



Settlement Agreement among the Debtors,<sup>3</sup> the Ad Hoc Group of B-4 Lenders, the Official Committee of Unsecured Creditors (the “Creditors’ Committee”), Nexbank SSB, as administrative agent and collateral agent, Bank of America, N.A., as administrative agent and collateral agent, and the Ad Hoc Vendor Group (collectively, the “Settlement Agreement Parties”), attached as **Exhibit 1** to the Order (as may be amended, supplemented, or modified by the original parties thereto, the “Settlement Agreement”) and authorizing the Debtors to perform thereunder; (b) approving distributions in accordance with the Settlement Agreement; (c) approving procedures to opt out of the Settlement Agreement (the “Opt-Out Procedures”); (d) authorizing the Debtors to pay a portion of the professional fees of the Ad Hoc Vendor Group and the Vendor Committee Members in an aggregate amount not to exceed \$2 million (subject to consummation of the Settlement Agreement); and (e) granting related relief, all as more fully set forth in the Motion; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the *Standing Order of Reference from the United States District Court for the Eastern District of Virginia*, dated July 10, 1984; and this Court having found that it may enter a final order consistent with Article III of the United States Constitution; and this 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 this Court having found that the relief requested in the Motion is in the best interests of the Debtors’ estates, their creditors, and other parties in interest; and this Court having found that the Debtors’ notice of the Motion and opportunity for a hearing on the Motion were appropriate under the circumstances and that no other notice need be provided; and this Court having reviewed the Motion and having heard the statements in support of the relief requested therein at a hearing

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<sup>3</sup> The Debtors that are party to the Settlement Agreement are: (i) Toys “R” Us, Inc.; (ii) Toys “R” Us - Delaware, Inc.; (iii) Wayne Real Estate Parent Company, LLC; (iv) Geoffrey Holdings, LLC, (v) Geoffrey, LLC; and (vi) Geoffrey International, LLC.

before this Court (the “Hearing”); and this Court having determined 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 this Court; and after due deliberation and sufficient cause appearing therefor, the Court hereby makes and issues the following findings of fact, conclusions of law, and orders:

**I. FINDINGS OF FACT AND CONCLUSIONS OF LAW**

**NOW, THEREFORE, THIS COURT HEREBY FINDS AND CONCLUDES THAT:<sup>4</sup>**

A. The legal and factual bases set forth in the Motion establish just and sufficient cause to grant the relief requested therein.

B. The Settlement Agreement and the transactions contemplated thereby, including the releases given therein, are a proper exercise of the Debtors’ business judgment, meet the standards established by the Fourth Circuit for the approval of a compromise and settlement in bankruptcy, and are reasonable, fair, and equitable and supported by adequate consideration.

C. The Settlement Agreement and the transactions contemplated thereby, including the releases given therein, are in the best interests of the Debtors, their estates, their creditors, and all other parties in interest.

D. Each of the Parties to the Settlement Agreement was represented by competent and experienced counsel, and the Settlement Agreement is the result of arms-length negotiations among sophisticated parties. The Settlement Agreement has the support of substantial creditor constituencies, including certain holders of the Term DIP Facility, a majority of the holders of the Term Loan B-4 Facility, substantial holders of Administrative Claims,<sup>5</sup> and the Creditors’

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<sup>4</sup> Findings of fact shall be construed as conclusions of law, and conclusions of law shall be construed as findings of fact, as appropriate, pursuant to Bankruptcy Rule 7052.

<sup>5</sup> For the avoidance of doubt, the term Administrative Claims, as used in this Order and the Settlement Agreement,

Committee. In addition, the Creditors' Committee acted reasonably and in good faith and in the best interest of unsecured creditors in negotiating and agreeing to the Settlement Agreement.

E. Notice of the Settlement Agreement is sufficient and effective in satisfaction of federal and state due process requirements and other applicable law to put the parties in interest in these Chapter 11 Cases and others, including all holders of Administrative Claims, on notice of the Settlement Agreement.

F. The Debtors' applicable director and officer liability insurance policies have been in full force and effect throughout these Chapter 11 Cases and remain, and will continue to remain, in full force and effect upon entry of this Order. The applicable director and officer insurance policies include (but are not limited to) those policies, issued to Toys "R" Us, Inc. as the named insured for the period July 1, 2017 to July 1, 2019, with aggregate limits of \$95 million (including \$20 million of Side-A only coverage for the Debtors' directors and officers), and for which pre-paid six year tail coverage was bound and purchased by the Debtors on September 8, 2017, with such tail coverage going into effect upon a change of control.

G. The Settlement Agreement preserves, and does not settle or release (absent occurrence of the conditions set forth therein), any Claims or Causes of Action held by Toys Inc., Toys Delaware, the Geoffrey Debtors or their respective estates or creditors against the D&O Parties. Claims or Causes of Action of Toys Delaware or Toys Inc. and their estates and creditors against the D&O Parties (the "D&O Claims") are being transferred or assigned to the Non-Released Claims Trust as and to the extent set forth in the Settlement Agreement. The covenant not to execute contained in sections 3.2(c)(i)-(iii) and 3.7(f) of Settlement Agreement (the "Covenant") is a contractual obligation between and among the Settlement Agreement Parties

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does not encompass any claims against any Debtor other than Toys Delaware.

and is not a release of the D&O Claims, any claims against the D&O Parties by the Geoffrey Debtors, or other Non-Released Claims (in each case unless the conditions for such release are met). The Covenant is a contractual covenant of the Settlement Agreement Parties not to take the actions identified in sections 3.2(c) and 3.7(f) of the Settlement Agreement. The Covenant does not relieve the D&O Parties of any legal obligation to pay any possible settlement of or judgment related to the D&O Claims or claims against the D&O Parties by the Geoffrey Debtors. The D&O Parties deny any liability with respect to the D&O Claims, the Non-Released Claims, and any Claims or Causes of Action of the Geoffrey Debtors. Each of the D&O Parties will cooperate with their insurance carriers in connection with the defense of any preserved claims pursued by the Non-Released Claims Trust or the Geoffrey Debtors in accordance with the Settlement Agreement and will fulfill all contractual obligations they may have in such insurance policies.

H. The Settlement Agreement, including the Covenant, was negotiated at arm's length and in good faith among the Settlement Agreement Parties, and none of the Term Sheet, the Settlement Agreement, or the negotiations leading to any portion thereof was collusive. The Settlement Agreement, including the Covenant, does not contravene public policy.

I. The Debtors have agreed to cooperate with the relevant insurers and not interfere with, delay, or otherwise impede the Non-Released Claims Trust's or the Geoffrey Debtors' pursuit of insurance coverage with respect to claims preserved under the Settlement Agreement.

J. The Opt-Out Procedures described in the Motion provide adequate procedures to solicit opt-out votes from Holders of Administrative Claims with respect to the Settlement Agreement.

K. The Settlement Agreement constitutes a resolution of any and all objections of the Debtors' estates and other Settlement Agreement Parties to the claims of the Prepetition Secured

Lenders. The adequate protection claims of the Prepetition Secured Lenders under paragraph 18 of the Final DIP Financing Order exceed in size and amount the fair market value of all assets in the Toys Delaware estate that will remain following repayment in full of the Term DIP Facility, including all assets that were unencumbered as of the Petition Date but pledged to the Prepetition Secured Lenders to secure their adequate protection claims; accordingly, the Prepetition Secured Parties have valid and perfected liens under the Final DIP Financing Order on all assets in the Toys Delaware estate other than amounts funded into the Administrative Claims Distribution Pool, as well as super-priority administrative claims against all such assets under the Final DIP Financing Order and section 507(b) of the Bankruptcy Code.

L. The members of the Ad Hoc Vendor Group and the vendor members of the Creditors' Committee holding Administrative Claims (the "Vendor Committee Members") (each such member of both the Ad Hoc Vendor Group or the Vendor Committee Members, a "Vendor") have each made a substantial contribution to these Chapter 11 Cases. The substantial contribution payments provided to the Vendors are a material part of the Settlement Agreement and meet the standard for substantial contribution set forth in section 503(b) of the Bankruptcy Code for the following reasons:

- (a) The Vendors' extraordinary efforts in making this substantial contribution included, without limitation, negotiations regarding the US Wind-Down Order, the North American DIP Amendment Order, the Term Sheet, and the Settlement Agreement. These negotiations lasted several months and involved numerous in-person meetings, lengthy telephone calls, detailed statements and memorandums, drafting and sharing of a multitude of pleadings and engaging in discovery.

- (b) The Vendors' efforts were instrumental in achieving the Settlement Agreement, which confers substantial, tangible benefits on administrative creditors and the Debtors' estates, not just the Vendors themselves.
- (c) The Settlement Agreement resulted in tangible and material benefits to the Debtors' estates, including an increase in recoveries to administrative expense claimants, the release of preference claims and funding a litigation trust to cover the cost of pursuing litigation D&O claims preserved by the Settlement Agreement. Moreover, through the Vendors' substantial contribution, the Debtors' estates were able to avoid protracted and expensive litigation.
- (d) The Court has reviewed the Vendors' evidence and submissions, including the declarations submitted by the Vendors, and finds that on the record before it, the services provided by the Vendors were actual and necessary and that the partial reimbursement of the Vendors' fees in a total amount of \$2 million is reasonable under these unique circumstances.

## **II. ORDER**

### **BASED ON THE FOREGOING FINDINGS OF FACT, IT IS THEREFORE ORDERED, ADJUDGED, AND DECREED THAT:**

- 1. The Motion is granted as set forth herein.
- 2. The Settlement Agreement attached hereto as **Exhibit 1** and the first amendment to the Settlement Agreement attached hereto as **Exhibit 2**, including the Releases set forth in the Settlement Agreement, are approved pursuant to section 363 and 105(a) of the Bankruptcy Code and in accordance with Bankruptcy Rule 9019.
- 3. The Debtors are hereby authorized to enter into, perform under, execute, and deliver the Settlement Agreement, and, subject to the filing of the Settlement Effectiveness Notice

(as defined below) and the Settlement Agreement remaining in effect upon the filing thereof, the Debtors are authorized and directed to take any and all actions as may be necessary to effectuate and implement the Settlement Agreement.

4. The Administrative Claims Distribution Pool and Non-Released Claims Trust shall be established, operated, and funded in accordance with, and otherwise subject to the terms of, the Settlement Agreement, as approved by this Order. Each of the Non-Released Claims, including the D&O Claims, shall be assigned and transferred by the applicable Debtors to the Non-Released Claims Trust in accordance with the terms of the Settlement Agreement, and the Non-Released Claims Trust shall be a successor to the applicable Debtors' rights, title, and interest in any Non-Released Claims (in accordance with the terms of the Settlement Agreement, including, without limitation, with respect to the Covenant). The Non-Released Claims Trust shall have standing to pursue any and all Non-Released Claims (in accordance with the terms of the Settlement Agreement, including without limitation, with respect to the Covenant).

5. No party shall have liability, including to any creditor (or its representatives, attorneys, or advisors), solely as a result of the pro rata distribution of the Administrative Claims Distribution Pool to all Administrative Claim Holders.

6. The Opt-Out Procedures are approved as the procedures by which the Debtors may provide notice to, and solicit opt-outs from, Holders of Administrative Claims with respect to the Settlement Agreement. The Opt-Out Procedures may be modified with the consent of all Parties to facilitate the opt-out process.

7. The Opt-Out Form, substantially in the form attached hereto as **Exhibit 3**, is hereby approved.



8. The Debtors are permitted to solicit Holders of Administrative Claims on account of the “endless earning” program by e-mail only.<sup>6</sup>

9. Within seven days after the deadline for Holders of Administrative Claims to opt out of the Settlement Agreement has passed (or such other later date as agreed to by the Parties), the Debtors shall file a notice (the “Settlement Effectiveness Notice”) with the Court indicating (i) whether or not holders of more than 7.5% of aggregate value of Allowed Administrative Claims have opted out of the Settlement Agreement and (ii) if applicable, whether the Debtors or B-4 Lenders exercised or waived any termination right.

10. For purposes of calculating the percentage of amount of Claims that opted out of the Settlement Agreement:<sup>7</sup>

- any Opt Out Forms received on account of a duplicative Administrative Claim shall only be counted once; *provided* that the last timely received Opt Out Form shall control for opt-out purposes;
- if the Debtors reasonably believe, in consultation with the Claims Oversight Representative,<sup>8</sup> that an asserted Administrative Claim is not an obligation of any of the Debtors, the Debtors may, for opt-out calculation purposes only, not include the asserted claim in the opt-out calculation;
- if the Debtors reasonably believe, in consultation with the Claims Oversight Representative, that an asserted Administrative Claim exceeds any actual liability, the Debtors will be permitted to reduce the claim amount, for opt-out calculation purposes only, to the amount on the Debtors’ books and records; and
- the Settlement Agreement Parties may, subject to agreement by such Parties, reduce any asserted Administrative Claim that is not on the Debtors’ books and

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<sup>6</sup> Such Administrative Claim Holders will be solicited at the e-mail address provided to the Debtors when they registered for the program.

<sup>7</sup> For the avoidance of doubt, these rules shall not apply to the allowance of claims and all parties rights to assert and object to any claims filed are reserved.

<sup>8</sup> Claims Oversight Representative shall have the meaning ascribed to it in the North American DIP Amendment Order.

records to a reasonable estimate of such Administrative Claim's value, for opt-out calculation purposes only.

11. Following the transfer of the Initial Fixed Amount to the Administrative Claims Distribution Pool, and following payment in full of the Term DIP Loan and the transfer to the Administrative Claims Distribution Pool of all other Fixed Amounts, Toys Delaware is authorized and directed, without further order of the Court, to distribute the remaining cash held by Toys Delaware, other than the cash necessary to pay professionals or other third parties under the Wind-Down Budget, to the Prepetition Secured Lenders on account of their secured and super-priority administrative expense claims.

12. Within three (3) business days following the filing of the Settlement Effectiveness Notice, if the Settlement Agreement remains effective, the first \$2 million shall be released from the Administrative Claims Distribution Pool and paid as follows: (i) \$1.4 million paid to the Ad Hoc Vendor Group; and (i) \$600 thousand paid to the Vendor Committee Members in full and complete satisfaction of their claims for substantial contribution pursuant to section 503(b)(3)(D) of the Bankruptcy Code. Such payments shall be made in accordance with the written instructions of counsel for the Ad Hoc Vendor Group and the Vendor Committee Members.

