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Co-Counsel to the Debtors and Debtors in Possession

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

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

ORDER (I) AUTHORIZING THE CANADIAN EQUITY SALE AND (II) GRANTING RELATED RELIEF

Upon consideration of the motion (the "Motion")[2] of the above captioned debtors and debtors in possession (the "Debtors") for the entry of an order (this "Order"): (a) authorizing the sale of 100% of the equity interest in Toys "R" Us (Canada) Ltd. Toys "R" Us (Canada) Ltee,

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 Capitalized terms used herein and not otherwise defined shall have the meaning ascribed to them in the *Debtors' Omnibus Motion for Entry of Orders: (I) Authorizing the Debtors to Wind-Down U.S. Operations, (II) Authorizing the Debtors to Conduct U.S. Store Closings, (III) Establishing Bidding Procedures for the Sale of the Debtors' Canadian Equity, (IV) Enforcing an Administrative Stay, and (V) Granting Related Relief* [Docket No. 2050] or the Bidding Procedures, or the Stalking Horse Purchase Agreement as applicable.

("Toys Canada"), the operating company of the Canadian business (the "Canadian Equity," and such sale, the "Canadian Equity Sale"), free and clear of liens, claims, interests, and encumbrances (collectively, the "Interests") with any such Interests to attach to the proceeds thereof with the same validity and priority (under the Bankruptcy Code) as such Interests had immediately prior to the consummation of the Canadian Equity Sale; and (b) granting related relief, all as more fully described in the Motion; and the Court having found that it has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and the Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and the Court having found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and the Court having found that the Debtors provided due and proper notice that is adequate and appropriate under the particular circumstances; and the Court having held a hearing to consider the relief requested in the Motion (the "Hearing"); and upon consideration of the record of the Hearing, and all proceedings had before the Court; and the Court having found and determined that the relief sought in the Motion is in the best interests of the Debtors' estates, their creditors, and other parties in interest, and that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and upon all of the proceedings had before the Court; and any objections to the relief requested herein having been withdrawn or overruled on the merits; and after due deliberation and sufficient cause appearing therefor, it is **HEREBY FOUND THAT**:

A. The Debtors have articulated good and sufficient reason for this Court to grant the relief requested in the Motion, specifically, without limitation, the Canadian Equity Sale pursuant to the purchase agreement between Toys "R" Us-Delaware, Inc. ("Toys Delaware") and Fairfax Financial Holdings Limited (the "Successful Bidder") dated as of April

19, 2018 (the "Stalking Horse Purchase Agreement"), and entry into the Stalking Horse Purchase Agreement.

B. To the extent any inconsistency arises between this Order and the Stalking Horse Purchase Agreement, this Order shall control.

C. Under the facts and circumstances of these cases, the purchase price for the Canadian Equity is fair and reasonable.

D. The total consideration provided by the Successful Bidder, upon the terms and conditions set forth in the Stalking Horse Purchase Agreement (including the form and total consideration to be realized by the Debtors pursuant to the Stalking Horse Purchase Agreement), is the highest and best offer received by the Debtors and constitutes fair value, fair, full, and adequate consideration, reasonably equivalent value and reasonable market value for the Canadian Equity for purposes of the Bankruptcy Code, the Uniform Fraudulent Transfer Act, the Uniform Fraudulent Conveyance Act, and the other laws of the United States, any state, territory, or possession thereof, or the District of Columbia.

E. The Stalking Horse Purchase Agreement was not entered into, and the transaction will not be consummated, for the purpose of hindering, delaying, or defrauding the Debtors' present or future creditors for purposes of the Bankruptcy Code, or the other laws of the United States, or the laws of any state, territory, or possession thereof, or the District of Columbia. None of the Debtors nor the Successful Bidder are or will be entering into the transactions fraudulently or for an otherwise improper purpose.

F. The Successful Bidder is a purchaser in good faith with respect to the Canadian Equity, as that term is used in section 363(m) on the Bankruptcy Code.

G. The Successful Bidder is not a mere continuation of, or successor to, the Debtors in any respect, and there is no continuity of enterprise between the Debtors or the Successful Bidder.

H. The Stalking Horse Purchase Agreement is an arm's-length negotiated transaction between unrelated parties, in which the Successful Bidder has at all times acted in good faith; and now, therefor it is hereby **ORDERED THAT**:

1. The Motion is granted as set forth herein.

2. Pursuant to section 363(b)(1) of the Bankruptcy Code, the Debtors are hereby authorized to enter into the Stalking Horse Purchase Agreement attached hereto as **Exhibit A**. The Debtors are hereby authorized to take such actions as are reasonably necessary to implement and effectuate the terms of this Order and the Stalking Horse Purchase Agreement.

3. The Successful Bidder is entitled to all rights and protections of a Stalking Horse Bidder, as defined in the Motion, including, among other things, the Expense Reimbursement Amount and the Break-Up Fee (as such terms are defined in the Stalking Horse Purchase Agreement), to the extent the Successful Bidder is entitled to such protections pursuant to the Stalking Horse Purchase Agreement. To the extent payable under the Stalking Horse Purchase Agreement, the Expense Reimbursement Amount and the Break-Up Fee (a) shall be deemed an actual and necessary cost of preserving the Debtors' estates within the meaning of section 503(b) of the Bankruptcy Code, (b) will be of substantial benefit to the Debtors' estates, and (c) are reasonable and appropriate.

4. Toys Canada is authorized to seek such relief in the proceedings in respect of Toys Canada pursuant to the *Companies' Creditors Arrangement Act* (Canada) pending before the Ontario Superior Court of Justice (Commercial List) (the "CCAA Court") as is contemplated

by the Stalking Horse Purchase Agreement or as may be necessary or appropriate in connection with the consummation or implementation of the Canadian Equity Sale. With respect to matters relating directly to the Business or properties and assets of Toys Canada, to the extent that any inconsistency arises between this Order and an order of the CCAA Court relating to the Canadian Equity Sale or the consummation or implementation thereof, such order of the CCAA Court shall control.

5. Any objections to, unless otherwise adjourned, or reservations of rights regarding, the entry of this Order or the relief granted herein or requested in the Motion that have not been withdrawn, waived, or settled, or not otherwise resolved pursuant to the terms hereof, if any, hereby are denied and overruled on the merits with prejudice. All holders of Interests or other persons and entities that failed to timely object, or withdrew their objections, to the Motion or this Order are deemed to consent to the relief granted herein for all purposes, including pursuant to section 363(f)(2) of the Bankruptcy Code.

6. Pursuant to section 363(f) of the Bankruptcy Code, (i) the Canadian Equity Sale of the Canadian Equity to the Successful Bidder is free and clear of all liens, claims, interests or encumbrances on the Canadian Equity with all such liens, claims, interests and encumbrances attaching to all right, title, and interest of the Debtors in the proceeds of the Canadian Equity Sale, including the interest of Toys Delaware in the cash proceeds of the Canadian Equity Sale upon the distribution of such proceeds to Toys Delaware and, pending such distribution, all direct and indirect interest of Toys Delaware in the Equity Reserve Amount (as defined in the Stalking Horse Purchase Agreement), in each case with the same force, effect and priority that such liens, claims, interests and encumbrances had on the Canadian Equity sold, and (ii) distribution of any proceeds received on account of any such liens, claims, interests, and

encumbrances being subject to further order of the Court (including paragraph 14 of the *Order (A) Authorizing the North American Debtors' Entry into Waivers with Respect to ABL/FILO DIP Documents and the Term DIP Documents and (B) Amending Final Order (I) Authorizing the North American Debtors to Obtain Postpetition Financing, (II) Authorizing the North American Debtors to Use Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status (IV) Granting Adequate Protection to the Prepetition Lenders, (V) Modifying the Automatic Stay, and (VI) Granting Related Relief* [Docket No. [•]] (the "DIP Amendment Order")). Subject to the foregoing, and pursuant to the Stalking Horse Purchase Agreement, the Canadian Equity Sale of the Canadian Equity to the Successful Bidder shall be free and clear of (i) all Encumbrances, debts, liabilities, and obligations of any kind of Toys Canada to the Seller or to any and all other affiliates of Toys Canada (other than Ordinary Course liabilities included in Working Capital, as provided in the Stalking Horse Purchase Agreement); and (ii) all Encumbrances, debts, liabilities, and obligations of any kind of Toys Canada in any way relating to the DIP Agreement or the DIP Indebtedness Amount, subject to payment of such liabilities as contemplated by the Stalking Horse Purchase Agreement and paragraph 11 hereof; and, for greater certainty, any and all such Encumbrances, debts, liabilities and obligations shall as of Closing be hereby unconditionally released and discharged as against the Canadian Equity, Toys Canada, the Business, and Toys Canada's properties and assets (as all such capitalized terms are defined in the Stalking Horse Purchase Agreement). Subject to the foregoing, for the avoidance of doubt, the Canadian Equity Sale of the Canadian Equity to the Successful Bidder shall not limit, impair or otherwise affect any obligations, including "claims" (as broadly defined in section 101(5) of the Bankruptcy Code), against Toys Canada; provided, however, that such obligations shall not give rise to any claims directly against the Canadian Equity as opposed to

obligations of Toys Canada. For the avoidance of doubt, on Closing, all claims and charges that may have attached to the Canadian Equity during the above-captioned chapter 11 cases shall cease to attach to the Canadian Equity. Notwithstanding anything to the contrary herein, full right, title, and interest in and to the Canadian Equity shall on Closing vest absolutely in the Successful Bidder.

7. Each holder of any Interest against the Debtors, their estates, or any of the Canadian Equity: (i) has, subject to the terms and conditions of this Order, consented to the Canadian Equity Sale or is deemed to have consented to the Canadian Equity Sale; (ii) could be compelled, in a legal or equitable proceeding, to accept money satisfaction of such Interest; or (iii) otherwise falls within the provisions of section 363(f) of the Bankruptcy Code.

8. Without limiting the generality of the approvals contained in this Order, the Equity Reserve Amount (as defined in the Stalking Horse Purchase Agreement) and the associated holdback of the proceeds of the Canadian Equity Sale are hereby approved and the Debtors are hereby authorized to take such actions as are reasonably necessary to implement and effectuate the Equity Reserve Amount. For the avoidance of doubt, all proceeds of the Canadian Equity Sale shall be paid to the Monitor (as defined in the Stalking Horse Purchase Agreement) at closing and held to be distributed as contemplated by Schedule 1.1(xx) of the Stalking Horse Purchase Agreement or the CCAA Discharge Order (as defined in the Stalking Horse Purchase Agreement).

9. Pursuant to section 363(m) of the Bankruptcy Code, the Successful Bidder shall be, and hereby is, deemed to have purchased the Canadian Equity in good faith.

10. Notwithstanding anything to the contrary in the *Order (I) Authorizing the Employment and Retention of Lazard Frères & Co. LLC as Investment Banker to the Debtors*

and Debtors in Possession, Effective Nunc Pro Tunc *to the Petition Date, (II) Modifying Certain Time Keeping Requirements, and (III) Granting Related Relief* [Docket No. 732] (the "Lazard Retention Order") or the *Order (I) Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Retained Professionals and (II) Granting Related Relief* [Docket No. 746], the Partial Company Sale Transaction Fee (as defined in the engagement letter attached as Exhibit 1 to the Lazard Retention Order) payable to Lazard Frères & Co. LLC ("Lazard") on account of the Canadian Equity Sale pursuant to the Lazard Retention Order is hereby approved and allowed on a final basis as an administrative expense pursuant to sections 330 and 503(b) of the Bankruptcy Code and shall be remitted directly to Lazard from the proceeds of the Canadian Equity Sale, subject to paragraph 16 of the Lazard Retention Order.

11. Upon Closing (as defined in the Stalking Horse Purchase Agreement), Toys Canada shall indefeasibly and irrevocably repay in full in cash all Canadian Liabilities and Other Liabilities of the Canadian Borrower (as each term is defined in the DIP ABL/FILO Facility) (other than contingent indemnity obligations with respect to then unasserted claims) not yet repaid in full in cash as of such date.

12. Each and every federal, state, and local governmental agency or department is hereby directed to accept this Order and any and all other documents and instruments necessary and appropriate to consummate the Canadian Equity Sale of the Canadian Equity to the Successful Bidder.

13. This Order shall be binding upon and shall govern the acts of all entities, including, without limitation, all filing officers, title companies, recorders of mortgages, recorders of deeds, registrars of deeds, administrative agencies, governmental departments, secretaries of state, federal, state, and local officials, and all other persons and entities who may

be required by operation of law, the duties of their office, or contract, to accept, file, register, or otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to the Canadian Equity.

14. This Order and the terms and provisions of the Stalking Horse Purchase Agreement shall be binding on all entities and individuals, whether in a personal capacity or otherwise. For the avoidance of doubt, this includes, without limitation, any chapter 11 or chapter 7 trustee (or other fiduciary) that may be subsequently appointed in the Debtors' cases or any other or further case involving the Debtors, whether under chapter 7 or chapter 11 of the Bankruptcy Code.

15. The Stalking Horse Purchase Agreement and the ancillary documents thereto and the consummation thereof, and the Canadian Equity Sale themselves shall not be avoided under section 363(n) or chapter 5 of the Bankruptcy Code.

16. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order.

17. This Order shall constitute the findings of fact and conclusions of law and shall take immediate effect upon execution hereof.

18. To the extent this Order is inconsistent with any prior order or pleading with respect to the Motion in these cases, the terms of this Order shall govern.

19. To the extent any of the deadlines set forth in this Order do not comply with the Local Rules, such Local Rules are waived and the terms of this Order shall govern.

20. Notwithstanding the possible applicability of Bankruptcy Rules 4001, 6004(h), 6006(d), 7062, 9014, or otherwise, this Court, for good cause shown, orders that the terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

21. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation, interpretation, or enforcement of this Order.

