth in section 1129(a)(9) of the Bankruptcy Code.	~~$[___]~~$275,000 - 1.5 million	~~[_]%~~0%

Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court or such an objection is so interposed and the Claim shall have been Allowed for distribution purposes only by a Final Order. 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 timely filed, is not considered Allowed and shall be expunged without further action by the Debtors or the Reorganized Debtors and without any further notice to or action, order or approval of the Bankruptcy Court.

8 As of the date hereof, there have been administrative claims filed in this proceeding totaling approximately $2.8 billion. This estimated amount does not include Claim No. 16963, filed in the amount of $100 billion. The Debtors are working to reconcile and diligence these claims.

SUMMARY OF EXPECTED RECOVERIES[8]				
Class	**Claims/ Equity Interests**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
Class A3	Delaware Secured ABL/FILO Facility Claims against the Toys Delaware Debtors	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction ~~and discharge of~~, compromise, settlement, and release of and in exchange for each allowed Delaware Secured ABL/FILO Facility Claim, each holder thereof shall receive payment in full and cash.	~~$[___]~~$0.00	~~[_]%~~N/A[9]
Class A4	Term B-2 Loan and Term B-3 Loan Claims against the Toys Delaware Debtors	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction ~~and discharge of~~, compromise, settlement, and release of and in exchange for each allowed Term B-2 Loan and Term B-3 Loan claim, each Holder thereof shall receive its Term Loan Pro Rata Share of the Term B-2/B-3 Delaware Portion of (i) the Delaware Term Loan Distributable Proceeds and (ii) the Delaware Residual Interest Pool.	~~$[___]~~$185 million	~~[_]%~~38-50%[10]
Class A5	Term B-4 Loan Claims against the Toys Delaware Debtors	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction ~~and discharge of~~, compromise, settlement, and release of and in exchange for each allowed Term B-4 Loan Claim, each Holder thereof shall receive its Term Loan Pro Rata Share of (A) fifty percent (50%) of the Aggregate Canada Proceeds, and (B) the Term B-4 Delaware Portion of (i) the Delaware Term Loan Distributable Proceeds and (ii) the Delaware Residual Interest Pool.	~~$[___]~~$1 billion	~~[_]%~~38-55%[11]
Class A6	General Unsecured Claims against the Toys Delaware Debtors	Except to the extent there is any residual value available for distribution from the Toys Delaware Debtors after Classes A1 through A5, as well as Allowed Administrative Claims and Priority Tax Claims are paid in full, each General Unsecured Claim against the Toys Delaware Debtors shall receive no distribution on account of such General Unsecured Claim; however, Holders of General Unsecured	~~$[___]~~$1.07 billion-$1.76 billion	~~[_]%~~0%

9 The Delaware Secured ABL/FILO Facility has already been paid in full.

10 The current estimated recovery for this Class is an aggregate recovery for the Class based on Claims such Holders have against both the Toys Delaware and Geoffrey Debtors, incorporating similar assumptions with respect to all collateral held by such Holders. This estimate is based on information available as of the date hereof and subject to change.

11 The current estimated recovery for this Class is an aggregate recovery for the Class based on Claims such Holders have against both the Toys Delaware and Geoffrey Debtors, incorporating similar assumptions with respect to all collateral held by such Holders. This estimate is based on information available as of the date hereof and subject to change.

SUMMARY OF EXPECTED RECOVERIES[8]				
Class	**Claims/ Equity Interests**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
		Claims will receive their pro rata share of any such residual value.		
Class A7	Toys Delaware Debtor Intercompany Claims against other Toys Delaware Debtors	On the Effective Date or as soon as reasonably practicable thereafter, each allowed Toys Delaware Debtor Intercompany Claim against another Toys Delaware Debtor shall be reinstated, canceled and released, or receive such other treatment, in each case as agreed to by the applicable Debtors and the Ad Hoc Group of Term B-4 Lenders.	~~$[___]~~$374 million	~~[__]%~~0%
Class A8	Toys Delaware Intercompany Interests	Except as otherwise provided in the Toys Delaware Plan, Interests in the Toys Delaware Debtors other than Toys Delaware shall be reinstated, canceled and released, or receive such other treatment, in each case as agreed to by the applicable Debtors and the Ad Hoc Group of Term B-4 Lenders.	~~$[___]~~N/A	~~[__]%~~N/A
Class A9	~~Toys Inc.~~ Interests in Toys Delaware	On the Effective Date, each interest in Toys Delaware shall be canceled and released, unless the Delaware Retention Structure is utilized.	~~$[___]~~N/A	~~[__]%~~N/A
Claims and Interests Against the Geoffrey Debtors				
Class B1	Other Secured Claims against the Geoffrey Debtors	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction ~~and discharge of~~, compromise, settlement, and release of and in exchange for each Allowed Other Secured Claim, each Holder thereof shall receive, at the option of the Geoffrey Debtors: (i) payment in full in cash; (ii) delivery of the collateral securing any such claim and payment of any interest required under section 506(b) of the Bankruptcy Code in compliance; (iii) reinstatement of such other secured claim; or (iv) such other treatment as shall render such claim unimpaired.	~~$[___]~~$0-500	~~[__]%~~100%

SUMMARY OF EXPECTED RECOVERIES[8]				
Class	**Claims/ Equity Interests**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
Class B2	Other Priority Claims against the Geoffrey Debtors	On the Effective Date, or as soon as reasonably practicable thereafter, each allowed other priority claim against the Geoffrey Debtors shall be discharged and canceled in full and shall receive no distribution. The failure to object to Confirmation by a Holder of an Allowed Other Priority Claim against the Geoffrey Debtors shall be deemed to be such Holder's consent to receive treatment for such Claim that is different from that set forth in section 1129(a)(9) of the Bankruptcy Code.	~~$[___]~~$0.00	~~[_]%~~0%
Class B3	Term B-2 Loan, Term B-3 Loan, and Term B-4 Loan Claims against the Geoffrey Debtors	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction and discharge of each allowed Term B-2 Loan, Term B-3 Loan and Term B-4 Loan Claim, each holder thereof shall receive its Term Loan Pro Rata Share of: (i) the Geoffrey Proceeds, if any, and/or (ii) the Geoffrey Equity Pool.	~~$[___]~~$1.19 billion	~~[_]%~~38-54%[12]
Class B4	General Unsecured Claims against the Geoffrey Debtors	On the Effective Date, or as soon as reasonably practicable thereafter, each Allowed General Unsecured Claim against the Geoffrey Debtors shall be ~~discharged~~compromised, settled, released, and canceled in full and shall receive no distribution.	~~$[___]~~$0-$7.8 million	~~[_]%~~0%
Class B5	Geoffrey Debtor Intercompany Claims against other Geoffrey Debtors	On the Effective Date, or as soon as reasonably practicable thereafter, each Geoffrey Debtor Intercompany Claim against the other Geoffrey Debtors shall be reinstated, canceled and released, or receive such other treatment, in each case as agreed to by the applicable Debtors and the Ad Hoc Group of Term B-4 Lenders.	~~$[___]~~$45,000-100,000	~~[_]%~~0-100%

[12] The current estimated recovery for this Class is an aggregate recovery for the Class based on Claims such Holders have against both the Toys Delaware and Geoffrey Debtors, incorporating similar assumptions with respect to all collateral held by such Holders. This estimate is based on information available as of the date hereof and subject to change.

SUMMARY OF EXPECTED RECOVERIES[8]				
Class	**Claims/ Equity Interests**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
Class B6	Geoffrey Debtor Intercompany Interests	On the Effective Date, or as soon as reasonably practicable thereafter, in full and final satisfaction ~~and discharge of~~, compromise, settlement, and release of and in exchange for Geoffrey Debtor Intercompany Interest, each Allowed Geoffrey Debtor Intercompany Interest shall be reinstated, canceled and released, or receive such other treatment, in each case as agreed to by the applicable Debtors and the Ad Hoc Group of Term B-4 Lenders.	~~$[___]~~N/A	~~[__]%~~N/A
Class B7	Interests in Geoffrey	On the Effective Date, each Interest in Geoffrey shall be cancelled, and released, unless the Delaware Retention Structure is utilized.	~~$[___]~~N/A	~~[__]%~~N/A

Any reinstatement of Intercompany Claims or Interests pursuant to the Plan (including pursuant to the Delaware Retention Structure) will be done solely for administrative ease and to avoid further liabilities to the Debtors. Any such preservation or reinstatement of Intercompany Claims or Interests or Interests in Toys Delaware will not provide any additional economic benefit to Holders of such Claims or Interests in contravention of the absolute priority rule.

9. **What will I receive from the Debtors if I hold an Allowed Administrative Claim or a Priority Tax Claim?**

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

10. **Will the Debtors file reports with the SEC?**

The Debtors do not expect to file reports with the SEC after these Chapter 11 Cases because they do not expect to be subject to the public reporting requirements under the Securities Exchange Act of 1934 or the regulations promulgated thereunder.

11. **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 Debtors will be able to effectuate the Restructuring Transactions. It is possible that any alternative may provide Holders of Claims and Interests with less than what they would have received pursuant to the Plan. Notwithstanding the foregoing, parties to the Settlement Agreement (including any Administrative Claim Holder that did not exercise its right to opt out therefrom) will still obtain certain recovery as contemplated under the Settlement Agreement.

12. **If the Plan provides that I get a distribution, when do I get it, and what does "Confirmation," "Effective Date," and "Consummation" mean?**

Confirmation of the Plan refers to the Bankruptcy Court's approval of the Plan. Confirmation of the Plan does not guarantee that you will receive the distribution indicated under the Plan. After the Plan is confirmed, there are conditions (described in Article IX of the Plan) that need to be satisfied or waived so that the Plan can be Consummated and become effective. References to the Effective Date mean the date that all conditions to the Plan have been satisfied or waived, at which point the Plan may be "consummated." Distributions will be made only after Consummation of the Plan and will be made only to Holders on account of Claims or Interests that are or become Allowed. See Article VI in this Disclosure Statement entitled "Statutory Requirements for Confirmation of the Plan" for further information on the confirmation process. For the avoidance of doubt, Settlement Parties may receive distributions pursuant to the Settlement Agreement Order notwithstanding Plan Confirmation.

13. **Is there potential litigation related to the Plan?**

Parties in interest may object to the Plan being confirmed, which could potentially give rise to litigation. In the event that it becomes necessary to confirm the Plan over a Classes' objection to or vote to reject the Plan, the Debtors may seek to confirm the Plan notwithstanding such objecting Classes' dissent. The Bankruptcy Court may confirm the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code. Section 1129(b) of the Bankruptcy Code allows the Bankruptcy Court to confirm a plan that has been rejected by an impaired Class, if it determines that the plan meets certain requirements for confirmation.

The Bankruptcy Court has established **October ~~3~~5, 2018, at 5:00 p.m., prevailing Eastern Time**, as the deadline to object to Confirmation of the Plan (the "Plan Objection Deadline"). All objections to the Plan's confirmation must be filed with the Bankruptcy Court and served on the Debtors and certain other parties in interest in accordance with the order approving the Disclosure Statement and Solicitation Procedures so that they are **actually received** on or before the Plan Objection Deadline. The Debtors believe the Plan Objection Deadline, as established by the Bankruptcy Court, affords the Bankruptcy Court, the Debtors, and other parties in interest reasonable time to consider the objections to the Plan prior to a Confirmation Hearing.

14. **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.L of this Disclosure Statement, entitled "Settlement, Release, Injunction, and Related Provisions"), including releases for the following Released Parties, collectively, and, in each case, solely in its capacity as such: (a) the Creditors' Committee and its members; (b) the Delaware Secured ABL/FILO Facility Lenders; (c) the Prepetition Secured Term Lenders and the Secured Term Loan B Facility Agent; (d) the Ad Hoc Vendor Group and its members; (e) each of the Sponsors (but not for the avoidance of doubt Sponsor-appointed directors, officers, and managers in their capacities as such); (f) the members of the Ad Hoc Group of Term B-4 Lenders; (g) the Trustees and Agents; (h) the lenders under the North American DIP Facilities; (i) the Ad Hoc Group of Term B-2 and B-3 Lenders and its members; (j) all Holders of Administrative Claims who do not affirmatively opt out of the Settlement Agreement; (k) the Debtors' employees, attorneys, accountants, consultants, investment bankers, and other professionals; and (l) with respect to each of the foregoing entities in clauses (a) through (k), such entity's non-Debtor affiliates~~,~~ (that are not the Taj Debtors, TRU Inc. Debtors, Propco I Debtors, Wayne, or the Propco II Plan Entities), and its and their respective directors, officers, agents, advisors, and professionals; *provided that*, notwithstanding any other provision in the Plan, "Released Parties" shall not include (i) Toys Inc. or any direct or indirect subsidiaries of Toys Inc., other than the Debtors (as defined the Plan), including the Propco I Debtors, the Propco II Plan Entities, ~~and~~Wayne, Toys "R" Us Europe, LLC, Toys (Labuan) Holding Limited or any of ~~its~~their direct or indirect subsidiaries or (ii) any D&O Party, regardless of whether they would otherwise meet the definition of Released Party under the Plan.

Releasing Parties under the Plan are collectively, and~~,~~ in each case~~,~~ solely in its capacity as such: (a) the Debtors (to the extent expressly set forth in the "Debtor Release" provision of the Plan); (b) the reorganized Debtors; (c) the Creditors' Committee and its members; (d) the Delaware Secured ABL/FILO Facility Lenders; (e) the Prepetition Secured Term Lenders and the Secured Term Loan B Facility Agent; (f) the Ad Hoc Vendor Group and its members; (g) each of the Sponsors (but not the Sponsor-appointed directors, officers, and managers); (h)

the members of the Ad Hoc Group of Term B-4 Lenders; (i) the Trustees and Agents; (j) the lenders under the North American DIP Facilities; (k) the Ad Hoc Group of Term B-2 and B-3 Lenders and its members; (l) all Holders of Administrative Claims who do not affirmatively opt-out of the Settlement Agreement; (m) all Holders of Claims and Interests that are deemed Unimpaired and presumed to accept the Plan and do not opt-out of the releases; (n) all Holders of Claims who vote to accept the Plan; (o) all Holders of Claims who receive a Ballot, abstain from voting, and do not otherwise opt-out of the releases; and (q) with respect to each of the foregoing entities in clauses (a) through (o), such entity's non-Debtor affiliates, ~~—~~except, for the avoidance of doubt, Toys "R" Us Europe, LLC and its direct and indirect subsidiaries—and its and their respective directors, officers, agents, advisors, and professionals; *provided that* parties deemed to reject the Plan are not Releasing Parties; *provided, further,* that "Releasing Parties" shall not include Toys Inc. or any subsidiaries (including Toys "R" Us Europe, LLC and its direct and indirect subsidiaries) or affiliates of Toys Inc. not specifically identified in the~~e~~is definition under the Plan.

The Plan also contains Avoidance Actions releases, which apply to any and all avoidance, recovery, subordination, or similar remedies that may be brought by or on behalf of the Debtors or the Estates, including Causes of Action or defenses arising under chapter 5 of the Bankruptcy Code or under similar or analogous state or federal law and common law, including fraudulent transfer and/or preference law. An Avoidance Action Released Party is (a) any non-insider holder of a prepetition or postpetition Claim against the Debtors (other than holders of Administrative Settlement Claims that opt out of the Settlement), regardless of whether such holder is entitled to participate in the Administrative Claims Distribution Pool, (b) any non-insider holder of an Administrative Settlement Claim other than holders of Administrative Settlement Claims that opt out of the Settlement Agreement, and (c) with respect to each of the foregoing entities in clauses (a) and (b), such entity's current and former affiliates, and each of such entity's, subsidiaries, officers, directors, managers, principals, members, employees, agents, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, in each case, solely in their capacity as such, *provided that*, notwithstanding the foregoing, Avoidance Action Released Parties shall not include (i) any affiliate or direct or indirect subsidiary of Toys Inc. (including the Propco I Debtors, the Propco II Plan Entities, Toys (Labuan) Holding Limited or any of their direct or indirect subsidiaries) or (ii) any of the D&O Parties.

The Debtors believe that the releases, third-party releases, exculpation, and avoidance action releases included in the Plan are an integral part of the Restructuring Transactions, Settlement Agreement, Plan, and the Debtors' overall efforts during these Chapter 11 Cases. Further, the Debtors assert that many of the Released Parties and the Exculpated Parties have made substantial and valuable contributions to the U.S. Wind-Down through efforts to negotiate and implement the Settlement Agreement and the Plan, which will maximize the value of the Debtors' estates for the benefit of all parties in interest. Accordingly, the Debtors believe the Released Parties, the Exculpated Parties, and the Avoidance Action Released Parties warrant the benefit of such release and exculpation provisions, as applicable.

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

In addition, the Plan provides that (a) all Holders of Claims and Interests that are deemed to accept the Plan and do not opt-out of the releases; (b) all Holders of Claims that vote to accept the Plan; and (c) all Holders in Voting Classes who abstain from voting on the Plan and who do not opt out of the releases provided pursuant to the Plan will be deemed to have released all Causes of Action against the Debtors and the Released Parties. Holders of Claims and Interests in classes that are deemed to reject the Plan are not being asked to give—and will not be giving—any releases under the Plan.

The Asia JV and the Taj Holders Steering Group dispute that there are any valid causes of action against the Asia JV relating to the Asia JV MLA, the Subsidy Agreement, or any other contract or transaction and reserve any and all rights, claims, arguments, and defenses with respect to the same. The Toys Delaware and Geoffrey Disinterested Directors dispute the foregoing assertions, and, as set forth in this Disclosure Statement, the Geoffrey Disinterested Director believes Geoffrey has valid and meritorious Causes of Action against the Asia JV and/or its subsidiaries in respect of the Asia JV MLA and/or the Subsidy Agreement, which were fully preserved under the IP Assumption Order entered by the Bankruptcy Court. In addition, Toys Delaware and Geoffrey maintain that any

purported reservation of rights by the Asia JV and the Taj Holders Steering Group (either in this Disclosure Statement or in the Plan) is subject in all respects to the IP Assumption Orders and any other final Court orders.

15. **Are any Claims being preserved for the benefit of creditors under the Plan?**

Yes; as set forth above, the Plan does not release any claims that Toys Delaware, Toys Inc., and their Estates may have against current and former directors, officers, or managers (including the Sponsor-affiliated directors, officers, or managers). All such claims are being expressly preserved under the Settlement Agreement and Plan. The claims that Toys Delaware and Toys Inc. have against these D&O Parties are being transferred and/or assigned to the Non-Released Claims Trust under the Plan for the primary benefit of holders of Administrative Claims that are eligible to participate in the Administrative Claims Distribution Pool. Such claims include, but are not limited to, claims for breach of fiduciary duty for transactions or actions that the Debtors have consummated both prior to and following the Petition Date as well as any claims against the D&O Parties related to conversion, constructive trust, and unjust enrichment. In addition, certain avoidance actions that Toys Delaware and Toys Inc. may have under chapter 5 of the Bankruptcy Code and state law equivalents and that are not otherwise released under the Settlement Agreement are being transferred to the Non-Released Claims Trust. These non-released avoidance action claims include, but are not limited to, avoidance actions against other Toys Inc. subsidiaries and affiliates, such as claims to recover potential overpayments in rent that Toys Delaware made to either Propco I or Propco II.

All claims that the Geoffrey Debtors have against D&O Parties are likewise being preserved under the Settlement Agreement and Plan for the benefit of the Term B-4 Lenders with claims against the Geoffrey Debtors.

16. **Do the Debtors recommend voting in favor of the Plan?**

Yes. The Debtors believe the Plan provides for a larger distribution to the Debtors' creditors than would otherwise result from any other available alternative. The Plan is the culmination of extensive arm's-length and good faith negotiations with various stakeholders. As such, the Debtors believe that the Plan is in the best interest of all Holders of Claims and Interests and that any alternatives, to the extent that they exist, fail to realize or recognize the value inherent under the Plan and the Settlement Agreement.

17. **When is the hearing on Confirmation of the Plan expected to occur?**

Assuming the requisite acceptances are obtained for the Plan, the Debtors intend to seek Confirmation of the Plan at a hearing to be scheduled on **October 10, 2018, at 1:00 p.m., prevailing Eastern Time**, before the Honorable Keith L. Phillips (or whomever may be sitting in his place and stead), United States Bankruptcy Judge, in Courtroom No. 5100 of the United States Court for the Eastern District of Virginia, 701 East Broad Street, Richmond, Virginia 23219 (each such hearing, a "Confirmation Hearing"). A 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 prior to a Confirmation Hearing, may put in place additional procedures governing that hearing. The Plan may be modified, if necessary, prior to, during, or as a result of the hearing to confirm the Plan without further notice to parties in interest.

ARTICLE II.
THE DEBTORS' BACKGROUND

A. *The Debtors' Business*

1. **The Debtors' Business Overview**

For many children around the world, Toys "R" Us is not just a retail store—it is an experience. Children find joy in perusing the toy-filled aisles for their favorite items while parents appreciate having all the latest merchandise available at one convenient location. The Company strategically placed stores across 49 states in the

U.S., Puerto Rico, Guam, and 37 other countries. As such, the Toys "R" Us enterprise can be divided generally into two silos: (a) the North American operations and (b) the European, Asian, African, Australian, and the Middle Eastern operations.

The North American Business. There were over 980 retail locations in the U.S., its territories, and Canada prior to the Petition Date (including temporary stores). These stores operated under brand names that include Toys "R" Us, Babies "R" Us, Toys "R" Us Outlet, and Toys "R" Us Express, with Toys "R" Us being one of the most widely recognizable brands among children. Toys "R" Us stores catered to kids and carried the newest and most popular bikes, scooters, building blocks, playsets, puzzles, video games, outdoor equipment, action figures, and dolls, among other merchandise. Babies "R" Us, on the other hand, is the Company's specialty retail store for baby products and furniture. Consumers turned to Babies "R" Us knowing that they can find the latest items for infants and toddlers, obtain shopping expertise for their babies' needs, and create gift registries for newborns and children. The Company's goal has been to develop loyal Babies "R" Us customers whose children would eventually grow up and become Toys "R" Us kids.

These Toys "R" Us and Babies "R" Us stores could be found in regional malls, strip malls, lifestyle centers, outlet centers, power centers, and street level locations. In the U.S., prior to the Petition Date, Toys Delaware owned thirteen retail properties (which included two surplus properties) and either leased or ground leased the remaining retail properties. It also either owned or leased eight distribution and warehouse centers, which contained management systems that stored and supplied the merchandise for the North American operations, and leased its corporate headquarters. The leases were executed between Toys Delaware and either (a) Toys "R" Us Property Company I, LLC, ("Propco I") an affiliated debtor in a separate chapter 11 proceeding,[13] pursuant to a certain Amended and Restated Master Lease Agreement dated as of July 9, 2009,[14] (b) Toys "R" Us Property Company II, LLC ("Propco II") and MAP 2005 Real Estate, LLC, both debtors in these chapter 11 cases, or (c) third-party landlords, including Simon Property Group, Inc., DDR Corp., Kimco, and Brixmor.

In addition to holding certain real estate assets, Toys Delaware served as the operating company for the U.S. business and wholly-owned Toys Canada, which operates the Canadian business. Toys Delaware would coordinate and provide various essential functions for certain international and North American operations. The Global Resource Center (the Company's global headquarters) served as the hub for such shared services and is located in Wayne, New Jersey. The functions provided range from shared IT infrastructure and services, certain corporate services, management services for the private label business, and global branding and communications teams to merchandising and supply chain management, finance and store operations, analytics and reporting, marketing, and e-commerce. Toys Delaware facilitated these services to allow the Company to realize economies of scale and avoid duplicative costs.

Furthermore, Geoffrey, a Toys Delaware subsidiary based in the U.S., owns substantially all of the Company's (excluding the Canadian affiliates) intellectual property (the "Intellectual Property"), which includes the Toys "R" Us trade name, trademarks, service marks, mascot, various registered domain names, a substantial private label business, a baby registry, and customer and email marketing lists. Geoffrey's sole function is to license this Intellectual Property to operating Debtor and non-Debtor affiliates and third parties in the ordinary course of business in exchange for royalty payments. These Intellectual Property assets are valuable, as such assets increase brand recognition and allow the Company to build equity value in its operations.

The International Business and Geoffrey Licensing. As of February 3, 2018, certain of the North American Debtors' affiliates operated over 770 Company-branded stores across 17 international markets. Geoffrey licenses its Intellectual Property to these entities pursuant to certain agreements so as to ensure a cohesive global brand for the Toys "R" Us enterprise. Two significant intercompany license agreements govern Geoffrey's

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13 Toys "R" Us Property Company I, LLC's case is being administered under case no. 18-31429 in the Bankruptcy Court.