13. Following the filing of the Settlement Effectiveness Notice, if the Settlement Agreement remains effective, the initial distribution shall be released from the Administrative Claims Distribution Pool to pay Administrative Claim Holders on account of an Administrative Claim (i) only to the extent that such Administrative Claim is Allowed and (ii) only in an amount not greater than the "Recovery Amount," which shall be calculated as: the Allowed Administrative Claim multiplied by the aggregate amount of the Administrative Claims Distribution Pool (after taking into account any unreimbursed funding of the Non-Released Claims Trust and substantial contribution claims approved herein) divided by the greater of the (x) Adjusted Administrative

Claims Amount<sup>9</sup> and (y) the amount of Administrative Claims on the Debtors' books and records. If the Recovery Amount increases for any reason, Holders of Allowed Administrative Claims who received a distribution can receive additional distributions equal to the difference between the amount already paid and the then current Recovery Amount. Subject to the written consent of all Parties, the Parties may adjust this formula as needed to ensure a pro rata, fair, and orderly distribution.

14. Any distribution to any Prepetition Secured Lender contemplated by the Settlement Agreement shall be made to the Prepetition Term Loan Agent on behalf of the Prepetition Secured Lenders and, pursuant to section 3.1(b) of the Settlement Agreement, shall be allocated among the Prepetition Secured Lenders in accordance with the Secured Term Loan B Credit Agreement, related loan documentation, or applicable law.

15. All Parties, including the Debtors, will reasonably cooperate to facilitate an initial distribution to Administrative Claim Holders from the Administrative Claims Distribution Pool, as well as an initial distribution to Prepetition Secured Lenders from the remaining assets of Toys Delaware, by the earlier of the Effective Date of the Plan or September 30, 2018.

16. For purposes of the Plan confirmation process contemplated by the Settlement Agreement, Administrative Claim Holders' acceptance of and consent to the Settlement Agreement (or failure to opt-out of the Settlement Agreement) will be deemed acceptance of the treatment under the Plan in satisfaction of section 1129(a)(9) of the Bankruptcy Code.

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<sup>9</sup> The "Adjusted Administrative Claims Amount" equals the total amount of Filed Administrative Claims as adjusted to reflect any Allowed or disallowed Administrative Claims. For purposes of calculating any subsequent distributions, the Debtors shall update their books and records to reflect allowed and disallowed claims. Accordingly, for the avoidance of doubt, once all Administrative Claims are reconciled, the amount of Administrative Claims on the Debtors' books and records shall equal the Adjusted Administrative Claims Amount. Further, all distributions shall be made in accordance with the Settlement Agreement.

17. The Settlement Agreement is not, and shall not be construed as, a settlement, termination, release, discharge, or waiver of any claims against any D&O Party (absent occurrence of the conditions set forth in Section 3.2(c) of the Settlement Agreement).

18. For the avoidance of doubt, notwithstanding any provision of the Settlement Agreement or this Order, no Claims or Causes of Actions of Toys (Labuan) Holding Limited (or its subsidiaries), including any causes of action against Geoffrey Debtors or their subsidiaries, are released or otherwise impaired or affected by the Settlement Agreement or entry of this Order, and no Claims or Causes of Action of the Debtors (including the Geoffrey Debtors) against Propco I, Propco II, or Toys (Labuan) Holding Limited (or its subsidiaries) are released or otherwise impaired or affected by the Settlement Agreement or entry of this Order;

19. For the avoidance of doubt, any intercompany claims between or among the Debtors and/or the Debtors and their non-Debtor affiliates (including Toys (Labuan) Holding Limited) are not released or otherwise impaired by the Settlement Agreement, and the Settlement Agreement does not impair any party's (including Toys (Labuan) Holding Limited's) rights in connection with any Plan proposed by the Debtors.

20. The Vendor Committee Members, the Ad Hoc Vendor Group, and any other party seeking and receiving a distribution from the Administrative Claim Distribution Pool established pursuant to the Settlement Agreement will not seek a substantial contribution claim from the Debtors' estates for any other fees and expenses incurred other than provided for in this Order or in the Settlement Agreement.

21. Each of the Settlement Parties reserve all rights with respect to any chapter 11 plan proposed by Toys, Inc. or any of its direct or indirect subsidiaries, other than the Plan proposed by Toys Delaware or the Geoffrey Debtors consistent with the Settlement Agreement.

22. The Settlement Agreement and the settlements, releases, and discharges contemplated thereby shall be binding on the Debtors and each of the Non-Debtor Releasing Parties (as defined in the Settlement Agreement).

23. The Challenge Period with respect to the Prepetition Term Loan Credit Agreement (as each are defined in the Final DIP Financing Order) is extended solely for the Creditors' Committee to the earlier of: (i) 30 days after the termination of the Settlement Agreement, or (ii) the effective date of the chapter 11 plan for Toys Delaware; *provided, that*, if prior to the termination of the Challenge Period, the Creditors' Committee files a motion seeking standing to pursue a Challenge, then the Challenge Period for the Creditors' Committee shall be extended until the date that is two (2) business days after the Court rules on such request; *provided, further, that*, in the event the Settlement Effectiveness Notice is delivered and the settlement remains effective, the Challenge Period shall immediately expire.

24. Should any Debtor seek a structured dismissal of their chapter 11 cases as contemplated by the Settlement Agreement, the Office of the United States Trustee reserves its rights related thereto.

25. Notwithstanding anything to the contrary in the Motion or the Settlement Agreement, the Non-Released Claims shall not include Avoidance Actions of Toys, Inc. against other Debtors or their direct or indirect subsidiaries or affiliates (the "Intercompany Avoidance Actions"), provided, that such Intercompany Avoidance Actions shall be transferred or assigned to the Non-Released Claims Trust and subject to the allocation and sharing mechanics in section 3.2(k) of the Settlement Agreement, unless such claims are otherwise resolved by Toys Inc. pursuant to a chapter 11 plan for Toys Inc. or other negotiated resolution of the Toys, Inc. chapter 11 cases, or by further order of the Bankruptcy Court.

26. Notwithstanding anything to the contrary in the Settlement Agreement or this Order, nothing therein or herein shall affect any obligations of the Debtors with respect to the ABL/FILO DIP Facility and the Final DIP Financing Order, including but not limited to any contingent indemnity obligations, and all obligations thereunder shall continue in full force and effect and have the same priority and security as set forth in the Final DIP Financing Order.

27. Notwithstanding anything to the contrary in the Settlement Agreement or this Order, none of the releases in favor of the administrative agent and collateral agents and lenders under the ABL/FILO DIP Facility, their respective successors, assigns, and representatives set forth in the Settlement Agreement shall be modified in any way without their consent.

28. Notwithstanding anything to the contrary in the Settlement Agreement, or this Order the identity of the Non-Released Claims Trust Manager and the members of the Non-Released Claims Trust Oversight Committee shall be disclosed prior to the hearing on the Disclosure Statement.

29. For the avoidance of doubt, and subject to further limitations in this Order and in the Settlement Agreement as to what constitutes an Administrative Claim, the term “Administrative Claim” encompasses only those claims that are costs or expenses of administration of the bankruptcy estate of Toys “R” Us - Delaware, Inc. and that have been Allowed or are subject to allowance with an administrative priority under sections 503(b), 507(b) or 1114(e)(2) of the Bankruptcy Code.

30. In the event of a conflict between the terms or provisions of the Settlement Agreement and this Order, the terms of this Order shall control.

31. The Bankruptcy Court shall have and shall retain jurisdiction over any Non-Released Claims, including the D&O Claims, and any disputes relating thereto.

32. Notice of the Motion as provided therein shall be deemed good and sufficient notice of such Motion and the requirements of Bankruptcy Rule 6004(a) are satisfied by such notice.

33. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Order are immediately effective and enforceable upon its entry.

34. The Debtors are authorized to take all actions necessary to effectuate the relief granted in this Order in accordance with the Motion and Settlement Agreement.

35. This Court retains exclusive jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this Order.

Dated: Aug 8 2018  
Richmond, Virginia

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

Entered on Docket: Aug 8 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 1**

**Settlement Agreement**

## **SETTLEMENT AGREEMENT**

### **PREAMBLE**

This settlement agreement (this “Settlement Agreement”), is made and entered into as of July 17, 2018, by and among the following parties:

- (a) (i) Toys “R” Us, Inc. (“Toys Inc.”), (ii) Toys “R” Us - Delaware Inc. (“Toys Delaware”), (iii) Geoffrey Holdings, LLC, (iv) Geoffrey, LLC; and (v) Geoffrey International, LLC (those entities identified in subclauses (iii)-(v), the “Geoffrey Debtors”); (vi) Giraffe Holdings, LLC, (vii) MAP 2005 Real Estate, LLC, (viii) Toys “R” Us - Value, Inc., (ix) Toys Acquisition, LLC, (x) TRU - SVC, Inc., (xi) TRU Guam, LLC, (xii) TRU Mobility, LLC, (xiii) TRU of Puerto Rico, Inc., and (xiv) Wayne Real Estate Parent Company, LLC (“Wayne”) (each of the foregoing entities identified in subclauses (i) through (xiv) individually, a “Debtor” and, collectively, the “Debtors”);<sup>1</sup>
- (b) the undersigned members of an ad hoc group of B-4 Lenders (the “Ad Hoc Group of B-4 Lenders”), comprised of funds and accounts (or holding companies thereof) managed or advised by Angelo, Gordon & Co., L.P.; Franklin Mutual Advisors, LLC; Highland Capital Management, LP; Oaktree Capital Management, L.P.; or Solus Alternative Asset Management LP, holding the positions set forth in the *Bankruptcy Rule 2019 Statement* filed on June 29, 2018 [Docket No. 3637];
- (c) any other lender parties whose signature pages are affixed hereto;
- (d) the official committee of unsecured creditors appointed in the Chapter 11 Cases (defined below) pursuant to the *Appointment of Unsecured Creditors Committee* [Docket No. 206] (the “Creditors Committee”);
- (e) NexBank SSB (the “Term DIP Agent”), as administrative agent and collateral agent in connection with the Debtor-in-Possession Credit Agreement, dated as of September 18, 2017 (as amended, novated, supplemented, extended, or restated from time to time) by and among Toys Delaware, as borrower, the Term DIP Agent and the lenders party thereto (the “Term DIP Credit Agreement”);
- (f) Bank of America, N.A. (the “Prepetition Term Loan Agent”), as administrative agent and collateral agent in connection with the Amended and Restated Credit Agreement, dated as of August 24, 2010 (as amended, novated, supplemented, extended, or restated from time to time) by and among the Prepetition Term Loan Agent, Toys Delaware, as borrower, certain of the borrowers’ domestic

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<sup>1</sup> Certain Debtors party to this Settlement Agreement may not be Debtors under the Plan (as defined herein). Subject to the terms of this Settlement Agreement and the Term Sheet (as defined herein), all Parties hereto reserve all rights as to any chapter 11 plan or other form of resolution of the chapter 11 cases of any Debtor other than the Debtors under the Plan (as defined herein).

subsidiaries, as guarantors, and the lender parties thereto (the “Secured Term Loan B Credit Agreement”);

- (g) an ad hoc group of postpetition vendor administrative claimants, including those parties that executed the Term Sheet, (the “Ad Hoc Vendor Group”) holding approximately \$100-150 million in asserted postpetition administrative claims that have executed and delivered counterpart signature pages to this Settlement Agreement;
- (h) other administrative claimants whose signature pages are affixed hereto; and
- (i) Bain Capital Private Equity, LP, Kohlberg Kravis Roberts & Co. L.P. and Vornado Realty Trust, and their respective affiliates that are equity owners of Toys Inc. (each of the foregoing, collectively with their respective affiliates (but excluding Toys Inc. and its direct and indirect subsidiaries) and any investment funds or investment holding companies sponsored, organized, formed, managed, or controlled (or caused to be sponsored, organized, formed, managed, or controlled) by such entities, each in their capacities as such, the “Sponsors”).

Each of the foregoing are referred to herein as a “Party” and are collectively referred to herein as the “Parties.”