Dated: Apr 25 2018, 2018
Richmond, Virginia

/s/ Keith L. Phillips
THE HONORABLE KEITH L. PHILLIPS
UNITED STATES BANKRUPTCY JUDGE

Entered on Docket:Apr 25 2018

WE ASK FOR THIS:

/s/ *Jeremy S. Williams*

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CERTIFICATION OF ENDORSEMENT
UNDER LOCAL BANKRUPTCY RULE 9022-1(C)

Pursuant to Local Bankruptcy Rule 9022-1(C), I hereby certify that the foregoing proposed order has been endorsed by or served upon all necessary parties.

/s/ *Jeremy S. Williams*

Exhibit A

Stalking Horse Purchase Agreement

SHARE PURCHASE AGREEMENT

TOYS "R" US – DELAWARE, INC.

as the Seller

- and -

FAIRFAX FINANCIAL HOLDINGS LIMITED

as the Buyer

Made as of April 19, 2018

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SHARE PURCHASE AGREEMENT

THIS AGREEMENT is made as of the 19th day of April, 2018

B E T W E E N:

TOYS "R" US – DELAWARE, INC., a corporation organized under the laws of the State of Delaware (the "**Seller**")

- and -

FAIRFAX FINANCIAL HOLDINGS LIMITED, a corporation organized under the laws of Canada (the "**Buyer**")

RECITALS:

A. The Seller is the owner, beneficially and of record, of all of the issued and outstanding shares in the capital of the Corporation (as defined below).

B. On September 19, 2017 (the "**CCAA Filing Date**"), the Corporation obtained protection under the *Companies' Creditors Arrangement Act* (the "**CCAA**") pursuant to an Initial Order of the Ontario Superior Court of Justice (Commercial List) (the "**CCAA Court**") dated September 19, 2017 (as amended and restated, the "**Initial Order**"), pursuant to which, *inter alia*, Grant Thornton Limited was appointed as the monitor of the Corporation (in such capacity, the "**Monitor**").

C. On September 18, 2017, Toys "R" Us Inc. and certain of its affiliates, including the Corporation, filed voluntary petitions for relief pursuant to title 11, chapter 11 of the United States Code (the "**Chapter 11 Proceedings**") in the United States Bankruptcy Court for the Eastern District of Virginia (the "**U.S. Bankruptcy Court**").

D. The Seller wishes to sell, and the Buyer wishes to purchase as a "Successful Bidder" pursuant to the Canadian Equity Bidding Procedures Order (as defined herein), the Purchased Shares (as defined below), upon and subject to the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged and confirmed), the Parties agree as follows:

ARTICLE 1 – INTERPRETATION

1.1 Definitions

In this Agreement,

(a) "**Accounting Principles**" means the accounting-related principles listed on Schedule 1.1(jjj) attached hereto and used in the preparation of the Illustrative Closing Working Capital Statement;

(b) "**affiliate**" has the same meaning as "affiliate" under National Instrument 45-106 – *Registration and Prospectus Exemptions*;

(c) "**Additional Deposit**" has the meaning given to it in Section 2.3(a);

(d) "**Agreement**" means this share purchase agreement and all Schedules attached hereto, in each case as the same may be supplemented, amended, restated or replaced from time to time; and the expressions "Article", "Section" and "Schedule" followed by a number or letter mean and refer to the specified Article, Section or Schedule of this Agreement;

(e) "**Applicable Law**" means any Canadian or U.S. federal, provincial, state, municipal, local or other statute, law (including the common law), ordinance, rule, regulation, restriction, by-law (zoning or otherwise), order, or any consent, exemption, approval or licence of any Governmental Authority, that applies in whole or in part to the Transaction, the Seller, the Buyer, the Corporation or the Purchased Shares;

(f) "**Authorizations**" means, with respect to any Person, any order, permit, approval, waiver, license or similar authorization of any Governmental Authority having jurisdiction over the Person;

(g) "**Base Purchase Price**" has the meaning given to it in Section 2.3(a);

(h) "**Break-Up Fee**" has the meaning given to it in Section 5.3(b);

(i) "**Business**" means the Corporation's business of operating a toy and baby retailer in Canada;

(j) "**Business Day**" means any day of the year on which national banking institutions in Toronto, Ontario are open to the public for conducting business and are not required or authorized by Applicable Law to close;

(k) "**Buyer**" has the meaning given to it in the preamble to this Agreement, provided that at any time on or before the Closing the Buyer may designate an affiliate to complete the Transaction in the place of the Buyer on and subject to all of the same terms and conditions provided for in this Agreement; provided that, in the case of any such designation, the Buyer named in the preamble shall remain jointly and severally liable for the obligations of such affiliate in this Agreement;

(l) "**Canadian Equity Bidding Procedures Order**" means the Order entered by the U.S. Bankruptcy Court on March 27, 2018 providing for, *inter alia*, approval of the sale and bidding procedures pursuant to which the Seller will solicit and select the highest or otherwise best offer for the sale of the Purchased Shares;

(m) "**Canadian Equity Sale Order**" means Orders (i) issued by the U.S. Bankruptcy Court, *inter alia*, approving a sale of the Purchased Shares and granting related relief, and (ii) issued by the CCAA Court, *inter alia*, authorizing the Corporation to enter into this Agreement, perform its obligations hereunder and granting related relief, in each case in form and content satisfactory to each of the Seller, the Corporation and the Buyer, acting reasonably;

(n) "**Canadian Trademarks**" has the meaning given to it in Section 3.6(b);

(o) "**Cash**" means the value of all cash and cash equivalents determined in accordance with the Accounting Principles. For the avoidance of doubt, Cash and cash equivalents shall be reduced for any uncleared, outstanding checks written by the Corporation and shall be increased to include any (i) outstanding deposits in-transit and (ii) any amounts due from third party financial institutions for credit and debit card transactions;

(p) "**Cash Ceiling Amount**" means $20,000,000;

(q) "**CCAA**" has the meaning given to it in the Recitals;

(r) "**CCAA Approvals**" has the meaning given to it in Section 5.2(b);

(s) "**CCAA Court**" has the meaning given to it in the Recitals;

(t) "**CCAA Discharge Order**" means an order of the CCAA Court in form and substance satisfactory to the Seller, the Corporation, the Buyer and the Monitor, acting reasonably, which shall, among other things, (i) lift the stay of proceedings granted pursuant to the Initial Order; (ii) order the full and unconditional release and discharge of the Charges (as defined in the Initial Order); (iii) order the full and unconditional discharge and release of any and all Encumbrances, debts, liabilities and obligations of any kind in any way relating to the DIP Agreement or the DIP Indebtedness Amount; (iv) forever stay, bar and release the exercise of any rights, remedies or claims of any kind against the Buyer, the Corporation or their respective directors, officers, employees or representatives in any way arising from or relating to the insolvency or bankruptcy of the Corporation or any of its affiliates, the commencement or existence of the CCAA Proceedings, and the entering into and implementation of this Agreement and the Transaction (including, without limitation, rights, remedies or claims relating to any change of control, non-assignment, or similar provisions of any Contract); (v) except as set forth in clauses (ii) to (iv) above, provide and declare that all other obligations of the Corporation as of the Closing, including, without limitation, all obligations of the Corporation relating to the period prior to the CCAA Filing Date (except for those that have been barred pursuant to the Claims Procedure Order dated January 25, 2018) shall remain as unaffected obligations of the Corporation; (vi) terminate the CCAA proceedings; and (vii) incorporate the terms governing the Equity Reserve Amount as specified in Schedule 1.1(xx).

(u) "**CCAA Filing Date**" has the meaning given to it in the Recitals;

(v) "**CCAA Proceedings**" means proceedings commenced by the Corporation under the CCAA pursuant to the Initial Order;

(w) "**Certificate Date**" has the meaning given to it in Section 5.7(b);

(x) "**Chapter 11 Approvals**" means, collectively, (i) the Canadian Equity Sale Order; and (ii) such other approvals and consents of the U.S. Bankruptcy Court as the Seller, the Corporation and the Buyer, acting reasonably, may deem necessary or desirable in connection with the execution of this Agreement and the implementation and closing of the Transaction;

(y) "**Chapter 11 Proceedings**" has the meaning given to it in the Recitals;

(z) "**Claims Procedure Order**" means the Claims Procedure Order of the CCAA Court dated January 25, 2018, as the same may be amended and restated.

(aa) "**Closing**" means the completion of the Transaction pursuant to the terms and conditions of this Agreement at the time set forth in Section 6.1 on the Closing Date and of all other transactions contemplated by this Agreement that are to occur concurrently with the sale and purchase of the Purchased Shares;

(bb) "**Closing Date**" means the first Business Day that is at least two (2) Business Days following the first date by which all of the conditions in Sections 5.10, 5.11 and 5.12 have been satisfied or waived, or such other date as may be agreed upon by the Parties hereto;

(cc) "**Commercially Reasonable Efforts**" means the efforts that a reasonably prudent Person who desires to complete the Transaction on commercially reasonable terms would use in similar circumstances without the necessity of, directly or indirectly, assuming or incurring any material obligations or paying or committing to pay any material amounts to an unrelated Person;

(dd) "**Commissioner**" means the Commissioner of Competition appointed pursuant to the Competition Act or a Person designated or authorized pursuant to the Competition Act to exercise and perform the duties of the Commissioner of Competition;

(ee) "**Competition Act**" means the *Competition Act,* R.S.C. 1985, c. C-34, as amended;

(ff) "**Competition Act Approval**" means that:

(i) the Commissioner has issued an advance ruling certificate pursuant to Section 102 of the Competition Act in respect of the Transaction;

(ii) the requirement for the Competition Act Notification has been waived by the Commissioner pursuant to paragraph 113(c) of the Competition Act, and the Commissioner has notified the Parties that the Commissioner does not, at that time, intend to make an application before the Competition Tribunal under Section 92 of the Competition Act in respect of the Transaction; or

(iii) (A) the applicable waiting period under Subsection 123(1) of the Competition Act has expired or been waived pursuant to Subsection 123(2) of the Competition Act, and (B) the Commissioner has notified the Parties that the Commissioner does not, at that time, intend to make an application under Section 92 of the Competition Act in respect of the Transaction.

(gg) "**Competition Act Notification**" means notification of the Transaction pursuant to Section 114 of the Competition Act;

(hh) "**Competition Tribunal**" shall have the meaning ascribed to the term 'tribunal' in Section 2 of the *Competition Tribunal Act* (Canada);

(ii) "**Contract**" means, with respect to any Person, any contract, agreement, lease, sublease, license, sublicense, sales order, purchase order, instrument, or other commitment, whether written or oral, that is binding on such Person or any part of its property under Applicable Law;

(jj) "**Convention**" means the *Canada – United States Income Tax Convention* (1980), as amended.

(kk) "**Corporation**" means Toys "R" Us (Canada) Ltd. Toys "R" Us (Canada) Ltee, a corporation organized under the laws of the Province of Ontario;

(ll) "**Court Approvals**" means, collectively, the CCAA Approvals and Chapter 11 Approvals and shall include, without limitation, orders satisfactory to each of the Seller, the Corporation and the Buyer, acting reasonably, providing for the following: (i) the vesting in the Buyer of all right, title and interest in and to the Purchased Shares free and clear of any and all Encumbrances and title claims and other interests of any kind whatsoever; (ii) the full and unconditional release and discharge of any and all charges and claims created by or granted in the Restructuring Proceedings; (iii) the full and unconditional discharge and release of any and all Encumbrances, debts, liabilities and obligations of any kind in any way relating to the DIP Agreement or the DIP Indebtedness Amount; (iv) forever staying, barring and releasing the exercise of any

rights, remedies or claims of any kind against the Buyer, the Corporation or their respective directors, officers, employees or representatives in any way arising from or relating to the insolvency or bankruptcy of the Corporation or any of its affiliates, the commencement or existence of the CCAA Proceedings, and the entering into and implementation of this Agreement and the Transaction (including, without limitation, rights, remedies or claims relating to any change of control, non-assignment, or similar provisions of any Contract); (v) the dismissal or termination of the Chapter 11 Proceedings in respect of the Corporation; and (vi) such other relief as may be reasonably required or appropriate in a transaction of the kind contemplated by this Agreement, as agreed among the Buyer, the Seller and the Corporation, each acting reasonably;

(mm) "**Courts**" means the CCAA Court and the U.S. Bankruptcy Court;

(nn) "**Deposit**" has the meaning given to it in Section 2.3(a);

(oo) "**Deposit Amount**" has the meaning given to it in Section 2.3(b);

(pp) "**DIP Agreement**" means the Superpriority Secured Debtor-in-Possession Credit Agreement dated as of September 22, 2017 among the borrowers and lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent and JPMorgan Chase Bank, N.A., Toronto Branch, as Canadian Agent, in respect of a revolving credit facility and secured term loan facility provided to the Seller and certain of its affiliates, as amended, modified, restated, replaced and supplemented from time to time;

(qq) "**DIP Indebtedness Amount**" means, on a given date, an amount equal to the outstanding indebtedness owing by the Corporation under the DIP Agreement on such date (including as such amounts may be owing to the Seller or its affiliates as a result of the Seller and/or its affiliates subrogating to the rights of the lenders under the DIP Agreement), including any unpaid interest thereon, after taking into account any repayment by the Seller or the Corporation, directly or indirectly, of any portion of the principal and interest outstanding, including any repayments made by the Seller or the Corporation after the date hereof pursuant to Section 2.3(a)(iv);

(rr) "**DIP Indebtedness Closing Amount**" means the DIP Indebtedness Amount as at the Effective Closing Time, as such amount is set out in a payoff letter from the lenders under the DIP Agreement (and/or the Seller or its affiliates as a result of the Seller and/or its affiliates subrogating to the rights of the lenders under the DIP Agreement) delivered to the Buyer prior to Closing, and for purposes of Section 2.3(a)(v) means such amount expressed in Canadian dollars based on the closing exchange rate of the US and Canadian dollars on the Business Day immediately preceding the Closing Date;

(ss) "**Disclosed Personal Information**" has the meaning given to it in Section 8.5(b);

(tt) "**Dispute Notice**" has the meaning given to it in Section 2.5(b);

(uu) "**Effective Closing Time**" means 12:01 a.m. (Eastern Standard Time) on the Closing Date or such other time on the Closing Date as the Parties agree in writing that the Effective Closing Time shall take place;

(vv) "**Employees**" means the employees of the Corporation (full-time or part-time, on leave or on disability and including those on statutory or other absences, whether or not approved) on the Closing Date;

(ww) "**Encumbrance**" means any security interest, lien, prior claim, charge, hypothec, hypothecation, reservation of ownership, pledge, encumbrance, mortgage or adverse claim of any nature or kind;

(xx) "**Equity Reserve Amount**" means the lesser of (i) the amounts payable to the Seller pursuant to Sections 2.3(b) and 2.5, and (ii) $60.5 million, which amount shall be held and distributed by the Monitor as contemplated in Schedule 1.1(xx) hereof and provided for in the CCAA Discharge Order.