14 Toys "R" Us Property Company I, LLC, Toys "R" Us Property Company II, LLC, and MAP 2005 Real Estate LLC, separately, either own the properties or is party to the original lease agreements for certain properties that were leased to Toys Delaware.

relationship with its foreign affiliates: (1) that certain Master License Agreement dated March 24, 2017, by and among Geoffrey, ~~Toys Labuan~~the Asia JV, Toys Inc., and Toys "R" Us Holdings (China) Limited ~~("Toys China")~~[15] (as amended from time to time and together with the subsidiary license agreements issued pursuant thereto, the "Asia~~n~~ JV ~~License Agreement~~MLA") and (2) that certain License Agreement dated February 1, 2009, by and among Geoffrey and each of the non-Debtor affiliate counterparties thereto from time to time (the "European-Australian License Agreement~~" and, together with the Asian JV License Agreement, the "Intercompany IP License Agreements").~~"). In 2017, Geoffrey received approximately $81 million in total royalty payments pursuant to ~~both~~ the Asia~~n~~ JV ~~License Agreement~~MLA and the European-Australian License Agreement. Geoffrey is currently undertaking a marketing process to sell the intellectual property assets.

Global Supply Chain. Prior to the U.S. Wind-Down, the Company obtained their merchandise from a variety of international and North American vendors, some of which offered the Company in-demand products at higher allocations, exclusive products, and advertising support. The Company had eighteen distribution centers to support the North American and international operations when these Chapter 11 Cases were filed. Such distribution centers implemented management systems for their inventory levels and distribution costs, and third-party logistic providers managed warehouse operations and deliveries to the stores. The systems and third-party logistic providers optimized flexibility and allowed the stores to maintain optimum stock levels.

Moreover, the Company's ability to maintain a robust and uninterrupted inventory supply was vital to customers shopping at Toys "R" Us, Babies "R" Us, and other band named stores on a repeat basis throughout the year. The Toys "R" Us enterprise could not compete in the marketplace if it failed to procure products in line with consumer expectations or did not obtain goods and services necessary to conduct business in the ordinary course. As such, there were certain vendors that the Company considered more critical to their North American and international operations. These vendors offered a number of important services, including general supplies and packaging materials, regulating direct mail and digital marketing campaigns, and providing brand creative services. Often times, the Company obtained these products and services from vendors on trade terms that were favorable and allowed stores to receive their purchases on a regularly scheduled basis.

2. The Debtors' Corporate History

Toys "R" Us has its roots in Children's Bargain Town, a baby furniture store that Charles Lazarus founded in 1948 to capitalize on the post-World War II baby boom. Lazarus eventually added toys and other baby products to the array of merchandise sold at Children's Bargain Town, which became a success. This led Lazarus to open his first store dedicated exclusively to toys in 1957 called Toys "R" Us. The Company went on to open big-box stores across the U.S., dominating the toy industry with deep discounts and a huge selection that soon squeezed out smaller mom-and-pop toy shops.

In light of the Company's opportunities for growth, the Company completed an initial public offering in 1978. This allowed the Company to capitalize on its popularity and brand recognition and execute on plans to expand into various markets. In 1984, the Company opened the first wholly-owned Toys "R" Us store in Canada and licensed operations in Singapore. Eventually, in 1996, Babies "R" Us was opened for business, and, shortly thereafter, Toysrus.com entered the burgeoning U.S. online marketplace. Over time, the Company grew a broad customer base and loyalty program that reached approximately 19 million and 12 million domestic and international users, respectively.

Following a highly competitive process, the Company was acquired and taken private in 2005. An investment group comprising entities advised by or affiliated with the Sponsors bought Toys "R" Us for approximately $6.6 billion, including $5.3 billion in debt secured in large part by the Company assets. After going private, the Company opened new stores in China and Southeast Asia. Accordingly, Toys "R" Us was a global enterprise and a leader in the toy industries throughout Asia, North America, Europe, Australia, and Africa.

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[15] In addition, Geoffrey ~~also~~ entered into ~~that certain~~a subsidy letter agreement dated ~~as of~~ March 24, 2017, with ~~Toys Labuan~~the Asia JV (the "Subsidy Agreement~~") at the same time it entered into the Asian JV License Agreement.~~").

B. *Summary of Prepetition Capital Structure*

As of the Petition Date, the Debtors had approximately $5.3 billion in total funded debt between its domestic and international operations. Toys Delaware Debtors' funded debt totaled approximately $2.8 billion, including the $250 million intercompany indebtedness owed to Toys Inc. The instruments evidencing the Debtors indebtedness are summarized in the table below, and more details are set forth thereafter.

Funded Debt	Maturity	Outstanding Amount as of 9/17/17
North American Debt Facilities[16]		
8.75% Unsecured Notes	September 1, 2021	$22 million
ABL Facility (Delaware Secured ABL Facility)	March 21, 2019	$1,025 million[17]
FILO Facility (Delaware Secured ABL Facility)	October 24, 2019	$280 million
Term B-2 Loans (Secured Term Loan B Facility)	May 25, 2018	$123 million
Term B-3 Loans (Secured Term Loan B Facility)	May 25, 2018	$61 million
Term B-4 Loans (Secured Term Loan B Facility)	April 24, 2020	$998 million
	Total Funded Debt	$2,509 million
Intercompany Indebtedness Between Toys Inc. and Toys Delaware[18]		
2006 Grid Promissory Note (Toys Inc. as Borrower)	November 30, 2020	$390 million
2009 Promissory Note (Toys Inc. as Borrower)	November 30, 2020	$313 million
2009 Promissory Note (Toys Delaware as Borrower)	February 3, 2018	$250 million[19]
2012 Intercompany Credit Agreement (Toys Inc. as Borrower)	December 31, 2018	$91 million
2012 Promissory Note (Toys Inc. as Borrower)	August 1, 2018	$302 million

16 The outstanding balances under the ABL Facility and FILO Facility includes Toys Canada's liabilities; the balances without Toys Canada's liabilities are $948 million and $155 million, respectively.

17 $1,850 million of total commitments.

18 The majority of the intercompany indebtedness listed is Toys Inc. debt that is owed to Toys Delaware and is included so parties are aware of the debt obligations between Toys Inc. and Toys Delaware.

19 This number is as of September 18, 2017.

1. **North American Debt Facilities**

(a) **8.75% Unsecured Notes**

Toys Inc. and Toys Delaware, as co-issuers, and The Bank of New York, as successor trustee (the "8.75% Unsecured Notes Indenture Trustee"), are parties to that certain Indenture, dated as of August 21, 1991 (as amended, novated, supplemented, extended, or restated from time to time, the "8.75% Unsecured Notes Indenture"). Pursuant to the 8.75% Unsecured Notes Indenture, Toys Inc. and Toys Delaware co-issued $200 million in original principal amount of 8.75% unsecured notes due September 1, 2021 (the "8.75% Unsecured Notes"). No other Debtor entities guarantees or is otherwise obligated under the 8.75% Unsecured Notes. Approximately $22 million in aggregate principal amount remains outstanding.

(b) **Delaware Secured ABL Facility**

Toys Delaware, as lead borrower, Toys Canada, as Canadian borrower, Bank of America, N.A. as administrative agent (the "Delaware Secured ABL Facility Agent"), Bank of America, N.A. and Wells Fargo Bank, N.A., as co-collateral agents, and certain financial institutions, as lenders, entered into the Third Amended and Restated Credit Agreement, dated as of March 21, 2014 (as amended, novated, supplemented, extended or restated from time to time, including through the First Amendment dated as of October 24, 2014, the "Delaware Secured ABL Credit Agreement"). The Delaware ABL Credit Agreement provides for (a) a senior secured asset based revolving credit facility with a $1.85 billion revolving commitment that matures on March 21, 2019 (the "Delaware Secured ABL Facility") and (b) a senior secured tranche A-1 "first-in-last-out" $280 million term loan that matures on October 24, 2019 (the "Delaware A-1 FILO Facility" and, together with the Delaware Secured ABL Facility, the "Delaware Secured ABL/FILO Facility"). Certain Toys Delaware Debtors and Geoffrey serve as guarantors for the Delaware Secured ABL Facility.

Subject to certain exceptions, the Delaware Secured ABL Facility provides for a first priority lien on Toys Delaware's assets and the assets belonging to certain Toys Delaware Debtors and Geoffrey, all of which serve as guarantors thereunder. This includes accounts receivable, inventory, certain deposit accounts, and amounts deposited therein. A third priority lien exists on common equity shares in Toys Canada. In addition, certain assets belonging to Toys Canada serve as a security interest for Toys Canada's obligations under the Delaware ABL Facility. Such assets include accounts receivable, inventory, certain deposit accounts, and amounts deposited therein. Toys Canada has no liability for Toys Delaware's or any other U.S. loan party's obligations under the Delaware ABL Credit Agreement. As of the Petition Date, approximately $1,025 million in borrowings and approximately $91 million of letters of credit are outstanding under the Delaware Secured ABL Facility.

(c) **Secured Term Loan B Facility**

Toys Delaware, as borrower, entered into a certain Amended and Restated Credit Agreement, dated as of August 24, 2010 (as amended, novated, supplemented, extended, or restated from time to time, the "Term Loan B Credit Agreement"), with Bank of America, N.A., as administrative agent (the "Secured Term Loan B Facility Agent") and certain lender parties. The Term Loan B Credit Agreement provides for several tranches of term loans that include (a) term loans maturing on May 25, 2018, in an initial aggregate principal amount of approximately $400 million (the "Term B-2 Loans"),[20] (b) term loans maturing on May 25, 2018, in an initial aggregate principal amount of approximately $225 million (the "Term B-3 Loans"),[21] and (c) term loans maturing on April 24, 2020, in an initial aggregate principal amount of approximately $1,025 million (the "Term B-4 Loans"[22] and, together with

[20] Toys Delaware; Toys Acquisition, LLC; TRU of Puerto Rico, Inc.; TRU-SVC, Inc.; Geoffrey; Geoffrey~~,~~ LLC; and Geoffrey International, LLC are obligors on this debt.

[21] Toys Delaware; Toys Acquisition, LLC; TRU of Puerto Rico, Inc.; TRU-SVC, Inc.; Geoffrey; Geoffrey~~,~~ LLC; and Geoffrey International, LLC are obligors on this debt.

[22] Toys Delaware; Toys Acquisition, LLC; TRU of Puerto Rico, Inc.; TRU-SVC, Inc.; Geoffrey; Geoffrey~~,~~ LLC; Geoffrey International, LLC; and Wayne Real Estate Parent Company, LLC are obligors on this debt.

the Term B-2 Loans and Term B-3 Loans, the "Secured Term Loan B Facility"). Certain Toys Delaware Debtors, the Geoffrey Debtors, and Wayne are guarantors for the Secured Term Loan B Facility. As of the Petition Date, the Secured Term Loan B Facility's tranches had the following aggregate principal amounts outstanding: (a) approximately $123 million under the Term B-2 Loans; (b) approximately $61 million under the Term B-3 Loans; and (c) approximately $998 million under the Term B-4 Loans.

The Term B-4 Loans were created pursuant to an amendment to the Term Loan B Credit Agreement dated as of October 24, 2014 ("Amendment No. 3"). Amendment No. 3 permitted the lenders for the Term B-2 Loans and Term B-3 Loans to extend the maturity date on these loans in exchange for the Term B-4 Loans. Wayne serves as the unsecured guarantee for the Term B-4 Loans.

A first priority lien on Geoffrey's intellectual property and a second priority lien on the collateral that the guarantors have pledged under the Delaware Secured ABL Facility serves as the collateral for the Secured Term Loan B Facility, subject to certain restrictions and exceptions. In addition to the aforementioned security interests and subject to certain restrictions, the Term B-4 Loans' lenders have a first priority security interest in the Canadian Pledge and, after a certain springing covenant is triggered (which occurs on the date that either (a) the 7.375% Notes have been redeemed, defeased, or discharged or (b) the negative pledge covenant and any restrictions on liens related to certain specified real property are removed from the 7.375% Notes, whichever is earlier), a first priority security interest in certain specified real property (subject to permitted liens, applicable law and any restrictions or limitations under the applicable deeds, leases, or real estate contracts). The Term B-2 Loans and Term B-3 Loans have a second priority lien on the pledge of the common equity shares in Toys Canada.

(d) **Intercreditor Agreements**

On August 24, 2010, the Delaware Secured ABL Facility Agent, the Secured Term Loan B Facility Agent, and others entered into that certain Amended and Restated Intercreditor Agreement, dated as of August 24, 2010 (as amended, amended and restated, supplemented, or otherwise modified from time to time (including pursuant to that certain amendment to the Amended and Restated Intercreditor Agreement, dated as of October 24, 2014 ("Amendment No. 1")) (the "ABL-Term Intercreditor Agreement")), which, among other things, governs each agents' relative rights and priorities with respect to the shared collateral.

2. **Intercompany Indebtedness Between Toys Inc. and Toys Delaware**

(a) **Toys Inc. and Toys Delaware Intercompany Credit Agreement**

Toys Inc., borrowed $90 million from Toys Delaware under that certain Credit Agreement dated July 25, 2012 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Intercompany Credit Agreement"). The intercompany loan under the Intercompany Credit Agreement matures on December 31, 2018. Approximately $91 remains outstanding as of the Petition Date.

(b) **2006 Grid Promissory Note**

Toys Inc. and Toys Delaware are parties to that certain Promissory Note, dated January 28, 2006 (as amended, amended and restated, extended, supplemented or otherwise modified from time to time, the "2006 Grid Promissory Note"), which evidences the intercompany loans made between Toys Inc. and Toys Delaware both as borrowers and lenders. Both Toys Inc. and Toys Delaware are permitted to offset and net any amounts owed to the other under the 2006 Grid Promissory Note. As of the Petition Date, the outstanding amount under the 2006 Grid Promissory Note was approximately $390 million that Toys Inc. owed to Toys Delaware. The 2006 Grid Promissory Note matures on November 30, 2020.

(c) **2009 Intercompany Promissory Note (Toys Inc. as Borrower)**

Toys Inc., as borrower, and Toys Delaware, as lender, entered into that certain promissory note, dated as of June 15, 2009 (as amended, amended and restated, extended, supplemented or otherwise modified from time to time, the "2009 Promissory Note") pursuant to which Toys Inc. borrowed an initial principal amount of $150 million. On

July 29, 2017, the outstanding amount under the 2009 Promissory Note was approximately $313 million. The 2009 Promissory Note matures on November 30, 2020.

(d) **2009 Intercompany Promissory Note (Toys Delaware as Borrower)**

Toys Delaware borrowed an initial principal amount of $286 million from Toys Inc. under that certain Promissory Note, dated as of July 22, 2009 (as amended, amended and restated, extended, supplemented, or otherwise modified from time to time, the "July 2009 Promissory Note"). As of the Petition Date, approximately $250 million remained outstanding under the July 2009 Promissory Note, which matured on February 3, 2018.

(e) **2012 Intercompany Promissory Note**

Toys Inc., as borrower, and Toy Delaware, as lender, entered into a promissory note, dated July 24, 2012 (as amended, amended and restated, extended, supplemented or otherwise modified from time to time, the "2012 Promissory Note") whereby Toys Inc. borrowed an aggregate principal amount of $175 million. As of the Petition Date, the amount outstanding under the 2012 Promissory Note was approximately $302 million. The 2012 Promissory Note matures on August 1, 2018

C. *Events Leading to the Chapter 11 Cases*

1. **Changing Retail Environment, Liquidity Concerns, and Debt Service Obligations**

The Debtors were no exception to the substantial challenges facing many other retailers over the last several years. Market forces in tandem with consumer trends towards online shopping have caused many retailers with primarily brick-and-mortar based business models to restructure their operations and, for some, to file voluntary petitions under the Bankruptcy Code. Toys "R" Us' business model fits this category of retailers, as it relied heavily on revenue being generated from consumer purchases at retail store locations to maintain profitability. Competition from online companies like Amazon® and big-box retailers such as Walmart® and Target® was a major contributing factor in the decline in the Company's revenues in recent years. Specifically, the Company's revenue decreased approximately 3.9 percent during the 2016 holiday season compared to the 2015 holiday season after certain competitors began implementing deep discounts to drive in-store sales. This trend continued into 2017, which forced the Company to limit its investments in growth initiatives.

In addition, prior to the Petition Date, the Company's capital structure was highly leveraged with an unsustainable cash debt service burden of approximately $400 million per year. The Company faced a $186 million liability, as the Term B-2 Loans and Term B-3 Loans had a scheduled maturity in May 2018. Applicable accounting regulations could have prompted the Company to make certain disclosures because there was substantial doubt about its ability to continue as a going concern in fiscal year 2018.

As a result, the Company decided that it needed a comprehensive deleveraging to right-size its balance sheet. The strategic decision to deleverage the capital structure would allow the Company to make necessary investments to maximize the business' long-term value. The Company hired Lazard Frères & Co. LLC ("Lazard") and other advisors to analyze different ways to raise approximately $200 million in incremental liquidity. They began engaging with potential lenders and their advisors about alternative structures for such incremental funds, including a sale-leaseback transaction with certain existing lenders. Ultimately, no such liquidity-enhancing transaction proved to be a viable option.

Meanwhile, the Company retained Kirkland & Ellis LLP ("K&E") and Alvarez & Marsal ("A&M") to focus on contingency planning, which involved securing DIP financing and preparing for an orderly chapter 11 filing. These plans were ultimately accelerated after a news article stating that the Company was considering restructuring options was published on September 6, 2017. Major media outlets around the world immediately picked up this story, and, within 72 hours, suppliers began to pull terms and withhold products that were not paid with cash on delivery. Most of the Company's international credit insurers withdrew or significantly limited their coverage for vendors shipping to the Company. This loss in product and tightening of liquidity had a deleterious impact on the Company's supply chain and happened at a time when the Company typically began securing

additional inventory for the upcoming holiday season. Accordingly, the Company prepared for these Chapter 11 Cases, finalized negotiations, and documented the DIP financing arrangement on an expedited timeline so that it could resolve these operational and financial issues expeditiously.

2. **Internal Management and Operational Changes**

The 2013 adjusted EBITDA declined 43% from the prior year, which led to the Company implementing broad organizational changes to confront market headwinds and drive increased revenue. The Company's board of directors hired several new executives, such as a chief executive officer, chief financial officer, a chief talent officer, a communications and customer satisfaction officer, a supply chain officer, a chief technology officer, a general counsel, and a chief marketing officer. The newly revamped management team in coordination with the board of directors began making short- and long-term strategic changes to, among other things, the Company's inventory and supply chain process, website and information technology platform, and store formats. Investments and expansion into strategic geographic markets to stabilize and grow topline sales also became a priority. Yet, despite these efforts, the overall revenue trend in the U.S. continued to decline as the Company struggled to maintain market share and compete in the changing retail environment.

ARTICLE III.
EVENTS OF THE CHAPTER 11 CASES

A. *First Day Pleadings and Other Case Matters*

1. **First and Second Day Pleadings**

On the Petition Date, the Debtors filed their voluntary petitions for relief under chapter 11 (the "Petitions") of the Bankruptcy Code and various motions to facilitate the Chapter 11 Cases, to minimize disruption to the Debtors' businesses, and to continue operating as a going concern. The relief sought in the "first day" and "second day" pleadings allowed the Debtors to transition seamlessly into chapter 11 and aided in preserving the Company's going-concern value. A brief description of the first day motions and the evidence in support thereof are set forth in the *Declaration of David A. Brandon, Chief Executive Officer of Toys "R" Us, Inc., in Support of Chapter 11 Petitions and First Day Motio*ns (the "Brandon Declaration") [Docket No. 20] and the *Declaration of Michael J. Short, Chief Financial Officer of Toys "R" Us, Inc., in Support of Debtors' First Day Motions* [Docket No. 30] (the "Short Declaration" and, together with the Brandon Declaration, the "First Day Declarations") filed on September 19, 2017. The first and second day motions, the First Day Declarations, and all others for relief granted in these Chapter 11 Cases can be viewed at no charge at https://cases.primeclerk.com/toysrus.

2. **Procedural and Administrative Motions**

The Debtors received authorization to implement procedural and administrative measures that would allow them to efficiently administer their Chapter 11 Cases and reduce administrative burdens associated therewith. Such authority included the following:

- granting the joint administration of the Chapter 11 Cases;
- approving notice, case management, and administrative procedures to govern the Chapter 11 Cases;
- extending the time for the Debtors to file certain schedules of assets and liabilities, schedules of executory contracts and unexpired leases, and statements of financial affairs;
- authorizing the Debtors to file a consolidated list of creditors in lieu of a separate mailing matrix for each Debtor and to file a consolidated list of the Debtors' 50 largest creditors; and
- approving procedures for the interim compensation and reimbursement to retained Professionals in the Chapter 11 Cases.

3. **Stabilizing Operations**

The Debtors recognized that any interruption in their businesses, even if for a brief period of time, would negatively impact their operations, customer relationships, and revenue and profits. As a result, the Debtors obtained Court approval that facilitated stabilizing their businesses and effectuated a smooth transition into operating as debtors in possession. Specifically, the Debtors sought and obtained orders authorizing them to do the following:

- maintain and administer customer programs and honor obligations arising under or relating to those such programs;
- pay prepetition wages, salaries and other compensation, reimbursable employee expenses, employee medical costs, and similar benefits;
- determine adequate assurance for future utility service and establish procedures for utility providers to object to such assurance;
- continue insurance coverage, including performance under their self-insurance programs, and enter into new insurance policies, if necessary;
- establish procedures for certain transfers and declarations of worthlessness with respect to common stock;
- maintain their existing cash management systems; and
- remit and pay certain taxes and fees.

In addition to the foregoing relief, the Debtors sought and obtained Bankruptcy Court approval to pay up to approximately $325 million in certain prepetition vendor and third-party service providers' claims who the Debtors believed were essential to their ongoing business operations [Docket No. 708]. Importantly, the Debtors were able to condition payments of these prepetition claims on the vendors' agreement to provide, among other things, favorable trade terms for the postpetition procurement of goods from the vendors. This relief was critical to the Debtors maintaining their ongoing business operations at the early stages of their Chapter 11 Cases.

In connection with the Utility Motion and the Utility Objection, the Debtors and the Utility Objectors entered into the Utility Letter Agreement. Notwithstanding anything to the contrary in this Disclosure Statement or the Plan as filed or subsequently amended, the terms, conditions, and obligations of the Debtors and the Utility Objectors in the Utility Letter Agreement shall not be amended, modified, or changed absent a writing signed by the Debtors and the Utility Objectors authorizing any change to the foregoing.

4. **Retention Applications for Chapter 11 Professionals**

The Debtors filed several applications and obtained authority to retain various professionals to assist the Debtors in carrying out their duties under the Bankruptcy Code during the Chapter 11 Cases. These professionals include (a) K&E, as counsel, (b) Kutak Rock LLP, as co-counsel, (c) A&M, as restructuring advisors, (d) Lazard, as investment banker, (e) Prime Clerk, as solicitation agent and administrative agent, (f) A&G Realty Partners, LLC, as real estate consultant and advisor, (g) Cushman & Wakefield U.S., Inc., as co-real estate advisor, (h) Consensus Advisory Services LLC ("Consensus") and Consensus Securities LLC, as sale process investment bankers, (i) Malfitano Advisors, LLC, as asset dispositions advisor and consultant, (j) DJM Realty Services, LLC ("DJM"), as real estate consultant and advisor, (k) KPMG LLC, as tax consultants and internal audit advisor, and (l) PricewaterhouseCoopers LLP ("PwC"), as tax and accounting advisory consultants, among other professionals.

Toys Delaware and Geoffrey appointed their own Disinterested Directors who retained their own professionals for all matters involving a conflict of interest between other Debtors ("Conflict Matters"). Toys Delaware retained Curtis, Mallet-Prevost, Colt & Mosle LLP, as its counsel (Katten Muchin Rosenman LLP has

succeeded Curtis, Mallet-Prevost, Colt & Mosle LLP, as counsel) and Zolfo Cooper, LLC, as its financial advisor, and Geoffrey retained Cleary Gottlieb Steen & Hamilton LLP, as its counsel, and ~~Chilmark Partners, LLC as its financial advisor.~~Kaufman & Canoles, P.C, as co-counsel.