## RECITALS

**WHEREAS**, on September 18, 2017 (the “Petition Date”), the Debtors and certain of their direct and indirect subsidiaries filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the “Chapter 11 Cases”) in the United States Bankruptcy Court for the Eastern District of Virginia (the “Bankruptcy Court”), which Chapter 11 Cases are being jointly administered and are captioned In re Toys “R” Us, Inc., et al., Case No. 17-34665 (KLP);

**WHEREAS**, on October 24, 2017, the Court entered the Final DIP Financing Order (as defined below), pursuant to which (i) the Debtors stipulated to, among other things, the amount, validity, perfection, enforceability, and priority of the claims and liens of the Prepetition Secured Parties (as defined in the Final DIP Financing Order), and waived and released the Prepetition Secured Parties and their representatives from any claims or causes of action arising prior to the Petition Date, and (ii) all stipulations and releases by the Debtors were binding on all other parties in interest and the Creditors Committee, subject to the Creditors Committee’s investigation of such claims and liens of the Prepetition Secured Parties and ability to commence an adversary proceeding or contested matter challenging such claims and liens (the “Challenge Period”);

**WHEREAS**, the Creditors Committee’s Challenge Period as it relates to the B-4 Claims and B-4 Lenders under the Final DIP Financing Order was extended by stipulations [Docket Nos. 1772, 2465, 2920, 3282, 3708] through and including August 3, 2018;

**WHEREAS**, on March 15, 2018, the Debtors filed 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] (the "U.S. Wind-Down Motion"), seeking, among other relief, authority to wind down the Debtors' U.S. Operations (the "U.S. Wind-Down");

**WHEREAS**, on March 19, 2018, the Debtors filed the *Debtors' Motion for Entry of an 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 (V) Granting Related Relief* [Docket No. 2189] (the "North American DIP Amendment Motion"), seeking, among other relief, approval of amendments to the Debtors' debtor-in-possession financing documents and modifications to the Debtors' DIP Budget to facilitate the U.S. Wind-Down;

**WHEREAS**, certain parties, including the Creditors Committee and each of the Ad Hoc Vendor Group members, objected to the relief initially sought by the U.S. Wind-Down Motion and the North American DIP Amendment Motion (collectively the "Wind-Down Objections") on various grounds and alleged various claims and causes of action against, among others, the Debtors and their directors, officers, and managers;

**WHEREAS**, on March 22, 2018, the Bankruptcy Court entered the *Order (I) Authorizing the Debtors to Wind-Down U.S. Operations, (II) Authorizing the Debtors to Conduct U.S. Store Closings, (III) Establishing Administrative Claims Procedures, and (IV) Granting Related Relief* [Docket No. 2344] (the "U.S. Wind-Down Order"), granting, in part, the relief requested in the U.S. Wind-Down Motion and resolving objections related to such motion, but reserving all parties' rights related to various claims and matters as set forth in the U.S. Wind-Down Order;

**WHEREAS**, on March 21, 2018, March 27, 2018, and April 13, 2018, the Bankruptcy Court entered interim orders related to the North American DIP Amendment Motion [Docket Nos. 2318, 2427, and 2713] while the Parties worked to resolve the Wind-Down Objections on mutually agreeable terms;

**WHEREAS**, on April 25, 2018, the Bankruptcy Court entered the *Final 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 (V) Granting Related Relief* [Docket No. 2853] (the "North American DIP Amendment Order") granting the North American DIP Amendment Motion;

**WHEREAS**, on May 25, 2018, the Bankruptcy Court entered the *Amended Order (I) Setting a Bar Date for Filing Proofs of Administrative Claims Against Certain Debtors, (II) Establishing Administrative Claims Procedures, (III) Approving the Form and Manner of Filing Proofs of Administrative Claims, (IV) Approving Notice of the Administrative Claim Bar*

*Date, and (V) Granting Related Relief* [Docket No. 3260] (the “Administrative Claims Bar Date Order”), setting a bar date for administrative claim holders to file administrative claims;

**WHEREAS**, pursuant to its investigation subject to the Challenge Period under the Final DIP Financing Order, the Creditors Committee identified various alleged claims and causes of action against, among others, the Prepetition Secured Lenders, which claims are contested by such lenders;

**WHEREAS**, the Parties recognize that the outcome of litigation in connection with the U.S. Wind-Down and related matters is uncertain and may cause the Parties to incur significant costs and suffer delay in resolving their disputes, and the Parties seek to avoid the uncertainty, cost, and delay of litigating such disputes and have been, therefore, engaged in good-faith, arm’s-length negotiations with each other regarding settlement of such disputes;

**WHEREAS**, on June 14, 2018, certain of the Parties entered into that certain term sheet, attached hereto as **Exhibit A** (the “Term Sheet”), setting forth the key terms of a settlement among the Parties;

**WHEREAS**, the Term Sheet provides that the settlement contemplated thereby is subject to definitive documentation to be negotiated between the Parties;

**WHEREAS**, the Ad-Hoc Group of B-4 Lenders represents that it comprises “Required Lenders” (as such term is defined in the Secured Term Loan B Credit Agreement), and the Prepetition Term Loan Agent’s entry into this Settlement Agreement is solely based upon the consent of such Required Lenders to the terms hereof, and, for the avoidance of doubt, the Prepetition Term Loan Agent’s entry into this Settlement Agreement shall not in any way be deemed to bind any Prepetition Secured Lender (as defined below) to any term of this Settlement Agreement;

**WHEREAS**, Kramer Levin Naftalis & Frankel LLP, counsel to the Creditors Committee, has authority to execute this Settlement Agreement and any other definitive documentation negotiated between the Parties on behalf of the Creditors Committee;

**WHEREAS**, certain of the members of the Creditors Committee that are holders of asserted Administrative Claims individually support and agree to become Parties to the Settlement Agreement, in each case in their capacity as holders of Administrative Claims; and

**WHEREAS**, the Parties intend to memorialize the settlement proposed in the Term Sheet by entering into this Settlement Agreement.

### **AGREEMENT**

**NOW, THEREFORE**, in consideration of the above recitals and the promises and mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

## **Section 2. Definitions and Interpretation.**

2.1 Definitions. The following terms shall have the following definitions:

“ABL/FILO DIP Facility” means that certain Superpriority Secured Debtor-In-Possession Credit Agreement, dated as of September 18, 2017 (as amended, novated, supplemented, extended, or restated from time to time), by and among Toys Delaware and Toys Canada, as borrowers, the other guarantors thereto, and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent.

“Ad Hoc Group of B-4 Lenders” has the meaning ascribed to it in the Recitals.

“Ad Hoc Vendor Group” has the meaning ascribed to it in the Recitals.

“Additional Fixed Amount” has the meaning ascribed to it in Section 3.1(c)1.B.

“Administrative Claims Bar Date Order” has the meaning ascribed to it in the Recitals.

“Administrative Claims Distribution Pool” has the meaning ascribed to it in Section 3.1.

“Administrative Claim Holders” has the meaning ascribed to it in Section 3.1.

“Administrative Claims” has the meaning ascribed to it in Section 3.1.

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

“B-4 Claims” means Claims arising under the Term B-4 Loans.

“B-4 Lenders” means the lenders holding the Term B-4 Loans.

“Bankruptcy Court” has the meaning ascribed to it in the Recitals.

“Causes of Action” means any Claim, cause of action (including any avoidance actions under section 5 of the Bankruptcy Code), controversy, right of setoff, cross-claim, counterclaim,



or recoupment and any claim on contracts or for breaches of duties imposed by law or in equity, demand, right, action, lien, indemnity, guaranty, suit, obligation, liability, damage, judgment, account, defense, power, privilege, license, and franchise of any kind or character whatsoever, known, unknown, fixed or contingent, matured or unmatured, suspected or unsuspected, liquidated or unliquidated, disputed or undisputed, secured or unsecured, assertable directly or derivatively, whether arising before, on, or after the Petition Date, in contract or in tort, in law or in equity, or pursuant to any other theory of law.

“Chapter 11 Cases” has the meaning ascribed to it in the Recitals.

“Claim” has the meaning set forth in section 101(5) of the Bankruptcy Code, and shall also include any motion, application, or action seeking “surcharge” under section 506(c) of the Bankruptcy Code or application of the “equities of the case” doctrine under section 552(b) of the Bankruptcy Code.

“Creditors Committee” has the meaning ascribed to it in the Preamble.

“D&O Claims” has the meaning ascribed to it in Section 3.2(c).

“D&O Party” has the meaning ascribed to it in Section 3.2(c).

“Debtor” has the meaning ascribed to it in the Preamble.

“Disclosure Statement” means a disclosure statement approved by the Bankruptcy Court as containing adequate information with respect to the Plan pursuant to section 1125 of the Bankruptcy Code, and otherwise in form and substance reasonably acceptable to the Creditors Committee, the Sponsors, the Ad Hoc Group of B-4 Lenders, and the Ad Hoc Vendor Group.

“DIP Lenders” has the meaning ascribed to it in the Final DIP Financing Order.

“Emeryville Property” means that certain property located at 3938 Horton Street, Emeryville, California.

“Final DIP Financing Order” means the *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 (V) Granting Related Relief* [Docket No. 711] as amended by the North American DIP Amendment Order.

“Fixed Amounts” has the meaning ascribed to it in Section 3.1(c)1.B.

“Geoffrey Debtors” has the meaning ascribed to it in the Preamble.

“Initial Fixed Amount” has the meaning ascribed to it in Section 3.1(c)1.A.

“Merchandise Reserve” has the meaning ascribed to it in the North American DIP Amendment Order.

“Non-Debtor Released Parties” means (a) the Creditors Committee and its members, (b) each member of the Ad Hoc Vendor Group, (c) the Term DIP Agent, (d) each member of the Ad Hoc Group of B-4 Lenders (whether as a Prepetition Secured Lender or as a Term DIP Lender), (e) each of the other lender parties hereto, (f) each of the other administrative creditors party hereto, (g) the Prepetition Term Loan Agent, (h) each of the Sponsors, (i) all holders of Administrative Claims at Toys Delaware that do not affirmatively opt-out of participating in the Administrative Claims Distribution Pool, in each case in their respective capacities as such, and (j) for each of those persons’ or entities’ identified in (a)-(i) above, such parties non-Debtor affiliates and its and their respective, directors, officers, agents, advisors, or professionals; *provided, however*, notwithstanding the foregoing, no directors, officers, or managers of any of the Debtors, including any directors, officers, or managers affiliated with or designated by any of the Sponsors, in each case in their respective capacities as such, shall be “Non-Debtor Released Parties” under this Settlement Agreement.

“Non-Debtor Releasing Parties” means (a) the Creditors Committee and its members, (b) each member of the Ad Hoc Vendor Group, (c) the Term DIP Agent, (d) each member of the Ad Hoc Group of B-4 Lenders, (e) each of the other lender parties hereto, (f) the Prepetition Term Loan Agent, (g) each of the Sponsors and (h) all holders of Administrative Claims at Toys Delaware other than those that affirmatively opt-out of participating in the Administrative Claims Distribution Pool, in each case on behalf of themselves and their respective successors, assigns, and representatives, in each case in their respective capacities as such.

“Non-Released Claims” has the meaning ascribed to it in Section 3.2(b).

“Non-Released Claims Trust” means that certain trust formed pursuant to Section 3.2 hereof for the purpose of administrating the Non-Released Claims.

“Non-Released Claims Trust Manager” has the meaning ascribed to it in Section 3.2(a).

“Non-Released Claims Trust Oversight Committee” has the meaning ascribed to it in Section 3.2(a).

“North American DIP Amendment Motion” has the meaning ascribed to it in the Recitals.

“North American DIP Amendment Order” has the meaning ascribed to it in the Recitals.

“Party” or “Parties” have the meanings ascribed to them in the Preamble.

“Permitted Transfer” has the meaning ascribed to it in Section 4.15.

“Permitted Transferee” has the meaning ascribed to it in Section 4.15.

“Petition Date” has the meaning ascribed to it in the Recitals.



“Plan” means a chapter 11 plan to be filed by certain of the Debtors<sup>2</sup> in the Chapter 11 Cases consistent in all respects with the terms of this Settlement Agreement, including, without limitation, the release, exculpation, and injunction provisions set forth herein, and otherwise in form and substance reasonably acceptable to the Creditors Committee and its members that are party hereto in their individual capacity, the Sponsors, the members of the Ad Hoc Group of B-4 Lenders, and the members of the Ad Hoc Vendor Group.

“Plan Effective Date” means the effective date of the Plan.

“Prepetition Secured Lenders” means all current, former, and future lenders under the Term B-2 Loans, Term B-3 Loans, and Term B-4 Loans.

“Prepetition Secured Parties” means, collectively, the Prepetition Secured Lenders and the Prepetition Term Loan Agent.

“Prepetition Term Loan Agent” has the meaning ascribed to it in the Preamble.

“Qualified Marketmaker” means an entity that (a) holds itself out to the public or the applicable private markets as standing ready in the ordinary course of business to purchase from customers and sell to customers claims against the Company (or enter with customers into long and short positions in claims against the Company), in its capacity as a dealer or market maker in claims against the Company and (b) is, in fact, regularly in the business of making a market in claims against issuers or borrowers (including debt securities or other debt).

“Releases” means those releases contemplated by Section 3.4

“Secured Term Loan B Credit Agreement” has the meaning ascribed to it in the Preamble.

“Settlement Agreement” has the meaning ascribed to it in the Preamble.

“Settlement Approval Motion” has the meaning ascribed to it in Section 3.3(a)1.

“Settlement Effective Date” has the meaning ascribed to it in Section 4.1.

“Settlement Order” means an order of the Bankruptcy Court approving this Settlement Agreement and the compromise and settlement memorialized herein among the Parties pursuant to Rule 9019(a) of the Bankruptcy Rules, which Settlement Order shall be consistent with this Settlement Agreement in all respects and otherwise in form and substance reasonably acceptable to the Creditors Committee and its members, the members of the Ad Hoc Group of B-4 Lenders, the Prepetition Term Loan Agent, the Sponsors, and the members of the Ad Hoc Vendor Group, and will be binding on the Parties regardless of whether the cases proceed in Chapter 11 or in Chapter 7 (in which case they will be binding on the Chapter 7 trustee (if any)), or are otherwise disposed of or dismissed.

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<sup>2</sup> As of the date hereof, all Debtors hereto with the exception of Toys Inc. and Wayne are contemplated to be party to the Plan.

“Solicitation Materials” means, collectively, the Disclosure Statement and the other solicitation materials in respect of the Plan, as approved by the Bankruptcy Court.

“Sponsors” has the meaning ascribed to it in the Preamble.

“Term B-2 Loans” means the B-2 term loans maturing on May 25, 2018 provided for by the Secured Term Loan B Credit Agreement.

“Term B-3 Loans” means the B-3 term loans maturing on May 25, 2018 provided for by the Secured Term Loan B Credit Agreement.

“Term B-4 Loans” means B-4 term loans maturing on April 24, 2020 provided for by the Secured Term Loan B Credit Agreement.

“Term DIP Credit Agreement” has the meaning ascribed to it in the Preamble.

“Term DIP Facility” means loans made under the Term DIP Credit Agreement.

“Term DIP Lenders” means lenders under that certain Debtor-in-Possession Credit Agreement, dated as of September 18, 2017 (as amended, novated, supplemented, extended, or restated from time to time), by and among Toys Delaware, as borrower, and NexBank SSB, as administrative agent and collateral agent.

“Term Loan Wind-Down Carve Out” has the meaning ascribed to it in the North American DIP Amendment Order.

“Term Sheet” has the meaning ascribed to it in the Recitals.

“Toys Delaware” has the meaning ascribed to it in the Preamble.

“Toys Inc.” has the meaning ascribed to it in the Preamble.

“Transfer” has the meaning ascribed to it in Section 4.15.

“U.S. Wind-Down” has the meaning ascribed to it in the Recitals.

“U.S. Wind-Down Motion” has the meaning ascribed to it in the Recitals.

“U.S. Wind-Down Order” has the meaning ascribed to it in the Recitals.

“Wayne” has the meaning ascribed to it in the Preamble.

“Wind-Down Budget” has the meaning ascribed to it in the North American DIP Amendment Order.

“Wind-Down Objections” has the meaning ascribed to it in the Recitals.