(yy) "**Escrow Agent**" means the escrow agent appointed pursuant to the Escrow Agreement;

(zz) "**Escrow Agreement**" means an escrow agreement between the Seller, the Buyer and a Canadian trust company agreed upon by Buyer and Seller, as escrow agent, pursuant to which the escrow agent agrees to hold (i) the Escrow Amount in escrow until the Final Working Capital is agreed upon by the Parties or is determined by the arbitrator, pursuant to the terms of this Agreement; and (ii) the Withheld Section 116 Amount in escrow until the such time as it may be released in accordance with Section 5.7, such escrow agreement to be in form and substance satisfactory to the Seller, the Buyer, the Monitor and the Escrow Agent, each acting reasonably;

(aaa) "**Escrow Amount**" means 5.0% of the Base Purchase Price;

(bbb) "**Estimated Closing Date Cash**" has the meaning given to it in Section 2.4;

(ccc) "**Estimated Closing Date Working Capital**" has the meaning given to it in Section 2.4;

(ddd) "**Expense Reimbursement Amount**" has the meaning given to it in Section 5.3(b);

(eee) "**Final**" with respect to any order of any court of competent jurisdiction, means that leave to appeal or reconsideration shall not have been sought in respect of such order and that such order shall not have been stayed, appealed, varied (except with the consent of the Buyer and the Seller) or vacated, and all time periods within which leave to appeal and reconsideration could at law be sought shall have expired and all time periods within which such order could at law be appealed shall have expired;

(fff) "**Final Cash**" has the meaning given to it in Section 2.5(a);

(ggg) "**Final Working Capital**" has the meaning given to it in Section 2.5;

(hhh) "**Final Statement**" has the meaning given to it in Section 2.5(a);

(iii) "**Governmental Authority**" means: (i) any federal, provincial, state, municipal, local or other governmental or public department, court, commission, board, bureau, agency or instrumentality; (ii) any subdivision or authority of any of the foregoing; or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of or in lieu of any of the above;

(jjj) "**Illustrative Closing Working Capital Statement**" means the statement, prepared in accordance with the Accounting Principles and in the form attached hereto within Schedule 1.1(jjj), setting forth the Parties' agreed upon calculation of Working Capital as of March 3, 2018;

(kkk) "**Improvements**" means all plants, buildings, structures, systems, fixtures, erections and improvements located on, over, under or upon, or forming a part of, land;

(lll) "**Initial Order**" has the meaning given to it in the Recitals;

(mmm) "**Intercompany Indebtedness**" means the $101,000,000 aggregate intercompany indebtedness, plus any accrued and unpaid interest thereon, if any, that is owing by Seller to the Corporation pursuant to the terms and conditions of three promissory notes issued by the Seller to the Corporation on August 18, 2017 and August 25, 2017, as such aggregate amount may be reduced pursuant to a repayment of all or a portion of the amount owing or the set-off of any indebtedness obligations owing by the Corporation to the Seller that arose or relate to the period prior to the CCAA Filing Date, if any, as such set-off is agreed by the Seller and the Corporation;

(nnn) "**Interim Period**" means the period between the date hereof and the Closing Date;

(ooo) "**Leased Locations**" means the premises occupied by the Corporation that are subject to a Real Property Lease;

(ppp) "**Material Adverse Effect**" means:

(i) with respect to the Buyer, any result, occurrence, fact, state of facts, event, circumstance, condition, change or effect which is materially adverse to the Buyer or on the ability of the Buyer to perform its obligations under this Agreement or to consummate the Transaction on a timely basis; and

(ii) with respect to the Corporation, any result, occurrence, fact, state of facts, event, circumstance, condition, change, or effect which is, or could reasonably be expected to become, individually or in the aggregate, materially adverse to the Purchased Shares or to the business, assets, liabilities, operations, condition (financial or otherwise) and operations of the Corporation, in each case taken as a whole,

provided that none of the following, other than solely in the case of clauses (v) and (vi) below, which apply only with respect to clause (ii) above (or any result, occurrence, fact, state of facts, event, circumstance, condition, change or effect resulting from, in connection with or attributable to any of them) will, in each case, be deemed to constitute a "Material Adverse Effect" or be considered in determining whether a "Material Adverse Effect" has occurred:

(iii) any failure by the Corporation to meet any projections or forecasts or revenue or earnings predictions, and any reasonable business decisions made with respect thereto;

(iv) any natural disaster, force majeure event or any acts of terrorism, sabotage, military action or war (whether or not declared) or any escalation or worsening thereof;

(v) conditions generally affecting an industry or market in which the Corporation conducts the Business;

(vi) general economic or political conditions or financing or the capital markets in general;

(vii) developments relating to the general financial condition or other developments of affiliates of the Corporation;

(viii) the execution, delivery, announcement or pendency of this Agreement or any other commitment, agreement or arrangement that may be agreed to and/or entered into by the Seller to effect the Transaction (including pursuant to the Restructuring Proceedings), the consummation of the Transaction (including

pursuant to the Restructuring Proceedings), compliance with the terms of, or the taking of any action or omission required by, this Agreement or any such other agreements or arrangements or in connection with the Transaction (including pursuant to the Restructuring Proceedings), or the taking of any action or omission requested, required or approved in writing by or on behalf of the Buyer;

(ix) (I) the pendency of the Restructuring Proceedings; (II) any objections in the Restructuring Proceedings to (W) this Agreement or any of the transactions contemplated hereby or thereby, (X) the reorganization or liquidation of the Seller and any related plan of reorganization or disclosure statement, or (Y) the Canadian Equity Bidding Procedures Order; or (III) any order of the Bankruptcy Court or the CCAA Court or any actions or omissions of the Seller or their affiliates in compliance therewith;

(x) any change in applicable accounting requirements or principles, Applicable Laws or Authorizations or the interpretation thereof by any Governmental Authority; or

(xi) any action required to be taken under any Applicable Law or any existing Contract by which the Corporation or any affiliate (or any of their respective business or assets) is bound;

provided further that any result, occurrence, fact, state of facts, event, circumstance, condition, change or effect referred to in clauses (iv) to (vii) above shall be taken into account in determining whether a Material Adverse Effect has occurred to the extent that such result, occurrence, fact, state of facts, event, circumstance, condition, change or effect has a disproportionate effect on the Corporation compared to other participants in the industry in which the Corporation conducts its Business;

(qqq) "**Monitor**" has the meaning given to it in the Recitals;

(rrr) "**Monitor's Certificate**" means the certificate filed with the CCAA Court by the Monitor certifying that the Monitor has received written confirmation, in form and substance satisfactory to the Monitor, from the Seller and the Buyer that: (i) all conditions to Closing set forth in Section 5.10, 5.11 and 5.12 have been satisfied or waived; and (ii) the Buyer has paid the Purchase Price;

(sss) "**Non-Disclosure Agreement**" means the non-disclosure agreement between Toys "R" Us, Inc. and the Buyer (or its affiliate) dated March 19, 2018;

(ttt) "**Ordinary Course**" means, with respect to an action taken or omitted to be taken by a Person, that such action is reasonably practicable and generally consistent with the recent past practices of the Person having regard to the recent circumstances leading up to and including the transactions contemplated by this Agreement and, as applicable, the Restructuring Proceedings;

(uuu) "**Other Transaction**" means one or more merger, amalgamation, share or debt exchange, credit bid transaction, business combination, take-over bid, sale, sale pursuant to foreclosure (or a foreclosure in Canada), transfer, assignment or other disposition of material assets, sale of shares, recapitalization, restructuring, plan of compromise or arrangement, plan of reorganization, reorganization, liquidation, sale or issuance of a material number of treasury securities or rights or interests therein or thereto or rights or options to acquire any material number of treasury securities or any type of similar transaction involving any Person(s) other than the Buyer, in each case in respect of, or

including, the Purchased Shares, the Corporation, the Business or substantially all of the Corporation's properties and assets;

(vvv) "**Parties**" means the Seller and the Buyer, and "**Party**" means any of them;

(www) "**Person**" means any individual, partnership, limited partnership, limited liability company, joint venture, syndicate, sole proprietorship, co-operative, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, Governmental Authority or other entity however designated or constituted;

(xxx) "**Purchase Price**" has the meaning given to it in Section 2.3(a);

(yyy) "**Purchased Shares**" means all of the shares in the capital of the Corporation held by the Seller;

(zzz) "**Real Property**" means all lands, Improvements and all easements, rights of way, privileges and appurtenances belonging to and enuring to the benefit thereof;

(aaaa) "**Real Property Leases**" means those leases, subleases, licenses, sublicences and the like of Real Property relating to any Real Property used or occupied by the Corporation;

(bbbb) "**Remittance Date**" has the meaning given to it in Section 5.7(c);

(cccc) "**Representatives**" means, in respect of either Party, their respective affiliates, directors, officers, employees, agents and advisors (including financial advisors and legal counsel) of that Party and its affiliates, as well as the directors, officers and employees of any such Party's agents or advisors;

(dddd) "**Restructuring Proceedings**" means the CCAA Proceedings and the Chapter 11 Proceedings and "**Restructuring Proceeding**" means either one of them;

(eeee) "**Seller**" has the meaning given to it in the preamble to this Agreement;

(ffff) "**Successful Bid**" means the Successful Bid as defined in and determined in accordance with the Canadian Equity Bidding Procedures Order;

(gggg) "**Sunset Date**" has the meaning given to it in Section 5.12(e);

(hhhh) "**Superior Proposal**" means a *bona fide* written offer, made after the date of this Agreement and prior to the issuance of the Canadian Equity Sale Order, in respect of any Other Transaction made by a third party on terms that the board of directors of the Seller determines in good faith, after consultation with the Seller's outside legal counsel and financial advisors, (i) would result, if consummated, in a transaction that is more favorable to the Seller from a financial point of view than the Transaction (and no less favorable to the Corporation), (ii) is not subject to a financing, due diligence and/or access condition and (iii) is reasonably capable of being completed, after taking into account (1) the financial, legal, regulatory and any other aspects of such offer, (2) the likelihood and timing of consummation of such offer (as compared to the Transaction) and (3) any changes to the terms of this Agreement proposed by the Buyer and any other information provided by the Buyer;

(iiii) "**Target Working Capital**" means $63,000,000;

(jjjj) "**Tax**" and "**Taxes**" means all taxes, duties, fees, premiums, assessments, levies and other charges of any kind whatsoever imposed by any Governmental Authority, together with all interest, penalties and fines in respect thereof;

(kkkk) "**Tax Act**" means the *Income Tax Act* (Canada), as amended from time to time;

(llll) "**Transaction**" means the purchase and sale of the Purchased Shares as contemplated by this Agreement, as it may be amended or modified by mutual agreement of the Parties in connection with the Canadian Equity Bidding Procedures Order;

(mmmm) "**Transition Services Agreement**" means a transition services agreement to be entered into between the Seller and the Corporation on or before the Closing Date, and approved by the CCAA Court and U.S. Bankruptcy Court, unless otherwise agreed by the Buyer, providing for, among other things the provision of services following the Closing Date by the Seller and its affiliates to the Corporation for a period ending on April 30, 2019 at no cost to the Buyer (except as may be already embedded in the Purchase Price) with a view to ensuring an orderly transfer of control and ownership of the Corporation and transitioning of any services or benefits provided to the Corporation by the Seller, all in form and content satisfactory to each of the Seller, the Corporation and the Buyer;

(nnnn) "**U.S. Bankruptcy Code**" means title 11, chapter 11 of the United States Code;

(oooo) "**U.S. Bankruptcy Court**" has the meaning given to it in the Recitals;

(pppp) "**Withheld Intercompany Amount**" has the meaning given to it in Section 2.3(a)(vi);

(qqqq) "**Withheld Section 116 Amount**" has the meaning given to it in Section 5.7(a); and

(rrrr) "**Working Capital**" means, as at any date, the difference between:

(X) the amounts set out in the categories of assets of the Business (and only those categories of assets) listed on Schedule 1.1(jjj),

minus

(Y) the amounts set out in the categories of liabilities of the Business (and only those categories of liabilities) listed on Schedule 1.1(jjj),

provided that for greater certainty, Working Capital shall be valued and calculated in accordance with the Accounting Principles and shall not include (i) any amounts included within the calculation of Cash, or (ii) the Withheld Intercompany Amount.

1.2 Schedules

The following Schedules form part of this Agreement:

Schedule 1.1(xx)	Equity Reserve Amount
Schedule 1.1(jjj)	Illustrative Closing Working Capital Statement & Accounting Principles
Schedule 3.6(b)	Canadian Trademarks

1.3 Statutes

Unless specified otherwise, reference in this Agreement to a statute refers to that statute as it may be amended, or to any restated or successor legislation of comparable effect.

1.4 Headings and Table of Contents

The inclusion of headings and a table of contents in this Agreement is for convenience of reference only and shall not affect the construction or interpretation hereof.