5. **Appointment of Members to the Creditors' Committee and its Counsel**

On September 26, 2017, the U.S. Trustee appointed the following constituents to the Creditors' Committee: (a) Mattel, Inc.; (b) Huffy Corporation; (c) Evenflo Company Inc.; (d) KIMCO Realty; (e) The Bank of New York Mellon, (f) Euler Hermes North America Insurance Co., (g) LEGO Systems, Inc., (h) Veritiv Operating Company, and (i) Simon Property Group, Inc. The Creditors' Committee retained (a) Kramer Levin Naftalis & Frankel LLP and Wolcott Rivers Gates as co-counsels, (b) Bennett Jones LLP as Canadian counsel, (c) Berwin Leighton Paisner LLP (which is now known as Bryan Cave Leighton Paisner LLP) as special foreign counsel, (d) Moelis & Company LLC as investment banker, (e) FTI Consulting, Inc. as financial advisor, and (f) JND Corporate Restructuring as information services agent. The Creditors' Committee established a website at www.jndla.com/cases/toyscommittee that has been maintained by and through JND Corporate Restructuring to share case information with unsecured creditors.

6. **Schedules, Statements, Claims Bar Date, and Administrative Claims Bar Date**

On November 16, 2017, the Debtors filed their Schedules and Statements with the Bankruptcy Court pursuant to section 521 of the Bankruptcy Code.

The Bankruptcy Code allows the time to be fixed as to when proofs of claim must be filed in a chapter 11 case. Subject to certain exceptions, any creditor whose Claim is not scheduled in the Schedules and Statements or whose Claim is scheduled as disputed, contingent, or unliquidated must file a Proof of Claim. The Bankruptcy Court entered the Amended Bar Date Order [Docket No. 1332] that established April 6, 2018, at 5:00 p.m., prevailing Eastern Time as the General Claims Bar Date ("Bar Date") for claimants with claims arising prior to the Petition Date, including claims under section 503(b)(9), to file Proofs of Claims. Government units and certain claimants with specific types of prepetition claims were required to submit their Proofs of Claim on or before June 18, 2018, at 5:00 p.m., prevailing Eastern Time.

Further, on May 25, 2018, the Bankruptcy Court entered an order establishing the following deadlines for filing certain administrative proofs of claim against the Debtors: (a) for an Administrative Claim arising on or prior to June 30, 2018: July 16, 2018, at 5:00 p.m., prevailing Eastern Time, and (b) for an Administrative Claim arising after June 30, 2018: the affected party shall file a Proof of Administrative Claim with respect to such claim following the Administrative Claims Procedures by the earlier of (i) the 15th day of the month following the month in which the claim arose at 5:00 p.m., prevailing Eastern Time and (ii) 14 days following any hearing on a plan of liquidation, structured settlement, or other proposed resolution to the Debtors chapter 11 cases, at 5:00 p.m., prevailing Eastern Time [Docket No. 3260]. The Administrative Claims Procedures Order does not apply to Toys Canada or claims relating to Toys Canada.

The Debtors and their professionals continue to review and analyze Claims Filed in response to the Amended Bar Date Order and Administrative Bar Date Order and will file objections to Claims with the Bankruptcy Court as necessary and appropriate in compliance with the Bankruptcy Code, the Bankruptcy Rules, the Local Bankruptcy Rules, and the proposed Plan's terms. The Claims resolution process is ongoing, which means that the Claims figures identified in this Disclosure Statement represent *estimates* only. The recoveries set forth in this Disclosure Statement could be materially lower if the actual Allowed Claims are higher than the current estimates.

7. **Postpetition Financing**

Prior to the Petition Date, the Debtors and their advisors engaged in a marketing process to obtain DIP financing to fund their global operations during these Chapter 11 Cases. On October 25, 2017, the Bankruptcy Court approved approximately $3.1 billion in combined postpetition DIP financing for both the domestic and international silos. The North American DIP facility and subsequent waivers and amendments thereto is addressed below.

(a) **Domestic Facilities**

On October 24, 2017, the Bankruptcy Court authorized Toys Inc. and the Toys Delaware Debtors to receive approximately $2,750 million in postpetition financing on a final basis [Docket No. 711] (the "Final North American DIP Order") to support the Debtors' North American businesses in the U.S. and Canada. The Final North American DIP Order authorized on a senior secured and superpriority basis (a) $1,850 million in revolving commitments (the "ABL/FILO Revolving DIP Facility"), (b) $450 million pursuant to a "first in last out" term loan financing (the "ABL/FILO Term DIP Facility"), and (c) $450 million in term loan financing (the "Term DIP Facility"). The ABL/FILO Revolving DIP Facility and the ABL/FILO Term DIP Facility were obtained pursuant to that certain Superpriority Secured Debtor-In-Possession Credit Agreement, dated as of September 18, 2017, (as may be amended, restated, supplemented, waived, or otherwise modified from time to time and including the loan documents, the "ABL/FILO ~~Revolving~~ DIP Facility Credit Agreement") by and among Toys Delaware and Toys Canada, as borrowers, certain Debtor affiliates, as guarantors, Wells Fargo Bank, National Association, as collateral agent, and JPMorgan Chase Bank, N.A., as co-collateral agent and administrative agent ~~and collateral agent~~ (the "ABL/FILO ~~Revolving~~ DIP Facility Agents") for and on behalf of itself and the other lenders party thereto. The Term DIP Facility was issued pursuant to the terms and conditions under that certain Debtor-In-Possession Credit Agreement by and among Toys Delaware, as borrower, and NexBank SSB, as administrative agent and collateral agent (the "Term DIP Facility Agent," and, together with the ABL/FILO ~~Revolving~~ DIP Facility Agents, the "North American DIP Facility Agents") for and on behalf of itself and the other lenders party thereto (as may be amended, restated, supplemented, waived, or otherwise modified from time to time, the "Term DIP Facility Credit Agreement").

Pursuant to the Final North American DIP Order (a) the Debtors stipulated to, among other things, the amount, validity, perfection, enforceability, and priority of the claims and liens of the Prepetition Secured Parties (as defined in the Final DIP Financing Order) and waived and released the Prepetition Secured Parties and their representatives from any claims or causes of action arising prior to the Petition Date, and (b) all stipulations and releases by the Debtors were binding on all other parties in interest and the Creditors' Committee, subject to the Creditors' Committee's investigation of such claims and liens of the Prepetition Secured Parties and ability to commence an adversary proceeding or contested matter challenging such claims and liens (the "Challenge Period").

(b) **Waiver for Domestic Facilities**

The Debtors believed at the time of the Petition Date that the ABL/FILO Revolving DIP Facility, ABL/FILO Term DIP Facility, and the Term DIP Facility (collectively, the "North American DIP Facilities") were sufficient to support their business operations as a going concern throughout these Chapter 11 Cases. It was the Debtors' belief that these financing agreements would provide the liquidity necessary to stabilize their vendor base and capitalize on the upcoming holiday season. The Debtors thought that the North American DIP Facilities were value-maximizing agreements and in the best interest of the estates. In particular, the Debtors believed that they would be able to comply with all financial covenants set forth therein.

However, sales from the holiday season came in lower than the Debtors' projections, which led to the Debtors' inability to comply with certain covenants set forth in the Term DIP Facility, declines in liquidity, and projected needs for a significant new cash investment to continue operating through the fall of 2018. The Debtors were able to obtain certain waivers through early March 2018 while they sought additional liquidity and/or a purchaser, but their efforts ultimately proved unsuccessful, and further waivers to permit operations in the ordinary course could not be obtained. In early March, the Debtors began an orderly wind-down of their U.S. operations following agreement with their lenders under the North American DIP Facilities on related waivers, a wind-down budget, and other matters. On April 25, 2018, the Bankruptcy Court entered final orders authorizing certain waivers under the North American DIP Facilities, which remain in full force and effect, except as modified [Docket No. 2853].

8. **IP Assumption**

Prior to the Petition Date, the Toys Inc. and its "Taj" debtor subsidiaries negotiated and agreed to a prospective waiver of certain defaults under ~~the~~ certain indebtedness of the "Taj" debtors. Although no U.S. Debtor

was liable in respect of such indebtedness, the waiver required the Debtors to assume certain ~~intercompany intellectual property license agreements and other agreements~~"Intellectual Property Licenses" with certain subsidiaries of the "Taj" debtors within seven days following the Petition Date, which was later extended to December 15, 2017 (the "Taj Waiver"). On October 9, 2017, the definition of "Intellectual Property Licenses" was amended by the Taj Waiver to include the Subsidy Agreement in addition to the Asia JV MLA and other specific license agreements.[23] As a result, the Debtors filed the IP Assumption Motion [Docket No. 1263] and the Subsidy Motion [Docket No. 1264] on December 15, 2017, and the Bankruptcy Court entered final orders approving such motions on January 25, 2018 [Docket No. ~~1609; 1610], which orders include certain reservations of rights and Causes of Action as set forth in those orders.~~1609; 1610] (collectively, the "IP Assumption Orders"). The IP Assumption Orders include certain reservations of rights and Causes of Action that were negotiated and agreed by and among all relevant parties to resolve objections of the Ad Hoc Group of B-4 Lenders and others. Among other things, the orders provide that the assumptions of the Asia JV MLA and the Subsidy Agreement "shall have no bearing on, and be without prejudice to, any and all causes of action of Geoffrey or its estate, any other Debtor or its estate or any creditor relating to the Intercompany IP License Agreements, the Subsidy Agreement, the March 2017 Transaction, or the transactions consummated in connection therewith, including without limitation: (i) any cause of action to avoid any obligation or transfer under any of the Intercompany IP License Agreements or the Subsidy Agreement . . . under sections 544 to 550 of the Bankruptcy Code."

While Geoffrey continues to investigate the circumstances of the March 2017 transactions, the Geoffrey Disinterested Director believes that valid and substantial causes of action against the Asia JV and/or its subsidiaries exist in respect of the Asia JV MLA and/or the Subsidy Agreement, which were fully preserved under the IP Assumption Orders. The Geoffrey Disinterested Director believes that the March 2017 transactions were designed to transfer significant value from Geoffrey to the Asia JV to the detriment of Geoffrey and its creditors. The Geoffrey Disinterested Director further believes that these transactions occurred at a time when Geoffrey was insolvent or undercapitalized and did not have an independent fiduciary and that Geoffrey did not receive reasonably equivalent value in connection with these transactions and, in particular, no value for entering into the Subsidy Agreement.

The Asia JV and the Taj Holders Steering Group dispute Geoffrey's position and maintain instead that the IP Assumption Orders cannot be set aside and that there are no valid causes of action against the Asia JV and its subsidiaries relating to the Asia JV MLA or the Subsidy Agreement. They also maintain that a subsequent breach, repudiation, or rejection of those contracts will give rise to administrative expense claims in favor of the Asia JV. The Asia JV has filed Administrative Claims against Geoffrey asserting that as of August 15, 2018, Geoffrey owes no less than $21 million under the Subsidy Agreement. Geoffrey maintains that any successful challenge to the Asia JV MLA or the Subsidy Agreement, including a successful action to avoid the obligations under the Subsidy Agreement, will invalidate and render unenforceable any claims brought on the basis of any avoided agreement.

The parties, including the Geoffrey Debtors and the Asia JV, reserve any and all rights, claims, arguments, and defenses with respect to those contracts, the matters addressed in the IP Assumption Orders, and such other matters not specifically addressed therein.

Although the Geoffrey Disinterested Director and the Ad Hoc Group of B-4 Lenders believe that the Subsidy Agreement and the Asia JV MLA are separate agreements that could be disposed of separately, no transaction has been proposed under which the Subsidy Agreement and the Asia JV MLA will reside at different entities. To the extent any such transaction is proposed, it will be presented to the Bankruptcy Court for review and approval, as contemplated by the Bankruptcy Court-approved bidding procedures for the sale of the Debtors' intellectual property assets. For the avoidance of doubt, the Asia JV and the Taj Holders Steering Group believe the Subsidy Agreement and the Asia JV MLA are integrated agreements and cannot be separated.

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[23] The Debtors complied with the Taj Waiver, as amended, when they filed the *Debtors' Motion for Entry of an Order (I) Authorizing Geoffrey LLC to Assume the Intercompany IP License Agreements, and (II) Granting Related Relief* [Docket No. 1263] and the *Debtors' Motion for Entry of an Order (I) Authorizing Geoffrey LLC to Assume the Subsidy Agreement and (II) Granting Related Relief* [Docket No. 1264] on December 15, 2017.

9. **Litigation Matters**

In the ordinary course of business, the Debtors are parties to certain lawsuits, legal proceedings, collection proceedings, and claims arising out of their operations. The Debtors cannot predict with certainty the outcome of these lawsuits, legal proceedings, and claims. With certain exceptions, the filing of the Chapter 11 Cases operates as a stay with respect to litigation being commenced or continued against the Debtors that was or could have been commenced before the Petition Date. Any litigant's ability to collect on liabilities resulting therefrom is stayed due to these Chapter 11 Cases generally with such claims being subject to discharge, settlement, and release upon Plan confirmation, with certain exceptions.

On June 28, 2018, the Bankruptcy Court entered a second order extending the period during which the Debtors may file notices of removal with respect to civil actions that are subject to removal under 28 U.S.C. § 1452 [Docket No. 3596] to the later of (a) December 12, 2018, or (b) 30 days after entry of an order terminating the automatic stay with respect to any particular Civil Action sought to be removed.

10. **The Creditors' Committee Investigation of the Prepetition Secured Lenders**

To obtain post-petition financing, the Debtors stipulated to the validity, perfection, enforceability, priority, and extent of certain of their secured lenders' debt and liens and agreed to waive and release certain Claims and Causes of Action against those lenders. As noted above, the Creditors' Committee did not agree to be bound by these waivers, however. Instead, the Creditors' Committee negotiated certain periods of time during which it could investigate the scope of the lenders' claims and liens and, if warranted, seek standing to challenge such liens or to assert other Claims and Causes of Action relating to the Debtors' prepetition transactions. The Challenge Period as it relates to the Term B-4 Loan Claims and Term B-4 Lenders under the Final DIP Financing Order has been extended to August 3, 2018 [Docket Nos. 1772; 2465; 2920; 3282].

After conducting its investigation, the Creditors' Committee identified certain putative Claims and Causes of Action against the Prepetition Secured Lenders for which the Creditors' Committee intended to seek standing to pursue on behalf of the Debtors' estates. These putative Claims and Causes of Action can be broadly categorized as follows:

- **Lien Challenges.** Claims against the Prepetition Secured Lenders seeking to determine that certain collateral was actually unencumbered and seeking to avoid liens on certain collateral on the grounds that those liens were not properly perfected;

- **Alleged Term Loan B Collateral Preference.** Claims against the administrative agent for the Debtors' prepetition term loans asserting that an alleged increase in the value of the term lenders' collateral by virtue of inventory acquired in the 90 days prior to the Petition Date constituted an avoidable preference; and

- **Alleged Wayne Guaranty Claims.** Claims against the administrative agent for the Debtors' prepetition term loans asserting that the transaction pursuant to which Wayne issued a guaranty of the Term B-4 Lenders' secured indebtedness constituted a fraudulent conveyance.

The Prepetition Secured Parties believe that they have valid defenses to all of those potential claims. Among other things, the Prepetition Secured Lenders contend that any transfers during the 90-day period did not improve the lenders' collateral position and that any increase in collateral value prepetition is more than offset by postpetition decreases in collateral value and, thus, by adequate protection claims. They also contend that the Creditors' Committee cannot meet the elements of any claim to avoid the Wayne guarantee and that they have additional defenses as well. Nonetheless, in an effort to reach the Settlement Agreement, the Settlement ~~Agreement~~ Parties negotiated a good faith settlement of these and other similar Claims and Causes of Action that the Creditors' Committee may have sought standing to pursue on behalf of the North American Debtors' Estates pursuant to the Final DIP Financing Order.

These Claims and Causes of Action were ultimately compromised in connection with the negotiations that culminated in the Settlement Agreement. The Settlement ~~Agreement~~ Parties recognized that the outcome of litigation is uncertain and may cause the Settlement ~~Agreement~~ Parties to incur significant costs and suffer delay before resolving any such disputes. Thus, in consideration of the delays and carrying costs that would necessarily be borne by the Debtors' estates in the event the Creditors' Committee sought standing to pursue such Claims and Causes of Action, the Settlement ~~Agreement~~ Parties have agreed to resolve their disputes relating thereto by entering into the Settlement Agreement that formed the basis for the Plan.

11. **Rejection and Assumption of Executory Contracts and Unexpired Leases**

Prior to the Petition Date and in the ordinary course of business, the Debtors were party to over 11,000 Executory Contracts and Unexpired Leases related to, among other things, agreements with vendors, contractors, service providers, and landlords. The Debtors and their advisors have reviewed and will continue to review the Executory Contracts and Unexpired Leases to identify contracts and leases to either assume or reject pursuant to sections 365 or 1123 of the Bankruptcy Code. The Debtors intend to include such information in the Plan Supplement regarding the assumption or rejection of the remainder of their Executory Contracts and Unexpired Leases, although the Taj Debtors may elect to also assume or reject various Executory Contracts and Unexpired Leases before such time.

On December 8, 2017, the Bankruptcy Court entered the Order approving the Debtors' Assumption and Rejection Procedures for Executory Contracts and Unexpired Leases [Docket No. 1188]. Pursuant to these procedures, the Debtors have either rejected, assumed, or assumed and assigned over a thousand Executory Contracts and Unexpired Leases as of the date hereof.

B. *The Debtors' Restructuring Efforts*

The Debtors commenced their Chapter 11 Cases to address their organizational and operational issues, shrink their store footprint, and restructure their annual debt service obligations. However, the Debtors' financial projections for the 2017 fiscal year were not met, with EBITDA falling approximately $400 million below DIP budget projection for the 2017 fiscal year. As a result, the Debtors were unable to comply with certain covenants in the North American DIP Facilities and decided to wind-down their U.S. operations and sell U.S. and international assets after conversations with their secured creditors.

1. **U.S. Wind-Down**

On March 22, 2018, the Bankruptcy Court entered the Wind-Down Order authorizing the Debtors to begin closing U.S. stores and warehouses and selling inventory and certain real estate assets. By June 30, 2018, the Debtors successfully completed liquidation sales at all of their U.S. stores. The revenue derived therefrom will be used to fund recoveries under the Plan.

Additionally, the Debtors sought and obtained Bankruptcy Court authority to auction certain unexpired leases and real property [Docket Nos. 2351, 3056]. The Debtors conducted auctions on March 29, 2018, June 11, 2018, July 12, 2018, and July 19, 2018. As of the date hereof, the Debtors have obtained approval of the sale of the vast majority of such assets and are in the process of finalizing documentation and obtaining final approval for the properties sold in July.

2. **Canadian Sale**

The Debtors sold 100% of Toys Delaware's equity interest in Toys Canada to Fairfax Financial Holdings Limited free and clear of liens, claims, interests, and encumbrances after conducting a robust auction process. The Court approved this transaction [Docket No. 2852], which had a CAD 300 million purchase price. On May 24, 2018, the Bankruptcy Court entered an order dismissing Toys Canada from these Chapter 11 Cases.

3. **Transition Services**

The Canadian sale and the sale of certain international entities by the Debtors' affiliates both contemplate that Toys Delaware will continue to provide certain transition services to the respective purchasers, which is consistent with services that Toys Delaware provided to such operations previously. These services and related agreements were heavily negotiated between the parties, and the Bankruptcy Court has entered orders approving such agreements [Docket No. 3113, 3231]. If acceptable terms are negotiated, the Debtors anticipate that they will provide such services to the purchaser(s) of additional international operations~~.~~, including the purchaser(s) of the Asia business. Accordingly, the Plan contemplates that a new entity will be created post-emergence to manage transition services.

A dispute has arisen between Toys Delaware and the Asia JV regarding $10,054,921.00 invoiced by Toys Delaware to two subsidiaries of the Asia JV (the "Invoiced Amounts") for services rendered prior to 2018 under that certain Information Technology and Administrative Support Services Agreement, dated as of February 1, 2009 (as amended from time to time, the "ITASSA"). The Asia JV has not paid any of the Invoiced Amounts. To avoid a contested hearing, the parties agreed to a 60-day reconciliation period concluding on the date of the July omnibus hearing during which time Toys Delaware and the Asia JV would endeavor to reach agreement on the Invoiced Amounts. During this 60-day period, Toys Delaware agreed to continue to provide shared services, both under the ITASSA and otherwise, to the Taj Debtors and their subsidiaries if and only to the extent that such entities paid for such services on a current basis. By order of the Bankruptcy Court entered on May 17, 2018 [Docket No. 3113] (the "TSA Order"), all rights of the parties were reserved with respect to these issues from and after the July Omnibus Hearing. *See id*.

The parties have engaged in extensive discussions regarding the Invoiced Amounts. However, as of the date hereof, the dispute remains unresolved, as Toys Delaware believes that it is entitled to payment in full of the Invoiced Amounts, and the Asia JV and the Taj Holders Steering Group dispute that assertion, and the Asia JV has not paid the Invoiced Amounts. To date, Toys Delaware has continued to provide services to the Asia JV even though the Asia JV has not paid the Invoiced Amounts and the dispute has not been resolved. Toys Delaware believes it is entitled to cease providing such services in light of the non-payment by the Asia JV and the expiration of the 60-day period in the TSA Order.

The Asia JV challenges the Invoiced Amounts and, consistent with the ITASSA, including section five thereof, the parties have been attempting to resolve the dispute.[24] The Asia JV notes that is has remained current with respect to its monthly ITASSA payments and has timely paid all invoices for services rendered since the chapter 11 cases began (except, for the avoidance of doubt, the Invoiced Amounts). The Asia JV also maintains that if Toys Delaware stops providing ITASSA Services without an acceptable transition services agreement in place, it may have an adverse impact on the value of the Asia business as well as the value of Toys Delaware's intellectual property. The Asia JV reserves any and all rights, claims, and defenses in the event Toys Delaware stops providing services or causes an interruption in services. Toys Delaware, in turn, reserves all rights, claims, and defenses resulting from the Asia JV's failure to pay any of the Invoiced Amounts and otherwise.

The Toys Delaware Disinterested Directors maintain that, notwithstanding anything contained in the *Objection of Toys (Labuan) Holding Limited to (A) Motion of Toys Delaware and Geoffrey for Entry of an Order (I) Approving Adequacy of Disclosure Statement, (II) Approving Solicitation and Notice Procedures with Respect to Confirmation of Proposed Chapter 11 Plans, (III) Approving Forms of Ballots and Notices in Connection Therewith, (IV) Scheduling Certain Dates with Respect Thereto, and (V) Granting Related Relief and (B) Related Disclosure Statement* [Docket No. 4367] (the "Asia JV Objection")[25] and the *Objection of the Ad Hoc Group of Taj*

[24] The Toys Delaware Disinterested Directors believe that only approximately $4.5 million of the Invoiced Amounts are currently in dispute.

[25] Among other things, the Asia JV Objection argues (at p. 11 (¶ 16)) that "Toys Delaware has acknowledged the importance of the ITASSA services to the continued operation of businesses like the Asia JV. Toys Delaware also exercised its business judgment on three occasions to enter into transition agreements to provide services through 2019 in connection with the sale of the Canadian Equity, the European Sale, and the sale of the Iberia business. It also recognized that Toys Labuan would profit from providing transition services regardless of the outcome of the Debtors' efforts to sell their non-

Noteholders to the Debtors' Motion for Entry of an Order (I) Approving the Adequacy of the Disclosure Statement, (II) Approving the Solicitation Procedures with Respect to Confirmation of the Debtors' Proposed Chapter 11 Plans, (III) Approving the Forms of Ballots and Notices in Connection Therewith, (IV) Scheduling Certain Dates with Respect Thereto, and (V) Granting Related Relief [Docket No. 4375] (the "Taj Noteholders Objection") filed by certain beneficial holders of, or the investment advisor or investment manager to certain beneficial holders of, Taj Senior Notes and Taj DIP Notes represented by Paul, Weiss, Rifkind, Wharton & Garrison LLP (the "Taj Holders Steering Group"), Toys Delaware (a) has no obligation to continue providing any shared services to the Taj Debtors or their subsidiaries during the remainder of these Chapter 11 Cases and (b) has no obligation to provide transition services to the purchaser(s) of the Asia business absent an agreement among the applicable parties and approval by the Bankruptcy Court. The Toys Delaware Disinterested Directors further submit that notwithstanding anything contained in the Asia JV Objection or the Taj Noteholders Objection, the terms of the prior transition services agreements approved by the Bankruptcy Court in these Chapter 11 Cases have no precedential effect on the terms, if any, that Toys Delaware may agree to in connection with a transition services agreement for the Asia business.