2.2 Interpretation. For the purposes of this Settlement Agreement:

- (a) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine, or neuter gender shall include the masculine, feminine, and the neuter gender;
- (b) capitalized terms defined only in the plural or singular form shall nonetheless have their defined meanings when used in the opposite form;
- (c) unless otherwise specified, any reference herein to a contract, lease, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions;
- (d) unless otherwise specified, any reference herein to an existing document, schedule, or exhibit shall mean such document, schedule, or exhibit, as it may have been or may be amended, restated, supplemented, or otherwise modified from time to time; provided that any capitalized terms herein which are defined with reference to another agreement, are defined with reference to such other agreement as of the date of this Settlement Agreement, without giving effect to any termination of such other agreement or amendments to such capitalized terms in any such other agreement following the date hereof;
- (e) unless otherwise specified, all references herein to “Sections” are references to Sections of this Settlement Agreement;
- (f) the words “herein,” “hereof,” and “hereto” refer to this Settlement Agreement in its entirety rather than to any particular portion of this Settlement Agreement;
- (g) captions and headings to Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation or construction of this Settlement Agreement;
- (h) references to “shareholders,” “directors,” and/or “officers” shall also include “members” and/or “managers,” as applicable, as such terms are defined under the applicable laws and in proper context; and
- (i) the use of “include” or “including” is without limitation, whether stated or not.

### **Section 3. Settlement Terms**

#### **3.1 Economic Terms.**

- (a) Except as provided in Section 3.1(c)1 with respect to the Initial Fixed Amount, Toys Delaware shall repay all remaining amounts owing under the Term DIP Facility prior to making any other distributions, including distributions into the Administrative Claims Distribution Pool (as defined below). The Term DIP

Agent and all other Parties reserve all rights regarding the amounts owing under the Term DIP Facility.<sup>3</sup>

- (b) After repayment in full of all amounts owing under the Term DIP Facility, the Prepetition Secured Lenders—on account of their adequate protection and other Claims—will receive all remaining value in the estate of Toys Delaware, other than as expressly set forth in this Settlement Agreement.<sup>4</sup> This Settlement Agreement constitutes a resolution of any and all objections of the Toys Delaware estate (including the Creditors' Committee on behalf of the estate) and any other Parties hereto to the claims of the Prepetition Secured Lenders. Upon approval of this Settlement Agreement and subject to the funding of the Administrative Claims Distribution Pool in the amounts set forth below: (i) the adequate protection claims of the Prepetition Secured Lenders under paragraph 18 of the Final DIP Financing Order shall exceed in size and amount the fair market value of all assets in the Toys Delaware estate that will remain following repayment in full of the Term DIP Facility, including all assets that were unencumbered as of the Petition Date but pledged to the Prepetition Secured Lenders to secure their adequate protection claims; and (ii) accordingly, the Prepetition Secured Parties shall have valid and perfected liens under the Final DIP Financing Order on all assets in the Toys Delaware estate other than amounts funded into the Administrative Claims Distribution Pool, as well as super-priority administrative claims against all such assets under the Final DIP Financing Order and section 507(b) of the Bankruptcy Code. Notwithstanding any other provision of this Settlement Agreement, and for the avoidance of doubt, the allocation of recoveries and value among Prepetition Secured Lenders under the Term B-2 Loans, Term B-3 Loans, and Term B-4 Loans on account of their funded debt and adequate protection claims shall be determined in accordance with applicable contractual provisions or applicable law and is not affected or altered by this Settlement Agreement. All arguments regarding such allocation are expressly reserved, including any arguments by the B-4 Lenders that they are entitled to a greater than pro rata share of Toys Delaware's remaining assets due to the pledge in their favor of Toys Delaware's equity interest in Toys "R" Us Canada Ltd.
- (c) The following consideration (collectively, the "Administrative Claims Distribution Pool") will be included in the Term Loan Wind-Down Carve Out and made available, subject to the repayment of the ABL/FILO DIP Facility and the Term DIP Facility as set forth below, only to (i) all merchandise vendors who have unpaid administrative claims arising under sections 503(b)(1) and 503(b)(9) of the Bankruptcy Code and for agreed to, but unpaid, critical vendor payments, in all such cases arising out of ordinary course sales of goods or provision of

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<sup>3</sup> Nothing in this Agreement affects or alters the amounts owed under the Term Dip Facility, which had an original principal amount of \$450 million.

<sup>4</sup> For the avoidance of doubt, nothing in this Settlement Agreement shall alter or modify the ABL Wind-Down Carve Out, the Term Loan Wind-Down Carve Out, or the Carve Out, as applicable (each as defined in the North American DIP Amendment Order).

services to Toys Delaware for the value of such goods and services, and (ii) holders of other unpaid Administrative Claims (including merchandise vendors) not otherwise accounted for in the Wind-Down Budget (excluding, for the avoidance of doubt, professional fee claims and adequate protection claims) (collectively, the “Administrative Claim Holders” and the Allowed Claims held by such Administrative Claim Holders, the “Administrative Claims”), free and clear of liens, claims, and encumbrances, except as provided herein.

1. Fixed Amounts:

- A. After the repayment of the ABL/FILO DIP Facility, a fixed amount equal to \$160 million (the “Initial Fixed Amount”), which shall include amounts required to be funded into the Merchandise Reserve pursuant to the DIP Amendment Order [Docket No. 2853], shall be transferred to the Administrative Claims Distribution Pool by no later than August 31, 2018, *provided that*, if this Settlement Agreement has not been approved by the Court by August 31, 2018, the Initial Fixed Amount shall be set aside on such date and transferred to the Administrative Claims Distribution Pool promptly upon such Court approval.<sup>5</sup>
- B. After the repayment in full of the ABL/FILO DIP Facility and the Term DIP Facility, the first \$20 million of proceeds from the liquidation of any assets held by Toys Delaware (the “Additional Fixed Amount,” and, together with the Initial Fixed Amount, the “Fixed Amounts”) shall be transferred by Toys Delaware to the Administrative Claims Distribution Pool as soon as practicable following approval of this Settlement Agreement and before any distributions are made to the Prepetition Secured Lenders.
- C. The Fixed Amounts will not be subject to any increases, offsets, discounts, or reductions.
- D. The obligation to fund the Administrative Claims Distribution Pool with the Fixed Amounts, as well as other agreements herein regarding allocation of value, including the allocation of value to the Term DIP Lenders and the Prepetition Secured Lenders, shall not be affected by any subsequent events during the Chapter 11 Cases, including without limitation, any conversion or dismissal of the Chapter 11 Cases, the appointment of any trustee under chapter 7 or chapter 11 of the Bankruptcy Code, or any subsequent Event of Default under the Term DIP Facility or any covenant breaches under such facility.

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<sup>5</sup> For the avoidance of doubt, in the event this Settlement Agreement is not approved by the Court, the Debtors remain obligated under the North American DIP Amendment Order to calculate and fund the full amount of the Merchandise Reserve as set forth in the North American DIP Amendment Order.

2. Contingent Amounts: Once the aggregate postpetition recovery of all B-4 Lenders from Toys Delaware and Wayne reaches 50% of the face amount of the approximately \$1.03 billion in aggregate B-4 Claims (principal plus accrued interest) as of the Petition Date (for the avoidance of doubt, after giving effect to applicable distributions on account of Term B-2 Loans and Term B-3 Loans): (i) the Prepetition Secured Lenders will receive 50% of any further recoveries from Toys Delaware and the remaining 50% will be distributed to the Administrative Claims Distribution Pool; and (ii) subject to the last two sentences of Section 3.1(b) hereof, the B-4 Lenders will receive 50% of any further recoveries from Wayne and the remaining 50% will be distributed to the Administrative Claims Distribution Pool. For purposes of this paragraph:
- A. the aggregate recoveries of the B-4 Lenders (referenced above) shall include the approximately \$27.7 million in total adequate protection payments made to them under paragraph 18(d) of the Final DIP Financing Order, but shall not include any fees or expenses paid to any advisors under the Final DIP Financing Order or otherwise, and, for the avoidance of doubt, shall exclude any recoveries from the Geoffrey Debtors or any other sources besides Toys Delaware and Wayne;
  - B. the aggregate recoveries of the B-4 Lenders shall include (i) any recoveries of the B-4 Lenders from Toys Delaware or Wayne on account of distributions received by either of those Debtors on account of equity interests held by Toys Delaware or Wayne in any other Debtor or non-Debtor entities or affiliates (but excluding, for the avoidance of doubt, any recoveries resulting from any credit bid of the Prepetition Secured Lenders for the equity of Geoffrey Holdings, LLC or any other Geoffrey Debtor), (ii) proceeds distributed to the B-4 Lenders from any Claims or Causes of Action of Toys Delaware (whether against affiliated debtors or others) seeking to recover the value or proceeds of the sale of the Emeryville Property, and (iii) proceeds from the Non-Released Claims Trust allocated and distributed to the B-4 Lenders as set forth in Section 3.2(e) hereof;
  - C. any non-cash consideration distributed to the B-4 Lenders (whether directly or indirectly, including through a liquidating trust or other entity of which the B-4 Lenders may be beneficiaries or holders) shall be valued at its fair market value as of the date of such distribution and not any cash that may be received on account of such non-cash consideration at any later date;
  - D. the fair market value at the time of distribution of any direct or indirect equity interest (or interest in any entity that holds a direct or indirect equity interest) in one or more Debtors, or any



non-debtor subsidiary, shall be determined by the valuation included in the applicable Debtor's chapter 11 plan, disclosure statement, or by any applicable order of the Bankruptcy Court (and, if applicable, at the mid-point of any range of values in such plan, disclosure statement, or order) and shall not include any cash that may be received on account of such interest at any later date; for the avoidance of doubt, the value to Toys Delaware and the B-4 Lenders of any direct or indirect equity interests (or other recovery) they receive or retain in the TRU Taj Debtors or their subsidiaries, through intercompany claims against Toys Inc. or otherwise, shall thus be determined by the plan, disclosure statement, or confirmation or other order for the Debtor (including Toys "R" Us, Europe, LLC, if applicable) that distributes or allocates such equity (or other recovery) on account of such claims or interests.

3. Residual Amounts. In the event that the Prepetition Secured Lenders receive payment in full—including of all principal amounts outstanding as of the Petition Date, plus any Allowed Claims for postpetition interest and any other contractually owed amounts—on their Claims via cash or non-cash consideration under any chapter 11 plan or other disposition of any of the Debtors' assets or cases, all other proceeds of the Toys Delaware liquidation will be distributed (i) first to holders of all Administrative Claims in the Chapter 11 Cases until such Claims are paid in full, and (ii) then to holders of Allowed general unsecured Claims. For purposes of determining whether the Prepetition Secured Lenders receive payment in full in connection with the Debtors' cases, any non-cash consideration (including direct or indirect equity interests) distributed by or recovered from any of the Debtors shall be valued as set forth in Section 3.1(c)2 above.

### 3.2 Non-Released Claims Trust.

- (a) Control. A manager (the "Non-Released Claims Trust Manager") shall control the actions and decisions of the Non-Released Claims Trust, which shall be consistent with this Settlement Agreement. Prior to making material decisions on behalf of the Non-Released Claims Trust, the Non-Released Claims Trust Manager shall consult with an oversight committee consisting of three members (collectively, the "Non-Released Claims Trust Oversight Committee"). The members of the Non-Released Claim Trust Oversight Committee shall be appointed: (i) one by the Creditors' Committee, (ii) one by the Ad Hoc Vendor Group, and (iii) one by the Ad Hoc Group of B-4 Lenders. The Non-Released Claims Trust Manager shall be selected by the Creditors' Committee, with the consent of the Ad Hoc Vendor Group and the Ad Hoc Group of B-4 Lenders. The identity of the Non-Released Claims Trust Manager and the members of the Non-Released Claims Trust Oversight Committee shall be disclosed prior to the hearing on the Settlement Agreement.

- (b) Non-Released Claims. Any causes of action held by Toys Delaware, Toys Inc., or their respective estates against the Debtors' directors, officers, or managers (including any Sponsor-affiliated directors, officers, or managers) that are not released pursuant to this Settlement Agreement, and any avoidance actions (including under chapter 5 of the Bankruptcy Code or any state law equivalents) held by Toys Delaware or Toys Inc. or their respective estates (including avoidance actions held by Toys Delaware or Toys Inc. against other Debtors or their direct or indirect subsidiaries but excluding, for the avoidance of doubt, any other intercompany Claims between or among any of the Debtors and their direct or indirect subsidiaries) that are not released pursuant to this Settlement Agreement (collectively, the "Non-Released Claims"), including any preference claims against non-insiders not otherwise released herein, shall be assigned and transferred to the Non-Released Claims Trust, in each case subject to the terms set forth herein. The Non-Released Claims Trust shall be a successor to the Debtors' rights, title, and interest in any Non-Released Claims, and the Non-Released Claims Trust shall have standing to pursue the Non-Released Claims.<sup>6</sup>
- (c) Claims Against Debtors' Directors, Officers, or Managers. All Claims or Causes of Action, if any, held by Toys Inc. and Toys Delaware, and their respective estates or creditors against the Debtors' directors, officers, or managers (including any Sponsor-affiliated directors, officers, or managers) in their respective capacities as such are preserved (such claims the "D&O Claims" and each such party in its capacity as such, a "D&O Party"), and shall be transferred and/or assigned to the Non-Released Claims Trust, *provided* that the Parties hereto covenant that: (i) any recovery by the Non-Released Claims Trust (and the beneficiaries thereof) on account of any D&O Claim, including in each case by way of settlement or judgment, shall be satisfied solely by and to the extent of the proceeds of the Debtors' available D&O liability insurance policies, including any tail policies (the "D&O Insurance Policies"), after payment from such D&O Insurance Policies of any and all covered costs and expenses incurred by any of the D&O Parties in connection with the defense of the D&O Claims; (ii) any party, including any trustee or any beneficiary of the Non-Released Claims Trust, seeking to execute, garnish, or otherwise attempt to collect on any settlement of or judgment in the D&O Claims shall do so solely upon available insurance coverage; (iii) no party shall (a) record any judgment against any D&O Party, or (b) otherwise attempt to collect, directly or indirectly, from the personal assets of any D&O Party. Only upon the occurrence of the earlier of (x) a release being given as part of any later settlement of the D&O Claims; (y) final resolution of any coverage claims asserted against the Debtors' available D&O Insurance Policies on account of the D&O Claims; or (z) exhaustion of the available

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<sup>6</sup> To the extent any Non-Released Claims cannot be transferred to the Non-Released Claims Trust because of a restriction on transferability under applicable non-bankruptcy law that is not superseded or preempted by the Bankruptcy Code, such Non-Released Claims shall be deemed to be retained by the Debtors and the Non-Released Claims Trust shall be deemed to have been designated as a representative of the Debtors pursuant to section 1123(b)(3)(B) of the Bankruptcy Code to enforce and pursue such Non-Released Claims on behalf of the Debtors to the extent set forth herein.



insurance coverage under the D&O Insurance Policies, the D&O Claims shall be released and discharged without the need for further action or Bankruptcy Court order. For the avoidance of doubt, any release of the D&O Claims shall not become effective until one of the three conditions stated in the preceding sentence above has been met. The Debtors will seek a finding in the Settlement Order that the D&O Insurance Policies are in full force and effect as of the date of such Settlement Order.