1.5 Interpretations

In this Agreement, unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders. In addition, every use of the words "including" or "includes" in this Agreement is to be construed as meaning "including, without limitation" or "includes, without limitation", respectively.

1.6 Currency

Except where otherwise expressly provided, all amounts in this Agreement are stated and shall be paid in Canadian dollars.

1.7 Invalidity of Provisions

Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof.

1.8 Entire Agreement

This Agreement and the agreements and other documents required to be delivered pursuant to this Agreement, together with the Non-Disclosure Agreement, constitute the entire agreement between the Parties and set out all the covenants, promises, warranties, representations, conditions and agreements between the Parties in connection with the subject matter of this Agreement and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, pre-contractual or otherwise. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, whether oral or written, pre-contractual or otherwise, express, implied or collateral between the Parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement and any document required to be delivered pursuant to this Agreement.

1.9 Waiver, Amendment

Except as expressly provided in this Agreement, no amendment or waiver of this Agreement shall be binding unless executed in writing by each of the Parties hereto. No waiver of any provision of this Agreement shall constitute a waiver of any other provision nor shall any waiver of any provision of this Agreement constitute a continuing waiver unless otherwise expressly provided.

1.10 Governing Law, Jurisdiction and Venue

This Agreement, the rights and obligations of the Parties under this Agreement, and any claim or controversy directly or indirectly based upon or arising out of this Agreement or the Transaction (and in each case, whether based on contract, tort, or any other theory), including all matters of construction, validity and performance, as well as the rights and obligations of the Parties hereunder or thereunder, shall in all respects be governed by, and interpreted, construed and determined in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein, without regard to the conflicts of law principles thereof. The Parties consent to the non-exclusive jurisdiction and venue of the courts of the Province of Ontario for the resolution of any such disputes arising under this Agreement or any other arrangement between the Parties. Each Party agrees that service of process on such Party as provided in Section 8.12 shall be deemed effective service of process on such Party.

ARTICLE 2 – PURCHASE AND SALE

2.1 Purchased Shares

Subject to the terms and conditions of this Agreement, at the Closing and effective as of the Effective Closing Time, the Seller agrees to sell to the Buyer, and the Buyer agrees to purchase from the Seller, all of the Seller's right, title and interest in and to the Purchased Shares, free and clear of all Encumbrances for the consideration set out herein.

2.2 As is, Where is

The Buyer acknowledges and agrees that the Purchased Shares are being purchased on an "as is, where is" basis and that the Buyer will accept the Purchased Shares as they exist on the Closing Date. Except as otherwise specifically stated herein, no representation, warranty or condition, whether statutory, express or implied, oral or written, legal, equitable, conventional, collateral or otherwise is being given by the Seller in this Agreement or in any instrument furnished in connection with this Agreement, including as to: (i) title to the Purchased Shares; (ii) the Corporation and its business, operations or otherwise, including, without limitation, the assets, liabilities, obligations, or financial or operational conditions, prospects or history; (iv) any consents, approvals, licenses, registrations or conditions required by any Governmental Authority in respect of or pertaining to the Corporation, the Purchased Shares or the Transaction; and (v) any other matter or thing whatsoever in respect of or pertaining to the Purchased Shares or the Corporation. The Buyer further acknowledges, confirms and agrees that it has, and shall be deemed to have, relied entirely on its own inspection and investigation in proceeding with the Transaction and shall have no recourse, directly or indirectly, against the Seller or its affiliates or any of the property or assets of the Seller or its affiliates.

2.3 Purchase Price and Payment

(a) Subject to adjustment in accordance with Section 2.5 and the timing and manner of payment as set forth herein, the aggregate consideration payable by the Buyer to the Seller for the Purchased Shares (the "**Purchase Price**") shall be, without duplication, equal to:

(i) THREE HUNDRED MILLION DOLLARS ($300,000,000) (the "**Base Purchase Price**");

(ii) *minus*, the amount, if any, by which the Estimated Closing Date Working Capital is less than the Target Working Capital;

(iii) *plus*, the amount, if any, by which the Estimated Closing Date Working Capital is greater than the Target Working Capital;

(iv) *plus*, the Estimated Closing Date Cash, provided however, that where the Estimated Closing Date Cash is greater than the Cash Ceiling Amount, for purposes of calculating the Purchase Price under this Section 2.3 and for purposes of Section 2.5, the Estimated Closing Date Cash shall have a deemed value equal to the Cash Ceiling Amount and the Seller or the Corporation may use Cash in excess of the Cash Ceiling Amount to repay a portion of the DIP Indebtedness Amount or Transaction costs;

(v) *minus*, the DIP Indebtedness Closing Amount;

(vi) *minus*, an amount equal to five percent (5.0%) of the amount of the Intercompany Indebtedness, if any, (the "**Withheld Intercompany Amount**") which is eliminated pursuant to Section 5.8 less the amount of any withholding Tax remitted to the Receiver General before Closing on account of the elimination of the Intercompany Indebtedness; provided that the representation in Section 3.2(b) is true at such time as the Intercompany Indebtedness is eliminated, otherwise the amount shall be the amount based on the applicable statutory withholding rate in respect of such eliminated amount.

Upon execution of this Agreement, the Buyer shall pay to the claims agent in the Chapter 11 Proceedings, in trust, an amount equal to FIVE HUNDRED THOUSAND UNITED STATES DOLLARS (US$500,000) (the "**Additional Deposit**"). The Parties acknowledge and agree that the Buyer has on April 13, 2018 paid to the claims agent in the Chapter 11 Proceedings, in trust, an amount equal to SIX MILLION UNITED STATES DOLLARS (US$6,000,000) (together with the Additional Deposit, the "**Deposit**"). The Deposit constitutes a deposit towards the Purchase Price to be held by the duly appointed claims agent under the Chapter 11 Proceedings in trust, to be applied or returned, as the case may be, in accordance with the terms and conditions of this Agreement.

(b) At the Closing, the Buyer shall pay to the Seller the aggregate sum of the Purchase Price (as calculated in accordance with Section 2.3(a)):

(i) *minus*, the Escrow Amount (that shall instead be paid to the Escrow Agent, in trust, pursuant to Section 2.3(c));

(ii) *minus*, the Deposit Amount, expressed in Canadian dollars based on the closing exchange rate of the US and Canadian dollars on the Business Day immediately preceding the Closing Date;

(iii) *minus*, the Withheld Section 116 Amount, if applicable pursuant to Section 5.7 (and that shall instead be paid to the Escrow Agent pursuant to Section 5.7),

free and clear of any withholding or deduction, by way of wire transfer of immediately available funds to such bank account as is designated by the Seller and advised by the Seller to the Buyer no later than two (2) Business Days prior to the Closing Date, and 100% of the Deposit Amount shall be released and paid to the Seller or as the Seller may otherwise direct. The Seller hereby directs the Buyer to pay the Equity Reserve Amount to the Monitor from the amounts payable at the Closing by the Buyer to the Seller pursuant to this Section 2.3(b).

(c) At the Closing, the Buyer shall pay to the Escrow Agent the Escrow Amount, and the Withheld Section 116 Amount, if any, to be held by the Escrow Agent pursuant to the Escrow Agreement.

(d) All interest, income and earnings on the Deposit will be for the account of (and, for all Tax purposes, shall be allocated to and deemed to be earned by) the Buyer (the Deposit and all interest, income and earnings thereon are referred to collectively as the "**Deposit Amount**"). Upon Closing, the Deposit Amount will be credited to the Purchase Price as provided herein.

(e) If this Agreement is properly terminated by the Seller as a result of the Buyer's material breach or non-compliance with its obligations hereunder, then the Deposit Amount shall be forfeited by the Buyer to, and become the sole property of, the Seller, as liquidated damages and not as a penalty, and the forfeiture of the Deposit Amount shall be the sole and exclusive remedy of the Seller, and the Seller hereby expressly waives and renounces any other remedies whatsoever, whether at law or in equity, which the Seller may or would otherwise be entitled to as against the Buyer or its affiliates and Representatives.

(f) If this Agreement is properly terminated: (i) by the Seller for any reason other than in accordance with Section 2.3(e); or (ii) by the Buyer pursuant to its termination rights hereunder; then in any such case the Deposit Amount will be returned to the Buyer within five (5) Business Days following the date of termination of this Agreement and the return of the Deposit Amount (together with concurrent payment of the Break-Up Fee and Expense Reimbursement Amount, if applicable) shall be the sole and exclusive remedy of the Buyer, and the Buyer hereby expressly waives and renounces any other remedies whatsoever, whether at law or in equity, which the Buyer may or would otherwise be entitled to as against the Seller or its affiliates and Representatives.

2.4 Estimated Closing Date Working Capital and Estimated Closing Date Cash

No later than three (3) Business Days before the Closing Date, the Seller will prepare in good faith and deliver to the Buyer an unaudited statement setting out the estimated calculation of the Working Capital as at the Closing Date (the "**Estimated Closing Date Working Capital**") and estimated calculation of Cash as at the Closing Date (the "**Estimated Closing Date Cash**"), in each case without giving effect to the transactions contemplated by this Agreement. At Closing, the Purchase Price shall be calculated in accordance with the estimates set out in such statement, subject to adjustment pursuant to Section 2.5.

2.5 Post-Closing Working Capital Adjustment

(a) Within thirty (30) days after the Closing, the Buyer will prepare in good faith and deliver to the Seller an unaudited statement (the "**Final Statement**") setting out in reasonable detail the calculation of the actual Working Capital for the Business as at the Closing Date (the "**Final Working Capital**") and the actual Cash for the Business as at the Closing Date (the "**Final Cash**"), in each case without giving effect to the transactions contemplated by this Agreement. For greater certainty, in the event that the Final Cash is greater than the Cash Ceiling Amount or is determined by an arbitrator to be greater than the Cash Ceiling Amount in accordance this Section 2.5, for purposes of the calculations under this Section 2.5, it shall have a deemed value equal to the Cash Ceiling Amount. Following the Buyer's delivery of the Final Statement until the final resolution of the Final Working Capital and the Final Cash pursuant to this Section 2.5, the Buyer will provide the Seller and its accountants or other Representatives reasonable access to (i) the working papers and all other supporting documentation used by the Buyer in preparing the Final Statement, (ii) any other books and records of the Corporation, and (iii) the Buyer's and the Corporation's accountants, management, or auditors.

(b) If, within thirty (30) days following delivery by the Buyer of the Final Statement, the Seller gives written notice (the "**Dispute Notice**") to the Buyer that it disputes the Final Statement, the Buyer and the Seller will work expeditiously and in good faith to resolve such dispute. The Seller will be deemed to have accepted the Final Statement if it does not notify the Buyer in writing of its objections thereto within thirty (30) days following delivery by the Buyer of the Final Statement. Any item within the Buyer's Final

Statement to which the Seller does not object within the Dispute Notice shall be final and binding upon both the Buyer and the Seller.

(c) If the Parties are unable to reach agreement on the Final Working Capital or the Final Cash, within ten (10) Business Days following delivery by the Seller of the Dispute Notice, the Parties shall mutually refer the dispute for determination by arbitration to a partner (with experience serving as an accounting arbitrator) at an independent, international accounting or consulting firm mutually agreeable to the Buyer and the Seller. The arbitrator will consider and make a determination regarding only those disputes set forth in the Dispute Notice that the Buyer and the Seller have been unable to mutually settle. The determination by such arbitrator will be made within a further twenty (20) Business Days of such referral and will be final and binding on all Parties.

(d) If the Final Working Capital plus the Final Cash as agreed to by the Parties or as determined by the arbitrator, as applicable, *exceeds* the Estimated Closing Date Working Capital plus the Estimated Closing Date Cash, then the Purchase Price shall be increased by the amount of such excess and (i) the Parties shall issue a joint direction to the Escrow Agent to release 100% of the Escrow Amount proceeds held in escrow by the Escrow Agent pursuant to the Escrow Agreement (together with all interest, income and earnings thereon) to the Seller (or as the Seller may direct); and (ii) an amount equal to 100% of the excess, on a dollar-for-dollar basis, shall be paid by the Buyer to the Seller within five (5) Business Days of such agreement or such determination, as applicable.

(e) If the Final Working Capital plus the Final Cash as agreed to by the Parties or as determined by the arbitrator, as applicable, *is less than* the Estimated Closing Date Working Capital plus the Estimated Closing Date Cash, then the Parties shall issue a joint direction to the Escrow Agent to have: (i) an amount equal to the amount by which the Final Working Capital plus the Final Cash *is less than* the Estimated Closing Date Working Capital plus the Estimated Closing Date Cash paid from the Escrow Amount to the Buyer pursuant to the Escrow Agreement within five (5) Business Days of such agreement or such determination, as applicable; and (ii) the remainder, if any, of the Escrow Amount (after taking into account the payment to the Buyer in Section 2.5(e)(i)) paid to the Seller pursuant to the Escrow Agreement within five (5) Business Days of such agreement or such determination, as applicable; and the Purchase Price shall be decreased by such amount payable to the Buyer. The Buyer agrees that its sole recourse is to the payment of the Escrow Amount and the Seller shall not be liable to pay any additional amount to the Buyer in respect of the adjustment contemplated by this Section 2.5(e) in the event that the Escrow Amount is less than the difference between (X) the Final Working Capital plus the Final Cash and (Y) the Estimated Closing Date Working Capital plus the Estimated Closing Date Cash.

(f) The Buyer and the Seller will each bear their own fees and expenses in preparing, reviewing, disputing and settling, as the case may be, the calculation of the Final Working Capital, the Final Cash and the Final Statement, *provided that* the arbitrator referred to in Section 2.5(c) is authorized, but is not obligated, to award to one or more Parties such reasonable legal fees and costs in connection with the arbitration as the arbitrator, in his or her sole discretion, may determine are warranted.