The Asia JV filed two objections to the Disclosure Statement [Docket Nos. 4637 and 4505] arguing, among other things, that any plan that does not provide for the payment in full in cash of administrative expense claims cannot satisfy section 1129(a)(9) of the Bankruptcy Code and cannot be confirmed. It also argued that to the extent the Toys Delaware Debtors' and Geoffrey Debtors' Disclosure Statements related to plans that did not provide for the payment of Allowed Administrative Expense Claims in full in cash, then they should not be approved. Toys Labuan similarly argued that the Geoffrey Debtors' Plan capped the Asia JV Allowed Administrative Claims and therefore could not satisfy section 1129(a)(9). The Toys Delaware Disinterested Directors, the Geoffrey Disinterested Directors, and the Ad Hoc Group of B-4 Lenders dispute each of those arguments.

The Asia JV's objections to the Disclosure Statement were resolved, however, when the Debtors advised the Asia JV that (a) the Administrative Claim asserted by the Asia JV (the "Asserted Asia JV Claim") is the only material Administrative Claim known to the Debtors to be asserted against the Geoffrey Debtors that may be allowed; (b) in order for the Plan to go Effective, the Asserted Asia JV Claim, will need to be paid in full in cash to the extent, if any, of the Allowed amount thereof and not subject to any cap; (c) the $22,000,000 relating to the condition precedent to effectiveness of the Plan in section XI.B.5 is being increased to $26,000,000, which currently is expected to be sufficient to cover the full asserted amount of the Asia JV Allowed Administrative Claim; and (d) any and all of the Asia JV's objections to confirmation of the Plan are fully reserved, including, *inter alia*, the right to challenge confirmation on grounds that the Geoffrey Debtors' Plan does not comply with section 1129(a)(9) of the Bankruptcy Code and that the Debtors have not demonstrated that there is a valid basis to condition effectiveness of the Plan on the Allowed Administrative Claims against the Geoffrey Debtors not exceeding a dollar threshold.

4. **U.S. and International IP Sale Process**

Toys Delaware and Geoffrey are in the process of marketing or exclusively licensing their rights, title, and interest in and to their Intellectual Property [Docket No. 3601]. The Debtors' investment banker for this process, Consensus, has received numerous inquiries from parties interested in the assets and engaged with more than 100 potential purchasers, including major retailers, infant and juvenile consumer products businesses, brand buying and e-commerce organizations, and short-term strategic partners. The Debtors are continuing to work with interested parties regarding a potential sale.

5. **Asia JV Sale Process**

Toys "R" Us Europe, LLC and certain subsidiaries (collectively, the "Taj Debtors") are conducting a sale process for the 84.87% joint venture interest in ~~non-Debtor affiliate Toys (Labuan) Holding Limited (~~the ~~"~~Asia JV~~")~~ ~~and~~, as of the date hereof. In connection with this process, Geoffrey is also offering the related intellectual property ~~interests as of the date hereof.~~ interest for sale and/or to modify the Asia JV MLA, subject to terms to be agreed. Over 125 potential investors were contacted ~~so far~~ and multiple prospective purchasers have submitted letters of

U.S. operations through continuing payments and royalties from ongoing international operations." Toys Delaware's responses and disagreements with the Asia JV's assertions are set forth in this Disclosure Statement.

intent and made both binding and non-binding bids. In order to facilitate a sale process designed to yield the highest and best price for these assets, the Debtors obtained the Bankruptcy Court's approval to provide bid protections for the joint venture and intellectual property assets and are seeking Bankruptcy Court approval to invalidate a right-of-first-refusal embedded in the governing shareholders' agreement and allow a "drag" right that permits the majority holder in the Asia JV to sell the minority interest on the same terms and conditions in conjunction with the sale process.

If acceptable terms are negotiated, the Debtors anticipate that they will provide certain transition services to the purchaser(s) of the Asia business. The Taj Debtors believe such services, whether provided pursuant to the ITASSA, or a substitute transition services agreement, are necessary to minimize disruption and maximize the value of the Asia business. The Asia JV and Taj Holders Steering Group assert that without continued ITASSA services, the Asia business may be adversely affected, as well as the value of the Asia business. However, Toys Delaware argues it is under no obligation to continue providing such services, in particular on the current terms, which the Toys Delaware Disinterested Directors and the Ad Hoc Group of B-4 Lenders believe were not negotiated at arm's length and do not adequately compensate Toys Delaware. The Toys Delaware Disinterested Directors further believe that, notwithstanding anything contained in the Asia JV Objection or the Taj Noteholders Objection, the terms of the prior transition services agreements approved by the Bankruptcy Court in these Chapter 11 Cases have no precedential effect on the terms, if any, that Toys Delaware may agree to in connection with a transition services agreement for the Asia business.

With respect to Geoffrey's Asia-related intellectual property and license agreement, the bids the Company received featured either (a) an offer to purchase Geoffrey Asia-related intellectual property, (b) the assumption of the existing licensing agreement (with multiple bids requiring certain modifications thereto), or (c) both a purchase/licensing option. In the most recent round of bidding, interested parties offered up to $216 million for the outright purchase of the Asia-related intellectual property and/or a license to the Asia-related intellectual property for a net 2% royalty, with one bidder requiring a 25-year extension of the license with an automatic 25-year renewal thereafter.

6. Settlement Agreement

As described herein, the Settlement Parties executed the Settlement Agreement on July 17, 2018, resolving and/or preserving certain parties' claims and allegations that related to the U.S. Wind-Down. The Settlement Parties engaged in extensive negotiations to set a baseline for recoveries for Administrative Claim Holders and established the Non-Released Claims Trust, the Merchandise Reserve, and the Administrative Distribution Pool for the benefit of various creditor constituencies. However, Holders of Allowed Administrative Claims are permitted to opt out of the Administrative Claims Distribution Pool if they do not wish to participate or be bound to the releases contained in the Plan. The ~~motion to approve the~~ Settlement Agreement Motion was filed on July 17, 2018, and a hearing to approve the ~~settlement is scheduled for~~Settlement Agreement was held on August 7, 2018. The Bankruptcy Court approved the Settlement Agreement on August 7, 2018, and the Settlement Order was entered on August 8, 2018, with all objections to the Settlement Agreement overruled. No appeal was taken from the Settlement Order, which is now final. On August 28, 2018, the Debtors Filed a notice confirming that the Settlement Agreement is fully effective.

ARTICLE IV.
SUMMARY OF THE PLAN

This section summarizes the Plan's structure, means for implementation, classification and treatment of Claims and Interests, and documents referred to therein. Statements contained in this Disclosure Statement do not purport to be precise or complete statements of all the terms and provisions in the Plan or documents referenced to therein. The Debtors refer you to the Plan and to such documents for the full and complete statement of such terms, provisions, and documents referred to therein.

In addition, the Plan controls the actual treatment of Claims against and Interests in the Debtors under the Plan and will be binding upon all Holders of Claims and Interests upon the occurrence of the Effective Date. In the

event of any conflict between this Disclosure Statement and the Plan and operative documents, the Plan's terms and/or such other operative document shall control. Key terms under the Plan are summarized below.

A. *Administrative Claims*

Except for Claims of Professionals, unless previously Filed, requests for payment of Administrative Claims must be Filed with the Notice and Claims Agent no later than the Administrative Claims Bar Date as set forth in the Administrative Claims Bar Date Order or the Confirmation Order and notice of the Effective Date, as applicable. Holders of Administrative Claims that are required to File and serve or otherwise submit a request for payment of such Administrative Claims by the Administrative Bar Date that do not file and serve or otherwise submit such a request by the Administrative Claims Bar Date shall be forever barred, estopped, and enjoined from asserting such Administrative Claims against the Debtors, any purchaser of their assets, or their respective property, and such Administrative Claims shall be deemed ~~discharged~~compromised, settled, and released as of the Effective Date.[26]

Administrative Settlement Claims against the Toys Delaware Debtors shall be allowed and paid solely in accordance with the terms of the Settlement Agreement, which is appended to the Plan as **Exhibit A** and incorporated therein by reference as if fully set forth therein. Based on current analysis and working assumptions, the Debtors project that the total amount of Administrative Claims against the Toys Delaware Debtors will be between $808 million and $847 million.

~~Administrative Claims against the Geoffrey Debtors shall be allowed in the aggregate amount of not more than $[__].~~ On May 25, 2018, the Bankruptcy Court entered the Administrative Claims Bar Date Order, which *inter alia*, sets forth a process for reconciliation and allowance of asserted Administrative Claims. Pursuant to the Administrative Claims Bar Date Order, unless and until any other claims process is approved by the Bankruptcy Court, the Debtors are authorized but not required to reconcile and allow Administrative Claims and to allow such claims in agreed amounts after (i) the Creditors' Committee is provided seven (7) business days' notice of such proposed reconciled and allowed amounts and does not object thereto or (ii) should the Creditors' Committee object thereto or seek additional diligence, after any objection has been resolved; *provided that* the Debtors' allowance of such Administrative Claim shall be consistent with the Final North American DIP Amendment Order. As such process for the reconciliation and allowance of asserted Administrative Claims applies to Administrative Claims of non-Debtor affiliates, including the Asia JV, any proposed allowance of any such asserted Administrative Claim against Geoffrey LLC or any objection to allowance of such asserted Administrative Claim shall be made solely by Geoffrey LLC in consultation with the creditors of Geoffrey LLC.

On the Effective Date, subject to the provisions regarding Professional Claims set forth below, excluding adequate protection claims and except to the extent that a holder of an Allowed Administrative Claim and the Geoffrey Debtors, as applicable, agree to less favorable treatment for such holder, any Holder of an Allowed Administrative Claim ~~at the Geoffrey Debtors shall receive payment in full in cash~~(including all Asia JV Allowed Administrative Claims, which the Asia JV asserts are no less than $21 million as of August 15, 2018) against the Geoffrey Debtors shall receive payment in full in cash, except to the extent that the Holder of such Administrative Claim agrees to less favorable treatment.[27] It is a condition precedent to the Consummation of the Geoffrey Plan that Allowed Administrative Claims against the Geoffrey Debtors not exceed $26,000,000.

Administrative Claims included in the Wind-Down Budget will be paid in full as provided for in the Wind-Down Budget, pursuant to the allocations included in the Wind-Down Budget. These Claims include, but are not limited to certain Claims for rent, services, and non-merchandise goods. For the avoidance of doubt, any party with

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[26] For the avoidance of doubt, ~~A~~administrative Intercompany Claims between Debtors will be treated separately than all other Administrative Claims or prepetition Intercompany Claims and will receive Treatment as agreed to by and among the applicable Debtors or as determined by the Bankruptcy Court.

[27] The Geoffrey Debtors reserve all rights to object to allowance of any asserted Administrative Claims, or to assert any setoff rights relating to such asserted Claims.

claims included in the Wind-Down Budget shall not be entitled to any payments from the Administrative Claims Distribution Pool solely with respect to any amounts included in the Wind-Down Budget.

B. *Accrued Professional Compensation Claims*

1. **Professional Fee Escrow Account**

In accordance with Article II.B of the Plan, as soon as reasonably practicable after the Confirmation Date and no later than the Effective Date, the Debtors shall establish the Professional Fee Escrow Account. The Toys Delaware Debtors shall fund the Professional Fee Escrow Account with Cash in the amount of the aggregate Professional Fee Escrow Amount for all Professionals. The Professional Fee Escrow Account shall be funded on the Effective Date. The Professional Fee Escrow Account shall be maintained in trust for the Professionals. Such funds shall not be considered property of the Debtors' Estates or any of the Successor Entities, except as otherwise provided in the Settlement Agreement.

2. **Final Fee Applications and Payment of Accrued Professional Compensation Claims**

All final requests for payment of Claims of a Professional, including without limitation Substantial Contribution Claims, shall be Filed no later than ~~60 days after the Effective Date.~~45 days after the last effective date of all chapter 11 plans filed in the Chapter 11 Cases of the Debtors and their affiliates that are being jointly administered with these Chapter 11 Cases. After notice and a hearing in accordance with the procedures established by the Bankruptcy Code and prior Bankruptcy Court orders, the Allowed amounts of such Accrued Professional Compensation Claims shall be determined by the Bankruptcy Court. The Allowed amount of Accrued Professional Compensation Claims owing to the Professionals shall be paid in Cash to such Professionals from funds held in the Professional Fee Escrow Account when such Claims are Allowed by a Final Order. ~~To the extent that funds held in the Professional Fee Escrow Account are unable to satisfy the amount of Accrued Professional Compensation Claims owing to the Professionals, such Professionals shall have an Allowed Administrative Claim for any such deficiency, which shall be satisfied in accordance with the Settlement Agreement along with other Administrative Claims that are not satisfied by a distribution from the Administrative Claims Distribution Pool.~~ After all Accrued Professional Compensation Claims have been paid in full, the Final Order allowing such Accrued Professional Compensation Claims shall direct the escrow agent to return any excess amounts contained in the Professional Fee Escrow Account to the applicable Successor Entities. Notwithstanding anything else to the contrary in the Plan or the Confirmation Order, at any time prior to the entry of the Final Order described in this section, any party in interest may object to the allocation of any professional fees or expenses to or among each or any of the Geoffrey Debtors, Toys Delaware Debtors, Toys Inc. or any of their respective subsidiaries and affiliates, whether or not they are debtors under the Bankruptcy Code. Notwithstanding anything to the contrary herein, the Fee Examiner Order shall remain in effect pursuant to its own terms.

The Creditors' Committee engaged Moelis & Company, LLC ("Moelis") as its investment banker pursuant to an engagement letter dated October 2, 2017 (the "Engagement Letter"). The Committee sought the Bankruptcy Court's approval to retain Moelis through the filing of the application [Docket No. 868]. The Bankruptcy Court entered an order approving the application (and the Engagement Letter) on November 21, 2017 [Docket No. 1054] (the "Moelis Retention Order"). Pursuant to the Moelis Retention Order, Moelis is retained as the Creditors' Committee's investment banker under section 328(a) of the Bankruptcy Code. The Moelis Retention Order directs each Debtor to pay Moelis's compensation and approves the terms and conditions of the Engagement Letter.

Moelis asserts that upon Consummation of the Plans, Moelis's fees and expenses will become Allowed Administrative Claims of the Debtors' estates pursuant to section 507(a)(2) of the Bankruptcy Code. Moelis further asserts that because the Plan requires Moelis to accept an undetermined amount of compensation that will be less than the amount to which it is entitled, the Plan faces a material confirmation issue. Moelis has been engaging and remains willing to engage with the Debtors and their stakeholders to consensually resolve this issue. Moelis reserves all of its rights in connection with Confirmation of the Plan.

For the avoidance of doubt, the allowance and payment of any fees and expenses of Moelis is subject in all respects to the *Order (I) Establishing Procedures for Interim Compensation and Reimbursement of Expenses for*

Retained Professionals and (II) Granting Related Relief [Docket No. 746] (the "Interim Compensation Order"). The Debtors and all other parties reserve all rights and arguments with respect to Moelis's claim, including the right to object to the claim on any grounds.

Post-Confirmation Fees and Expenses

Except as otherwise specifically provided in the Plan, from and after the Confirmation Date, the Debtors shall, in the ordinary course of business and without any further notice to or action, order, or approval of the Bankruptcy Court, pay in Cash the reasonable legal, professional, or other fees and expenses related to implementation and Consummation of the Plan incurred by the Debtors. Upon the Confirmation Date, any requirement that Professionals and Ordinary Course Professionals comply with sections 327 through 331 and 1103 of the Bankruptcy Code, the Interim Compensation Order, or the Ordinary Course Professionals Order, in seeking retention or compensation for services rendered after such date shall terminate, and the Debtors may employ and pay any Professional or Ordinary Course Professional in the ordinary course of business without any further notice to or action, order, or approval of the Bankruptcy Court.

4. **DIP Facility Claims against the Toys Delaware Debtors**

The ABL/FILO ~~Revolving~~ DIP Facility Claims against the Toys Delaware Debtors (other than any Claims based on the Debtors' contingent or indemnification obligations under the ABL/FILO DIP Facility Credit Agreement for which no claim has been made) have been paid in their entirety and shall, therefore, be allowed in the aggregate amount of $0.00.[28] Notwithstanding anything to the contrary herein, the ABL/FILO DIP Facility Credit Agreement shall continue in effect for the purpose of preserving the ABL/FILO DIP Agents' and the ABL/FILO DIP Lenders' rights to any contingent or indemnification obligations, which shall continue in full force and effect after the Effective Date, pursuant and subject to the terms of the ABL/FILO DIP Facility Credit Agreement or DIP Orders.

Term DIP Facility Claims against the Toys Delaware Debtors shall be allowed in the aggregate principal amount of ~~$[__]~~.$200,000,000, or such lesser amount as may be outstanding as of the date of confirmation of the Plan, plus accrued and unpaid interest. In full and final satisfaction ~~and discharge of~~, compromise, settlement, and release of and in exchange for each allowed Term DIP Facility Claim against the Toys Delaware Debtors, each holder thereof shall receive residual proceeds from the sale of their collateral, as such proceeds are received, until paid in full or such proceeds are exhausted. For the avoidance of doubt, except for the Initial Fixed Amount, the Toys Delaware Debtors shall repay all remaining amounts owing under the Term DIP Facility prior to making any other distributions, including distributions into the Administrative Claims Distribution Pool.

C. *Priority Tax Claims*

Holders of Allowed Priority Tax Claims shall receive any excess value available for distribution from the applicable Debtor following repayment of all secured claims and all claims entitled to senior or administrative priority in accordance with the Bankruptcy Code, if any. The failure to object to Confirmation by a Holder of an Allowed Priority Tax Claim shall be deemed to be such Holder's consent to receive treatment for such Claim that is different from that set forth in section 1129(a)(9) of the Bankruptcy Code.

D. *Classification and Treatment of Claims and Interests Under the Plan*

1. **General Settlement of Claims**

In accordance with section 1123(a)(1) of the Bankruptcy Code, the DIP Facility Claims, Administrative Claims, and Priority Tax Claims have not been classified and, thus, are excluded from the Classes of Claims and Interests as set forth in Article III of the Plan.

[28] All outstanding letters of credit under this facility have been fully cash collateralized.

2. **Treatment of Claims and Interests**

The recoveries to holders of Claims and Interests are described in Article III.D of this Disclosure Statement, entitled "Am I entitled to vote on the Plan?" and discussed in Article III of the Plan.

3. **Special Provision Governing Unimpaired Claims**

Except as otherwise provided in the Plan, nothing under the Plan shall affect the rights of the Debtors in respect of any Unimpaired Claims, including all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Unimpaired Claims.

4. **Elimination of Vacant Classes**

Any Class of Claims or Interests that, as of the commencement of the Confirmation Hearing, does not have at least one Holder of a Claim or Interest that is Allowed in an amount greater than zero for voting purposes pursuant to the Disclosure Statement Order shall be considered vacant, deemed eliminated from the Plan for purposes of voting to accept or reject the Plan, and disregarded for purposes of determining whether the Plan satisfies section 1129(a)(8) of the Bankruptcy Code with respect to that Class.

5. **Subordinated Claims**

The allowance, classification, and treatment of all Allowed Claims and Allowed Interests and the respective distributions and treatments under the Plan take into account and conform to the relative priority and rights of the Claims and Interests in each Class in connection with any contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code, or otherwise. Pursuant to section 510 of the Bankruptcy Code, the Debtors and the Successor Entities, as applicable, reserve the right to re-classify any Allowed Claim or Allowed Interest in accordance with any contractual, legal, or equitable subordination relating thereto.

E. *Means for Implementation of the Plan*

1. **Restructuring Transactions and Sources of Consideration for Plan Distributions**

The Confirmation Order shall be deemed to authorize the Debtors to 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. With respect to the Plan, all amounts of Cash necessary for the Debtors or the Disbursing Agent to make payments or distributions pursuant hereto (to the extent not already paid pursuant to the Settlement Order) shall be obtained from the proceeds of the wind-down of the Debtors' operations, Liquidating Trust, the Reorganized Debtors, Causes of Action held by the applicable Debtors (other than any Non-Released Causes of Action, including D&O Claims), or the Administrative Claims Distribution Pool, as applicable.

2. **Settlement**

The Settlement Order shall remain in full force and effect and the Debtors shall continue to fulfill their obligations thereunder. The Settlement Agreement shall be incorporated as if fully set forth in the Plan.

As set forth in the Settlement Order, holders of Administrative Claims shall (to the extent such holder does not opt out of the Settlement) provide the releases described in the Settlement Order in order to participate in the Administrative Claims Distribution Pool. Any portion of the Administrative Claims Distribution Pool allocable to opt outs will be paid to the Prepetition Secured Term Lenders.[29]

[29] ~~Discuss mechanics for determining portion allocable to opt outs.~~

3. **Geoffrey Plan**

The Geoffrey Plan contained herein is a separate chapter 11 plan with respect to the Geoffrey Debtors only, that may be confirmed notwithstanding the Confirmation, denial, or withdrawal of the chapter 11 plans of the Toys Delaware Debtors or any other debtor affiliates.

(a) **Asset Sales**

Prior to the Effective Date, the Geoffrey Debtors have been authorized to continue to conduct a marketing process for all or substantially all of the assets of the Geoffrey Debtors. In the event of a sale, the Holders of Claims against the Geoffrey Debtors will receive the Geoffrey Proceeds, if any, as set forth in Article III of the Plan.

As provided for in the Geoffrey Bidding Procedures, the Prepetition Secured Lenders shall be permitted to submit a credit bid for any or all of the Geoffrey Assets.

Although the Geoffrey Disinterested Director and the Ad Hoc Group of B-4 Lenders believe that the Subsidy Agreement and the Asia JV MLA are separate, independent agreements that could be disposed of separately, no transaction has been proposed under which the Subsidy Agreement and the Asia JV MLA will reside at different entities. To the extent any such transaction is proposed, it will be presented to the Bankruptcy Court for review and approval, as contemplated by the Bankruptcy Court-approved bidding procedures for the sale of the Debtors' intellectual property assets. For the avoidance of doubt, the Asia JV and the Taj Holders Steering Group believe the Subsidy Agreement and the Asia JV MLA are integrated agreements and cannot be separated.

(b) **Payment of Geoffrey Sale Proceeds**

Subject to revocation of the Geoffrey Plan in accordance with Article X.C of the Plan, the Geoffrey Debtors shall fund the distributions to Holders of Allowed Administrative Claims, Professional Fee Claims, Other Secured Claims, Priority Claims, and Priority Tax Claims against the Geoffrey Debtors in accordance with the treatment of such Claims as provided in the Plan. The Geoffrey Debtors' remaining Cash on hand (if any), including remaining Geoffrey Proceeds (if any) and any other Cash received or generated by the Geoffrey Debtors, shall be used to fund the distributions to Holders of Allowed Claims and Interests against the Geoffrey Debtors in accordance with the treatment of such Claims and Interests and subject to the terms provided in the Plan.

(c) **Transfer or Retention of Assets**

The Geoffrey Debtors may sell all or any of their assets pursuant to the Geoffrey Bidding Procedures Order or otherwise outside the Plan. Any un-sold Geoffrey Assets will be retained by the Reorganized Debtors (which may continue to be owned by Reorganized Toys Inc. if the Delaware Retention Structure is utilized), transferred to Toys NewCo in exchange for the equity interests of Toys NewCo, transferred to the Prepetition Secured Lenders as a turnover of collateral, or transferred to the Liquidating Trust. Holders of Allowed Claims and Interests against the Geoffrey Debtors will be treated in accordance with Article III of the Plan.

4. **Restructuring Transactions**

On the Effective Date, the Debtors shall implement the Restructuring Transactions. The actions to implement the Restructuring Transactions may include: (a) the execution and delivery of appropriate agreements or other documents of merger, amalgamation, consolidation, restructuring, conversion, disposition, transfer, arrangement, continuance, dissolution, sale, purchase, or liquidation containing terms that are consistent with the terms of the Plan and that satisfy the applicable requirements of applicable law and any other terms to which the applicable Entities may agree; (b) 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; (c) the filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion, amalgamation, arrangement, continuance, or dissolution pursuant to applicable state or provincial law; (d) creation of the Liquidating Trust or other Entities, foreign or domestic; (e) the exchange of indebtedness of the Debtors held by the

Prepetition Secured Term Lenders (or by an entity formed by them) for all or a portion of the Geoffrey Assets, and/or the exchange of equity interests in an entity formed by the Prepetition Secured Term Lenders for all or a portion of the Geoffrey Assets, with such equity interests distributed to the Prepetition Secured Lenders as Plan consideration; and (f) all other actions that the applicable Entities determine to be necessary or appropriate and consistent with the Plan and Confirmation Order, including forming new entities and making filings or recordings that may be required by applicable law in connection with the Plan.