(d) Funding. The Non-Released Claims Trust shall be funded in the initial amount of \$5.0 million in order to fund the costs of pursuing and litigating the D&O Claims as set forth herein, which funding will come solely from the Administrative Claims Distribution Pool (or from third-parties who fund such trust pursuant to an agreement with the Non-Released Claim Trust Manager) and will not come from the DIP Term Lenders' or Prepetition Secured Lenders' collateral or recoveries.

(e) Distribution of Proceeds.

1. Subject to Section 3.2(k) below, the proceeds of the settlement or litigation of any Non-Released Claims or D&O Claims in the Non-Released Claims Trust shall be distributed:
  - A. first, to the Administrative Claims Distribution Pool until the amount provided to fund the Non-Released Claims Trust provided in Section 3.2(d) has been recovered, and
  - B. thereafter, 80% to the Administrative Claims Distribution Pool, and 20% to the Prepetition Secured Lenders.
2. Consideration allocated to the Administrative Claims Distribution Pool shall be placed in a segregated account held and controlled by Toys Delaware (*provided, however*, that for the avoidance of doubt, Toys Delaware shall not have any economic interest in the funds in the Administrative Claims Distribution Pool and shall hold such account solely for administrative purposes) or another person or entity determined by Toys Delaware, as agreed to by the Parties, and shall be distributed only to Administrative Claims Holders of Toys Delaware.
3. Notwithstanding the above, for the avoidance of doubt, any Claims or Causes of Action of Toys Delaware (whether against affiliated debtors or others) seeking to recover the value or proceeds of the sale of the Emeryville Property will not be transferred to the Non-Released Claims Trust; such Claims or Causes of Action will be funded by, or from Debtor assets allocable to, either the Term DIP Lenders or the Prepetition Secured Lenders, as applicable, and will not be funded out of the Administrative Claims Distribution Pool, and the proceeds of such Claims or Causes of Action will be deemed to be recoveries from Toys Delaware and distributed to the Term DIP Lenders or Prepetition Secured Lenders along

with other Toys Delaware property, subject only to the contingent sharing provision Section 3.1(c)2. Such Claims or Causes of Action shall, at the option of Toys Delaware in consultation with the Term DIP Lenders and/or Prepetition Secured Lenders, be transferrable to a separate trust for the benefit of the DIP Lenders and/or Prepetition Secured Lenders.

- (f) Pro Rata Distribution Finding. The Debtors, the Creditors Committee, and the Ad Hoc Group of B-4 Lenders agree to support the pro rata distribution of the funds in the Administrative Claims Distribution Pool as contemplated by this Settlement Agreement. The Parties will seek a finding in the Settlement Order that no party shall have liability, including to any creditor, solely because of the Parties' agreement to provide for a pro rata distribution of the Administrative Claims Distribution Pool to all Administrative Claims Holders. Nothing in this paragraph shall be construed to or is intended to release any Debtor from liability for any Administrative Claims, except as expressly stated herein.
- (g) D&O Party Obligations. For the avoidance of doubt, (i) all Claims and Causes of Action against the D&O Parties are expressly preserved hereunder (to the extent set forth herein, including Section 3.2(c)) and are not being released or settled by the Debtors and (ii) the treatment of the D&O Claims described herein is a contractual obligation solely under this Settlement Agreement and is not a release or waiver of any Claims against any D&O Party (except as set forth herein). Nothing herein or in the Term Sheet shall be construed as an admission of liability or an agreement to settle any D&O Claims, and the D&O Parties deny any liability with respect to the Non-Released Claims. Each of the D&O Parties shall cooperate with their insurance carriers in connection with the defense of any Non-Released Claims pursued by the Non-Released Claims Trust against such D&O Parties and will fulfill all contractual obligations in such insurance policies.
- (h) Good Faith. The treatment of the Non-Released Claims and the D&O Claims described herein was negotiated by the Parties in good faith and at arm's-length, and there was no collusion in the negotiation of the treatment of the D&O Claims or any other terms of this Settlement Agreement or the Term Sheet.
- (i) Document Retention. The Debtors and the Debtors' officers, directors, and managers shall retain and preserve any documents, information (including electronically stored information), and other evidence potentially relevant to any Non-Released Claims and D&O Claims (or Claims of the Geoffrey Debtors) and will not knowingly or intentionally, after the good faith exercise of reasonable diligence and inquiry, take any action to compromise or interfere with, or knowingly or intentionally, after the good faith exercise of reasonable diligence and inquiry, fail to take any action if such failure would knowingly or intentionally, after the good faith exercise of reasonable diligence and inquiry, jeopardize, compromise, or interfere with, insurance coverage applicable to such Claims and Causes of Action. For the avoidance of doubt, neither the Debtors nor any other possible target of the Non-Released Claims or D&O Claims (or Claims of the Geoffrey Debtors) shall have any obligation to provide any documents,

information, or other evidence protected by the attorney-client privilege or work product doctrine, absent further order of the court.

(j) Coordination and Sharing with Geoffrey Debtors.

1. To the extent any Claims or Causes of Action of the Geoffrey Debtors are not otherwise resolved in connection with any chapter 11 plan or sale of the assets of TRU Taj LLC, the Geoffrey Debtors and the Non-Released Claims Trust will coordinate with respect to the Non-Released Claims as set forth herein.
2. Prior to taking any action to pursue any Non-Released Claim(s) (whether by litigation, settlement, or otherwise) held by the Non-Released Claim Trust or any Claims of the Geoffrey Debtors against the D&O Parties, the Geoffrey Debtors or the Non-Released Claim Trust Manager, as applicable (the “Noticing Party”), shall provide ten business days’ notice to the other party (the “Noticed Party”) of (i) the Claims it intends to pursue and (ii) other pertinent information reasonably requested by the Noticed Party.
3. The proceeds of any judgement or settlement of any Claims or Causes of Action against the D&O Parties from any applicable D&O liability insurance policies shall be held in escrow and, absent agreement between the Geoffrey Debtors and the Non-Released Claim Trust Manager, shall not be distributed to either the Geoffrey Debtors or the beneficiaries of the Non-Released Claims Trust prior to the resolution of all Claims or Causes of Action against the D&O Parties pursued by the Geoffrey Debtors or the Non-Released Claims Trust. To the extent the amount of any judgment or settlement of Claims or Causes of Action against the D&O Parties exceeds the amount of available D&O liability insurance, the proceeds shall be distributed to the Geoffrey Debtors and the Non-Released Claims Trust on a pro rata basis based on the settlement and/or judgment amounts of the Claims or Causes of Action, absent further agreement between the Geoffrey Debtors and the Non-Released Claim Trust Manager.

(k) Unresolved Non-Released Claims Held by Toys Inc.

1. The allocation or sharing of recoveries from any Non-Released Claims and/or D&O Claims held by or allocable to Toys Inc. among creditors of Toys Inc. (other than Toys Delaware or its estate) and the beneficiaries of the Non-Released Claims Trust shall be determined (i) in connection with any confirmation of a chapter 11 plan for Toys, Inc. or other negotiated resolution of the Toys, Inc. chapter 11 cases among the Parties hereto, the disinterested directors for Toys, Inc. and Toys Delaware, and the trustee for the Toys Inc. unsecured notes, or (ii) by further order of the Court.

3.3 Commitments Regarding Implementation of the Settlement Agreement.

- (a) The Debtors shall use good faith efforts to implement this Settlement Agreement and the disposition of the Debtors' chapter 11 cases on the agreed terms set forth herein, including:
1. filing a motion consistent with this Settlement Agreement and otherwise in a form reasonably acceptable to the Parties (the "Settlement Approval Motion") with the Bankruptcy Court seeking (i) approval of this Settlement Agreement pursuant to Rule 9019(a) of the Bankruptcy Rules, (ii) a substantial contribution claim, solely as and to the extent set forth herein, and (iii) waiver of any stay of the Settlement Order pursuant to Rule 6004(h) of the Bankruptcy Rules to be heard by the Bankruptcy Court on or prior to August 7, 2018;
  2. seeking entry of an order, which shall be consistent with this Settlement Agreement and otherwise in a form reasonably acceptable to the Parties, by September 30, 2018 confirming the Plan, or, if necessary, seeking a structured dismissal as contemplated herein, and taking all actions reasonably necessary to obtain such relief; and
  3. not taking any action inconsistent with this Settlement Agreement, including entry into any agreement to pursue any auction, sale process, or restructuring transaction for the Debtors inconsistent with this Settlement Agreement.
- (b) The chapter 11 Plan filed by Toys Delaware shall provide that, except to the extent that proceeds of the Toys Delaware liquidation are required to be transferred to the Administrative Claims Distribution Pool or applied to the Term DIP Loan, all proceeds of the Toys Delaware liquidation shall be transferred to the Prepetition Secured Parties on the Plan Effective Date. In the event that the Debtors, the Creditors Committee, the Ad Hoc Vendor Group, or the Ad Hoc Group of B-4 Lenders conclude prior to the confirmation hearing, based on formal or informal objections to the Disclosure Statement or Plan that denial of confirmation is reasonably likely, the Debtors (with the support of the Ad Hoc Group of B-4 Lenders, the Creditors Committee, and the Ad Hoc Vendor Group) will use reasonable best efforts to submit a motion to dismiss the Toys Delaware Chapter 11 Case to be considered as soon as practicable after denial of confirmation, including at the confirmation hearing, if possible. The terms of this Settlement Agreement, including all provisions relating to allocation and distribution of the assets and value of Toys Delaware and the preservation of Claims and Causes of Action as set forth herein, shall be preserved and effectuated (to the extent not already effectuated) in the proposed order of dismissal, which shall further provide that the Bankruptcy Court shall retain jurisdiction to enforce the Settlement Agreement.

- (c) The proposed Settlement Order shall provide that, upon approval of this Settlement Agreement, payment in full of the Term DIP Loan and the transfer to the Administrative Claims Distribution Pool of the Fixed Amounts set forth in Section 3.1 hereof, Toys Delaware is authorized and directed, without further order of the Court, to distribute cash in the Administrative Claims Distribution Pool to Administrative Claim Holders and other cash held by Toys Delaware to the Prepetition Secured Lenders on account of their secured and super-priority administrative claims. The Debtors (including, for the avoidance of doubt, any trustee of Toys Delaware) will cooperate with the Ad Hoc Group of B-4 Lenders and the Prepetition Term Loan Agent to facilitate the distribution to the Prepetition Secured Lenders, with minimum delay, of all cash in the Toys Delaware estate not required to be transferred to the Administrative Claims Distribution Pool or otherwise payable to professionals or other third parties under the Wind-Down Budget. In the event that any such distribution to the Prepetition Secured Lenders requires a further order of the Court, Toys Delaware (including, for the avoidance of doubt, any trustee or other successor) will act promptly to seek and obtain such further order, including (if requested by the Ad Hoc Group of B-4 Lenders) a consensual order granting relief from the automatic stay to effectuate the transfer of cash held by Toys Delaware to the Prepetition Secured Lenders.
- (d) All Parties, including the Debtors, will reasonably cooperate to facilitate an initial distribution to Administrative Claim Holders from the Administrative Claims Distribution Pool, as well as an initial distribution to the Prepetition Secured Lenders from the remaining assets of Toys Delaware, by the earlier of the Effective Date of the Plan or September 30, 2018. The initial distribution to the Prepetition Secured Lenders shall include all cash assets held at the time by Toys Delaware (following the transfer of the Fixed Amounts as set forth in Section 3.1(c)1 into the Administrative Claims Distribution Pool), but will not include such assets reasonably projected to be necessary to pay Toys Delaware's unpaid costs and expenses under the Wind-Down Budget.
- (e) Provided that the Debtors are not in breach of this Settlement Agreement, the non-Debtor Parties shall (severally and not jointly):
1. use good faith efforts to implement this Settlement Agreement and the transactions and other actions contemplated hereby including confirmation of the Plan or, if necessary, approval of a structured dismissal incorporating the terms of this Settlement Agreement, including all releases and provisions relating to value allocation;
  2. support and take all commercially reasonable actions necessary or reasonably requested by the Debtors to facilitate confirmation of the Plan or, if necessary, approval of a structured dismissal as contemplated hereby, including support for any motion by the Debtors filed with the Bankruptcy Court seeking to extend the exclusive periods to file and solicit a plan under section 1121 of the Bankruptcy Code, and to the extent



a class is permitted to vote to accept or reject the Plan and upon and subject to receipt of a disclosure statement that has been approved by the Bankruptcy Court, vote each of its Claims (including, for the avoidance of doubt, any Claims acquired after the Settlement Effective Date by any Party) to (A) accept the Plan by delivering its duly executed and completed ballot(s) accepting the Plan on a timely basis and (B) not withdraw, amend, or revoke (or cause to be withdrawn, amended, or revoked) its vote with respect to the Plan;

3. support the confirmation of the Plan or, if necessary, structured dismissal and the transactions contemplated therein and approval of the Disclosure Statement and the Solicitation Materials related to the Plan;<sup>7</sup>
4. not (i) object to, delay, interfere, impede, or take any other action to delay, interfere, or impede, directly or indirectly, with the confirmation of the Plan, or approval of the Disclosure Statement or the Solicitation Materials (including joining in or supporting any efforts to object to or oppose any of the foregoing) or (ii) propose, file, support, or vote for, directly or indirectly, any restructuring, workout, plan of arrangement, alternative transaction, including a sale pursuant to section 363 of the Bankruptcy Code, or chapter 11 plan for the Debtors other than the Plan;
5. support and take all commercially reasonable actions necessary to ensure that any and all assets or value of the Debtors, including Toys Delaware and the Geoffrey Debtors, shall be sold, allocated, and/or distributed as soon as practicable in accordance with the agreements and commitments in this Settlement Agreement, whether under the Plan or otherwise;
6. not, nor encourage any other person or entity to, take any action, including (i) initiating or joining in any legal proceeding that is inconsistent with this Settlement Agreement and the allocation and distribution of assets and value set forth in this Settlement Agreement or (ii) delaying, impeding, appealing, or taking any other action, directly or indirectly, that could reasonably be expected to interfere with the approval, acceptance, confirmation, consummation, or implementation of the Plan or the Settlement Agreement, as applicable;
7. not use, assign, convey, grant, transfer, hypothecate, or otherwise dispose of, in whole or in part, any Administrative Claims or B-4 Claims unless such transfer is in compliance with Section 4.16 hereof; and

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<sup>7</sup> For the avoidance of doubt, parties that are or become a Party to this Settlement Agreement but are not members of the Ad Hoc Group of B-4 Lenders and the Ad Hoc Vendor Group are not expected to affirmatively file pleadings in support of confirmation of a Plan.