(g) In the event that (i) the Buyer reduces the Purchase Price under Section 2.3(a)(vi) in an amount in excess of 5.0% of the Intercompany Indebtedness which was eliminated pursuant to Section 5.8 based on the statutory withholding rate, and (ii) on or before the date on which the Withheld Intercompany Amount is due, the Canada Revenue Agency

confirms that the Seller is granted or entitled to the benefits of the Convention in respect of the elimination of the Intercompany Indebtedness, then the Buyer shall pay to the Seller, as an adjustment to the Purchase Price, such excess amount.

(h) The Buyer acknowledges and agrees that the Corporation has a liability for gift cards in an amount deducted as a liability in the calculation of Working Capital as set out on the Illustrative Closing Working Capital Statement and that Corporation shall be required to honor such gift cards liability following Closing.

(i) To the extent the Equity Reserve Amount is less than $60.5 million when any amount on account of the Purchase Price becomes payable to the Seller pursuant to this Section 2.5, the Seller shall direct the Buyer or Escrow Agent, as applicable, to pay such amount, up to the aggregate amount (together with any amount received by the Monitor pursuant to Section 2.3(b)) of the then required Equity Reserve Amount, to the Monitor.

ARTICLE 3 – REPRESENTATIONS AND WARRANTIES OF THE SELLER

The Seller represents and warrants as follows to the Buyer as of the date hereof and acknowledges and confirms that the Buyer is relying upon the following representations and warranties in completing the Transaction.

3.1 Corporate Power

The Corporation is duly organized and validly existing under the laws of the Province of Ontario.

3.2 Residence of the Corporation and the Seller

(a) The Corporation is not a non-resident of Canada for the purposes of the Tax Act.

(b) The Seller is a resident of the United States and entitled to the benefit of the Convention in respect of any amounts payable or contemplated to be payable or deemed to be payable hereunder.

3.3 Purchased Shares

The Purchased Shares constitute all of the issued and outstanding shares of the Corporation, and there is not outstanding any other equity or other security of or in respect of the Corporation including, without limitation, any warrants, options or similar rights. The Seller has full registered and beneficial ownership of, and title to, the Purchased Shares and has not taken any step to transfer or grant to any Person any actual or contingent interests of any kind in and to the Purchased Shares, except for Encumbrances on the Purchased Shares that will be discharged at or before Closing pursuant to the Court Approvals.

3.4 Absence of Conflicts

Subject to receipt of the Competition Act Approval and the Court Approvals, the Corporation is not a party to, bound or affected by or subject to any charter or by-law provision or Applicable Laws or Authorizations that would be violated, breached, or under which any default would occur or with notice or the passage of time would be created, as a result of the execution and delivery of, or the performance of obligations under, this Agreement or any other agreement or document to be entered into or delivered

under the terms of this Agreement, except for any violations, breaches or defaults that would not have a Material Adverse Effect on the Corporation.

3.5 Due Authorization and Enforceability of Obligations

Subject to receipt of the Court Approvals, the execution and delivery of this Agreement and the consummation of the Transaction have been duly authorized by all necessary corporate action of the Seller. Subject to receipt of the Court Approvals, this Agreement has been duly and validly executed by the Seller and constitutes a valid and binding obligation of the Seller enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors generally and by general principles of equity, regardless of whether asserted in a proceeding in equity or law.

3.6 Intellectual Property

(a) The Corporation is the registered owner of the toysrus.ca and babiesrus.ca domain names and has not granted any rights or interests therein to any Person except for any rights or interests (i) that will be discharged by the Court Approvals, or (ii) arising in the Ordinary Course of Business that would not cause a Material Adverse Effect on the Corporation. The Seller shall take such steps as may be reasonably available to it to ensure that, on or after Closing, the Seller and its affiliates shall not be entitled to redirect or otherwise interfere with access to the toysrus.ca and babiesrus.ca domain names.

(b) Schedule 3.6(b) sets out all the active Canadian trademark registrations and applications that are used in the Ordinary Course of the Business (collectively, the "**Canadian Trademarks**"). The Corporation is the registered owner of the Canadian Trademarks and has the right to use the Canadian Trademarks to conduct the Business as presently conducted in the Ordinary Course.

(c) The Corporation owns, has the right to use, or otherwise will have access at Closing pursuant to the Transition Services Agreement to, all material intellectual property used by it in the Ordinary Course of the Business, free and clear of any and all Encumbrances except for (i) any Encumbrances that will be discharged by the Court Approvals, or (ii) other Encumbrances arising in the Ordinary Course of Business that would not cause a Material Adverse Effect on the Corporation.

3.7 No Other Indebtedness

The Corporation does not now, and will not at Closing, have indebtedness for borrowed money other than pursuant to the DIP Agreement.

3.8 No Other Representations and Warranties

Notwithstanding anything else contained in this Agreement, except for the representations and warranties contained in this Article 3, the Seller nor any other Person on behalf of the Seller makes any representation or warranty, express or implied, with respect to the Corporation, the Purchased Shares, the Business or the Transaction.

ARTICLE 4 – REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer represents and warrants to the Seller as follows, and acknowledges that the Seller is relying upon the following representations and warranties in connection with its sale of the Purchased Shares:

4.1 Corporate Power

The Buyer:

(a) is a corporation duly organized and validly existing and in good standing under the Applicable Laws of its jurisdiction of incorporation;

(b) has the power, capacity and authority to enter into and perform its obligations under this Agreement; and

(c) has the power, capacity and authority to own and lease Real Property and carry on business.

4.2 Residence of the Buyer

The Buyer:

(a) is not a non-resident of Canada for the purposes of the Tax Act;

(b) is a "Canadian" or "WTO investor" for the purposes of the *Investment Canada Act* (Canada); and

(c) is not a "state-owned enterprise" for the purposes of the *Investment Canada Act* (Canada).

4.3 Absence of Conflicts

The Buyer is not a party to, bound or affected by or subject to any charter or by-law provision or Applicable Laws or Authorizations that would be violated, breached, or under which any default would occur or with notice or the passage of time would be created, as a result of the execution and delivery of, or the performance of obligations under, this Agreement or any other agreement or document to be entered into or delivered under the terms of this Agreement, except for any violations, breaches or defaults that would not have a Material Adverse Effect on the Buyer.

4.4 Due Authorization and Enforceability of Obligations

The Buyer has all necessary corporate power, authority and capacity to enter into this Agreement and to carry out its obligations under this Agreement. The execution and delivery of this Agreement and the consummation of the Transaction have been duly authorized by all necessary corporate action of the Buyer, if applicable or required. This Agreement has been duly and validly executed by the Buyer, and constitutes a valid and binding obligation of the Buyer enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors generally and by general principles of equity, regardless of whether asserted in a proceeding in equity or law.

4.5 Approvals and Consents

Except for the Competition Act Approval and the Court Approvals, no authorization, consent or approval of, or filing with or notice to, any Governmental Authority, court or other Person is required in connection with the execution, delivery or performance of this Agreement by the Buyer and each of the agreements to be executed and delivered by the Buyer hereunder or the purchase of the Purchased Shares hereunder, except for any authorizations, consents, approvals, filings or notices that would not have a Material Adverse Effect on the Buyer.

4.6 Litigation

There are no litigation or other adversarial proceedings before a Governmental Authority pending or, to the knowledge of the Buyer, threatened that, if adversely determined, would reasonably be expected to prohibit, restrict or enjoin the completion of the Transaction or have a Material Adverse Effect on the Buyer.

4.7 Financing and Solvency

The Buyer has at the date hereof, and will have at Closing, available in immediately-available funds on hand, from its working capital and/or currently available unrestricted credit facilities or has the unilateral right and ability to cause its affiliates to provide to the Buyer all the cash that the Buyer shall need at the date hereof, or at the Closing, to consummate the purchase of the Purchased Shares and the Transaction. As of the Closing and immediately after consummating the transactions contemplated by this Agreement, each of the Buyer and the Corporation will not (i) be insolvent (either because its financial condition is such that the sum of its debts is greater than the fair value of its assets or because the present fair value of its assets will be less than the amount required to pay its probable liability on its debts as they become absolute and matured), (ii) have unreasonably small capital with which to engage in its business or (iii) have incurred or plan to incur debts beyond its ability to repay such debts as they become absolute and matured.

4.8 Regulatory

At all relevant times, the Buyer is qualified in all respects (including under Applicable Laws), to acquire and own the Purchased Shares and operate the Business as currently conducted, subject to the approvals contemplated by this Agreement.

4.9 Compliance with Laws

The Buyer is conducting its business and operations in compliance, in all material respects, with all Applicable Laws of each jurisdiction in which its business and operations is carried on. No written notice or warning from any Governmental Authority with respect to any failure or alleged failure of, or necessity for, its business and operations to comply with any Applicable Law has been received by the Buyer nor, to the knowledge of the Buyer, is any such notice or warning proposed or threatened.

4.10 Informed and Sophisticated Buyer

The Buyer is an informed and sophisticated buyer, and has engaged expert advisors and is experienced in the evaluation and purchase of distressed enterprises such as the Corporation as contemplated hereunder. The Buyer has undertaken such investigations and has been provided with and has evaluated such documents and information as it has deemed necessary to enable it to make an

informed and intelligent decision with respect to the execution, delivery and performance of this Agreement.

4.11 Diligence

The Buyer acknowledges and agrees that: (a) it is purchasing the Purchased Shares and the Corporation, including all of its assets and liabilities, on an "as is, where is" basis; (b) it has relied upon its own independent review, investigation and inspection of the documents and information made available by or on behalf of the Seller for the purpose of the Transaction; (c) except for the representations and warranties expressly set forth in this Agreement, it is not relying upon any written or oral statements, documents, information, representations, promises, warranties or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Purchased Shares, the Corporation or the Business provided by any Person to Buyer or any of its Representatives; and (d) the obligations of the Buyer under this Agreement are not conditional upon any additional due diligence. The provisions of this Section 4.11 shall survive and not merge on Closing.

4.12 No Brokers

No agent, broker, person or firm acting on behalf of the Buyer is, or will be, entitled to any commission or brokers' or finders' fees from the Buyer or from any affiliate of the Buyer, in connection with any of the Transaction.

4.13 No Other Representations and Warranties.

Notwithstanding anything else contained in this Agreement, except for the representations and warranties contained in this Article 4, neither the Buyer nor any other Person on behalf of the Buyer makes any representation or warranty, express or implied, with respect to the Buyer or the Transaction.

ARTICLE 5 – CONDITIONS AND OTHER AGREEMENTS

5.1 Conduct Prior to Closing

(a) Prior to the Closing, Buyer, its affiliates and Representatives may, with the prior consent of the Seller or the Corporation, not to be unreasonably withheld, regularly contact, and engage in any discussions or otherwise communicate with, any of the Corporation's landlords, clients, suppliers and other Persons with which the Corporation has material commercial dealings.

(b) During the Interim Period, except, in each case, either (A) in furtherance of or in relation to the Transaction, (B) with the prior written consent of the Buyer (not to be unreasonably withheld, conditioned or delayed), (C) in respect of any limitations on the Corporation's or the Seller's operations imposed by the U.S. Bankruptcy Court, the CCAA Court, the CCAA, or the U.S. Bankruptcy Code, or (D) as applicable, in connection with the Restructuring Proceedings or otherwise required by or pursuant to any Applicable Law or order, including orders or directions of the CCAA Court or the U.S. Bankruptcy Court, the Seller and the Corporation will diligently pursue completion of the Transaction and satisfaction of all conditions thereto, and the Corporation will, and the Seller shall cause the Corporation to, in all material respects, conduct the Business in the Ordinary Course and in accordance with Applicable Law, including, as may be permitted by the CCAA Court or the U.S. Bankruptcy Court, as applicable, paying and

discharging the liabilities of the Business when due in accordance and consistent with past practice.

(c) Without limiting the generality of Section 5.1(b), but except, in each case, either (A) in furtherance of or in relation to the Transaction, (B) with the prior written consent of the Buyer (not to be unreasonably withheld, conditioned or delayed), (C) in respect of any limitations on the Corporation's or the Seller's operations imposed by the U.S. Bankruptcy Court, the CCAA Court, the CCAA, or the U.S. Bankruptcy Code, or (D) as applicable, in connection with the Restructuring Proceedings or otherwise required by or pursuant to any Applicable Law or order, including orders or directions of the CCAA Court or the U.S. Bankruptcy Court, during the Interim Period, the Corporation will, and the Seller shall cause the Corporation to:

(i) use Commercially Reasonable Efforts to, in all material respects, keep available the services of the Employees and preserve current relations with, and the current goodwill of, suppliers, customers, landlords, Governmental Authorities and all other Persons having material business relationships with the Corporation;

(ii) not amend in any material respect, renew, extend the term or accept the surrender of any Real Property Lease except as may be mutually agreed between the Seller, the Corporation and the Buyer, acting reasonably;

(iii) except for the DIP Indebtedness Amount, not incur any borrowed indebtedness or other debts and liabilities outside the Ordinary Course of the Corporation's Business;

(iv) other than in the Ordinary Course of the Corporation's Business, not make any expenditures (including to Employees, suppliers and other Persons) or enter into any material transactions, Contracts, commitments or obligations of any kind;

(v) in all material respects, preserve, protect and maintain the assets of the Corporation in the Ordinary Course; and

(vi) continue and keep in full force and effect all insurance coverage currently held by the Corporation.

(d) During the Interim Period each of the Parties will diligently pursue completion of the Transaction and satisfaction of all conditions thereto.

5.2 Restructuring Proceedings

(a) If the Transaction contemplated pursuant to this Agreement (as it may be amended or modified by mutual agreement of the Parties in connection with the Canadian Equity Bidding Procedures Order) is determined to be the Successful Bid pursuant to the Canadian Equity Bidding Procedures Order, the Seller shall file with the U.S. Bankruptcy Court and the CCAA Court motions for the Canadian Equity Sale Order within the time period provided for in the Canadian Equity Bidding Procedures Order.