F. *Cancellation of Securities and Agreements*

On the Effective Date, except to the extent otherwise provided in the Plan, all notes, instruments, ~~C~~certificates, and other documents evidencing, or in any way related to, Claims or Interests shall be canceled and the obligations of the Debtors or the applicable Successor Entities thereunder or in any way related thereto shall be released, settled, and compromised; *provided*, *however*, that notwithstanding Confirmation or the occurrence of the Effective Date, any credit document or agreement that governs the rights of the Holder of a Claim or Interest shall continue in effect solely for the purposes of (a) allowing Holders of Allowed Claims to receive distributions under the Plan; (b) allowing the 8.75% Unsecured Notes Indenture Trustee to make distributions to holders of the 8.75% Unsecured Notes Claims pursuant to the indenture or bond agreement under which the 8.75% Unsecured Notes Indenture Trustee serves; (c) preserving the 8.75% Unsecured Notes Indenture Trustee's rights to compensation and indemnification under each of the applicable indentures or bond agreements as against any money or property distributable or allocable to Holders of 8.75% Unsecured Notes Claims, including, without limitation, the 8.75% Unsecured Notes Indenture Trustee's rights to maintain, enforce, and exercise its charging liens against such money or property; (d) permitting the 8.75% Unsecured Notes Indenture Trustee to appear in the Chapter 11 Cases or in any proceeding in the Bankruptcy Court or any other court.

G. *Settlement*

The Plan is intended to implement the Settlement Agreement in conjunction with the Settlement Order. The Debtors, the Reorganized Debtors, Non-Released Claims Trust Manager and the Liquidating Trustee are empowered to implement any and all Restructuring Transactions so long as (a) such actions do not materially reduce the distributions to Holders of Claims under the Plan or the Settlement Agreement and (b) the Settlement Parties consent to such actions (which consent shall not be unreasonably withheld).

H. *Transition Services*

On the Effective Date, all assets, contracts, resources, or any other personal property necessary to implement the Transition Services will vest in the applicable Successor Entities. The Successor Entities are authorized to provide all of the Transition Services, as set forth in any applicable Transition Service Agreements approved by the Bankruptcy Court. The Liquidating Trustee (or other applicable Successor Entity) will cooperate with Geoffrey and the Ad Hoc Group of Term B-4 Lenders to provide Transition Services to the Geoffrey Debtors if the Ad Hoc Group of Term B-4 Lenders determine that the Geoffrey Debtors require Transition Services after the Effective Date. The Successor Entities, and/or the Liquidating Trustee shall have no obligation to provide Transition Services absent an agreement among the applicable parties and, if entered into prior to the Effective Date, approval by the Bankruptcy Court. The Successor Entities and/or the Liquidating Trustee have no obligation to enter into any additional transition services agreements.

I. *Corporate Action*

Upon the Effective Date and without limiting any rights and remedies of the Debtors under the Plan or applicable law, the Debtors may structure the restructuring consummated pursuant to the Plan as a transfer of some or all of the Debtors' assets or stock to a newly formed corporation or other Entity, which transfer may be treated as a taxable transaction for United States federal income tax purposes and shall be deemed consummated on the Effective Date. Upon the Effective Date, all actions contemplated by the Plan shall be deemed authorized and approved in all respects, including the implementation of the Restructuring Transactions. All matters provided for in the Plan involving the corporate structure of the Debtors, and any corporate action required by the applicable Successor Entities or the Debtors in connection with the Plan shall be deemed to have occurred and shall be in effect, without any requirement of further action by the Security holders, directors, members, trustees, officers, or

managers of the Debtors or any further notice to or action, order, or approval of the Bankruptcy Court. On or (as applicable) before the Effective Date, the appropriate officers of the Debtors shall be authorized and (as applicable) directed to issue, execute, and deliver the agreements, documents, securities, and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of the Debtors, including any and all other agreements, documents, securities, and instruments relating to the foregoing. The authorizations and approvals contemplated by Article IV.C of the Plan shall be effective notwithstanding any requirements under non-bankruptcy law.

1. **Dissolution and Board of the Directors**

As of the Effective Date, the existing boards of directors or boards of managers of the Debtors shall be dissolved without any further action required on the part of the Debtors or the Debtors' officers, directors, shareholders, and members and any all remaining officers, directors, managers, or managing members, with the exception of certain officers of each Debtor shall be dismissed without any further action required on the part of any such Debtor, the shareholders of such Debtor, the officers and directors of such Debtor, or the members of such Debtor, *provided that* the Liquidating Trust and/or the other Successor Entities may enter into agreements for the continued employment of certain Toys Delaware employees on reasonable terms, if reasonably necessary to effectuate the purpose of the Liquidating Trust or conduct its remaining business, as applicable.

2. **Effectuating Documents; Further Transactions**

On and after the Effective Date, the Debtors and their directors, members, trustees, officers, and managers are authorized to and may issue, execute, deliver, file, or record such contracts, Securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan and any Securities issued pursuant to the Plan in the name of and on behalf of the Debtors, without the need for any approvals, authorizations, or consents, except for those expressly required pursuant to the Plan, or any further notice to or action, order, or approval of the Bankruptcy Court.

J. *Section 1145 Exemption*

The offer, issuance, and distribution of the New Equity Interests in Toys NewCo, any other Successor Entity or newly-formed entity whose equity interests are distributed to Holders of Claims under the Plan, the Geoffrey Equity Pool, and if the Delaware Retention Structure is utilized, Reorganized Toys Inc. under the Plan shall be exempt (except with respect to an entity that is an "underwriter" as defined in subsection (b) of section 1145 of the Bankruptcy Code), pursuant to section 1145 of the Bankruptcy Code, without further act or action, from registration under (i) the Securities Act, and all rules and regulations promulgated thereunder and (ii) any state or local law requiring registration for the offer, issuance, or distribution of securities. Each of the foregoing securities (a) is not a "restricted security" as defined in Rule 144(a)(3) under the Securities Act, and (b) is freely tradable and transferable by any initial recipient thereof that (i) at the time of transfer, is not an "affiliate" (as defined in Rule 144(a)(1) under the Securities Act) of the issuer of such securities and has not been such an "affiliate" within 90 days of such transfer, and (ii) is not an entity that is an "underwriter" as defined in subsection (b) of section 1145 of the Bankruptcy Code.

To the extent beneficial interests in the Liquidating Trust are deemed to be "securities" as defined in section 2(a)(1) of the Securities Act, section 101 of the Bankruptcy Code, and applicable state securities laws, the Debtors intend that the exemption provisions of section 1145 of the Bankruptcy Code will apply to such beneficial interests.

Should the Debtors elect on or after the Effective Date to reflect any ownership of the New Equity Interests through the facilities of the DTC, the Debtors need not provide any further evidence other than the Plan or the Confirmation Order with respect to the treatment of the New Equity Interests under applicable securities laws. DTC shall be required to accept and conclusively rely upon the Plan and Confirmation Order in lieu of a legal opinion regarding whether the New Equity Interests issued under the Plan are exempt from registration and/or eligible for DTC book-entry delivery, settlement, and depository services. Notwithstanding anything to the contrary in the Plan,

no entity (including, for the avoidance of doubt, DTC) may require a legal opinion regarding the validity of any transaction contemplated by the Plan, including, for the avoidance of doubt, whether the New Equity Interests issued under the Plan are exempt from registration and/or eligible for DTC book entry delivery, settlement, and depository services.

1. **Exemption from Certain Taxes and Fees**

Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property or any Interests pursuant to the Plan, including the recording of any amendments to such transfers, or any new mortgages or liens placed on the property in connection with such transfers, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, or other similar tax or governmental assessment, and upon entry of the Confirmation Order, the appropriate state or local governmental officials or agents shall forgo the collection of any such tax or governmental assessment and accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax, recordation fee, or governmental assessment

2. **D&O Insurance Policies**

After the Effective Date, the applicable Successor Entities shall not terminate or otherwise reduce the coverage under their directors' and officers' insurance policies (including the Existing Tail Policies) in effect on the Effective Date, with respect to conduct occurring prior thereto, and all officers, directors, trustees, managers, and members of the Debtors who served in such capacity at any time before the Effective Date shall be entitled to the full benefits of any such policy for the full term of such policy regardless of whether such officers, directors, trustees, or members remain in such positions after the Effective Date.

3. **Preservation of Rights of Action**

Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan, the Settlement Agreement, or a Bankruptcy Court order, the Debtors reserve and may assert any and all Causes of Action, including any actions specifically enumerated in the Plan Supplement, whether arising before or after the Petition Date. The Debtors preserve, and assign to the applicable Successor Entities, the right to commence, prosecute, or settle all Causes of Action belonging to such Debtors or their estates, notwithstanding the occurrence of the Effective Date; *provided, however*, for the avoidance of doubt, the Non-Released Claims shall include all D&O Claims and shall be transferred and/or assigned to the Non-Released Claims Trust and the Non-Released Claims Trust Manager shall have the right to commence, prosecute, or settle such Non-Released Claims in its discretion, in consultation with the Non-Released Claims Trust Oversight Committee. The claims preserved hereunder and assigned to the applicable Successor Entities, also include, without limitation, all Causes of Action of the Geoffrey Debtors' estates against the D&O Parties and all Causes of Action (including under chapter 5 of the Bankruptcy Code) referenced or preserved in the *Order (I) Authorizing Geoffrey LLC to Assume the Subsidy Agreement and (II) Granting Related Relief* [Docket No. 1609] and/or the *Order (I) Authorizing Geoffrey LLC to Assume the Intercompany IP License Agreements and (II) Granting Related Relief* [Docket No. 1610]. The applicable Successor Entities may pursue such Causes of Action in their sole discretion. For the avoidance of doubt, Intercompany Claims and Causes of Action of the Debtors are preserved unless and until the applicable Debtor releases or compromises such claim pursuant to Article III ~~hereof~~of the Plan. Unless otherwise resolved prior to the Effective Date on terms acceptable to the Geoffrey Debtors, the Geoffrey Debtors and/or their applicable Successor Entities intend to pursue certain Claims and Causes of Action referenced and preserved by the IP Assumption Orders.

No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Cause of Action against them as any indication that the applicable Successor Entities or the Non-Released Claims Trust, as applicable, will not pursue any and all available Causes of Action against them. No preclusion doctrine, including the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation or Consummation.

The Debtors reserve the Causes of Action (including all Non-Released Claims and all D&O Claims) notwithstanding the assumption or rejection of any Executory Contract or Unexpired Lease during the Chapter 11 Cases or pursuant to the Plan. In accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that a Debtor may hold against any Entity shall vest in the Debtors, and, as applicable, be assigned to the applicable Successor Entities or the Non-Released Claims Trust, as applicable. The Debtors, the Successor Entities, or the Non-Released Claims Trust, as applicable, through their authorized agents or representatives, shall retain and may exclusively enforce any and all Causes of Action vested, transferred, or assigned to such entity. The Debtors, the Successor Entities, or the Non-Released Claims Trust, as applicable shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order, or approval of the Bankruptcy Court.

For the avoidance of doubt, under the Plan, and/or the Confirmation Order, all of the Debtors' rights, claims, interests, Causes of Action, damages, remedies, and equitable claims and interests on account of or with respect to all trademarks, trade names, service marks, symbols, logos, and any other intellectual property shall be reserved and, as applicable, assigned to the Successor Entities.

While Geoffrey continues to investigate the circumstances of the March 2017 transactions between Geoffrey and the Asia JV or its subsidiaries, the Geoffrey Disinterested Director believes that valid causes of action exist that are preserved under the IP Assumption Orders, including claims for actual intent and/or constructive fraudulent transfer, breach of fiduciary duty, and aiding and abetting breach of fiduciary duty. The Geoffrey Disinterested Director further believes that, contrary to certain assertions in objections to the Disclosure Statement, the Subsidy Agreement is a separate contract from the Asia JV MLA, where, *inter alia*, the agreements have different parties, do not contain cross-defaults, and, in several cases, have been executed at different times. .

The Asia JV and Taj Holders Steering Group dispute those assertions and dispute that there are any valid causes of action against the Asia JV relating to the Asia JV MLA, the Subsidy Agreement, or any other contract or transaction. They argue, among other things, that the Asia JV MLA and the Subsidy Agreement are integrated agreements, which the Geoffrey Disinterested Director disputes. The parties, including the Geoffrey Debtors and the Asia JV, reserve any and all rights, claims, arguments, and defenses with respect to those contracts, the matters addressed in the IP Assumption Orders, and such other matters not specifically addressed therein.

K. *Wind-Down and Dissolution of the Toys Delaware Debtors*

On and after the Effective Date, the Liquidating Trustee (or other applicable Successor Entity) will implement any other provision of the Plan and any applicable orders of the Bankruptcy Court, and the Liquidating Trustee shall have the power and authority to take any action necessary to wind down and dissolve the Toys Delaware Debtors. After the Effective Date, the Debtors shall remain in existence for the sole purpose of dissolving. The Liquidating Trustee (or other applicable Successor Entity) shall: (1) cause the Debtors to comply with, and abide by, the terms of the Settlement Agreement; (2) file for each of the Debtors, a certificate of dissolution, together with all other necessary corporate and company documents, to effect the dissolution of the Debtors under the applicable laws of their state of incorporation or formation (as applicable); (3) complete and file all final or otherwise required federal, state, and local tax returns for each of the Debtors, and pursuant to section 505(b) of the Bankruptcy Code, request an expedited determination of any unpaid tax liability of such Debtor or its Estate for any tax incurred during the administration of such Debtor's Chapter 11 Case, as determined under applicable tax laws; and (4) reconcile (and if appropriate object to or settle) Claims against the Debtors in consultation with the Claims Oversight Representative; and (5) take such other actions as the Liquidating Trustee may determine to be necessary or desirable to carry out the purposes of the Plan. The filing by the Liquidating Trustee (or other applicable Successor Entity) of any Debtor's certificate of dissolution shall be authorized and approved in all respects without further action under applicable law, regulation, order, or rule, including any action by the stockholders, members, board of directors, or board of managers of each such Debtor. Solely to the extent and subject to the limitations provided in the Settlement Agreement, the Liquidator Agreement, the Plan, and the Confirmation Order, the Debtors shall fund the Liquidating Trust, as applicable, with funds to pay costs, expenses, or claims arising from or related to any Wind-Down. Notwithstanding anything in the Plan to the contrary, the Liquidating Trustee or the Disbursing Agent will make, or cause to be made, all distributions under the Plan other than those distributions made by the Debtors on the Effective Date.

In the event that the Debtors would continue to own any assets at the end of a tax year and the Debtors determine in consultation with the Ad Hoc Group of Term B-4 Lenders that steps should be taken to transfer all such remaining assets out of the Debtors into a separate entity, Reorganized Debtor, or trust prior to the conclusion of such tax year to minimize potential tax liabilities, the Debtors shall be authorized and empowered to make such transfer; *provided, however*, that such assets and the proceeds thereof shall remain subject to each provision of the Plan and Settlement Agreement as if such transfer had not occurred.

1. **Liquidation Trust**

On the Effective Date, to the extent any assets of the Toys Delaware Debtors or the Geoffrey Debtors remain and are not otherwise transferred to a trust or new entity pursuant to the Plan and the equity of such entities is not directly or indirectly distributed to Holders of Claims, a Liquidating Trust will be established for the primary purpose of liquidating the Liquidating Trust's assets, reconciling claims asserted against the Debtors (in consultation with the Claims Oversight Representative), and distributing the proceeds thereof in accordance with the applicable Plan, with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to, and consistent with, the purpose of the Liquidating Trust, including without limitation to provide Transition Services to the Debtors' affiliates in accordance with applicable agreements. Upon the transfer of the Debtors' assets and equity as more fully set forth in the Liquidator Agreement, the Debtors will have no reversionary or further interest in or with respect to the assets of the Liquidating Trust. The federal income tax treatment of the Liquidating Trust is discussed below.

To the extent beneficial interests in the Liquidating Trust are deemed to be "securities" as defined in section 2(a)(1) of the Securities Act, section 101 of the Bankruptcy Code, and applicable state securities laws, the Debtors intend that the exemption provisions of section 1145 of the Bankruptcy Code will apply to such beneficial interests.

2. **Liquidating Trustee**

Before or on the Effective Date, a Liquidating Trustee may be designated by the Debtors subject to the consent of the Ad Hoc Group of Term B-4 Lenders and the Creditors' Committee, ~~not to be unreasonably withheld,~~ pursuant to the terms of the Liquidator Agreement for the purposes administering the Liquidating Trust. The reasonable costs and expenses of the Liquidating Trustee shall be paid from the Liquidating Trust. The Liquidating Trustee shall only file tax returns for Debtors in jurisdictions where such Debtor previously filed tax returns, unless the Liquidating Trustee determines that a tax return is required to be filed due to a change in law, fact, or circumstance on or after the Effective Date. Following the Effective Date and in the event of the resignation or removal, liquidation, dissolution, death, or incapacity of the Liquidating Trustee, the Ad Hoc Group of Term B-4 Lenders in consultation with the Creditors' Committee shall designate another Entity to become Liquidating Trustee and such Entity will become the successor Liquidating Trustee and, without any further act, shall become fully vested with all of the rights, powers, duties, and obligations of the predecessor Liquidating Trustee.

The Entity chosen to be the successor Liquidating Trustee shall have such qualifications and experience to enable the Liquidating Trustee to perform its obligations under the Plan and under the Liquidator Agreement. The Liquidating Trustee shall be compensated and reimbursed for reasonable costs and expenses as set forth in, and in accordance with, the Liquidator Agreement.

L. *Settlement, Release, Injunction, and Related Provisions*

1. **Settlement, Compromise, and Release of Claims and Interests**

Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided pursuant to the Plan and Settlement Agreement, the distributions, rights, and treatment that are provided in the Plan shall be in settlement, compromise, and release, effective as of the Effective Date, of the Claims and Interests that are released, cancelled or discharged hereunder. The Confirmation Order shall be a judicial determination of the settlement, compromise, and release of such Claims and Interests subject to the Effective Date occurring.

2. **Discharge of Claims and Termination of Equity Interests**

Pursuant to section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan or in any contract, instrument, or other agreement or document created pursuant to the Plan, the distributions, rights, and treatment that are provided in the Plan shall be in complete satisfaction, discharge, and release, effective as of the Effective Date, of Claims (including any intercompany claims resolved or compromised after the Effective Date by the Debtors), interests, and causes of action of any nature whatsoever, including any interest accrued on claims or interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against, and interests in, the Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such claims and interests, including demands, liabilities, and causes of action that arose before the Effective Date, any liability (including withdrawal liability) to the extent such claims or interests relate to services performed by employees of the Debtors before the Effective Date and that arise from a termination of employment, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not: (1) a proof of claim based upon such debt or right is filed or deemed filed pursuant to section 501 of the Bankruptcy Code; (2) a claim or interest based upon such debt, right, or interest is allowed pursuant to section 502 of the Bankruptcy Code; or (3) the holder of such a claim or interest has accepted the Plan. Any default or "event of default" by the Debtors or their Affiliates with respect to any claim or interest that existed immediately before or on account of the filing of the chapter 11 cases shall be deemed cured (and no longer continuing) as of the Effective Date. The confirmation order shall be a judicial determination of the discharge of all Claims and Interests subject to the Effective Date occurring.

3. **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 Estates shall be fully released, settled, and compromised and all rights, titles, and interests of any Holder of such mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall revert to the Debtors.

4. **Releases by the Debtors**

Pursuant to section 1123(b) of the Bankruptcy Code, for good and valuable consideration, on and after the Effective Date, each Released Party shall be deemed released and discharged by the Debtors and the reorganized Debtors, and their estates from any and all claims and Causes of Action, including any derivative claims asserted on behalf of the Debtors, that the Debtors or the reorganized Debtors, or their 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 or Interest, or that any Holder of any Claim or Interest could have asserted on behalf of the Debtors, based on or relating to, or in any manner arising from, in whole or in part:

1. **the Debtors or the Debtors' in- or out-of-court restructuring efforts, intercompany transactions, the formulation, preparation, dissemination, negotiation, or filing of any documents related to the Restructuring;**
2. **any contract, instrument, release, or other agreement or document (including providing any legal opinion requested by any entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any Released Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the Restructuring, the Disclosure Statement, or the Plan;**
3. **the chapter 11 cases, the Disclosure Statement, the Plan, the filing of the 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;

4. **all claims and Causes of Action, if any, against Administrative Claim Holders (including, without limitation, the merchandise vendors) that do not opt out of the Administrative Claims Distribution Pool[30] including from (a) all claims or Causes of Action relating to credits, rebates, advertising incentives, and like items, and (b) any claims for disgorgement or claw-back of any payments made on account of trade agreements or 503(b)(9) claims, provided that any claims described in clause (a) of this paragraph relating to credits, rebates, advertising incentives, and like items, may be asserted in a defensive manner as off-sets to the claims of merchandise vendors in the claims reconciliation procedures set forth in the Plan and in the Final North American DIP Amendment Order (or in any litigation in the event of a challenge to the reconciliation);**

5. **the negotiation, implementation, or terms of the Settlement Agreement and related term sheet;**

6. **the negotiation, implementation, terms, or amendments to the DIP Facilities or DIP Orders prior to or during the Chapter 11 Cases;**

7. **(a) the transactions undertaken by the Sponsors in relation to the acquisition of the interests in Toys Inc. or (b) any and all refinancing transactions or sale transactions related to the equity or assets of the Debtors undertaken, approved, planned, or implemented by any of the Sponsors and/or the Debtor's managers, officers, directors, and employees, as applicable; or**

8. **any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date relating to any of the foregoing.**

The Debtors shall also waive and release any Claims or Causes of Action relating to credits, rebates, advertising incentives, and like items against Holders of General Unsecured Claims, provided that the Debtors reserve the right to reconcile any asserted General Unsecured Claims based on such Claims or Causes of Action; *provided, further*, for the avoidance of doubt, nothing in this Section shall apply to any Intercompany Claim or Cause of Action.

For the avoidance of doubt, nothing in this Section of the Plan or the Plan shall release any Non-Released Claims, any D&O Claims, or any claims of the Geoffrey Debtors against the D&O Parties. Notwithstanding anything to the contrary, the releases set forth in this Section under the Plan do not release (i) any post-Effective Date obligations of any party or Entity under the Plan or any document, instrument, or agreement (including those set forth in the plan supplement) executed to implement the Plan or (ii) any Intercompany Claims or Causes of Action (including any claims or Causes of Action of any of the Geoffrey Debtors against Toys (Labuan) Holding Limited or any of its direct or indirect subsidiaries).

Releases of Avoidance Actions by the Debtors

On and after the Effective Date, the Debtors waive, release and discharge any and all Avoidance Actions against all Released Parties, including any Avoidance Action Released Party, *provided, however*, that, for the avoidance of doubt, nothing in this Section of the Plan or the Plan shall release any Non-Released Claims, any D&O Claims, or any claims of the Geoffrey Debtors against the D&O Parties, or against any direct or indirect subsidiaries of Toys Inc.