8. not object to or opt out of any release included in this Settlement Agreement, the Solicitation Materials, or the Plan, so long as such release is consistent with the Settlement Agreement.

For the avoidance of doubt, (i) no non-Debtor Party will have any obligation to support a chapter 11 plan other than the Plan contemplated by this Settlement Agreement and (ii) all non-Debtor Parties reserve all rights and shall have no obligations with respect to any chapter 11 plan or other resolution of the chapter 11 cases of any of the Debtors not party to the Plan. For the avoidance of doubt, no Term DIP Lender or Prepetition Secured Lender will have any obligation under this Settlement Agreement to support or accept any chapter 11 plan for Toys Delaware or the Geoffrey Debtors contemplating payments exceeding the Wind-Down Budget.

For the avoidance of doubt, the voting requirements in Section 3.3(e)2 hereof shall not apply to the Prepetition Term Loan Agent and the entry by the Prepetition Term Loan Agent into this Settlement Agreement shall not be deemed an acceptance or adoption on behalf of any Prepetition Secured Lender of any chapter 11 plan, arrangement, adjustment or composition affecting the "Obligations" (as defined in the Secured Term Loan B Credit Agreement) or the rights of any Prepetition Secured Lender.

- (f) The Plan will not contain any management compensation or bonus payments or programs (other than with respect to the Geoffrey Debtors with the consent of the Ad Hoc Group of B-4 Lenders) and the D&O Parties shall not seek or otherwise be allowed any payments (or participate in any recoveries from the Administrative Claims Distribution Pool) from the Debtors or their estates on account of any (x) pre- or postpetition bonus programs implemented by the Debtors, (y) severance payments or alleged or actual breaches of any employment agreement(s), or (z) other claims under state or federal law (other than ordinary course compensation claims) arising out of any D&O Party's employment by or interest in the Debtors.
- (g) The Debtors, the Prepetition Term Loan Agent, and the Ad Hoc Group of B-4 Lenders agree that the Creditors Committee's Challenge Period under the Final DIP Financing Order shall be extended through the earlier of (i) 30 days after the termination of this Settlement Agreement, or (ii) the Plan Effective Date; *provided, that*, if prior to the termination of the Challenge Period, the Creditors' Committee files a motion seeking standing to pursue a Challenge, then the Challenge Period for the Creditors' Committee shall be extended until the date that is two (2) business days after the Court rules on such request; *provided, further*, that in the event the Settlement Effective Notice (as defined in the Settlement Order) is delivered and the settlement remains effective, the Challenge Period shall immediately expire.
- (h) The Parties shall cooperate with each other in good faith and shall coordinate their activities (to the extent possible and subject to the terms of this Settlement

Agreement) in respect of (a) the implementation of the terms set forth in this Settlement Agreement, and (b) the consummation of the transactions contemplated by this Settlement Agreement and the allocation and distribution of assets and value contemplated by this Settlement Agreement.

- (i) In no event shall any Party file, cause an affiliate or any other third party to file, or encourage any affiliate or any third party to file, an opposition to the Settlement Approval Motion or the Settlement Agreement, or a motion to appoint a Chapter 11 trustee or examiner or a motion to convert any of the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code.

### 3.4 Releases.

- (a) Releases Among Non-Debtor Parties. For good and valuable consideration, on and after the date of entry of the Settlement Order, each of the Non-Debtor Releasing Parties hereby releases any and all Claims and Causes of Action, whether known or unknown, against each of the Non-Debtor Released Parties (including any claims seeking recovery from the collateral of the Term DIP Lenders or the Prepetition Secured Parties) relating in any way to any of the Debtors, including any such Claims and Causes of Action such person or entity could seek to assert directly or derivatively or on behalf of any estate, including Toys Delaware and Wayne, and based on any theory, including fraudulent transfer, preference, section 506(c), or section 552(b) “equities of the case.”<sup>8</sup>
- (b) Debtor Release. For good and valuable consideration, on and after the date of the entry of the Settlement Order, the Debtors and their estates hereby release and discharge the following Claims and Causes of Action whether known or unknown:
  - 1. all Claims and Causes of Action against the Administrative Claim Holders that participate in the Administrative Claims Distribution Pool, each in their capacity as such, including (a) all Claims or Causes of action relating to credits, rebates, advertising incentives, and like items,<sup>9</sup> and (b) any claims for disgorgement or claw-back of any payments made on account of trade agreements or section 503(b)(9) claims; *provided that* any claims described in clause (a) of this paragraph relating to credits, rebates, advertising incentives, and like items, may be asserted in a defensive

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<sup>8</sup> For the avoidance of doubt, this release does not apply to any put agreements or other postpetition contract related credit protection entered into directly between any non-Debtor Parties.

<sup>9</sup> The Debtors reserve the right to reconcile the claims asserted by Administrative Claims Holders based on trade allowances, credits, or other trade agreements with respect to such Administrative Claims, and all merchandise vendors reserve and retain the right to challenge any such claim by the Debtors. The Debtors shall not pursue Claims or Causes of action relating to credits, rebates, advertising incentives, and like items against prepetition creditors who are not or may not be eligible to participate in the Administrative Claims Distribution Pool; *provided, however*, that the Debtors reserve the right to reconcile any Claims asserted by such creditors based on such Claims or Causes of Action.



manner as off-sets to the Claims of merchandise vendors in the claims reconciliation procedures set forth herein and in the DIP Amendment Order (or in any litigation in the event of a challenge to the reconciliation); *provided, further, that* notwithstanding any other provisions of this Settlement Agreement, Claims or Causes of Action of Toys Inc. or Toys Delaware against any affiliated Debtors or any of their non-debtors subsidiaries shall not be released or discharged hereunder.

2. to the extent not already released in the Final DIP Financing Order, any and all Claims or Causes of Action against any of the Term DIP Lenders, the Term DIP Agent, the Prepetition Term Loan Agent, and any of the Prepetition Secured Lenders, in each case in their capacity as such, including, for the avoidance of doubt, any Claim or Cause of Action preserved for the Creditors Committee to seek to pursue on behalf of any estate under the Final DIP Financing Order (including any Claim or Cause of Action for fraudulent transfer or preference or based on section 506(c) or section 552(b) of the Bankruptcy Code);
  3. all Claims and Causes of Action, if any, against the Sponsors (for the avoidance of doubt, excluding any Sponsor-affiliated directors, officers, and managers), and their respective professionals, in their capacity as such;
  4. all Claims and Causes of Action, if any, against the Creditors Committee, its members, and each of their respective professionals, in each case in their capacity as such; and
  5. any and all Claims and Causes of Action arising under (a) chapter 5 of the Bankruptcy Code (including, for the avoidance of doubt, claims arising under section 502(d) of the Bankruptcy Code), or (b) any state-law equivalents of chapter 5 of the Bankruptcy Code, including state fraudulent conveyance laws and/or state preference laws, against any non-insider pre- or postpetition creditors, whether or not they are eligible to participate in the Administrative Claims Distribution Pool (including, without limitation, vendors, suppliers, landlords, employees, and other creditors, each in their capacity as such) other than any Administrative Claim Holders that affirmatively opt-out of participation in the Administrative Claims Distribution Pool.
- (c) For the avoidance of doubt, (i) notwithstanding anything in this section to the contrary, all chapter 5 claims against a D&O Party are expressly preserved, subject to the limitations set forth in the D&O Claims section (Section 3.2(c)) of this Settlement Agreement and (ii) all Claims or Causes of Action between or among the Debtors and their direct or indirect subsidiaries, including all Claims or Causes of Action of Toys Delaware or the Geoffrey Debtors against Toys Inc. or any of its direct or indirect subsidiaries (both Debtor or non-debtor subsidiaries,

including Toys (Labuan) Holding Limited, Wayne and its subsidiaries, and Toys “R” Us Property Company II, LLC), are fully preserved.

(d) Opt-Outs.

1. As part of the Settlement Motion, the Debtors will seek approval of the opt-out mechanism, which will require parties to opt-out by no later than August 24, 2018.
2. All Administrative Claims Holders (other than members of the Ad Hoc Vendor Group or those that are Parties to this Settlement Agreement) will have an option to opt out of this Settlement Agreement and the Releases contained herein.
3. Only Administrative Claims Holders that do not opt out of the Settlement Agreement shall be entitled to receive their pro rata share of the Administrative Claims Distribution Pool.
4. The pro rata share of the Administrative Claims Distribution Pool allocable to any creditor that opts out of this Settlement Agreement shall be paid to the Prepetition Secured Lenders.
5. If Administrative Claims Holders holding more than 7.5% in aggregate value of Allowed Administrative Claims eligible to share in the Administrative Claims Distribution Pool (excluding the value of professional fees and adequate protection claims) exercise their right to opt out of this Settlement Agreement, the Ad Hoc Group of B-4 Lenders and the Debtors will have the option to terminate this Settlement Agreement.

(e) Sponsor Releases. As consideration for the releases of the Sponsors (other than the Sponsor-affiliated or appointed directors, officers, and managers) described herein, the Sponsors shall (i) waive and release all Claims for further payments of any management, advisory, or other fees or expenses from the Debtors and their estates, (ii) not take, and direct their affiliates to not take, any action that would require compliance with the *Final Order (A) Approving Notification and Hearing Procedures for Certain Transfers of and Declarations of Worthlessness with Respect to Common Stock and (B) Granting Certain Related Relief* [Docket No. 728] for as long as such order is in effect, and (iii) otherwise cooperate with the Debtors and the Parties hereto in connection with the implementation of this Settlement Agreement and any Plan or order of dismissal.

(f) Notwithstanding anything to the contrary herein, nothing in this Settlement Agreement shall release the Parties from any obligations they may have under this Settlement Agreement, or any contract, instrument, release, or other agreement entered into in connection with this Settlement Agreement or the Plan.

3.5 Administrative Claims.

- (a) The Debtors will work to expeditiously reconcile all Administrative Claims filed consistent with the bar date set in the Administrative Claims Bar Date Order.
- (b) The Debtors will work with the Creditors Committee members and the Ad Hoc Vendor Group in good faith to reconcile the Claims held by each such party prior to the implementation of the Settlement Agreement.
- (c) The Debtors and all holders of Administrative Claims party hereto agree to retain and preserve any documents, information (including electronically stored information), and other evidence potentially relevant to the reconciliation of any Administrative Claims.

3.6 Vendor Professionals' Fees and Expenses.

- (a) The Parties agree that the Ad Hoc Vendor Group and the vendor members of the Creditors Committee have made a substantial contribution to these Chapter 11 Cases through the benefits provided pursuant to the Term Sheet and Settlement Agreement. Accordingly, the Debtors will seek approval of a substantial contribution claim for such Parties under section 503(b) of the Bankruptcy Code in the amount of \$2 million in the Settlement Order.
- (b) The Claim for substantial contribution under this Section 3.6 will be satisfied solely from the Fixed Amount distributed to the Administrative Claims Distribution Pool and will be used to pay the professional fees and expenses of the members of the Ad Hoc Vendor Group and the vendor Creditors Committee members in connection with the negotiation of the U.S. Wind-Down Order, the North American DIP Amendment Order, the Term Sheet, and this Settlement Agreement. The Ad Hoc Vendor Group and the vendor Creditors Committee members' professionals will agree among themselves as to an allocation of these funds. The hearing on the Claim for substantial contribution shall be simultaneous with the hearing on the approval of the Settlement Agreement.
- (c) The Creditors Committee, the Ad Hoc Vendor Group, and any other party seeking and receiving a distribution from the Administrative Claim Distribution Pool hereunder agree not to seek substantial contribution claims from the Debtors' estates for any other fees and expenses incurred.

3.7 Geoffrey Debtors.

- (a) The Debtors and the Creditors Committee will continue to support (and the Debtors will act to implement, on the schedule set forth in Docket No. 3601) the ongoing sale process for the equity and assets of the Geoffrey Debtors, whether through a chapter 11 plan or a section 363 sale.
- (b) The Prepetition Secured Lenders shall have the right to credit bid for the equity and assets of the Geoffrey Debtors and the Creditors Committee will not object to

or seek to impede such credit bid; *provided, however*, that the Prepetition Secured Lenders will consult with the Debtors and the Creditors Committee about the terms of any such credit bid.