(b) The Seller shall cause the Corporation to, and the Corporation shall, take such actions and file such motions as the Seller, the Corporation, and the Buyer determine are appropriate to obtain the CCAA Discharge Order, the Canadian Equity Sale Order, and such other orders, approvals and consents of the CCAA Court as each Party, acting reasonably, may deem necessary or desirable in connection with the execution, implementation and closing of the Transaction (collectively the "**CCAA Approvals**").

(c) The Buyer and its legal counsel shall be given a reasonable opportunity to review and comment on (i) the motions for the issuance of the Canadian Equity Sale Order; (ii) any motion filed by the Seller with the CCAA Court for issuance of the CCAA Approvals; and (iii) any other materials prepared in connection with obtaining the Court Approvals, which shall each be in form and substance satisfactory to the Buyer, acting reasonably.

(d) The Buyer and the Seller will cooperate in obtaining entry of the Canadian Equity Sale Order, if applicable, and any orders in respect of the Court Approvals, and the Seller will deliver, or will request the Monitor to deliver, as applicable, to the Buyer prior to service and filing, and as early in advance as is practicable to permit adequate and reasonable time for the Buyer and its counsel to review and comment upon, copies of all proposed pleadings, motions, notices, statements, schedules, applications, reports and other material papers to be filed by the Seller or the Monitor, as applicable, in connection with such motions and relief requested therein and any objections thereto. The Buyer, at its own expense, will promptly provide to the Seller and the Monitor all such information within its possession or under its control as the Seller or the Monitor may reasonably require to obtain the orders referenced in this Section 5.2(d).

5.3 Other Transaction and Break-Up Fee

(a) Notwithstanding any other term or provision of this Agreement, including conduct covenants of the Seller during the Interim Period pursuant to Section 5.1, the Seller shall be permitted to:

(i) take any action permitted pursuant to the Canadian Equity Bidding Procedures Order;

(ii) designate the Agreement as the Successful Bid (as defined in the Canadian Equity Bidding Procedures Order) and the Buyer as the Successful Bidder (as defined in the Canadian Equity Bidding Procedures Order) for purposes of the Canadian Equity Bidding Procedures Order;

(iii) only prior to the issuance of the Canadian Equity Sale Order by the U.S. Bankruptcy Court but not at any time thereafter, solicit, initiate, encourage, engage in or respond to any inquiries, submissions, proposals or offers regarding any Other Transaction;

(iv) only prior to the issuance of the Canadian Equity Sale Order by the U.S. Bankruptcy Court but not at any time thereafter, encourage or participate in any discussions or negotiations regarding any Other Transaction;

(v) only prior to the issuance of the Canadian Equity Sale Order by the U.S. Bankruptcy Court but not at any time thereafter, provide any information to, or otherwise cooperate in any way with, any Person in connection with any Other Transaction;

(vi) only prior to the issuance of the Canadian Equity Sale Order by the U.S. Bankruptcy Court but not at any time thereafter, agree to, approve or recommend any Other Transaction that is selected as the Successful Bid pursuant to the Canadian Equity Bidding Procedures Order;

(vii) only prior to the issuance of the Canadian Equity Sale Order by the U.S. Bankruptcy Court but not at any time thereafter, agree to, approve or recommend any Other Transaction that is contemplated by a Superior Proposal; or

(viii) only prior to the issuance of the Canadian Equity Sale Order by the U.S. Bankruptcy Court but not at any time thereafter, enter into any agreement related to an Other Transaction,

in each case, without consent or approval of, but on reasonable notice to, the Buyer.

(b) Prior to the Closing, if this Agreement is terminated by the Seller for any reason whatsoever other than pursuant to Sections 7.1(a), 7.1(b) or 7.1(c) (except, in the case of Section 7.1(c), in reliance on the non-satisfaction of the condition set out in Section 5.12(d) or Section 5.12(f)), or if this Agreement is terminated by the Buyer as a result of the Seller's material breach or non-compliance with its obligations hereunder, then in each such case the Seller shall pay in cash to the Buyer (i) promptly its reasonable and documented out-of-pocket costs and expenses in respect of the Transaction, such amount not to exceed $500,000 (the "**Expense Reimbursement Amount**"); and (ii) a break-up fee in the amount equal to 3% of the Base Purchase Price *minus* the Expense Reimbursement Amount (the "**Break-Up Fee**"), only upon the consummation of an Other Transaction, each payable by wire transfer of immediately available funds to the account specified by the Buyer to the Seller in writing. The Seller shall take steps to ensure that its obligations in respect of the Break-Up Fee and Expense Reimbursement Amount shall receive such payment and collection protection under the Court Approvals as the Buyer may request, acting reasonably.

(c) Each of the Parties acknowledges that the agreements contained in this Section 5.3 are an integral part of the Transaction and that, without those agreements, the Parties would not enter into this Agreement. The Parties further acknowledge and agree that the Break-Up Fee is a payment of liquidated monetary damages which are a genuine pre-estimate of the costs and damages which the Buyer will suffer or incur as a result of the non-completion of this Agreement, that such payment is not for lost profits or a penalty, and that no Party shall take any position inconsistent with the foregoing. The Seller irrevocably waives any right it may have to raise as a defense that any such liquidated damages are excessive or punitive. Each of the Parties hereby acknowledges and agrees that, upon any breach of this Agreement by the Seller, the Buyer's sole remedy, if any, shall be, if applicable, to terminate this Agreement in accordance with Section 7.1 and to collect the Expense Reimbursement Amount and the Break-Up Fee (if payable) and/or the return of the Deposit (if applicable), and the Buyer shall be precluded from any other remedy against the Seller at law or in equity or otherwise and in any such case it shall not seek to obtain any recovery, judgment, or damages of any kind, including consequential, indirect, or punitive damages, against the Seller or any of its respective directors, officers, employees, partners, managers, members, shareholders or affiliates in connection with this Agreement or the Transaction.

(d) Subject to the last sentence of the preceding paragraph, nothing in this Section 5.3 shall preclude any Party or the Monitor from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements set forth in this Agreement or otherwise to obtain specific performance of any such covenants or agreement, and any requirement for securing or posting of any bond in connection with the obtaining of any such injunction or specific performance is hereby being waived.

5.4 Access to Information

Until the Effective Closing Time and to the extent permitted by Applicable Law, the Seller shall give to the Buyer's Representatives engaged in this Transaction, during normal business hours and upon reasonable advance notice, reasonable access to the Corporation's premises and shall furnish them with all such information relating to the Corporation as the Buyer may reasonably request in connection with the Transaction. Notwithstanding anything in this Section 5.4 to the contrary, any such investigation shall be conducted upon reasonable advance notice and in such manner as does not disrupt the Business or any of the assets of the Corporation. The Buyer acknowledges and confirms its representations and warranties in Sections 4.10 and 4.11 and that access to information pursuant to this Section 5.4 is not intended to, and shall not, provide for any due diligence inquiry as a condition to the Closing or otherwise.

5.5 Payment of DIP Indebtedness Amount

The Buyer and the Corporation shall on Closing enter into such arrangements as the Buyer may reasonably require for the purpose of enabling on or before Closing the Corporation's full repayment of the DIP Indebtedness Closing Amount. In addition, on Closing the Buyer shall cause the Corporation to replace letters of credit issued for the benefit of the Corporation in the Ordinary Course prior to Closing up to a maximum aggregate amount of $5,000,000. Such replacement letters of credit shall not be included in the DIP Indebtedness Closing Amount. For greater certainty, it is the responsibility of the Buyer to provide the funding to pay the DIP Indebtedness Amount.

5.6 Competition Act

(a) Subject to the terms and conditions of this Agreement (including Section 5.6(d)), prior to Closing, the Parties shall use their respective best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under any Applicable Laws to consummate and make effective the Transaction as promptly as practicable, including (i) the preparation and filing of all forms, registrations and notifications required to be filed under the Competition Act to consummate the Transaction, (ii) satisfaction of the conditions to consummating the Transaction, (iii) obtaining (and cooperating with each other in obtaining) any consent, authorization, expiration or termination of a waiting period, permit, order or approval of, waiver or any exemption by, any Governmental Authority (which actions shall include furnishing all information and documentary material required under the Competition Act) required to be obtained or made by the Parties or any of their respective subsidiaries in connection with the Transaction or the taking of any action contemplated by this Agreement, (iv) defending any lawsuits or other legal proceedings, whether judicial or administrative, challenging this Agreement or the consummation of the Transaction, (v) obtaining (and cooperating with each other in obtaining) any consent, approval of, waiver or any exemption by, any non-governmental third party, in each case, to the extent necessary, proper or advisable to consummate the Transaction, and (vi) the execution and delivery of any reasonable additional instruments necessary to consummate the Transaction and to fully carry out the purposes of this Agreement. The Parties shall file with the Commissioner a notification pursuant to Subsection 114(1) of the Competition Act and the Buyer shall, within such time, make a submission to the Commissioner in support of a request for an advance ruling certificate or, if the Commissioner is not prepared to issue an advance ruling certificate, a no-action letter, by no later than seven (7) Business Days after the date of this Agreement unless otherwise agreed to by the Parties in writing. No Party may withdraw its Competition Act Notification without the consent of the other

Party. The Buyer will be solely responsible to pay any requisite filing fees in relation to any filing or application made in respect of the Competition Act.

(b) The Parties shall each keep the other apprised of the status of matters relating to the completion of the Transaction and work cooperatively in connection with obtaining all required consents, authorizations, orders or approvals of, or any exemptions by, any Governmental Authority undertaken pursuant to the provisions of this Section 5.6. In that regard, prior to Closing, each Party shall promptly (i) consult with the other Party with respect to and provide any necessary information and assistance as the other Party may reasonably request with respect to all notices, submissions or filings made by or on behalf of such Party with any Governmental Authority or any other information supplied by or on behalf of such Party to, or correspondence with, a Governmental Authority in connection with this Agreement and the Transaction, and (ii) inform the other Party, and if in writing, furnish the other Party with copies of (or, in the case of oral communications, advise the other Party orally of) any communication from or to any Governmental Authority regarding the Transaction, and permit the other Party the opportunity to review and discuss in advance, and consider in good faith the views of the other Party in connection with, any proposed communication or submission with any such Governmental Authority; provided, however, that neither Party shall participate in any substantive meeting with any Governmental Authority in connection with this Agreement and the Transaction unless it consults with the other Party in advance and, to the extent not prohibited by such Governmental Authority, gives the other Party the opportunity to attend and participate therein or thereat. The foregoing obligations in this Section 5.6 shall be subject to the Non-Disclosure Agreement and any attorney-client, work product, or other privilege. Notwithstanding the foregoing, submissions, filings or other written communications to the Commissioner of Competition or the staff of the Competition Bureau may be redacted as necessary before sharing with the other Party to address reasonable solicitor-client or other privilege or confidentiality concerns, provided that external legal counsel to the Buyer and the Seller shall receive non-redacted versions of drafts or final submissions, filings or other written communications to the Commissioner of Competition or the staff of the Competition Bureau on the basis that the redacted information will not be shared with their respective clients, provided however that nothing in this Agreement requires any Party to share with another Party or its external legal counsel any information that relates to the valuation of the proposed transactions contemplated by this Agreement.

(c) Notwithstanding anything to the contrary set forth in this Agreement, the Buyer has no obligation to take any steps or actions that would, in its sole discretion, affect the Buyer's right to own or exploit its business, operations or assets, or those of the Corporation.

(d) In furtherance and not in limitation of the covenants of the Parties contained in this Section 5.6, if any administrative or judicial action or proceeding, including any proceeding by a private party, is instituted (or threatened to be instituted) challenging the Transaction or any other transaction contemplated by this Agreement as violative of the Competition Act or other Applicable Law, each of the Buyer and the Seller shall use best efforts to contest and resist any such action or proceeding and to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents or restricts consummation of the Transaction; *provided, however,* that the Buyer shall bear all costs and expenses of all Parties associated with contesting or resisting any such action or proceeding.

5.7 Section 116 Certificate

(a) If a certificate issued by the Minister of National Revenue (Canada) under section 116 of the Tax Act in respect of the disposition of the Purchased Shares by the Seller to the Buyer, specifying a certificate limit in an amount which is not less than the Purchase Price, is not delivered to the Buyer at or before the Closing, the Buyer shall be entitled to withhold from the Purchase Price otherwise payable an amount equal to 25% of the amount, if any, by which the Purchase Price otherwise payable exceeds the certificate limit in respect of any certificate issued in connection with the disposition of the Purchased Shares by the Seller under section 116 of the Tax Act (the "**Withheld Section 116 Amount**"). The Withheld Section 116 Amount shall be deposited by the Buyer with the Escrow Agent in escrow pursuant to the Escrow Agreement. Any interest or other income earned in respect of the funds shall accrue for the benefit of the Seller.

(b) If, prior to the 28th day after the end of the month in which the Closing Date occurs (the "**Certificate Date**"), the Seller delivers to the Buyer:

(i) a certificate issued by the Minister of National Revenue (Canada) under section 116(2) of the Tax Act in respect of the disposition of the Purchased Shares by the Seller to the Buyer, the Buyer (or the Escrow Agent on behalf of the Buyer) shall promptly pay to the Seller the Withheld Section 116 Amount less 25% of the amount, if any, by which the Purchase Price payable by the Buyer to the Seller exceeds the amount specified in such certificate as the certificate limit, together with any interest or other income earned on the Withheld Section 116 Amount to the date of such payment (net of any applicable Taxes), and the Buyer (or the Escrow Agent on behalf of the Buyer) shall promptly pay to the Receiver General 25% of the amount, if any, by which that Purchase Price exceeds the amount specified on such certificate as the certificate limit (and the amount so paid shall be credited to the Buyer as payment on account of the Purchase Price), or

(ii) a certificate issued by the Minister of National Revenue under section 116(4) of the Tax Act in respect of the disposition of the Purchased Shares by the Seller to the Buyer, the Buyer (or the Escrow Agent on behalf of the Buyer) shall promptly pay the Withheld Section 116 Amount to the Seller, together with any interest or other income earned thereon (net of applicable taxes).