Releases by Holders of Claims and Interests

As of the Effective Date, in addition to the releases in the Settlement Agreement, each Releasing Party is deemed to have released and discharged each Debtor, reorganized Debtor, and other Released Party from any and all claims and Causes of Action, including any derivative claims asserted on behalf of the Debtors that such entity would have been legally entitled to assert (whether individually or collectively),

30 The Debtors reserve the right to reconcile the claims asserted by merchandise vendors based on trade allowances, credits or other trade agreements, and all merchandise vendors reserve and retain the right to challenge any such claim by the Debtors.

based on or relating to, or in any manner arising from, in whole or in part, and solely to the extent relating to the Debtors:

1. **the Debtors or the Debtors' in- or out-of-court restructuring efforts, intercompany transactions, the formulation, preparation, dissemination, negotiation, or filing of any documents related to the Restructuring;**
2. **any contract, instrument, release, or other agreement or document (including providing any legal opinion requested by any entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any Released Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the Restructuring, the Disclosure Statement, or the Plan;**
3. **the chapter 11 cases, the Disclosure Statement, the Plan, the filing of the 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;**
4. **any claims against the DIP Lenders or the Prepetition Secured Term Lenders that any party could seek to assert on behalf of any estate, including Toys Delaware, and based on any theory, including fraudulent transfer, preference, section 506(c) of the Bankruptcy Code, or section 552(b) of the Bankruptcy Code;**
5. **the negotiation, implementation, or terms of the Settlement Agreement and related term sheet;**
6. **the negotiation, implementation, terms, or amendments to the DIP Facilities or DIP Orders prior to or during the Chapter 11 Cases;**
7. **all Claims and Causes of Action, if any, arising from or relating to (a) the transactions undertaken by the Sponsors in relation to the acquisition of the interests in Toys Inc., or (b) any and all refinancing transactions or sale transactions related to the equity or assets of the Debtors undertaken, approved, planned, or implemented by any of the Sponsors and/or the Debtor's managers, officers, directors, and employees, as applicable; or**
8. **any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date relating to any of the foregoing.**

For the avoidance of doubt, nothing in this Section or the Plan shall release any Non-Released Claims, any D&O Claims, or any claims of the Geoffrey Debtors against the D&O Parties. Notwithstanding anything to the contrary, the releases set forth in this Section under the Plan do not release (i) any post-Effective Date obligations of any party or entity under the Plan or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan or (ii) any Intercompany Claims or Causes of Action (including any claims or Causes of Action of any of the Geoffrey Debtors against Toys (Labuan) Holding Limited or any of its direct or indirect subsidiaries).

Notwithstanding anything to the contrary in the Plan, the allocation by and among Prepetition Secured Term Lenders of any recoveries and/or value from Wayne Real Estate Parent Company, LLC shall not be affected or altered by the terms of the Plan, and all arguments of the Prepetition Secured Term Lenders regarding such allocation are hereby expressly reserved.

7. **Exculpation**

Except as otherwise specifically provided in the Plan, no Exculpated Party shall have or incur, and each Exculpated Party is hereby 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 chapter 11 cases, the formulation, preparation, dissemination, negotiation, filing, or termination of the any documents related to the Settlement Agreement, the related term sheet, the Restructuring, and related prepetition transactions, the Disclosure Statement, the Plan, or any Restructuring transaction, contract, instrument, release or other agreement or document (including providing any legal opinion requested by any entity regarding any transaction, contract,

instrument, document, or other agreement contemplated by the Plan or the reliance by any Exculpated Party on the Plan or the Confirmation order in lieu of such legal opinion) created or entered into in connection with the Disclosure Statement, the Plan, the DIP Facilities, the filing of the 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, willful misconduct, 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, 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 to the contrary, the following shall not be released or exculpated hereby: (i) Intercompany Claims or Causes of Action, and (ii) "Non-Released Claims", "D&O Claims," and the Claims as against the "D&O Parties" by the Toys Delaware Debtors or Geoffrey Debtors, in respect of which the Settlement Agreement shall control over this provision in all respects with respect to the parties thereto, with respect to the parties thereto. For the avoidance of doubt, these exculpation provisions shall exculpate all Exculpated Parties of any liability otherwise arising out of any action taken in their capacity as or acting for fiduciaries of the Debtors' estates or any other party in interest.

8. **Injunction**

Except as otherwise expressly provided in the Plan or for obligations issued or required to be paid pursuant to the Plan or the Confirmation Order, all entities that have held, hold, or may hold claims or interests that have been ~~released pursuant to the Plan, shall be discharged pursuant to the Plan~~compromised, settled, or released, or are subject to exculpation pursuant to the Plan, are permanently enjoined, from and after the Effective Date, from taking any of the following actions against, as applicable, the Debtors, the reorganized Debtors, or any of the other Released Parties: (i) 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; (ii) 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; (iii) creating, perfecting, or enforcing any lien or 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; (iv) 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 entity has timely asserted such setoff right in a document filed with the Bankruptcy Court explicitly preserving such setoff, and notwithstanding an indication of a claim or interest or otherwise that such entity asserts, has, or intends to preserve any right of setoff pursuant to applicable law or otherwise; and (v) 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.

~~9. **Reservation of Rights for the United States**~~

9. ~~As to the United States, nothing in the~~ **Certain Claims of Governmental Units**

~~Plan or Confirmation Order shall limit or expand the scope of any release or injunction to which the Debtors are entitled to under the Bankruptcy Code, if any. The release and injunction provisions contained in the Plan and Confirmation Order are not intended and shall not be construed to bar the United States from, subsequent to the Confirmation Order, pursuing any police or regulatory action.~~

Nothing in this Plan discharges, releases, precludes, or enjoins: (i) any liability to any Governmental Unit that is not a Claim; (ii) any Claim of a Governmental Unit arising on or after the Effective Date; (iii) any police or regulatory

~~Accordingly, notwithstanding anything contained in the Plan or Confirmation Order to the contrary, nothing in the Plan or Confirmation Order shall discharge, release, impair, or otherwise preclude: (1) any liability to the United States that is not a "claim" within the meaning~~liability to a Governmental Unit on the part of ~~section 101(5) of the Bankruptcy Code; (2)~~ any ~~Claim of the United States arising on or after the Confirmation Date; (3) any valid right of setoff or recoupment of the United States against any of the Debtors; or (4) any liability of the Debtors under environmental law to any Governmental Unit~~Entity as the owner or operator of property ~~that such entity owns or operates after the Confirmation Date.~~after the Effective Date; or (iv) any liability to a Governmental Unit on the part of any Person other than the Debtors. Nor shall anything in ~~this Confirmation Order or~~ the Plan~~: (i)~~ enjoin or otherwise bar ~~the United States or any~~a Governmental Unit from asserting or enforcing, outside the~~is~~ Bankruptcy Court, any liability described in the preceding sentence~~; or (ii) divest any court, commission, or~~ . Nothing in this Plan divests any tribunal of any jurisdiction ~~to determine whether any liabilities asserted by the United States or any Governmental Unit are discharged or otherwise barred by the Confirmation Order, the Plan, or the Bankruptcy Code.~~

~~Moreover, nothing in the Confirmation Order or the Plan shall release or exculpate any non-debtor, including any Released Parties, from any liability to the United States, including but not limited to any liabilities arising under the Internal Revenue Code, the environmental laws, or the criminal laws against the Released Parties, nor shall anything in this Confirmation Order or the Plan enjoin the United States from bringing any claim, suit, action, or other proceeding against the Released Parties other than the Debtors for any liability whatsoever.~~

~~Nothing contained in the Plan or Confirmation Order shall be deemed to determine the tax liability of any person or entity, including but not limited to the Debtors, nor shall the Plan or Confirmation Order be deemed to have determined the federal tax treatment of any item, distribution, or entity, including the federal tax consequences of the Plan, nor shall anything in the Plan or Confirmation Order be deemed to have conferred jurisdiction upon the Bankruptcy Court to make determinations as to federal tax liability and federal tax treatment except as provided under 11 U.S.C. § 505.~~

~~Subject to any appeal rights, nothing in Article VIII.H of the Plan will give the United States the right to challenge the factual findings made by the Bankruptcy Court in the Confirmation Order.~~

~~Nothing in this section shall limit or otherwise affect the release by the Debtors and their Estates of their claims as set forth in Article VIII.D of the Plan.~~

it may have law to adjudicate any defense based on this paragraph of the Plan.

M. *Miscellaneous Provisions*

1. **Immediate Binding Effect**

Subject to Article IX and notwithstanding Bankruptcy Rules 3020(e), 6004(h), or 7062 or otherwise, upon the occurrence of the Effective Date, the Plan and the Plan Supplement shall be immediately effective and enforceable and deemed binding upon the Debtors, the Geoffrey Purchaser, and any and all Holders of Claims or Interests (irrespective of whether the Holders of such Claims or Interests accepted or rejected the Plan), all Entities that are parties to or are subject to the settlements, compromises, releases, and injunction described in the Plan, each Entity acquiring property under the Plan, and any and all non-Debtor parties to Executory Contracts and Unexpired Leases with the Debtors.

2. **Additional Documents**

On or before the Effective Date, the Debtors may File with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The Debtors, the Geoffrey Purchaser, and all Holders of Claims or Interests receiving distributions pursuant to the Plan and all other parties in interest shall, from time to time, prepare, execute, and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan.

3. **Payment of Statutory Fees**

All fees payable pursuant to section 1930(a) of the Judicial Code shall be paid by the Debtors for each quarter (including any fraction thereof) until the Chapter 11 Cases are converted, dismissed, or closed, whichever occurs first. For the avoidance of doubt, the Debtors shall pay any outstanding U.S. Trustee Fees in full on the Effective Date, and the Debtors or the applicable Successor Entities shall continue to pay such fees until the Chapter 11 cases are converted, dismissed, or closed, whichever occurs first.

4. **Dissolution of Committees**

On the Effective Date, any statutory committee appointed in the Chapter 11 Cases shall dissolve as to the Debtors (as defined in this Plan, only), and members, employees, or agents thereof~~,~~ shall be released and discharged from all rights and duties arising from or related to the Chapter 11 Cases; *provided*, *however*, each Professional shall be entitled to prosecute its respective Accrued Professional Compensation Claims and represent its respective constituents with respect to applications for payment of such Accrued Professional Compensation Claims, and the Claims Oversight Representative shall have the authority to continue consulting on the reconciliation of Claims as set forth herein. The Debtors, the Liquidating Trust, and the Geoffrey Purchaser shall no longer be responsible for paying any fees or expenses incurred by the members of or advisors to any statutory committees with respect to the Debtors in this Plan after the Effective Date.

5. **Monthly Operating Reports and Post-Effective Date Reports**

The Debtors will continue to include information regarding their deposits, expenditures, and other relevant financial information in monthly operating reports (prior to the Effective Date) and quarterly post-confirmation reports (after the Effective Date) Filed with the Bankruptcy Court until the applicable Chapter 11 Cases are converted, dismissed, or closed, whichever occurs first.

~~5.~~6. **Reservation of Rights**

The Plan shall have no force or effect unless the Bankruptcy Court shall enter the Confirmation Order. Neither the Plan, any statement or provision contained in the Plan, nor any action taken or not taken by any Debtor with respect to the Plan, the Disclosure Statement, the Confirmation Order, or the Plan Supplement shall be or shall be deemed to be an admission or waiver of any rights of any Debtor with respect to the Holders of Claims or Interests before the Effective Date.

~~6.~~7. **Successors and Assigns**

Except as specifically provided for in the Plan, the rights, benefits, and obligations of any Entity named or referred to in the Plan or the Confirmation Order shall be binding on, and shall inure to the benefit of any heir, executor, administrator, successor, or assign, Affiliate, officer, director, manager, trustee, agent, representative, attorney, beneficiaries, or guardian, if any, of each Entity.

~~7.~~8. **Service of Documents**

Any pleading, notice, or other document required by the Plan to be served on or delivered to the Debtors shall be served on:

the Debtors:

Toys "R" Us, Inc.
One Geoffrey Way,
Wayne, New Jersey 07470
Attention: James Young

with copies to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, New York 10022-4611
Facsimile: (212) 446-4900
Attention: Joshua A. Sussberg
E-mail addresses: joshua.sussberg@kirkland.com

and

Kirkland & Ellis LLP
300 North LaSalle
Chicago, Illinois 60654-3406
Facsimile: (312) 862-2200
Attention: Chad J. Husnick, Emily E. Geier
E-mail addresses: chad.husnick@kirkland.com, emily.geier@kirkland.com

Counsel for the Disinterested Directors of Toys "R" Us–Delaware, Inc.

Katten Muchin Rosenman LLP
575 Madison Avenue
New York, NY 10022-2585
Telephone: (212) 940-8800
Facsimile: (212) 940-8776
Attention: Steven J. Reisman, Shaya Rochester
Email: sreisman@kattenlaw.com, shaya.rochester@kattenlaw.com

Counsel for the Disinterested Directors of Geoffrey~~,~~ LLC and Geoffrey Holdings, LLC

Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
Telephone: (212) 225-2000
Facsimile: (212) 225-3999
Attention: James L. Bromley, Luke A. Barefoot
Email: jbromley@cgsh.comlbarefoot@cgsh.com

The Creditors' Committee:

Kramer Levin Naftalis & Frankel LLP
1177 Avenue of the Americas
New York, New York 10036
Facsimile: (212) 715-8000
Attention: Kenneth Eckstein, Adam Rogoff, Rachael Ringer
E-mail: keckstein@kramerlevin.com, arogoff@kramerlevin.com,
rringer@kramerlevin.com

The Ad Hoc Group of B-4 Lenders

Wachtell Lipton Rosen & Katz
51 W. 52nd St.

New York, New York 10019
Attention: Joshua A. Feltman, Emil A. Kleinhaus
E-mail: jafeltman@wlrk.com; eakleinhaus@wlrk.com

After the Effective Date, the Debtors have authority to send a notice to Entities that to continue to receive documents pursuant to Bankruptcy Rule 2002, such Entity must file a renewed request to receive documents pursuant to Bankruptcy Rule 2002. After the Effective Date, the Debtors are authorized to limit the list of Entities receiving documents pursuant to Bankruptcy Rule 2002 to those Entities who have Filed such renewed requests.

4. **Term of Injunctions or Stays**

Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Cases pursuant to sections 105 or 362 of the Bankruptcy Code or any order of the Bankruptcy Court, and extant on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order) shall remain in full force and effect until the Effective Date. All injunctions or stays contained in the Plan or the Confirmation Order (including the Injunction) shall remain in full force and effect in accordance with their terms.

5. **Entire Agreement**

Except as otherwise indicated, the Plan, the Confirmation Order, and the Plan Supplement supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into the Plan.

6. **Exhibits**

All exhibits and documents included in the Plan Supplement are incorporated into and are a part of the Plan as if set forth in full in the Plan. After the exhibits and documents are Filed, copies of such exhibits and documents shall be available upon written request to the Debtors' counsel at the address above or by downloading such exhibits and documents from the Debtors' restructuring website at https://cases.primeclerk.com/toysrus or the Bankruptcy Court's website at https://www.vaeb.uscourts.gov.

7. **Nonseverability of Plan Provisions**

If, before Confirmation, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is: (1) valid and enforceable pursuant to its terms; (2) integral to the Plan and may not be deleted or modified without the consent of the Debtors and the Geoffrey Purchaser; and (3) nonseverable and mutually dependent. Notwithstanding the foregoing, the Geoffrey Plan contained herein is a separate chapter 11 plan with respect to the Geoffrey Debtors only and therefore all of its provisions shall be severable from the Toys Delaware Plan in the event that Confirmation of the Toys Delaware Plan is denied or the Toys Delaware Plan is withdrawn.

8. **Waiver or Estoppel**

Each Holder of a Claim or an Interest shall be deemed to have waived any right to assert any argument, including the right to argue that its Claim or Interest should be Allowed in a certain amount, in a certain priority, Secured or not subordinated by virtue of an agreement made with the Debtors or their counsel, or any other Entity, if

such agreement was not disclosed in the Plan, the Disclosure Statement, or papers Filed with the Bankruptcy Court before the Confirmation Date.

ARTICLE V.
VOTING AND CONFIRMATION

A. *Class Entitled to Vote on the Plan*

As described more fully above, Class A4 (Term B-2 Loan and Term B-3 Loan Claims against the Toys Delaware Debtors), Class A5 (Term B-4 Loan Claims against the Toys Delaware Debtors), and Class B3 (Term B-2 Loan, Term B-3 Loan, and Term B-4 Loan Claims against the Geoffrey Debtors) are the only classes entitled to vote to accept or reject the Plan (such classes collectively, 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 Debtors or the Solicitation Agent on the Debtors' behalf otherwise provide to you.

B. *Votes Required for Acceptance by a Class*

Under the Bankruptcy Code, acceptance of a plan 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 entitled to vote on the Plan will be considered to have accepted the Plan if (a) the holders of at least two-thirds in dollar amount of the Claims 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*

All Holders of Claims entitled to vote on the Plan should consider several factors prior to voting to accept or reject the Plan. The following factors, among others, may impact recoveries under the Plan:

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

While these factors could affect distributions available to Holders of Claims 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 in such Voting Classes.

For a further discussion of risk factors, please refer to Article VIII hereof.

D. *Solicitation Procedures*

1. **Solicitation Agent**

The Debtors retained Prime Clerk to act, among other things, as Solicitation Agent in connection with soliciting votes to accept or reject the Plan.

2. **Solicitation Package**

Holders of Claims who are entitled to vote to accept or reject the Plan as of ~~**August 30**~~**September 6, 2018** (the "Voting Record Date"), will receive appropriate solicitation materials in the Solicitation Package, which will include the following:

- the appropriate ballot(s) and applicable voting instructions along with a preaddressed postage -pre-paid return envelope; and
- this Disclosure Statement and the Plan as an exhibit thereto.

3. **Distribution of the Solicitation Package and Plan Supplement**

The Debtors will cause Prime Clerk to distribute or cause to distributed the Solicitation Packages to Holders of Claims in the Voting Classes on or before **September ~~5~~12, 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 Inc. Ballot Processing Center, c/o Prime Clerk LLC, 830 3rd 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.usourts.gov.

Additionally, the Debtors intend to file the Plan Supplement on or before ten (10) business days prior to the Voting Deadline (subject to further supplementation as necessary) before the Voting Deadline. If the Plan Supplement is updated or otherwise modified, such modified or updated documents will be made available at https://cases.primeclerk.com/toysrus. The 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 Toys "R" Us Inc. Ballot Processing Center, c/o Prime Clerk LLC, 830 3rd Avenue, 3rd Floor, New York, New York 10022, and/or (iii) emailing toysrusinfo@primeclerk.com; or (b) for a fee via PACER at http://www.vaeb.usourts.gov.

As described above, certain Holders of Claims and Interests 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, therefore, are 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 Debtors are only distributing a Solicitation Package, which includes this Disclosure Statement and a ballot, to the Holders of Claims and Interests entitled to vote to accept or reject the Plan as determined on the Voting Record Date.

E. *Voting Procedures*

If, as of the Voting Record Date, you are a Holder of Classes A4, A5, and B3 you may vote to accept or reject the Plan in accordance with the Solicitation Procedures by following the instructions on your ballot. If your Claim 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 Debtors' solicitation and voting procedures shall apply to all of the Debtors' creditors and other parties in interest.

1. **Voting Deadline**

The deadline to vote on the Plan is **October ~~3~~5, 2018, at 5:00 p.m., prevailing Eastern Time** (the "Voting Deadline"). To be counted as a vote to accept or reject the Plan, your vote must be included on the ballot or the

master ballot that is properly executed, completed, and delivered in accordance with the instructions on the ballot or master ballot so that Prime Clerk **actually receives** the ballot or the master ballot, as applicable, no later than the Voting Deadline.

2. **Voting Instructions**

As described above, the 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
The Solicitation Agent must **actually receive** all Ballots must on or before the Voting Deadline, which is **October ~~3~~5, 2018, at 5:00 p.m., prevailing Eastern Time**, either via the online portal, https://cases.primeclerk.com/toysrus, at the following address: **Toys "R" Us, Inc. Ballot Processing** c/o Prime Clerk LLC 830 Third Avenue, New York, New York 10022 If you have any questions on the procedure for voting on the Plan, please call the Debtors at: (844) 794-3476 (toll free) or (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 with the appropriate ballot or master ballot. All ballots and master ballots must be properly executed, completed, and delivered according to their applicable voting instructions so that Prime Clerk **actually receives** the ballots or master ballots no later than the Voting Deadline in accordance with the procedures set forth in the applicable ballot. Any ballot that a Holder of a Claim entitled to vote has properly executed but has not clearly indicated that the Plan has been accepted or rejected or that indicates that the Plan has been both an accepted and rejected will not be counted.

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

Ballots may 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 also provides that all Holders of Claims that (i) vote to accept or are deemed to accept the Plan or (ii) are in a voting Class who abstain from voting on the Plan and do not opt out of the release provisions contained in Article VIII of the Plan will be deemed to have expressly, unconditionally, generally, individually, and collectively released all Claims and Causes of Action against the Debtors and the Released Parties.

Importantly, all Holders of Claims and Interests that (i) are not in voting Classes, (ii) do not file an objection with the Bankruptcy Court in the Chapter 11 Cases that expressly objects to the inclusion of such holder as a Releasing Party under the provisions contained in Article VIII.F of the Plan or (iii) do not elect to opt out of the provisions contained in Article VIII.F of the Plan using the documents provided, if any, will be deemed to have expressly, unconditionally, generally, individually, and collectively consented to the release of all Claims and Causes of Action against the Debtors and the Released Parties. By objecting to or electing to

opt out of the releases set forth in Article VIII.F of the Plan you will forgo the benefit of obtaining the releases set forth in Article VIII.F of the Plan if you otherwise would be a Released Party thereunder. The releases are an integral element of 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; (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 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 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.**

4. **Plan Objection Deadline**

Parties must object to Confirmation of the Plan by **October ~~3~~5, 2018, at 5:00 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 Debtors, counsel to the committee, and certain other parties in interest so that they are **actually received** on or before the Plan Objection Deadline.

5. **Confirmation Hearing**

Assuming the Plan obtains the required acceptances, the Debtors intend to seek to confirm the Plan at the Confirmation Hearing. The Confirmation Hearing is scheduled to commence on **October 10, 2018, at 1:00 p.m., prevailing Eastern Time**, 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, before, during, or as a result of the Confirmation Hearing, without further notice to parties in interest.

ARTICLE VI.
STATUTORY REQUIREMENTS FOR CONFIRMATION OF THE PLAN

The confirmation process is summarized briefly below. Holders of Claims and Interests are encouraged to review the relevant Bankruptcy Code provisions and to consult their own advisors with respect to the summary provided in this Disclosure Statement.

A. *Confirmation Hearing*

Section 1128(a) of the Bankruptcy Code requires a bankruptcy court, after notice, to conduct a hearing to consider confirmation of a chapter 11 plan. Any party in interest may object to confirmation of the Plan in accordance with Section 1128(b) of the Bankruptcy Code. **The Bankruptcy Court has scheduled a Confirmation Hearing for October 10, 2018, at 1:00 p.m., prevailing Eastern Time**. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement of the adjourned date made at a Confirmation Hearing or the filing of a notice for such adjournment served in accordance with the order approving the Disclosure Statement and Solicitation Procedures, the Bankruptcy Code, and the Local Bankruptcy Rules, as applicable. An objection to the Plan must (1) be in writing, (2) conform to the Bankruptcy Rules and the Local Bankruptcy Rules, (3) state the objecting party's name, address, phone number, and e-mail address and the amount and nature of the Claim or Interest, if any, (4) state with particularity the basis and nature of any objection to the

Plan and, if practicable, a proposed modification to the Plan that would resolve such objection, and (5) be filed contemporaneously with a proof of service with the Bankruptcy Court and served so that parties entitled to notice actually received no later than the Plan Objection Deadline, which is scheduled for **October ~~3~~5, 2018, at 5:00 p.m., prevailing Eastern Time**. Objections that are not served and filed timely may not be considered.

B. *Confirmation Standards*

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies the requirements of section 1129 of the Bankruptcy Code. The Debtors believe that the Plan satisfies or will satisfy all of the statutory requirements of chapter 11 of the Bankruptcy Code and that they have complied or will have complied with all of the requirements of chapter 11 of the Bankruptcy Code. Among the requirements for Confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code are that (1) all Impaired Classes of Claims or Interests accept the Plan or, if an Impaired Class rejects the Plan, 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.

1. **Best Interests of Creditors Test—Liquidation Analysis**

Often called the "best interests" test, section 1129(a)(7) of the Bankruptcy Code requires that a bankruptcy court find that a chapter 11 plan provides that each holder of a claim or an interest in each class either (a) has accepted the plan or (b) will receive or retain under the plan property of a value, as of the plan's effective date, that is not less than the amount that such holder would receive or retain if the debtor liquidated under chapter 7 of the Bankruptcy Code.

The Debtors believe the Plan will satisfy the best interest 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.

Here, the Debtors are selling all of their assets and distributing such assets to their creditors, subject to the Settlement Agreement and the Plan. Recoveries in a chapter 7 case likely would be significantly lower in light of the absence of the Settlement Agreement and the additional expenses that would be incurred in a chapter 7 proceeding. Specifically, the Settlement Agreement contemplates recoveries for creditor groups that would otherwise likely be unavailable. For example, the Settlement Agreement provides for significant cash payment to Holders of Administrative Claims from a carve-out in the Prepetition Secured Lenders' collateral, additional funds flowing into the Merchandise Reserve, and the Non-Released Claims Trust that preserves certain Claims and Causes of Actions against the Debtors' directors, officers, and managers and under chapter 5 of the Bankruptcy Code. Moreover, in a chapter 7 liquidation, the Estates would incur additional costs associated with a chapter 7 trustee and any retained professionals who would need to familiarize themselves with the circumstances surrounding these Chapter 11 Cases. *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 administration and expenses of a chapter 7 trustee and such trustee's professionals).