- (c) The Ad Hoc Group of B-4 Lenders, the Debtors, and the Creditors Committee will consult on whether to consummate the sale through a chapter 11 plan or a section 363 sale. Any chapter 11 plan filed by the Geoffrey Debtors shall provide for the allocation and distribution of 100% of the value and assets of the Geoffrey Debtors to the Prepetition Secured Lenders, except to the extent necessary to pay valid administrative expense claims of the Geoffrey Debtors in connection with confirmation of a chapter 11 plan. Any chapter 11 plan filed by the Geoffrey Debtors will also preserve all Claims and Causes of Action of those Debtors (except as expressly set forth in Section 3.7(f) below), unless the Geoffrey Debtors have previously entered into one or more settlements to release any such Claims or Causes of Action, including in connection with any chapter 11 plan of TRU Taj LLC.
- (d) The disposition of the Geoffrey Debtors' assets, whether through a chapter 11 plan or a section 363 sale, will be completed by September 26, 2018, or such other date as the Parties mutually agree.
- (e) For the avoidance of doubt, assets and value of the Geoffrey Debtors (including Causes of Action) will be available only to the Prepetition Secured Lenders (provided such assets are not necessary to satisfy the Term DIP Loan) and will not be available for distribution to the Administrative Claims Distribution Pool.
- (f) Notwithstanding any other provision of this Settlement Agreement, no Claims or Causes of Actions of the Geoffrey Debtors including causes of action against Toys (Labuan) Holding Limited or its subsidiaries are released or otherwise impaired by this Settlement Agreement; *provided, however*, that, notwithstanding the foregoing, the Geoffrey Debtors (a) will release any and all Claims and Causes of Action against the Creditors' Committee, its members, and their respective professionals, the Ad Hoc Vendor Group, the Holders of Administrative Claims, and any avoidance actions against non-insider creditors, each as set forth in Section 3.4 hereof and (b) will limit their recoveries against (and ultimately release, only if and as applicable) the individual officers, directors, and managers of the Debtors, to the same extent that Toys Delaware is limiting recoveries against such officers, directors, and managers as set forth in the D&O Claims section (Section 3.2(c)); *provided, further, however*, notwithstanding the foregoing, the Geoffrey Debtors shall release any Claims and Causes of Action against the Sponsors (but not Sponsor-affiliated directors, officers, and managers).

### 3.8 Creditors Committee.

- (a) Except as expressly set forth herein, nothing herein shall impact, impair, or restrict the Creditors Committee's role or ability to continue to act on account of

unsecured creditors in connection with any restructuring, sale, or liquidation of the assets of any Debtor, including Toys Delaware (consistent with this Settlement Agreement), the Taj Debtors, Toys Inc., and Toys "R" Us Property Company II, LLC, and all such rights are expressly preserved.

- (b) In the event that the holders of a majority of the Toys, Inc. unsecured notes reach agreement with Toys Delaware and the Ad Hoc Group of B-4 Lenders on a restructuring of the Taj Debtors or allocation of the proceeds of a sale of the equity or assets of the Taj Debtors, the Creditors Committee will reasonably cooperate with the trustee for the Toys Inc. unsecured notes in connection with such agreement.

#### **Section 4. Miscellaneous Provisions**

##### **4.1 Settlement Agreement Effective Date.**

This Settlement Agreement shall become effective and binding on the Parties at 12:01 a.m., prevailing Eastern Time, on the date (the "Settlement Effective Date") on which all of the Parties have executed and delivered to the other Parties pursuant to Section 4.11 hereof counterpart signature pages of this Settlement Agreement; *provided, however*, that no provisions of this Settlement Agreement shall be effective as to the Debtors until the entry of the Settlement Order; *provided, further*, for the avoidance of doubt, that any applicable person or entity may become a Party to this Settlement Agreement after the Settlement Effective Date by executing and delivering to the other Parties pursuant to Section 4.11 hereof its counterpart signature page to this Settlement Agreement.

##### **4.2 Non-Debtor Parties Representations and Warranties.**

To induce each other Party to enter into and perform its obligations under this Settlement Agreement, each non-Debtor Party, severally but not jointly, represents, warrants and acknowledges, as of the Settlement Effective Date, as follows:

- (a) *Authority.* (A) It is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all the requisite corporate, partnership, limited liability company, or other power and authority to execute and deliver this Settlement Agreement and the other documents and instruments contemplated hereby to which it is contemplated to be a party and perform its obligations under this Settlement Agreement and the other documents and instruments contemplated hereby to which it is contemplated to be a party, and to consummate the transactions contemplated herein and therein, and (B) the execution, delivery and performance by it under this Settlement Agreement and the other documents and instruments contemplated hereby to which it is contemplated to be a party and the consummation of the transactions contemplated herein and therein, have been duly authorized by all necessary action on its part, and no other actions or proceedings on its part are necessary to authorize and approve this Settlement Agreement or the other documents or

instruments contemplated hereby to which it is contemplated to be a party or any of the transactions contemplated herein or therein.

- (b) *Ownership.* Other than with respect to the Creditors Committee and the Prepetition Term Loan Agent, it is the legal owner, beneficial owner, and/or the investment advisor or manager for such legal or beneficial owner or discretionary account of such legal or beneficial owner of a Claim against and/or Equity Interest in the Debtors, as applicable.
- (c) *Validity.* This Settlement Agreement has been duly executed and delivered by it and constitutes its legal, valid, and binding agreement, enforceable against it in accordance with its terms.
- (d) *No Conflict.* Its execution, delivery, and performance (when such performance is due) of this Settlement Agreement does not and shall not (A) subject to the actions, consents, and filings referred to in Section 4.2(e) below, violate any provision of law, rule, or regulation applicable to it or any of its subsidiaries or its or their subsidiaries' certificates of incorporation or bylaws or other organizational documents, or (B) conflict with, result in a breach of, or constitute a default under any material contractual obligations to which it or any of its subsidiaries is a party.
- (e) *Authorization of Governmental Authorities.* No action by (including any authorization, consent, or approval), in respect of, or filing with, any governmental authority or regulatory body, except such filing as may be necessary and/or required for disclosure by the Securities and Exchange Commission or pursuant to state securities or "blue sky" laws, is required for, or in connection with, the valid and lawful authorization, execution, delivery, and performance by it of this Settlement Agreement.
- (f) *No Reliance.* It (A) is a sophisticated party with respect to the matters that are the subject of this Settlement Agreement, (B) has had the opportunity to be represented and advised by legal counsel in connection with this Settlement Agreement, (C) has adequate information concerning the matters that are the subject of this Settlement Agreement, and (D) has independently and without reliance upon any other Party hereto, or any of their affiliates, or any officer, employee, agent, or representative thereof, and based on such information as it has deemed appropriate, made its own analysis and decision to enter into this Settlement Agreement, except that it has relied upon each other Party's express representations, warranties, and covenants in this Settlement Agreement, which it enters, or as to which it acknowledges and agrees, voluntarily and of its own choice and not under coercion or duress.



#### 4.3 Debtor Representations and Warranties.

To induce each other Party to enter into and perform its obligations under this Settlement Agreement, each Debtor hereby represents, warrants, and acknowledges, as of the Settlement Effective Date, as follows:

- (a) *Authority.* Except as expressly provided in this Settlement Agreement and subject to the Bankruptcy Code, Bankruptcy Court approval, and/or regulatory approvals associated with the Settlement Agreement, Plan, or a structured dismissal, as applicable, (A) each of the Debtors is duly organized, validly existing, and in good standing under the laws of the jurisdiction of its organization and has all the requisite corporate, partnership, limited liability company, or other power and authority to execute and deliver this Settlement Agreement and the other documents and instruments contemplated hereby to which the Debtors are contemplated to be parties and perform their obligations under this Settlement Agreement and the other documents and instruments contemplated hereby to which they are contemplated to be parties, and to consummate the transactions contemplated herein and therein, and to consummate the transactions contemplated herein and therein, and (B) the execution, delivery, and performance by such Debtors under this Settlement Agreement and the other documents and instruments contemplated hereby to which each such Debtor is contemplated to be a party and the consummation of the transactions contemplated herein and therein, have been duly authorized by all necessary action on the part of such Debtor, and no other actions or proceedings on the part of such Debtor are necessary to authorize and approve this Settlement Agreement or the other documents or instruments contemplated hereby to which such Debtor is contemplated to be a party or any of the transactions contemplated herein or therein.
- (b) *Validity.* Except as expressly provided in this Settlement Agreement and subject to the Bankruptcy Code, Bankruptcy Court approval, and/or regulatory approvals associated with the Plan or a structured dismissal, as applicable, this Settlement Agreement has been duly executed and delivered by the Debtors and constitutes the legal, valid, and binding agreement of the Debtors, enforceable against the Debtors in accordance with its terms.
- (c) *No Conflict.* Subject to the Bankruptcy Code, Bankruptcy Court approval and/or regulatory approvals associated with this Settlement Agreement, the Plan, or a structured dismissal, as applicable, the execution, delivery, and performance by the Debtors (when such performance is due) of this Settlement Agreement does not and shall not (A) subject to the actions, consents, and filings referred to in Section 4.3(d) below, violate any provision of law, rule, or regulation applicable to the Debtors or any of their subsidiaries or the Debtors' or their subsidiaries' certificates of incorporation or bylaws or other organizational documents, or (B) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material contractual obligations to which it or any of its subsidiaries is a party.



- (d) *Authorization of Governmental Authorities.* No action by (including any authorization, consent, or approval), in respect of, or filing with, any governmental authority or regulatory body, except such filing as may be necessary and/or required for disclosure by the Securities and Exchange Commission or pursuant to state securities or “blue sky” laws, and the approval of the Bankruptcy Court of the Debtors’ authority to enter into and implement this Settlement Agreement, is required for, or in connection with, the valid and lawful authorization, execution, delivery and performance by the Debtors of this Settlement Agreement.
- (e) *No Reliance.* Each of the Debtors (A) is a sophisticated party with respect to the matters that are the subject of this Settlement Agreement, (B) has had the opportunity to be represented and advised by legal counsel in connection with this Settlement Agreement (including its disinterested directors’ counsel, as applicable), (C) has adequate information concerning the matters that are the subject of this Settlement Agreement, and (D) has independently and without reliance upon any other Party hereto, or any of their affiliates, or any officer, employee, agent or representative thereof, and based on such information as such Debtor has deemed appropriate, made its own analysis and decision to enter into this Settlement Agreement, except that the Debtors have relied upon each other Party’s express representations, warranties, and covenants in this Settlement Agreement, which each of the Debtors enters, or as to which each Debtor acknowledges and agrees, voluntarily and of its own choice and not under coercion or duress.

#### 4.4 Termination.

- (a) This Settlement Agreement and the obligations of the Parties may be terminated by mutual written agreement of the Parties.
- (b) This Settlement Agreement and the obligations of the Parties may be terminated by the Ad Hoc Group of B-4 Lenders or the Debtors, in the exercise of their sole discretion, by delivery of a written notice to the other Parties in accordance with Section 4.11 hereof, if, **and only if**, Administrative Claims Holders holding more than 7.5% in aggregate value of such Allowed Claims (excluding professional fees and adequate protection claims) exercise their right to opt out of this Settlement Agreement.
- (c) This Settlement Agreement shall terminate automatically as among the Parties if the Court has not approved the Settlement Approval Motion by September 30, 2018.

#### 4.5 Effect of Termination.

Upon termination of this Settlement Agreement in accordance with Section 4.4 hereof, all obligations of the Parties under this Settlement Agreement shall terminate and shall be of no further force and effect; *provided*, that any Claim for prior breach of this Settlement Agreement

shall survive termination and all rights and remedies with respect to such Claim shall be neither waived nor prejudiced in any way by termination of this Settlement Agreement. For the avoidance of doubt, in the event this Settlement Agreement is not approved by the Court, the Debtors remain obligated under the DIP Amendment Order to calculate and fund the full amount of the Merchandise Reserve as set forth in the DIP Amendment Order.

4.6 Acknowledgments.

**Notwithstanding any other provision herein, this Settlement Agreement is not and shall not be deemed to be an offer with respect to any securities or solicitation of votes for the acceptance of a plan for purposes of sections 1125 and 1126 of the Bankruptcy Code or otherwise. Any such offer or solicitation will be made only in compliance with all applicable securities laws and provisions of the Bankruptcy Code. The relevant Parties will not solicit acceptances of the Plan from the relevant Parties in any manner inconsistent with the Bankruptcy Code or applicable non-bankruptcy law.**

4.7 Cooperation and Support.

The Parties shall cooperate with each other in good faith and shall coordinate their activities (to the extent possible and subject to the terms of this Settlement Agreement) in respect of (a) the filing of the Settlement Approval Motion with the Bankruptcy Court, obtaining Bankruptcy Court approval of this Settlement Agreement, the entry of the Settlement Order, and the implementation of the terms set forth in this Settlement Agreement, and (b) the consummation of the transactions contemplated by this Settlement Agreement.

4.8 Governing Law; Jurisdiction.

- (a) This Settlement Agreement shall be construed and enforced in accordance with, and the rights of the Parties shall be governed by, the laws of the State of New York, without giving effect to the conflict of laws principles thereof. Each Party hereto agrees that it shall bring any action or proceeding in respect of any claim arising out of or related to this Settlement Agreement in the Bankruptcy Court, and solely in connection with claims arising under this Settlement Agreement: (i) irrevocably submits to the exclusive jurisdiction and the constitutional authority of the Bankruptcy Court; (ii) waives any objection to laying venue in any such action or proceeding in the Bankruptcy Court; and (iii) waives any objection that the Bankruptcy Court is an inconvenient forum, does not have jurisdiction over any Party hereto, or lacks the constitutional authority to enter final orders in connection with such action or proceeding; *provided, however*, that this Settlement Agreement and the releases set forth herein may be submitted in any court, arbitration, and/or other legal proceeding to enforce the terms of such releases.
- (b) Each Party hereby waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in any legal proceeding arising out of, or relating to, this Settlement Agreement or the transactions contemplated hereby (whether based on contract, tort, or any other theory). Each Party (i) certifies that

no representative, agent, or attorney of any other Party has represented, expressly or otherwise, that such other Party would not, in the event of litigation, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other Parties have been induced to enter into this Settlement Agreement by, among other things, the mutual waivers and certifications in this Section 4.8.

4.9 No Admission of Liability.

Each Party enters into this Settlement Agreement without admitting any liability or conceding any allegations not already expressly admitted. This Settlement Agreement and its provisions shall not be offered or received in evidence in any action or proceeding as an admission or concession of liability or wrongdoing of any nature on the part of any Party except that it may be offered and received in evidence solely to enforce this Settlement Agreement.

4.10 Third-Party Beneficiaries.

Except as otherwise explicitly set forth herein, nothing in this Settlement Agreement is intended to benefit or create any right or cause of action in or on behalf of any person other than the Parties hereto (and their affiliated persons and entities who are intended to be beneficiaries of the releases and settlements set forth herein).