(c) If the Buyer has withheld any amount payable to the Seller under the provisions of Section 5.7(a) and no certificate has been delivered to the Buyer by the Seller in accordance with the provisions of Section 5.7(b), the Withheld Section 116 Amount shall be paid by the Buyer (or the Escrow Agent on behalf of the Buyer) to the Receiver General as contemplated by subsection 116(5) of the Tax Act, on the 29th day after the end of the month in which the Closing Date occurs (the "**Remittance Date**") and the amount so paid shall be credited to the Buyer on account of the Purchase Price payable by the Buyer to the Seller; provided, however, that if the Canada Revenue Agency confirms in writing on or before the Remittance Date that the Buyer may continue to hold the Withheld Section 116 Amount until a later date without adverse consequences to the Buyer, then the Buyer (or the Escrow Agent on behalf of the Buyer) shall continue to hold such amount on the terms and conditions of this Section 5.7, and on the terms outlined in such confirmation from the Canada Revenue Agency, and the Certificate Date and the Remittance Date shall be deemed to have been extended until such later date.

Any interest or other income earned in connection with the Withheld Section 116 Amount from the Closing Date to the Remittance Date shall be paid forthwith by the Buyer (or the Escrow Agent on behalf of such Buyer) to the Seller.

(d) The provisions of this Section 5.7 shall apply, with adjustments as appropriate, to any Purchase Price adjustment payable by the Buyer to the Seller pursuant to Section 2.5(d).

5.8 Eliminated Intercompany Indebtedness

The Seller and the Corporation shall take all necessary actions to eliminate or settle all indebtedness or liabilities of the Corporation to its affiliates (other than Ordinary Course liabilities included in Working Capital) on or before the Closing Date (together with the Intercompany Indebtedness such that the Intercompany Indebtedness will no longer be a receivable owing from the Seller to the Corporation in such a manner as may be agreed by the Seller, Corporation and the Buyer, each acting reasonably).

5.9 Payment of Withheld Intercompany Amount

The Buyer and the Corporation shall on or before Closing enter into such arrangements as the Buyer and Seller may reasonably require for the purpose of enabling the Corporation's payment of an amount equal to the Withheld Intercompany Amount to the Receiver General on account of withholding Taxes owing with respect to the Intercompany Indebtedness when due, with the method and timing of such payment reasonably acceptable to the Seller. The Buyer acknowledges and agrees that the Withheld Intercompany Amount shall not be included as a liability in the calculation of Working Capital.

5.10 Conditions for the Benefit of the Buyer

The obligation of the Buyer to complete the Transaction is subject to the following conditions to be fulfilled or performed at or prior to the Closing, which conditions are for the exclusive benefit of the Buyer and may be waived, in whole or in part, by the Buyer in its sole discretion:

(a) **Truth of Representations and Warranties.** The representations and warranties of the Seller contained in this Agreement must be true and correct as of the Closing Date with the same force and effect as if such representations and warranties had been made on and of such date (except for those representations and warranties that are made as of a specific time or date), in each case except to the extent that the same would not result in a Material Adverse Effect with respect to the Corporation; and the Seller must have delivered to the Buyer a signed certificate of a senior officer to that effect.

(b) **Performance of Covenants.** The Seller must have fulfilled or complied, in all material respects, with all covenants contained in this Agreement to be fulfilled or complied with by it at or prior to the Closing, and the Seller must have delivered to the Buyer a signed certificate of a senior officer to that effect.

(c) **Transition Services Agreement.** The Seller must have delivered to the Buyer the Transition Services Agreement.

(d) **Deliverables.** The Seller must have delivered to the Buyer all the other documents contemplated in Section 6.2, in each case in form and substance satisfactory to the Buyer, acting reasonably.

(e) **Estimated Closing Date Working Capital.** The Estimated Closing Date Working Capital shall not at Closing be less than $42,000,000.

(f) **DIP Indebtedness Closing Amount.** On the Closing Date, the DIP Indebtedness Closing Amount shall not equal an amount that would result in the Purchase Price being less than the Escrow Amount.

(g) **Agreement.** This Agreement shall be duly executed and delivered by the Seller to the Buyer by no later than 5:00 pm (Toronto time) on April 19, 2018.

5.11 Conditions for the Benefit of the Seller

The obligation of the Seller to complete the Transaction is subject to the following conditions to be fulfilled or performed at or prior to the Closing, which conditions are for the exclusive benefit of the Seller and may be waived, in whole or in part, by the Seller in its sole discretion:

(a) **Truth of Representation and Warranties.** The representations and warranties of the Buyer contained in this Agreement must be true and correct as of the Closing Date with the same force and effect as if such representations and warranties had been made on and of such date (except for those representations and warranties that are made as of a specific time or date), in each case except to the extent that the same would not result in a Material Adverse Effect with respect to the Buyer; and the Buyer must have delivered to the Seller a signed certificate of a senior officer to that effect.

(b) **Performance of Covenants.** The Buyer must have fulfilled or complied, in all material respects, with all covenants contained in this Agreement to be fulfilled or complied with by it at or prior to the Closing, and the Buyer must have delivered to the Seller a signed certificate of a senior officer to that effect.

(c) **Ability to Convey.** The Seller shall not have lost its ability to convey the Purchased Shares or any part thereof, including, without limitation, as a result of any order issued by the U.S. Bankruptcy Court or the CCAA Court in the Restructuring Proceedings that is not at the voluntary initiative of the Seller.

(d) **Payment of Withheld Intercompany Amount.** The Buyer shall have provided the Seller with evidence that is reasonably acceptable to the Seller that the Buyer has made satisfactory arrangements for the Corporation's payment of the Withheld Intercompany Amount in accordance with Section 5.9.

(e) **Deliverables.** The Buyer must have delivered to the Seller the documents contemplated in Section 6.3, in each case in form and substance satisfactory to the Seller, acting reasonably.

5.12 Mutual Conditions

The obligation of the Parties to complete the Transaction is subject to the following conditions to be fulfilled or performed at or prior to the Closing, which conditions are for the exclusive benefit of each of the Seller and the Buyer and may only be waived, in whole or in part, by both the Seller and the Buyer, provided that the Seller and Buyer agree that the conditions in Sections 5.12(d) and 5.12(e) may not be waived without the consent of the Monitor, acting reasonably:

(a) **No Legal Action.** No provision of any Applicable Laws and no judgment, injunction, order or decree that prohibits the consummation of the Transaction pursuant to and in accordance with this Agreement being in effect.

(b) **Competition Act Approval**. Competition Act Approval shall have been offered by the Commissioner or the Competition Tribunal, as applicable, or is otherwise available to be obtained, in reasonable form and substance.

(c) **Stay of Proceedings.** The stays of proceedings in respect of the Seller and the Corporation in the Restructuring Proceedings shall be in force in all material respects and the Restructuring Proceedings shall be ongoing.

(d) **The Canadian Equity Sale Order.** The Canadian Equity Sale Order shall have been (i) entered by the U.S. Bankruptcy Court on or before April 30, 2018; and (ii) issued by the CCAA Court on or before May 4, 2018, in the Restructuring Proceedings.

(e) **Court Approvals.** All Court Approvals shall have been issued and entered and become Final, on or before May 31, 2018, or such later date that is not later than June 29, 2018 to which the deadline for the completion of the Transaction under the DIP Agreement shall have been extended (the "**Sunset Date**").

(f) **Successful Bidder.** The Buyer shall have been selected and designated to be the Successful Bidder in accordance with the Canadian Equity Bidding Procedures Order on or before April 25, 2018, or such later date as the auction pursuant to the Canadian Equity Bidding Procedures Order concludes (but no later than April 27, 2018).

5.13 No Frustration of Closing Condition

Neither the Buyer nor the Seller may rely on the failure of any condition to their respective obligations to consummate the transactions contemplated hereby set forth in Sections 5.10 to 5.12, as the case may be, to be satisfied if such failure was caused by such Party's or its affiliates' failure to use its reasonable efforts (or Commercially Reasonable Efforts, to the extent specifically provided) to satisfy the conditions to the consummation of the transactions contemplated hereby or by any other breach of a representation, warranty, or covenant of such Party hereunder.

5.14 Advice and Direction

The Parties acknowledge that the Monitor is entitled (but not required) to seek the advice and directions of the CCAA Court in respect of any determination to be made, consent right to be exercised or other action to be taken by the Monitor under this Agreement.

ARTICLE 6 – CLOSING

6.1 Date, Time and Place of Closing

The completion of the Transaction will take place at the offices of Goodmans LLP at Suite 3400, Bay Adelaide Centre, 333 Bay Street, Toronto, Ontario M5H 2S7 at 10:00 a.m. (Toronto time) on the Closing Date, or at such other place, on such other date and at such other time as may be agreed upon in writing by the Parties. Notwithstanding the foregoing, the Parties acknowledge and agree that the Transaction will be deemed to have closed effective as of the Effective Closing Time.

6.2 Seller Deliverables at Closing

At Closing, the Seller will deliver or cause to be delivered to the Buyer the following:

(a) the certificates referred to in Section 5.10(a) and Section 5.10(b);

(b) the Transition Services Agreement duly executed by the Seller and any applicable affiliates and the Corporation;

(c) the Escrow Agreement duly executed by the Seller; and

(d) any other documents contemplated by this Agreement and requested by the Buyer, acting reasonably.

6.3 Buyer Deliverables at Closing

At Closing, the Buyer will deliver or cause to be delivered to the Seller the following:

(a) the Purchase Price in the manner set forth in Section 2.3;

(b) certified copies of:

(i) the charter documents of the Buyer;

(ii) resolutions of the board of directors of the Buyer approving the entering into of this Agreement and the completion of the Transaction; and

(iii) a list of the officers and directors of the Buyer authorized to sign agreements together with their specimen signatures;

(c) a certificate of status, compliance, good standing or like certificate with respect to the Buyer issued by the appropriate governmental officials of its jurisdiction of incorporation;

(d) the certificates referred to in Section 5.11(a) and Section 5.11(b);

(e) written evidence that is reasonably satisfactory to the Seller and the Monitor of the Corporation's payment of the DIP Indebtedness Closing Amount pursuant to Section 5.5;

(f) the Escrow Agreement duly executed by the Buyer; and

(g) any other documents contemplated by this Agreement and requested by the Seller, acting reasonably.

6.4 Monitor's Certificate

The Parties hereby acknowledge and agree that the Monitor will be entitled to file the Monitor's Certificate with the CCAA Court without independent investigation upon receiving written confirmation from the Seller and the Buyer that all conditions to Closing set forth in Article 5 have been satisfied or waived, and the Monitor will have no liability to the Seller or the Buyer or any other Person as a result of filing the Monitor's Certificate or otherwise in connection with this Agreement or the transactions contemplated hereunder (whether based on contract, tort or any other theory).

ARTICLE 7 – TERMINATION

7.1 Termination

This Agreement may be terminated at any time prior to Closing as follows:

(a) subject to any approvals required from the CCAA Court or the U.S. Bankruptcy Court, and with the consent of the Monitor, by mutual written consent of the Seller and the Buyer;

(b) by the Seller, on the one hand, or the Buyer, on the other hand, if the Closing has not occurred on or before the Sunset Date *provided however* that if the Closing shall not have occurred on or before the Sunset Date due to a material breach of any representations, warranties, covenants or agreements contained in this Agreement by the Buyer or the Seller, then the breaching Party may not terminate this Agreement pursuant to this Section 7.1(b);

(c) by the Seller, if: (i) any of the conditions precedent set out in Section 5.11 or Section 5.12 have not been satisfied as and when required; or (ii) there has been a material violation or breach by the Buyer of any covenant, representation or warranty which would prevent the satisfaction of any condition set forth in Section 5.11 or 5.12 by the Sunset Date and such violation or breach has not been waived by the Seller or cured within fifteen (15) days after written notice thereof from the Seller, unless the Seller is in material breach of its obligations under this Agreement;

(d) by the Buyer, if: (i) any of the conditions precedent set out in Section 5.10 or Section 5.12 have not been satisfied as and when required; or (ii) there has been a material violation or breach by the Seller of any covenant, representation or warranty which would prevent the satisfaction of any condition set forth in Section 5.10 or 5.12 by the Sunset Date and such violation or breach has not been waived by the Buyer or cured within fifteen (15) days after written notice thereof from the Buyer, unless the Buyer is in material breach of its obligations under this Agreement;

(e) by the Seller only, if any Other Transaction is selected as the Successful Bid pursuant to the Canadian Equity Bidding Procedures Order; and

(f) by the Seller only, in order to pursue or enter into any Other Transaction contemplated by a Superior Proposal.

7.2 Effect of Termination

In the event of termination of this Agreement pursuant to Section 7.1, this Agreement shall become void and of no further force and effect, except as may be otherwise contemplated by this Agreement.

ARTICLE 8– GENERAL MATTERS

8.1 Further Assurances

Each of the Parties hereto shall promptly do, make, execute or deliver, or cause to be done, made, executed or delivered, all such further acts, documents and things as the other Parties hereto may reasonably require from time to time for the purpose of giving effect to this Agreement and shall use Commercially Reasonable Efforts and take all such steps as may be reasonably within its power to

implement to their full extent the provisions of this Agreement. Upon and subject to the terms and conditions of this Agreement and subject to the directions of any applicable courts to the Parties, the Parties shall use their Commercially Reasonable Efforts to take or cause to be taken all actions and to do or cause to be done all things necessary proper or advisable under Applicable Laws and within their reasonable control to consummate and make effective the Transaction, including using Commercially Reasonable Efforts to satisfy or waive the conditions precedent to the obligations of the Parties hereto.