In addition, the Estates would also be obligated to continue to pay all unpaid expenses that the Debtors incur during the Chapter 11 Cases, including compensation for Professionals, which may constitute Allowed Claims.

There will also be new bar date that would be more than 90 days following the date that the cases are converted to a chapter 7. *See* Fed. R. Bankr. 1019(2); 3002. Therefore, the amount of Claims ultimately filed and Allowed against the Debtors could materially increase, further reducing creditor recoveries compared to those currently contemplated under the Plan.

For the foregoing reasons, the Debtors submit that a chapter 7 liquidation would result in materially reduced sale proceeds, increased expenses, delayed distributions, and the prospect that additional claims will be asserted in a chapter 7 that were not filed in the Chapter 11 Cases. Accordingly, the Debtors believe that the Plan provides an opportunity to bring a higher return for creditors.

2. **Financial Feasibility**

Section 1129(a)(11) of the Bankruptcy Code requires that the bankruptcy court find that confirmation is not likely to be followed by the liquidation of the reorganized debtors or the need for further financial reorganization, unless the plan contemplates such liquidation or reorganization. The Plan provides for the distribution of assets derived from the U.S. Wind-Down and an ultimate wind-down of all of the Debtors' operations. Accordingly, the Debtors believe that all Plan obligations will be satisfied without the need for the Reorganized Debtors' to be further reorganized.

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 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 interest entitles the Holder of such claim or interest; (2) cures any default, reinstates the original terms of such obligation, and compensates; or (3) provides that, on the Consummation date, the Holder of such claim or interest receives cash equal to the allowed amount of that claim or, with respect to any interest, any fixed liquidation preference to which the Holder of such interest is entitled or 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. Thus, a Class of creditor Claims will have voted to accept the Plan only if two-thirds in amount and more than one-half 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 impaired interests as acceptance by holders of at least two-thirds in dollar amount of those interests 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 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.

D. *Alternative Plans*

The Debtors do not believe that there are any alternative plans for the reorganization or liquidation of the Debtors' Estates. The Plan, as described herein, enables Holders of Claims and Interests to realize the greatest possible value under the circumstances and has the greatest chance to be confirmed and consummated when compared to any alternative plan. .

E. *Acceptance by Impaired Classes*

The Bankruptcy Code requires each class of claims or equity interests that is impaired under a plan to accept the plan, except as described below. 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 (a) 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, (b) cures any default, reinstates the original terms of such obligation, and compensates the applicable party in question, or (c) 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. Only Holders of Claims in the Voting Class 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 holders of Interests is entitled to vote on the Plan.

F. *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, however*, the plan is accepted by at least one impaired class (without regard to the votes of insiders). 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 interests that is impaired under and has not accepted the plan.

1. **No Unfair Discrimination**

The test for unfair discrimination 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, 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 Debtors do not believe the Plan discriminates unfairly against any Impaired Class of Claims or Interests. The Debtors believe that the Plan and the treatment of all Classes of Claims and Interests satisfy the foregoing requirements for non-consensual Confirmation.

2. **Fair and Equitable Test**

The fair and equitable 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 each non-accepting class, the test sets different standards depending on the type of claims or interests in such class. As set forth below, the Debtors believe that the Plan satisfies the "fair and equitable" requirement, notwithstanding the fact that certain Classes are deemed to reject the Plan. There is no Class receiving more than a 100 percent recovery and, with the exception of any recovery provided pursuant to the Settlement Agreement, no junior Class is receiving a distribution under the Plan until all senior Classes have received a 100 percent recovery.

(a) **Secured Claims**

The condition that a plan be "fair and equitable" to a non-accepting class of secured claims may be satisfied if, among other things, a debtor demonstrates 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.

(b) **Unsecured Claims**

The condition that a plan be "fair and equitable" to a non-accepting class of unsecured claims includes the requirement 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 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 interest any property.

(c) **Interests**

The condition that a plan be "fair and equitable" to a non-accepting class of interests includes the requirements that either (i) the plan provides that each holder of an interest in that class receives or retains under the plan on account of that interest property of a value, as of the effective date of the plan, equal to the greater of (1) the allowed amount of any fixed liquidation preference to which such holder is entitled, (2) any fixed redemption price to which such holder is entitled, or (3) the value of such interest, or (ii) if the class does not receive the amount as required under (i) no class of interests junior to the non-accepting class may receive a distribution under the plan.

ARTICLE VII.
CERTAIN RISK FACTORS TO BE CONSIDERED PRIOR TO VOTING

Holders of Claims entitled to vote should read and consider carefully the risk factors set forth below in addition to the other information contained in this Disclosure Statement and the documents delivered therewith, referred to, or incorporated by reference before voting to accept or reject the Plan. These factors should not be regarded as constituting the only risks present in connection with the Debtors' operations or the Plan and its implementation.

The Debtors are subject to a number of risks that can be categorized generally as either (1) bankruptcy-related risks or (2) general business and financial risk factors. Each factor that is related thereto and enumerated below may have a material adverse effect on the Debtors' financial condition or operational results, as applicable.

A. *Bankruptcy Law Considerations*

The occurrence or non-occurrence of any or all of the following contingencies and any others may affect distributions available to Holders of Allowed Claims and Allowed 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 in such Impaired Classes.

1. **Objections to the Classification of Claims and Interests Under the Plan**

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

2. **Conditions Precedent Under the Plan May Not Occur**

As more fully set forth in Article IX of the Plan, Confirmation and the Effective Date are subject to a number of conditions precedent that need to be met or otherwise waived or else either Confirmation or the Effective Date, as applicable, will not take place.

3. **Failure to Satisfy Vote Requirements**

The Bankruptcy Code requires Holders of at least two-thirds in dollar amount and more than one-half in number of Claims in Classes entitled to vote to accept the Plan. In the event that the required number and amount of votes received is sufficient to confirm the Plan, the Debtors intend to seek Confirmation of the Plan as promptly as practicable thereafter. However, if sufficient votes are not received, the Debtors may seek to confirm an alternative chapter 11 plan. There can be no assurance that the terms of any such alternative chapter 11 plan would be similar or as favorable to the Holders of Allowed Claims and Allowed Interests as those proposed in the Plan. As it stands, the Debtors do not believe that there is any such transaction that would be more beneficial to the Estates than the Plan.

4. **Inability to Confirm the Plan**

Section 1129 of the Bankruptcy Code sets forth the requirements for a chapter 11 plan to be confirmed. A Bankruptcy Court must find pursuant to section 1129 of the Bankruptcy Code that (a) such plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting classes, (b) liquidation or the need for further financial reorganization likely will not follow the plan's confirmation unless such liquidation or reorganization is contemplated under the plan, and (c) the value of distributions to non-accepting holders of claims and interests within a particular class under such plan will not be less than the value of distributions such holders would receive if the 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 an Allowed Interest might challenge either this Disclosure Statement's adequacy or whether the balloting procedures and voting results satisfy the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determines that this Disclosure Statement, the Solicitation Procedures, and the voting results are appropriate, the Bankruptcy Court can still decline to confirm the Plan if it finds that any statutory requirement for Confirmation has not been met, including the requirement that the Plan does not "unfairly discriminate" and are "fair and equitable" to non-accepting Classes. If the Plan is not confirmed, it is unclear what distributions, if any, Holders of Allowed Claims and Allowed Interests will receive with respect to their Allowed Claims and Allowed Interests.

The Debtors reserve the right to modify the terms and conditions under the Plan as necessary for Confirmation, subject to the terms and conditions contained therein. Any such modifications may result in less favorable treatment for any Class than the treatment currently provided in the Plan. Less favorable treatment may include distribution of property that is lesser in value than the property to be distributed currently under the Plan or no distribution of property whatsoever.

(a) **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 has accepted the plan (with such acceptance being determined without including the vote of any "insider" in such class) and it is determined that the plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting classes. The Debtors believe that the Plan satisfies these requirements and the Debtors may request such nonconsensual Confirmation in accordance with section 1129(b) of the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will reach this conclusion. In addition, if the Debtors pursue a nonconsensual Confirmation of the Plan, then it may result in increased expenses and certain conditions under the Settlement Agreement lapsing, among other things.

(b) **The Debtors May Object to the Amount or Classification of a Claim**

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

(c) **Parties Who Opted Out of the Settlement Agreement May Decline to Change Their Election or Otherwise Settle Their Claims.**

Four parties who have opted out of the Settlement Agreement have objected to the Disclosure Statement and asserted that as holders of Administrative Claims they are entitled to payment in full of their respective Administrative Claims on the Effective Date of the Plan. *See* Objections of PlayFusion Limited [Docket No. 4346] (asserted Administrative Claim of $2,014,708.58), The Singing Machine Company, Inc. [Docket No. 4357] (asserted Administrative Claim of $2,846,338.37), Brightview Enterprise Solutions, LLC [Docket No.4360] (asserted Administrative Claim of $815,810.74), and The Maya Group HK, LTD. [Docket No. 4368] (asserted Administrative Claim of $464,679) (collectively, the "Objecting Claimants"). Section 1129(a)(9)(A) of the Bankruptcy Code provides that all administrative claims be paid upon the effective date of a plan unless the holder of a claim agrees to different treatment. The Debtors acknowledge that, (x) if these holders have Allowed Administrative Claims and (y) do not otherwise agree to different treatment ahead of or in connection with Confirmation, in order to confirm the Plan, the Allowed Administrative Claims would need to be paid in full. The Debtors have already objected to the claims asserted by the Objecting Claimants. *See* Docket No. 4462. Moreover, and consistent with the terms of the Settlement Agreement, the Debtors intend to commence actions pursuant to section 547 of the Bankruptcy Code against both The Maya Group HK, LTD and The Singing Machine Company, Inc. The Debtors will continue to engage with these parties ahead of Confirmation. Notably, the Settlement Agreement provides that if the Plan cannot be confirmed, the Debtors will seek a structured dismissal of the applicable Chapter 11 Cases. *See* Settlement Agreement, § 3.3(a)(2).

~~(c)~~(d) **Contingencies May 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 whether the Bankruptcy Court orders certain Allowed Claims and Allowed Interests to be subordinated to other Allowed Claims and Allowed Interests. The occurrence of any and all such contingencies, which may affect distributions available to Holders of Allowed Claims and Allowed 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 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 the percentage recoveries to Holders of Allowed Claims and Interests under the Plan, among other things.

~~(d)~~(e) **The Chapter 11 Cases May Be Converted to Cases Under Chapter 7 of the Bankruptcy Code**

If a 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 set forth in the Bankruptcy Code. The 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 remaining assets would have to be administered in a disorderly fashion, (b) additional administrative expenses with a chapter 7 trustee being appointed to administer the

cases, (c) additional expenses and Claims, some of which would be entitled to priority, that would be generated during the liquidation, and (d) the absence of a consensual resolution among the various creditor constituencies as set forth in the Settlement Agreement.

5. **Releases, Injunctions, and Exculpations Provisions May Not Be Approved**

Article VIII of the Plan provides for certain mutual releases, injunctions, and exculpations, including releases of liens and third-party releases that may otherwise be asserted against the Debtors or Released Parties, as applicable. Parties in Interest may object to the releases, injunctions, and exculpations provided in the Plan, which might result in them not being approved. If the releases, injunctions, and exculpations are not approved, certain Released Parties may withdraw their support for the Plan and the Debtors may not be able to obtain Confirmation of the Plan.

B. *Risk Related to Recoveries Under the Plan*

1. **Risks Related to the Settlement Agreement**

As described above, the Settlement Parties entered into the Settlement Agreement to resolve claims related to the U.S. Wind-Down. This settlement serves as the basis for the Plan's distributions and releases, and its implementation remains subject to the Bankruptcy Court's approval and certain prerequisites. Although the Debtors believe that all the Settlement Parties are working diligently to ensure that the Settlement Agreement is consummated, the Debtors are aware that there are certain risks associated with this process. For example, the Settlement Agreement contemplates that Holders of an Allowed Administrative Claim are permitted to opt out of receiving a distribution from the Administrative Claims Distribution Pool if they decide to neither provide nor receive releases. If Holders of Administrative Claims holding more than 7.5% in value of such Claims opt out, then the Ad Hoc Group of B-4 Lenders and the Debtors have the option to not move forward with the Vender Settlement Agreement.

2. **Risk of Non-Occurrence of the Effective Date**

Although the 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 such an Effective Date will in fact occur.

3. **The Tax Implications of the Plan and the Bankruptcy of the Debtors and Certain of the Debtors' Affiliates are Complex**

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

4. **Financial Information Is Based on the Debtors' Books and Records**

The financial information contained in this Disclosure Statement has not been audited. In preparing this Disclosure Statement, the Debtors relied on financial data derived from their books and records that was available at the time of such preparation. Although the Debtors have used their reasonable business judgment to ensure the accuracy of the financial information provided in this Disclosure Statement and while the Debtors believe that such financial information fairly reflects the financial condition of the Debtors, the Debtors are unable to represent or warrant that the financial information contained in this Disclosure Statement and attached hereto is without inaccuracies.

C. *Disclosure Statement Disclaimer*

1. **Information Contained in this Disclosure Statement Is for Soliciting Votes**

The information contained in this Disclosure Statement is for the purposes of soliciting acceptances of the Plan and may not be relied upon for any other purpose.

2. **The United States Securities and Exchange Commission Has Not Approved This Disclosure Statement**

This Disclosure Statement was not filed with the United States Securities and Exchange Commission under the Securities Act or applicable state securities laws. Neither the United States Securities and Exchange Commission nor any state regulatory authority has passed upon the accuracy or adequacy of this Disclosure Statement, or the exhibits or the statements contained in this Disclosure Statement.

3. **This Disclosure Statement Does Not Provide Legal or Tax Advice**

This Disclosure Statement is not legal advice to you. The contents of this Disclosure Statement should not be construed as legal, business, or tax advice. Each Holder of a Claim or an Interest should consult his or her own legal counsel, accountant, or other applicable advisor with regard to any legal, tax, and other matters concerning his or her Claim or Interest. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to Confirmation of the Plan.

4. **No Admissions Made**

The information and statements contained in this Disclosure Statement will neither (a) constitute an admission of any fact or liability by any entity nor (b) be deemed evidence of the tax or other legal effects of the Plan on the Debtors, Holders of Allowed Claims or Allowed Interests, or any other parties in interest.

5. **Failure to Identify Litigation Claims or Projected Objections**

No reliance should be placed on the fact that a particular litigation claim or projected objection to a particular Claim or Interest is or is not identified in this Disclosure Statement. The Debtors may seek to investigate, File, and prosecute Claims and Interests and may object to Claims or Interests after the Confirmation or Effective Date of the Plan irrespective of whether this Disclosure Statement identifies such Claims or Interests or objections to such Claims or Interests.

6. **Information Was Provided by the Debtors and Was Relied Upon by the Debtors' Advisors**

The Debtors' advisors have relied upon information provided by the Debtors in connection with the preparation of this Disclosure Statement. Although the Debtors' advisors have performed certain limited due diligence in connection with the preparation of this Disclosure Statement, they have not verified independently the information contained in this Disclosure Statement.

7. **Potential Exists for Inaccuracies, and the Debtors Have No Duty to Update**

The Debtors have made the statements contained in this Disclosure Statement as of the date of this Disclosure Statement, unless otherwise specified in this Disclosure Statement. The delivery of this Disclosure Statement after the date of this Disclosure Statement does not imply that there has not been a change in the information set forth in this Disclosure Statement such date. While the Debtors have used their reasonable business judgment to ensure the accuracy of all of the information provided in this Disclosure Statement and in the Plan, the Debtors nonetheless cannot and do not confirm the current accuracy of all statements appearing in this Disclosure Statement. Further, although the Debtors may subsequently update the information in this Disclosure Statement, the Debtors have no affirmative duty to do so unless ordered to do so by the Bankruptcy Court.

8. **No Representations Outside this Disclosure Statement Are Authorized**

Neither the Bankruptcy Court nor the Bankruptcy Code authorizes representations concerning or relating to the Debtors, the Chapter 11 Cases, or the Plan, except as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan other than as contained herein or in accordance with the Settlement Agreement should not be relied upon when deciding making your decision. You should promptly report unauthorized representations or inducements to the counsel to the Debtors, the United States Trustee for the Eastern District of Virginia, and counsel to the Creditors' Committee.

D. *Liquidation Under Chapter 7*

If no plan can be confirmed, the Debtors' Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the assets of the Debtors for distribution in accordance with the priorities established by the Bankruptcy Code. A discussion of the effects that a chapter 7 liquidation would have on the recoveries of Holders of Claims and Interests and the Debtors' liquidation analysis is set forth in Article VI~~I~~ of this Disclosure Statement, "Statutory Requirements for Confirmation of the Plan~~" and the Liquidation Analysis attached hereto as **Exhibit B**~~."

ARTICLE VIII.
IMPORTANT SECURITIES LAW DISCLOSURE

Under the Plan, New Equity Interests in Toys NewCo, any other newly formed entity, the Geoffrey Equity Pool, and, if the Delaware Retention Structure is used, Reorganized Toys Inc. may be distributed to certain Holders of Claims. The Debtors believe that such New Equity Interests may constitute "securities" as defined in section 2(a)(1) of the Securities Act, section 101 of the Bankruptcy Code, and applicable state securities laws.

The offer, issuance, and distribution of the New Equity Interests in Toys NewCo, any other newly formed entity where equity interests are distributed to Holders of Claims under the Plan, the Geoffrey Equity Pool, and, if the Delaware Retention Structure is used, Reorganized Toys Inc. under the Plan shall be exempt (except with respect to an entity that is an "underwriter" as defined in subsection (b) of section 1145 of the Bankruptcy Code), pursuant to section 1145 of the Bankruptcy Code, without further act or action, from registration under (i) the Securities Act, and all rules and regulations promulgated thereunder and (ii) any state or local law requiring registration for the offer, issuance, or distribution of securities. Each of the foregoing securities (a) is not a "restricted security" as defined in Rule 144(a)(3) under the Securities Act, and (b) is freely tradable and transferable by any initial recipient thereof that (i) at the time of transfer, is not an "affiliate" (as defined in Rule 144(a)(1) under the Securities Act) of the issuer of such securities and has not been such an "affiliate" within 90 days of such transfer, and (ii) is not an entity that is an "underwriter" as defined in subsection (b) of section 1145 of the Bankruptcy Code.

To the extent beneficial interests in the Successor Entities are deemed to be "securities" as defined in section 2(a)(1) of the Securities Act, section 101 of the Bankruptcy Code, and applicable state securities laws, the Debtors intend that the exemption provisions of section 1145 of the Bankruptcy Code will apply to such beneficial interests.

Section 1145(b) of the Bankruptcy Code defines "underwriter" as one who, except with respect to ordinary trading transactions, (a) purchases a claim with a view to distribution of any security to be received in exchange for the claim, (b) offers to sell securities issued under a plan for the holders of such securities, (c) offers to buy securities issued under a plan from persons receiving such securities, if the offer to buy is made with a view to distribution or (d) is an issuer, as used in Section 2(a)(11) of the Securities Act, with respect to such securities, which includes control persons of the issuer.

You should confer with your own legal advisors to help determine whether or not you are an "underwriter."

Persons who receive securities that are exempt under section 1145 of the Bankruptcy Code but who are deemed "underwriters," "affiliates," or "control persons" may, however, be permitted to sell such securities without registration if an available resale exemption exists, including the exemption provided by Rule 144 under the

Securities Act, subject to applicable volume limitations, notice and manner of sale requirements, and certain other conditions.

Persons who receive securities under the Plan are urged to consult their own legal advisor with respect to the restrictions applicable under the federal or state securities laws and the circumstances under which securities may be sold in reliance on such laws.

The foregoing summary discussion is general in nature and has been included in this Disclosure Statement solely for informational purposes. The Debtors make no representations concerning, and do not provide, any opinions or advice with respect to the securities or bankruptcy matters described in this Disclosure Statement. In light of the uncertainty concerning the availability of exemptions from the relevant provisions of federal and state securities laws, we encourage each Holder and party in interest to consider carefully and consult with its own legal advisors with respect to all such matters. Because of the complex, subjective nature of the question of whether a security is exempt from the registration requirements under the federal or state securities laws or whether a particular Holder may be an underwriter, the Debtors make no representation concerning the ability of a person to dispose of the securities issued under the Plan.

A. *No Registration or Listing*

Issuers of the New Equity Interests will not be required to file periodic reports under the Securities Exchange Act or seek to list the New Equity Interests for trading on a national securities exchange. Consequently, there will not be "current public information" (as such term is defined in Rule 144) regarding issuers of the New Equity Interests.

ARTICLE IX.
CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following discussion summarizes certain United States ("U.S.") federal income tax consequences of the implementation of the Plan to the Debtors, and the U.S. federal income tax consequences to certain holders of Claims or Interests entitled to vote on the Plan. It does not address the U.S. federal income tax consequences to Holders of Claims or Interests not entitled to vote on the Plan. This summary is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), the U.S. Treasury Regulations promulgated thereunder (the "Treasury Regulations"), judicial decisions, and published administrative rules and pronouncements of the IRS, all as in effect on the date hereof (collectively, "Applicable U.S. Tax Law"). Changes in the rules or new interpretations of the rules may have retroactive effect and could significantly affect the U.S. federal income tax consequences described below. The discussion below is not binding upon the IRS or the courts. 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.

This summary does not address non-U.S., state, local or non-income tax consequences of the Plan (including such consequences with respect to the Debtors), 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 Debtors within the meaning of the Tax Code, persons liable for alternative minimum tax, U.S. Holders whose functional currency is not the U.S. dollar, U.S. expatriates, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax exempt organizations, controlled foreign corporations, passive foreign investment companies, partnerships (or other entities treated as partnerships or other pass-through entities), beneficial owners of partnerships (or other entities treated as partnerships or other pass-through entities), subchapter S corporations, persons who hold Claims or who will hold any consideration received pursuant to the Plan as part of a straddle, hedge, conversion transaction, or other integrated investment, persons using a mark-to-market method of accounting, and Holders of Claims who are themselves in bankruptcy). Furthermore, this summary assumes that a Holder of a Claim or Interest holds only Claims or Interests in a single Class and holds a Claim or Interest only as a "capital asset" (within the meaning of section 1221 of the Tax Code). This summary also assumes that Claims will be treated in accordance with their form for U.S. federal income tax purposes. The U.S. federal income tax consequences of the implementation of the Plan to the Debtors and Holders of Claims or Interests described below also may vary depending on the nature of any Restructuring Transactions that the Debtors engaged in.

For purposes of this discussion, a "U.S. Holder" is a Holder of a Claim or Interest 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 Tax Code) 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 neither a U.S. Holder nor a 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 of a Claim or Interest, 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 entities treated as partnerships or other pass-through entities) that are Holders of Claims or Interests 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 and is not a substitute for careful tax planning and advice based upon the individual circumstances pertaining to a Holder of a Claim or Interest. All Holders of Claims or Interests are urged to consult their own tax advisors as to the federal, state, local, non-U.S., non-income, and other tax consequences

A. *Certain U.S. Federal Income Tax Consequences to the Debtors*

1. **Classification of Debtors for U.S. Federal Income Tax Purposes**

The Debtors are either (a) members of the U.S. federal consolidated tax group, of which Toys "R" Us, Inc. ("Toys Inc.") is the parent (the "Toys Inc. Consolidated Group"); (b) disregarded subsidiaries of such members; or (c) "controlled foreign corporations" ("CFCs"). Members of a consolidated group have joint and several liability for the U.S. federal income taxes of the consolidated group. According to certain nonbinding IRS guidance, disregarded entities of members in a consolidated group do not have liability for the taxes of such group. CFCs do not have liability for the tax liability of their parent companies that are members of a U.S. consolidated tax group. Specifically, Toys "R" Us Delaware, Inc. ("Toys Delaware") and TRU-SVC, Inc. are members of the Toys Inc. Consolidated Group; TRU of Puerto Rico, Inc. is a CFC; and the other Debtors (including the Geoffrey Debtors; Giraffe Holdings, LLC, and its subsidiaries; and Wayne Real Estate Parent Company, LLC and its subsidiaries) are disregarded entities.