8.2 Release of Directors and Officers

The Seller (on its own behalf and on behalf of the Corporation), hereby remises, releases and forever discharges each of the directors and officers of the Corporation (each a "**Releasee**") from any and all actions, causes of action, suits, proceedings, debts, guarantees, accounts, bonds, covenants, contracts, claims, liabilities, damages, grievances, executions, judgments and demands of any kind whatsoever (collectively, "**Claims**"), both in law and in equity, whether express or implied, which the Seller or its affiliates (including the Corporation) has ever had, now has or hereafter may have against each Releasee for or by reason of any cause, matter or thing whatsoever, including, without limitation, any Claim in respect of the services provided or actions taken by each Releasee as a director and/or officer of the Corporation, existing up to and including the Closing Date, so long as such services or actions were not fraudulent, grossly negligent or the product of wilful misconduct. The release provided in this Section 8.2 shall enure to the benefit of each Releasee's heirs, executors, administrators and personal representatives and shall be binding upon the administrators, personal representatives, successor and assigns of the Seller and its affiliates.

8.3 Third Party Beneficiaries

(a) Except as otherwise provided in Section 8.2, the Parties intend that this Agreement will not benefit or create any right or cause of action in, or on behalf of, any Person, other than the Parties to this Agreement and no Person, other than the Parties to this Agreement, will be entitled to rely on the provisions of this Agreement in any action, suit, proceeding, hearing or other forum. The Seller acts as trustee and agent on behalf of each of the Releasees, and holds for their benefit their rights under Section 8.2, as applicable.

(b) Each Party agrees that the other Party or its affiliate may enforce the release set out in Section 8.2 for and on behalf of any Releasee and, in such event, the non-enforcing Party and its affiliates will not in any proceeding to enforce the release by or on behalf of such Releasee assert any defence thereto based on the absence of authority or consideration or privity of contract and irrevocably waives the benefit of any such defence.

(c) The Seller reserves its right to vary or rescind the rights at any time and in any way whatsoever granted by or under this Agreement to any Person who is not a Party to this Agreement, without notice to or consent of that Person, including the Releasees.

8.4 Confidentiality

(a) Until the Closing Date, or such later time as may be set out in the Non-Disclosure Agreement, the Buyer agrees to hold in strict confidence all confidential information in accordance with the terms and conditions of the Non-Disclosure Agreement.

(b) Until the date that is two (2) years from the Closing Date, unless a earlier date is agreed to by the Buyer, the Seller and its controlled affiliates agree to hold in strict confidence all confidential information in any way relating to the Corporation, the Purchased Shares or the Buyer, except as may be required to comply with Applicable Law.

8.5 Privacy Laws

(a) For the purpose of this Section 8.5, "**Personal Information**" means information about an identifiable individual but excludes an individual's name, position name or title, business telephone number, business address, business e-mail, business fax number and other similar business information collected, used or disclosed to contact an individual in their capacity as an official or employee of an organization. For greater certainty, "**Personal Information**" shall include all health and medical information and records.

(b) Prior to the Closing, none of the Parties will use any Personal Information of any Person (including the Employees) disclosed to the Buyer by the Seller pursuant to or in connection with this Agreement (the "**Disclosed Personal Information**") for any purposes other than those related to the performance of this Agreement and the completion of the Transaction.

(c) Each of the Parties acknowledges and confirms that the disclosure of Disclosed Personal Information is necessary for the purposes of determining if the Parties will proceed with the Transaction, and that the disclosure of Disclosed Personal Information relates solely to the carrying on of the Business and the completion of the Transaction.

(d) The Buyer undertakes, after the Closing, to comply at all times with Applicable Laws which govern the collection, use and disclosure of Personal Information, including in respect of the Disclosed Personal Information and all Personal Information of the Employees.

(e) The Buyer covenants and agrees that if the Parties do not complete or proceed with the Transaction, the Buyer will, if such information is still in the custody of or under the control of the Buyer, either, at the Buyer's option, destroy (and promptly provide to the Seller an officer's certificate executed by the Chief Executive Officer of the Buyer confirming same) such information or return it to the Seller. Notwithstanding the foregoing, the Buyer (i) may retain such copies of such information as is required to comply with Applicable Law or its corporate governance and record keeping policies and (ii) shall not be required to purge it computer or other electronic archives of such information.

8.6 Public Notices

(a) No press release or other announcement concerning the Transaction shall be made by the Seller or by the Buyer without the prior consent of the other (such consent not to be unreasonably withheld); provided, however, that subject to the last sentence of this Section 8.6, any Party may, without such consent, make such disclosure if the same is required by Applicable Law (including the Restructuring Proceedings) or by any insolvency or other court or securities commission or other similar regulatory authority having jurisdiction over such Party or any of its affiliates, and, if such disclosure is required, the Party making such disclosure shall use commercially reasonable efforts to give prior oral or written notice to the other, and if such prior notice is not possible, to give such notice immediately following the making of such disclosure. Notwithstanding the foregoing: (i) this Agreement may be filed by the Seller with the U.S. Bankruptcy Court and/or the CCAA Court; and (ii) the Transaction may be disclosed by the Seller to the U.S. Bankruptcy Court and/or the CCAA Court, subject to redacting confidential or sensitive information as permitted by Applicable Laws. The Parties further agree that:

(i) the Monitor may prepare and file reports and other documents with the U.S. Bankruptcy Court and/or the CCAA Court containing references to the Transaction and the terms thereof; and

(ii) the Seller and their professional advisors may prepare and file such reports and other documents in the Restructuring Proceedings containing references to the Transaction and the terms thereof as may reasonably be necessary to complete the Transaction or to comply with their obligations in connection therewith.

Each of the Parties may issue a press release announcing the execution and delivery of this Agreement, in form and substance mutually agreed to by each of the Parties.

8.7 Non-Survival

Except for covenants that by their express terms survive the Closing of this Agreement, each of the representations and warranties and the covenants and agreements (to the extent such covenant or agreement contemplates or requires performance by such party prior to the Closing) of the Seller, the Buyer and the Corporation set forth in this Agreement will terminate effective immediately as of the close of business on the Closing Date. No claim for breach of any such representation, warranty, covenant or agreement, detrimental reliance or other right or remedy (whether in contract, in tort or at law or in equity) may be brought with respect thereto after the Closing against the Seller or the Corporation or any of their, or their affiliates', respective former, current, or future affiliates, officers, directors, employees, partners, members, equityholders, controlling or controlled persons, managers, successors or permitted assigns except to the extent of the Escrow Amount, as provided in this Agreement. For the avoidance of doubt, any confidentiality agreement between the Seller, the Corporation or any of their affiliates, on the one hand, and the Buyer or any of its affiliates or Representatives, on the other hand, will survive the Closing and any termination of this Agreement.

8.8 Non-Recourse

No past, present or future director, officer, employee, incorporator, member, partner, stockholder, affiliate, agent, attorney or other Representative of the Buyer, the Seller or the Corporation, in such capacity, shall have any liability for any obligations or liabilities of the Buyer, the Seller or the Corporation, as applicable, under this Agreement or for any claim based on, in respect of, or by reason of, the Transaction. In addition, under no circumstance shall any of the Buyer, the Seller or the Corporation, their respective affiliates or their or their affiliates' Representatives be liable for any special, punitive, exemplary, consequential or indirect damages (including loss of profits) that may be alleged to result, in connection with, arising out of, or relating to this Agreement or the Transaction.

8.9 Expenses

Except as otherwise specifically provided herein (including pursuant to Section 5.3), each of the Seller, the Corporation and the Buyer shall be responsible for the expenses (including fees and expenses of legal advisers, accountants and other professional advisers) incurred by them, respectively, in connection with the negotiation and settlement of this Agreement and the completion of the Transaction (including to obtain the Competition Act Approval).

8.10 Time of the Essence

Time will be of the essence in this Agreement.

8.11 Successors and Assigns

(a) This Agreement will become effective when executed by each of the Parties and after that time will be binding upon and enure to the benefit of each Party and its respective successors and permitted assigns.

(b) Neither this Agreement, nor any of the rights or obligations hereunder, will be assignable or transferable by any Party without the prior written consent of the other Party, not be to unreasonably withheld or delayed.

8.12 Notices

Any notice, request, demand or other communication required or permitted to be given to a Party pursuant to the provisions of this Agreement will be in writing and will be effective and deemed given under this Agreement on the earliest of: (i) the date of personal delivery; (ii) the date of transmission by facsimile or e-mail, with confirmed transmission and receipt or the date of transmission by electronic transmission (in each case, if sent during normal business hours of the recipient, and if not, then on the next Business Day); (iii) two (2) days after deposit with a nationally-recognized courier or overnight service such as Federal Express; or (iv) five (5) days after mailing via certified mail, return receipt requested. All notices not delivered personally or by facsimile or e-mail will be sent with postage and other charges prepaid and properly addressed to the Party to be notified at the address set forth for such Party:

(a) If to the Buyer at:

Fairfax Financial Holdings Limited
95 Wellington Street West
Toronto, Ontario M5J 2N7

Attention: General Counsel
E-mail: generalcounsel@fairfax.ca

with a copy to:

Torys LLP
79 Wellington Street West
Toronto, Ontario M5J 1N2

Attention: Tony DeMarinis and David Chaikof
E-mail: tdemarinis@torys.com
dchaikof@torys.com

(b) If to the Seller at:

Kirkland & Ellis LLP
300 North LaSalle
Chicago, Illinois
60654

Attention: Steve Toth and Nicole L. Greenblatt
E-mail: steve.toth@kirkland.com
ngreenblatt@kirkland.com

and with a copy to:

Goodmans LLP
333 Bay Street
Suite 3400
Toronto, Ontario M5H 2S7

Attention: Brian Empey and Celia Rhea
E-mail: bempey@goodmans.ca
crhea@goodmans.ca

Any Party may change its address or other information for service from time to time by notice given in accordance with the foregoing and any subsequent notice shall be sent to such Party at its changed address or such change information.

8.13 Specific Performance

The Buyer acknowledges and agrees that the Seller and its estates would be damaged irreparably in the event the Buyer does not perform its obligations under this Agreement in accordance with its specific terms or otherwise breaches this Agreement, so that, in addition to any other remedy that the Seller may have under law or equity, the Seller shall be entitled, without the requirement of posting a bond or other security, to injunctive relief to prevent any breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof.

8.14 Counterparts, Signatures

This Agreement may be signed in counterparts and each of such counterparts shall constitute an original document and such counterparts, taken together, shall constitute one and the same instrument. Execution of this Agreement may be made by email, PDF or other electronic format or transmission which, for all purposes, shall be deemed to be an original signature.

[The remainder of this page has been left intentionally blank.]

IN WITNESS WHEREOF the Parties hereto have executed this Agreement as of the date first written above.

SELLER

TOYS "R" US – DELAWARE, INC.

Per: _____
Name: James [illegible]
Title: EVP - Chief [illegible]

Per: _____
Name: Matthew [illegible]
Title: VP - Treasurer

BUYER

FAIRFAX FINANCIAL HOLDINGS LIMITED

Per: _____
Name:
Title:

Per: _____
Name:
Title:

IN WITNESS WHEREOF the Parties hereto have executed this Agreement as of the date first written above.

SELLER

TOYS "R" US – DELAWARE, INC.

Per: _____
Name:
Title:

Per: _____
Name:
Title:

BUYER

FAIRFAX FINANCIAL HOLDINGS LIMITED

Per: _____
Name: Paul Rivett
Title: President

Per: _____
Name:
Title:

I have authority to bind the Corporation

THE CORPORATION hereby acknowledges the foregoing Agreement and agrees to perform all covenants and agreements contemplated on its part by the Agreement.

CORPORATION

TOYS "R" US (CANADA) LTD. TOYS "R" US (CANADA) LTEE

Per: _____
Name: MELANIE TEED-MURCH
Title: PRESIDENT.

Per: _____
Name: Pat Naccarato
Title: VP Finance

SCHEDULE 1.1(xx)
EQUITY RESERVE AMOUNT

The Equity Reserve Amount shall be held by the Monitor for a period of seventy-five (75) days from Closing (the "**Creditor Objection Deadline**") after which date the Monitor shall distribute the Equity Reserve Amount to the Seller; provided, however, that if any pre-CCAA Filing Date creditor of the Corporation objects (a "**Creditor Objection**") to the distribution of the Equity Reserve Amount to the Seller on account of such creditor not having been paid amounts due and owing to it by the Corporation (as such amounts have been filed in accordance with the Claims Procedure Order or agreed to and acknowledged among the Buyer, the Corporation and the Monitor) in respect of the period prior to the CCAA Filing Date (a "**Pre-Filing Obligation**"), such Creditor Objection to be filed with the CCAA Court and served on the Corporation, the Buyer, the Seller and the Monitor no earlier than sixty (60) days following the Closing and no later than the Creditor Objection Deadline, the Monitor shall reserve an amount of the Equity Reserve Amount equal to such Pre-Filing Obligation(s) pending resolution of such Creditor Objection(s) or the Corporation's satisfaction of such Pre-Filing Obligation(s), it being understood that no creditor of the Corporation shall have any entitlement to, or interest in, the Equity Reserve Amount or any portion thereof. Following the Creditor Objection Deadline, the Monitor shall forthwith distribute the Equity Reserve Amount to the Seller less any necessary reserve for Creditor Objections as provided for in the previous sentence. Any Creditor Objection will be heard and determined by the CCAA Court on an expedited basis. To the extent the Corporation is found by the CCAA Court to be liable to pay for a Pre-Filing Obligation, the Corporation shall forthwith satisfy such Pre-Filing Obligation in full. Upon the resolution of all Creditor Objections and payment, as applicable, of all related Pre-Filing Obligation(s) by the Corporation, the Monitor shall forthwith distribute the remaining balance of the Equity Reserve Amount to the Seller. Notwithstanding any other provision of this Schedule 1.1(xx), following the Creditor Objection Deadline, the Seller may make a motion to the CCAA Court for the release of the Equity Reserve Amount or any portion thereof.

[SCHEDULES 1.1 (jjj) and 3.6(b) REDACTED]