The Debtors currently anticipate that the consummation of the Plan, taken together with transactions that are expected to occur with respect to Toys Inc. and its direct and indirect subsidiaries other than the Debtors (e.g., Toys "R" Us Europe, LLC and its direct and indirect subsidiaries), will give rise to administrative tax liabilities for which the members of the Toys Inc. Consolidated Group will be jointly and severally liable. As they relate to the Debtors, such liabilities will be subject to the treatment generally outlined above with respect to Administrative Claims. These administrative tax liabilities may be reduced or, potentially eliminated, in certain transaction structures in which Toys Inc. continues to own the stock of Toys Delaware and Toys Delaware continues to directly or indirectly own sufficient assets so that the stock of Toys Delaware is not treated as "worthless" for applicable tax purposes (such structure, the "Delaware Retention Structure"). At this time, the Debtors have not determined whether the Delaware Retention Structure can or will be pursued or the extent to which administrative tax liabilities would arise if the Delaware Retention Structure were to be utilized.

The Plan generally provides that certain of the Debtors' assets may be transferred to one or more newly-formed entities, the stock of which may be distributed to Holders of Claims in partial satisfaction thereof. Any such transaction would be anticipated to be a taxable transaction, that tax consequences of which would generally be factored into the overall determination of whether any administrative tax liabilities are owed by the Toys Inc. Consolidated Group.

2. **Survival of Tax Attributes**

Unless the Delaware Retention Structure is consummated, the Debtors expect that all of the Debtors' assets will be disposed of in taxable transactions. In such a case, all of the Debtors' tax attributes (and the tax attributes of the Toys Inc. Consolidated Group in general), to the extent not utilized in connection with the consummation of the Plan and the various other transactions occurring within the Toys Inc. Consolidated Group, will be eliminated.

In the event the Delaware Retention Structure is consummated, the Toys Inc. Consolidated Group will be at least partially preserved, and the survival of any of the Toys Inc. Consolidated Group's tax attributes will depend upon, among other things, (a) the utilization of such attributes in connection with the transactions undertaken by the Toys Inc. Consolidated Group, and (b) the reduction of tax attributes as a result of the cancellation of indebtedness income ("CODI") rules. Because the amount of any attribute reduction under the CODI rules will depend, in significant part, on the recovery received by Holders of Claims against the Debtors and Claims against the other direct and indirect subsidiaries of Toys Inc., the amount of any CODI--and any surviving tax attributes--cannot be known with certainty until tax returns are prepared.

To the extent any tax attributes survive after taking the above factors into account, any such attributes would be subject to limitation under Section 382 of the IRC. Under sections 382 and 383 of the Tax Code, if a corporation undergoes an "ownership change," the amount of its surviving NOL carryovers, capital loss carryovers, tax credit carryovers, and certain other tax attributes (potentially including losses and deductions that have accrued economically but are unrecognized as of the date of the ownership change) of the Debtors allocable to periods before the Effective Date (collectively, the "Pre-Change Losses") that may be utilized to offset future taxable income generally is subject to an annual limitation.

In general, the amount of the annual limitation to which a corporation that undergoes an "ownership change" would be subject is equal to the product of (a) the fair market value of the stock of the corporation immediately before the "ownership change" (with certain adjustments) multiplied by (b) the "long-term tax-exempt rate" (which is the highest of the adjusted federal long-term rates in effect for any month in the 3-calendar-month period ending with the calendar month in which the "ownership change" occurs).

If a corporation (or affiliated group) has a net unrealized built-in gain at the time of an ownership change (taking into account most assets and items of "built-in" income and deductions), then the section 382 limitation may be increased to the extent that the debtors recognize certain built-in gains in their assets during the five-year period following the ownership change, or are treated as recognizing built-in gains pursuant to the safe harbors provided in IRS Notice 2003-65. If a corporation (or affiliated group) has a net unrealized built-in loss at the time of an ownership change (taking into account most assets and items of "built-in" income and deductions), then generally built-in losses (including amortization or depreciation deductions attributable to such built-in losses) recognized during the following five years (up to the amount of the original net unrealized built-in loss) will be treated as Pre-Change Losses and similarly will be subject to the annual limitation. In general, a corporation's (or affiliated group's) net unrealized built-in gain or net unrealized built-in loss will be deemed to be zero unless it is greater than the lesser of (a) $10,000,000 or (b) 15% of the fair market value of its assets (with certain adjustments) before the ownership change.

Section 383 of the Tax Code applies a similar limitation to capital loss carryforwards and tax credits. Any unused limitation may be carried forward, thereby increasing the annual limitation in the subsequent taxable year.

Notwithstanding the rules described above, if post-ownership change, a debtor corporation and its subsidiaries do not continue the debtor corporation's historic business or use a significant portion of its historic business assets in a new business for two years after the ownership change (the "Business Continuity Requirement"), the annual limitation resulting from the ownership change is zero.

Special rules may apply in the case of a corporation that experiences an ownership change as the result of a bankruptcy proceeding. When shareholders or so-called "qualified creditors" of a debtor corporation in chapter 11 receive, in respect of their claims, at least 50% of the vote and value of the stock of the reorganized debtor (or a controlling corporation if also in chapter 11) pursuant to a confirmed chapter 11 plan (the "382(l)(5) Exception"). Under the 382(l)(5) Exception, a debtor's Pre-Change Losses are not limited on an annual basis, but, instead, NOL

carryforwards will be reduced by the amount of any interest deductions claimed during the three taxable years preceding the taxable year that includes the effective date of the plan of reorganization, and during the part of the taxable year prior to and including the effective date of the plan of reorganization, in respect of all debt converted into stock in the reorganization. If the 382(l)(5) Exception applies, the Business Continuity Requirement does not apply, although a different business continuation requirement may apply under the Treasury Regulations. If the 382(l)(5) Exception applies and the Debtors undergo another "ownership change" within two years after the Effective Date, then the Debtors' Pre-Change Losses effectively would be eliminated in their entirety.

Where the 382(l)(5) Exception is not applicable to a corporation in bankruptcy (either because the debtor does not qualify for it or the debtor otherwise elects not to utilize the 382(l)(5) Exception), a second special rule will generally apply (the "382(l)(6) Exception"). Under the 382(l)(6) Exception, the annual limitation will be calculated by reference to the lesser of the value of the debtor corporation's new stock (with certain adjustments) immediately after the ownership change or the value of such debtor corporation's assets (determined without regard to liabilities) immediately before the ownership change. This differs from the ordinary rule that requires the fair market value of a debtor corporation that undergoes an "ownership change" to be determined before the events giving rise to the change. The 382(l)(6) Exception also differs from the 382(l)(5) Exception because under the 382(l)(6) Exception, the debtor corporation is not required to reduce its NOL carryforwards by the amount of interest deductions claimed within the prior three-year period, and the debtor may undergo an ownership change within two years without automatically triggering the elimination of its Pre-Change Losses. If the 382(l)(6) Exception applies, the Business Continuity Requirement discussed above also applies.

The Debtors have not determined whether the 382(l)(5) Exception would be available in the Delaware Retention Structure or, if it is available, whether the Debtors and Reorganized Toys Inc. would elect not to apply the 382(l)(5) Exception.

B. *Certain U.S. Federal Income Tax Consequences of the Plan to U.S. Holders of Allowed Claims Entitled to Vote.*

1. **Receipt of Consideration for All U.S. Holders of Claims Expected to be Taxable**

In general, the U.S. federal income tax treatment of Holders of Claims or Interests will depend, in part, on whether the receipt of consideration under the Plan qualifies as an exchange of stock or securities pursuant to a tax free reorganization or if, instead, the consideration under the Plan is treated as having been received in a fully taxable disposition. Whether the receipt of consideration under the Plan qualifies for reorganization treatment will depend on, among other things, (a) whether the Claim being exchanged constitutes a "security" and (b) whether the Debtor against which a Claim is asserted is the same entity that is issuing the consideration under the Plan.

In general, the Debtors do not expect that clause (b) in the preceding paragraph will be satisfied by the receipt of any consideration under the Plan, even if the Delaware Retention Structure is utilized. As a result, the Debtors expect that all Holders of Claims will be treated as receiving their distribution under the Plan in taxable exchange under Section 1001 of the Tax Code. Accordingly, other than with respect to any amounts received that are attributable to accrued but untaxed interest (or OID), a U.S. Holder of such a claim would recognize gain or loss equal to the difference between (a) the sum of the cash and the fair market value (or issue price, in the case of debt instruments) of the consideration received and (b) such U.S. Holder's adjusted basis in such Claim.

Such U.S. Holder should obtain a tax basis in the non-cash consideration received, other than with respect to any amounts received that are attributable to accrued but untaxed interest (or OID), equal to the fair market value of the non-cash consideration as of the receipt of such property.

The tax basis of any non-cash consideration treated as received in satisfaction of accrued but untaxed interest (or OID) should equal the amount of such accrued but untaxed interest (or OID). The holding period of the non-cash consideration should begin on the day following the receipt of such property.

See discussion below regarding the extent to which any consideration should be treated as attributable to accrued interest (or OID).

To the extent that a U.S. Holder receives distributions with respect to a Claim or Interest subsequent to the Effective Date, such U.S. Holder may recognize additional gain (if such U.S. Holder is in a gain position), and a portion of such distribution may be treated as imputed interest income. In addition, it is possible that the recognition of any loss realized by a U.S. Holder may be deferred until all payments have been made out of any such account. U.S. Holders are urged to consult their tax advisors regarding the possible application (and the ability to elect out) of the "installment method" of reporting any gain that may be recognized by such U.S. Holders in respect of their Claims or Interests due to the receipt of property in a taxable year subsequent to the taxable year in which the Effective Date occurs. The discussion herein assumes that the installment method does not apply

2. **Transfer of Assets to Liquidating Trusts or Similar Structures**

The Plan provides that, among other things, (a) certain potential claims will be contribute to a Non-Released Claims Trust or other similar structure, with the proceeds of such litigation being distributed to certain Holders of Claims; (b) under certain circumstances, assets by be transferred by the Debtors to a liquidating trust vehicle or a similar structure in order to facilitate the sale of such assets and the disposition of the proceeds thereof to Holders of Claims. Such assets may either be subject to "liquidating trust" treatment or "disputed ownership fund" treatment, as described below.

C. *Liquidating Trust Treatment*

Other than with respect to any assets that are subject to potential disputed claims of ownership or uncertain distributions, any such trust or similar structure may be classified as a "liquidating trust" under section 301.7701-4(d) of the Treasury Regulations and qualify as a "grantor trust" under section 671 of the Tax Code. In such case, any beneficiaries of such trust or similar structure would be treated as grantors and deemed owners thereof and, for all United States federal income tax purposes, any beneficiaries would be treated as if they had received a distribution of an undivided interest in the assets of such vehicle and then contributed such undivided interest to the vehicle. If this treatment applies, the person or persons responsible for administering the vehicle shall, in an expeditious but orderly manner, make timely distributions to beneficiaries of such vehicle pursuant to the Plan and not unduly prolong its duration. Such vehicle would not be deemed a successor in interest of the Debtors for any purpose other than as specifically set forth herein or in the governing documents for such vehicle.

Other than with respect to any assets of such vehicle that are subject to potential disputed claims of ownership or uncertain distributions, the treatment of the deemed transfer of assets to applicable Claims and Interests prior to the contribution of such assets to such vehicle should generally be consistent with the treatment described above with respect to the receipt of the applicable assets directly.

Other than with respect to any assets of such vehicle that are subject to potential disputed claims of ownership or uncertain distributions, no entity-level tax should be imposed on such vehicle with respect to earnings generated by the assets held by them. Each beneficiary must report on its federal income tax return its allocable share of income, gain, loss, deduction and credit, if any, recognized or incurred by such vehicle, even if no distributions are made. Allocations of taxable income with respect to such vehicle shall be determined by reference to the manner in which an amount of cash equal to such taxable income would be distributed (without regard to any restriction on distributions described herein) if, immediately before such deemed distribution, such vehicle had distributed all of its other assets (valued for this purpose at their tax book value) to the beneficiaries, taking into account all prior and concurrent distributions from such vehicle. Similarly, taxable losses of such vehicle will be allocated by reference to the manner in which an economic loss would be borne immediately after a liquidating 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 Tax Code, Treasury Regulations and other applicable administrative and judicial authorities and pronouncements.

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

beneficiary's applicable Claim or Interest. In the event any tax is imposed on such vehicle, the person or persons responsible for administering such vehicle shall be responsible for payment, solely out of the assets of such vehicle of any taxes imposed on such vehicle.

The person or persons responsible for administering such vehicle 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, including, if required under applicable law, notices required to report interest or dividend income. The person or persons responsible for administering such vehicle will file tax returns pursuant to section 1.671-4(a) of the Treasury Regulations on the basis that such vehicle is a "liquidating trust" within the meaning of section 301.7701-4(d) of the Treasury Regulations and related Treasury Regulations. As soon as reasonably practicable after the close of each calendar year, the person or persons responsible for administering such vehicle will send each affected beneficiary a statement setting forth such beneficiary's respective share of income, gain, deduction, loss and credit for the year, and will instruct the Holder to report all such items on its tax return for such year and to pay any tax due with respect thereto.

D. *Disputed Ownership Fund Treatment*

With respect to any of the assets of such vehicle that are subject to potential disputed claims of ownership or uncertain distributions, *or* to the extent "liquidating trust" treatment is otherwise unavailable or not elected to be applied with respect to the Non-Released Claims Trust or any similar vehicle, the Debtors intend that such assets will be subject to disputed ownership fund treatment under Section 1.468B-9 of the Treasury Regulations, that any appropriate elections with respect thereto shall be made, and that such treatment will also be applied to the extent possible for state and local tax purposes. Under such treatment, a separate federal income tax return shall be filed with the IRS for any such account. Any taxes (including with respect to interest, if any, earned in the account) imposed on such account shall be paid out of the assets of the respective account (and reductions shall be made to amounts disbursed from the account to account for the need to pay such taxes). To the extent property is not distributed to U.S. Holders of applicable Claims or Interests on the Effective Date but, instead, is transferred to any such account, although not free from doubt, U.S. Holders should not recognize any gain or loss on the date that the property is so transferred. Instead, gain or loss should be recognized when and to the extent property is actually distributed to such U.S. Holders.

1. **Accrued Interest and OID**

A portion of the consideration received by Holders of Allowed Claims may be attributable to accrued interest or OID on such Claims. Such amounts 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 Debtors.

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 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.

2. **Market Discount**

Under the "market discount" provisions of sections 1276 through 1278 of the Tax Code, 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 OID, its adjusted issue price, in each case, by at least a *de minimis* amount (equal to 0.25 percent 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). To the extent that any Allowed Claims that had been acquired with market discount are exchanged in a tax-free or other reorganization transaction for other property (as may occur here), any market discount that accrued thereon but was not recognized by the U.S. Holder may be required to be carried over to the property received therefore and any gain recognized on the subsequent sale, exchange, redemption, or other disposition of such property may be treated as ordinary income to the extent of the accrued but unrecognized market discount with respect to the exchanged debt instrument.

3. **Medicare Tax on Net Investment Income**

Certain U.S. Holders that are individuals, estates, or trusts are required to pay an additional 3.8% tax on, among other things, interest, dividends and gains from the sale or other disposition of capital assets. U.S. Holders that are individuals, estates, or trusts should consult their tax advisors regarding the effect, if any, of this tax provision on their ownership and disposition of consideration received pursuant to the Plan.

E. *Certain U.S. Federal Income Tax Consequences to U.S. Holders of Owning and Disposing of Consideration Received Under the Plan.*

Because the form of consideration to be received under the Plan is uncertain, the U.S. federal income tax consequences of owning and disposing of the consideration received under the Plan is also uncertain.

In general, if cash is received under the Plan, no further U.S. federal income tax consequences would be anticipated.

If equity of any entity taxed as a U.S. corporation (whether newly-formed or, in the case of the Delaware Retention Structure, Toys Inc.) is received pursuant to the Plan, then the following treatment would apply. If any such entity makes distributions with respect to its stock, the distributions will generally be includable as ordinary dividend income on the day on which the dividends are actually or constructively received by a U.S. Holder to the extent paid out of current earnings and profits or earnings and profits accumulated as of the end of the prior year of such entity. A distribution in excess of such current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent, and in reduction, of the U.S. Holder's adjusted tax basis in such entity's stock, and as a capital gain to the extent it exceeds the U.S. Holder's adjusted tax basis in such stock. Non-corporate U.S. Holders may be eligible for reduced rates of taxation on dividends. Dividends paid to corporate U.S. Holders will generally be eligible for the dividends-received deduction, subject to applicable restrictions. A U.S. Holder will generally recognize gain or loss for U.S. federal income tax purposes, upon the sale, exchange or other taxable disposition of such entity's stock, equal to the difference, if any, between (i) the amount realized from such sale, exchange or other taxable disposition and (ii) the U.S. Holder's adjusted tax basis in the stock of such entity. Subject to the treatment of any accrued market discount on the surrendered Claim that, as discussed above, carried over to the stock of such entity, such gain or loss will be capital gain or loss and will generally be long-term capital gain or loss if the U.S. Holder's holding period for the stock of such entity exceeds one year. Under current U.S. federal income tax law, certain non-corporate U.S. Holders (including individuals) are eligible for preferential rates of U.S. federal income tax on long-term capital gains. The deductibility of capital losses is subject to limitations.

The Debtors do not anticipate that Holders of Claims will receive the equity of an entity that is taxed as a "flow-through" entity for U.S. federal income tax purposes, and this summary does not address the receipt of any such consideration.

The Debtors anticipate that under some circumstances, Holders of Claims could potentially receive the equity of an entity that is taxed as a corporation that is not a U.S. corporation. The tax rules that would apply to the ownership of such entity would be highly complex and depend on, among other things, (a) whether such entity was treated as a "controlled foreign corporation" or a "passive foreign investment corporation" and (b) whether such entity was subject to the so-called "inversion" rules. These issues are highly complex, and Holders of Claims should seek advice from their own advisors in the event any consideration received under the Plan constitutes stock of a corporation that is not a U.S. corporation.

F. *Certain U.S. Federal Income Tax Consequences of the Plan and Owning or Disposing of Consideration Received Under the Plan to Non-U.S. Holders of Claims Entitled to Vote*

The following discussion includes only certain U.S. federal income tax consequences of the implementation of the Plan 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 Plan to such Non-U.S. Holder and the ownership and disposition of non-Cash consideration.

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

1. **Gain Recognition**

Any gain realized by a Non-U.S. Holder on the exchange of its Claim generally will not be subject to U.S. federal income taxation unless (a) 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 or (b) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States (and if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States).

If the first exception 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 exception 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. In order to claim an exemption from withholding tax, such Non-U.S. Holder will be required to provide properly executed original copies of IRS Form W-8ECI (or such successor form as the IRS designates). In addition, if such a Non-U.S. Holder is a corporation, it may be subject to a branch profits tax equal to 30 percent (or such lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

2. **Interest Payments; Accrued but Untaxed Interest**

Payments to a Non-U.S. Holder that are attributable to either (a) interest on (or OID accruals with respect to) debt received under the Plan, or (b) accrued but untaxed interest (or OID) on their Allowed Claim 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:

1. the Non-U.S. Holder actually or constructively owns 10 percent or more of the total combined voting power of the Debtors (in the case of consideration received in respect of accrued but unpaid interest or OID);

2. the Non-U.S. Holder is a "controlled foreign corporation" that is a "related person" with respect to the Debtors (each, within the meaning of the Tax Code);

3. the Non-U.S. Holder is a bank receiving interest described in section 881(c)(3)(A) of the Tax Code; or

4. such interest (or OID) 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 (i) generally will not be subject to withholding tax, but (ii) 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 (or OID) 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 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 (a) interest on debt received under the Plan and (b) payments that are attributable to accrued but untaxed interest (or OID) on such Non-U.S. Holder's Allowed Claim. For purposes of providing a properly executed IRS Form W-8BEN or W-8BEN-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.

3. **Sale, Redemption, or Repurchase of Non-Cash Consideration**

A Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to any gain realized on the sale or other taxable disposition (including a cash redemption) of its Pro Rata share of the consideration received under the Plan unless:

1. such Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition or who is subject to special rules applicable to former citizens and residents of the United States;

2. such gain is effectively connected with such Non-U.S. Holder's conduct of a U.S. trade or business (and if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States);

3. in the case of the sale of equity in an entity, such entity is or has been, during a specified testing period, a "U.S. real property holding corporation" (a "USRPHC") for U.S. federal income tax purposes, and certain other circumstances exist; or

4. such Non-U.S. Holder receives a "flow-through" interest (including pursuant to assets held in a "liquidating trust") or direct ownership of an interest in assets that constitute a "U.S. real property interest" (a "USRPI").

If the first exception applies, 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 disposition. If the second exception applies, the Non-U.S. Holder generally will

be subject to U.S. federal income tax with respect to such gain in the same manner as a U.S. Holder, 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 earnings and profits effectively connected with a U.S. trade or business that are attributable to such gains at a rate of 30 percent (or at a reduced rate or exemption from tax under an applicable income tax treaty).

If the third exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax on any gain recognized on the disposition of all or a portion of applicable equity under the Foreign Investment in Real Property Tax Act ("FIRPTA"), unless (a) the equity is regularly traded on an established securities market and (b) such Non-U.S. Holder did not own 5% or more of the equity the relevant entity was a USRPHCs.

If the fourth exception applies, FIRPTA will generally be applicable to any such USRPI.

If FIRPTA applies, taxable gain from the disposition of an interest in a USRPHC or USRPI (generally equal to the difference between the amount realized and such Non-U.S. Holder's adjusted tax basis in such interest) will constitute effectively connected income. Further, the buyer of such item may be required to withhold on any sale of such interest unless, in the case of equity in a USRPHC, such equity is regularly traded on an established securities market. The amount of any such withholding would be allowed as a credit against the Non-U.S. Holder's federal income tax liability and may entitle the Non-U.S. Holder to a refund, provided that the Non-U.S. Holder properly and timely files a tax return with the IRS.

It is unknown whether the FIRPTA rules will apply to any consideration received under the Plan.

G. *Information Reporting and Backup Withholding*

The Debtors will withhold all amounts required by law to be withheld from payments of interest and dividends. The Debtors will also comply with all applicable reporting requirements of the Tax Code. In general, information reporting requirements may apply to distributions or payments made to a Holder of a Claim under the Plan, as well as future payments made with respect to consideration received under the Plan. The Debtors do not expect distributions or payments to Holders of Claims under the Plan to be subject to material withholding under the Tax Code.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be credited against a holder's U.S. federal income tax liability, and a holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS (generally, a U.S. federal income tax return).

In addition, from an information reporting perspective, the Treasury Regulations generally require 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 specified thresholds. Holders are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the Holders' tax returns

H. *FATCA*

Under legislation commonly referred to as 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 (including dividends, if any, on any equity received pursuant to the Plan), and also include 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.

As currently proposed, FATCA withholding rules would apply to payments of gross proceeds from the sale or other disposition of property of a type which can produce U.S. source interest or dividends that occur after December 31, 2018. Each Non-U.S. Holder should consult its own tax advisor regarding the possible impact of these rules on such Non-U.S. Holder.

ARTICLE X.
RECOMMENDATION OF THE DEBTORS

In the opinion of the Debtors, the Plan is the best alternative because it provides for a larger distribution to the Holders of Allowed Claims and Allowed Interests than would otherwise result in a liquidation under chapter 7 of the Bankruptcy Code. In addition, any alternative other than Confirmation of the Plan could result in extensive delays and increased administrative expenses resulting in smaller distributions to Holders of Allowed Claims and Allowed Interests than proposed under the Plan. Accordingly, the Debtors recommend that Holders of Claims and Interests entitled to vote on the Plan support Confirmation of the Plan and vote to accept the Plan.

Dated: ~~August 6~~September 5, 2018

Toys "R" Us Delaware, Inc. (for itself and all Toys Delaware Debtors)

By: */s/ Matthew Finigan*
Name: Matthew Finigan
Title: Executive Vice President - Chief Financial Officer and Treasurer

Dated: ~~August 6~~September 5, 2018

Geoffrey Holdings, LLC (for itself and all Geoffrey Debtors)

By: */s/ Matthew Finigan*
Name: Matthew Finigan
Title: Executive Vice President - Chief Financial Officer and Treasurer

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Exhibit A

Second Amended Chapter 11 Plans of the Toys Delaware Debtors and Geoffrey Debtors