4.11 Notices.

All notices hereunder shall be deemed given if in writing and delivered, if sent by electronic mail, courier, or registered or certified mail (return receipt requested) to the following addresses (or at such other addresses as shall be specified by like notice):

(a) if to the Debtors, to:

Toys "R" Us, Inc.  
One Geoffrey Way  
Wayne, New Jersey 07470  
Attention: James Young, General Counsel  
E-mail address: James.Young@toysrus.com

with copies (which shall not constitute notice) to:

Kirkland & Ellis LLP  
601 Lexington Avenue  
New York, New York 10022  
Attention: Joshua Sussberg, P.C.  
E-mail address: jsussberg@kirkland.com

and

Kirkland & Ellis LLP  
300 North LaSalle Street  
Chicago, IL 60654

Attention: Chad J. Husnick, P.C.  
E-mail address: [chusnick@kirkland.com](mailto:chusnick@kirkland.com)

- (b) if to the Creditors Committee, to:

Kramer Levin Naftalis & Frankel LLP  
1177 Avenue of the Americas  
New York, New York 10036  
Attention: Kenneth H. Eckstein  
Rachael L. Ringer  
E-mail address: [keckstein@kramerlevin.com](mailto:keckstein@kramerlevin.com); [rringer@kramerlevin.com](mailto:rringer@kramerlevin.com)

- (c) if to the Ad Hoc Group of B-4 Lenders, to:

Wachtell, Lipton Rosen and Katz  
51 West 52nd Street  
New York, New York 10019  
Attention: Joshua A. Feltman  
Emil A. Kleinhaus  
E-mail address: [jafeltman@wlrk.com](mailto:jafeltman@wlrk.com); [eakleinhaus@wlrk.com](mailto:eakleinhaus@wlrk.com)

- (d) if to the Sponsors, to:

Milbank, Tweed, Hadley & McCloy LLP  
28 Liberty Street  
New York, NY 10005  
Attention: Dennis F. Dunne  
Samuel A. Khalil  
Andrew M. LeBlanc  
E-mail address: [ddunne@milbank.com](mailto:ddunne@milbank.com); [skhalil@milbank.com](mailto:skhalil@milbank.com);  
[aleblanc@milbank.com](mailto:aleblanc@milbank.com)

- (e) if to the Ad Hoc Vendor Group, to:

Foley & Lardner LLP  
3000 K Street, N.W., Suite 600  
Washington, DC 20007  
Attention: Erika L. Morbito  
E-mail address: [emorabito@foley.com](mailto:emorabito@foley.com)

- (f) if to the Prepetition Term Loan Agent, to:

Shearman & Sterling LLP  
599 Lexington Avenue  
New York, New York 10022  
Attention: Fredric Sosnick  
E-mail address: [Fsosnick@shearman.com](mailto:Fsosnick@shearman.com)

or such other address as may have been furnished by a Party to each of the other Parties by notice given in accordance with the requirements set forth above. Any notice given by delivery, mail, or courier shall be effective when received.

#### 4.12 Entire Agreement.

This Settlement Agreement, including any exhibits, annexes, and/or schedules hereto and the exhibits, annexes, and/or schedules thereto, constitutes the entire agreement between the Parties concerning the subject matter of this Settlement Agreement and supersedes all prior negotiations, agreements, and understandings, whether written or oral, between and among the Parties concerning the subject matter of this Settlement Agreement. Each of the Parties hereto acknowledges that it is executing this Settlement Agreement without reliance on any representations, warranties, or commitments other than those representations, warranties, and commitments expressly set forth in this Settlement Agreement.

#### 4.13 Modification or Amendment.

This Settlement Agreement may be modified or amended only by written agreement executed by: (i) the Debtors, (ii) the undersigned members of the Ad Hoc Group of B-4 Lenders, (iii) the undersigned members of the Ad Hoc Vendor Group, (iv) the Creditors Committee, (v) the Sponsors, (vi) the members of the Creditors Committee that are Party hereto in their individual capacity, and (vii) the Prepetition Term Loan Agent; *provided, however*, that if the proposed modification, amendment, or supplement has a material, disproportionate, and adverse effect on any particular Administrative Claim Holder party hereto, then the consent of each such disproportionately affected holder shall also be required to effectuate such modification, amendment, or supplement.

The Parties may extend or modify any dates in this Settlement Agreement or in the Term Sheet via e-mail confirmation.

#### 4.14 Further Assurances.

From and after the Settlement Effective Date, each of the Parties agrees to use their respective reasonable best efforts to execute or cause to be executed and deliver or cause to be delivered all such agreements, instruments and documents and take or cause to be taken all such further actions as may reasonably be necessary from time to time to carry out the intent and purpose of this Settlement Agreement, and to consummate the transactions contemplated hereby and thereby.

#### 4.15 Transfer of Claims.

For each non-Debtor Party hereto holding Claims against the Debtors (other than the Prepetition Term Loan Agent), for the period commencing as of the date such Party executes this Agreement and through the earlier to occur of (w) termination of this Agreement and (x) the Effective Date of the Plan, and subject to the terms and conditions hereof, each Party agrees, that it shall not sell, assign, convey, transfer, hypothecate, or otherwise dispose of, in whole or in part (any such action, a "Transfer") any ownership (including any beneficial ownership) in the Claims or any option thereon or any right or interest therein (including by granting any proxies

or depositing any interests in the Claims into a voting trust or by entering into a voting agreement (other than this Settlement Agreement) with respect to the Claims), unless the intended transferee (x) is a Party to this Settlement Agreement, or (y) becomes a party to this Settlement Agreement (solely with respect to transferred Claims) pursuant to Section 4.1 hereof by the time such Transfer becomes effective (it being understood that any Transfer shall not be effective until notification of such Transfer is received by counsel to the Debtors (such transfer, a “Permitted Transfer” and such party to such Permitted Transfer, a “Permitted Transferee”)).

(a) Notwithstanding anything to the contrary herein (i) a Qualified Marketmaker that acquires any Claims with the purpose and intent of acting as a Qualified Marketmaker for such Claims, shall not be required to become party to this Settlement Agreement or otherwise agree to be bound by the terms and conditions set forth in this Agreement if such Qualified Marketmaker transfers such Claims (by purchase, sale, assignment, participation, or otherwise) within five (5) Business Days of its acquisition to a Party or Permitted Transferee and the transfer otherwise is a Permitted Transfer, and (ii) to the extent any Party is acting solely in its capacity as a Qualified Marketmaker, it may Transfer any ownership interests in the Claims that it acquires from a holder of Claims that is not a Party to a transferee that is not a Party at the time of such Transfer without the requirement that the transferee be or become a signatory to this Agreement.

(b) This Settlement Agreement shall in no way be construed to preclude any Party from acquiring additional Claims; *provided, however*, that any such acquired Claims shall automatically and immediately upon acquisition by such Party be deemed subject to the terms of this Settlement Agreement (regardless of when or whether notice of such acquisition is given to the Debtors and the Creditors Committee as set forth above), other than with respect to any Claims acquired by such Party in its capacity as a Qualified Marketmaker.

(c) This Section shall not impose any obligation on the Debtors to issue any “cleansing letter” or otherwise publicly disclose information for the purpose of enabling a Party to Transfer any Claims. Notwithstanding anything to the contrary herein, to the extent the Debtors and another Party have entered into a separate agreement with respect to the issuance of a “cleansing letter” or other public disclosure of information (each such executed agreement as may be amended from time to time, a “Confidentiality Agreement”), the terms of such Confidentiality Agreement shall continue to apply and remain in full force and effect according to its terms.

(d) Any Transfer made in violation of this Section shall be void ab initio.

(e) For the avoidance of doubt, (i) following a Permitted Transfer by a Party of all of its interests in the Claims, such Party shall have no additional or continuing obligations under this Settlement Agreement or any related direction letters to any agent or trustee, and (ii) prior to the effective date of a Permitted Transfer, the Permitted Transferee shall not have obligations or liabilities under this Settlement Agreement or any related direction letters to any agent or trustee to any party to the Settlement Agreement.



4.16 Successors and Assigns.

Except as otherwise provided in this Settlement Agreement, this Settlement Agreement is intended to bind and inure to the benefit of each of the Parties and each of their respective successors, assigns, heirs, executors, administrators, and representatives. For the avoidance of doubt, each Party agrees, solely with respect to itself, that it shall not sell, assign, convey, transfer, hypothecate, or otherwise dispose of, in whole or in part, any Claims in violation of Section 4.15 hereof.

4.17 Interpretation.

This Settlement Agreement is the product of negotiations among the Parties, and the enforcement or interpretation of this Settlement Agreement is to be interpreted in a neutral manner and in accordance with section 102 of the Bankruptcy Code; and any presumption with regard to interpretation for or against any Party by reason of that Party (or its counsel) having drafted or caused to be drafted this Settlement Agreement or any portion of this Settlement Agreement, shall not be effective in regard to the interpretation of this Settlement Agreement.

4.18 Settlement Discussions.

This Settlement Agreement and the transactions contemplated herein are part of a settlement among the Parties. Nothing herein shall be deemed an admission of any kind. To the extent provided by Federal Rule of Evidence 408, any applicable mediation privileges, and any applicable state rules of evidence, this Settlement Agreement and all negotiations relating thereto shall not be admissible into evidence in any proceeding other than a proceeding to enforce the terms of this Settlement Agreement.

4.19 Specific Performance.

It is understood and agreed by the Parties that money damages would be an insufficient remedy for any breach of this Settlement Agreement by any Party, that such breach would represent irreparable harm, and that each non-breaching Party shall be entitled to specific performance and injunctive relief (without the posting of any bond and without proof of actual damages), but no other form of equitable relief, as the sole remedy for any such breach, including an order of the Bankruptcy Court or other court of competent jurisdiction requiring any Party to comply promptly with any of its obligations hereunder; *provided*, that each Party agrees to waive any requirement for the securing or posting of a bond in connection with such remedy.

4.20 Execution of Agreement.

This Settlement Agreement may be executed in counterparts, and by the different Parties hereto on separate counterparts, each of which when executed and delivered shall constitute an original. Delivery of an executed counterpart by facsimile or electronic mail shall be equally as effective as delivery of an original executed counterpart.



4.21 Non-Severability of Agreement.

This Settlement Agreement is to be construed as a whole, and all provisions of it are to be read and construed together. Notwithstanding anything in this Settlement Agreement or the Settlement Order to the contrary, and in light of the integrated nature of the settlements and compromises embodied in this Settlement Agreement and the Settlement Order, in the event that (a) a court of competent jurisdiction enters a final order ruling that any of the provisions of this Settlement Agreement or the Settlement Order are void, invalid, illegal, or unenforceable in any material respect, or (b) any of the provisions of this Settlement Agreement or the Settlement Order are reversed, vacated, overturned, voided, or unwound in any material respect, then in each case, the entirety of this Settlement Agreement (other than this Section 4.21) shall be void ab initio and of no force and effect and, during any subsequent proceeding, the Parties shall not assert claim preclusion, issue preclusion, estoppel or any similar defense in respect of rights and claims of the Parties that were the subject of this Settlement Agreement prior to this Settlement Agreement being of no force or effect.

4.22 Distribution of Cash to Prepetition Secured Lenders.

Any distribution to any Prepetition Secured Lender contemplated by this Settlement Agreement shall be made to the Prepetition Term Loan Agent on behalf of the Prepetition Secured Lenders, and distributed in accordance with the Secured Term Loan B Credit Agreement and the related loan documentation.

[Signature pages follow]

**IN WITNESS WHEREOF**, the Parties execute this Settlement Agreement as of the date first written above.

**Toys "R" Us, Inc.**

**By:**  \_\_\_\_\_

*Its duly authorized representative*

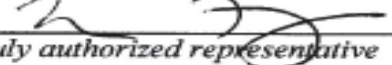
**Name:** Matthew Finigan

**Title:** Executive Vice President - Chief  
Financial Officer and Treasurer

*[Signature Page to Settlement Agreement]*

IN WITNESS WHEREOF, the Parties execute this Settlement Agreement as of the date first written above.

**TOYS "R" US – DELAWARE, INC.**

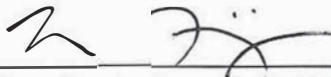
**By:**   
*Its duly authorized representative*

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

*[Signature Page to Settlement Agreement]*


**IN WITNESS WHEREOF, the Parties execute this Settlement Agreement as of the date first written above.**

**Geoffrey, LLC**

**By:**   
*Its duly authorized representative*

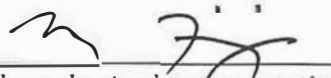
**Name:** Matthew Finigan  
**Title:** Executive Vice President - Chief  
Financial Officer and Treasurer

**Geoffrey Holdings, LLC**

**By:**   
*Its duly authorized representative*

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

**Geoffrey International, LLC**

**By:**   
*Its duly authorized representative*

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

**IN WITNESS WHEREOF**, the Parties execute this Settlement Agreement as of the date first written above.

**Giraffe Holdings, LLC**

By: 

*Its duly authorized representative*

**Name:** Matthew Finigan

**Title:** Executive Vice President - Chief  
Financial Officer and Treasurer

*[Signature Page to Settlement Agreement]*

**IN WITNESS WHEREOF, the Parties execute this Settlement Agreement as of the date first written above.**

**MAP 2005 Real Estate, LLC**

By: 

*Its duly authorized representative*

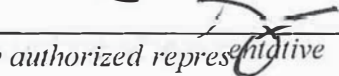
**Name:** Matthew Finigan

**Title:** Executive Vice President - Chief  
Financial Officer and Treasurer

*[Signature Page to Settlement Agreement]*

**IN WITNESS WHEREOF, the Parties execute this Settlement Agreement as of the date first written above.**

**Toys "R" Us – Value, Inc.**

By:   
*Its duly authorized representative*

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

*[Signature Page to Settlement Agreement]*



**IN WITNESS WHEREOF, the Parties execute this Settlement Agreement as of the date first written above.**

**Toys Acquisition, LLC**

**By:** 

*Its duly authorized representative*

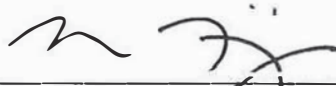
**Name:** Matthew Finigan

**Title:** Executive Vice President - Chief  
Financial Officer and Treasurer

*[Signature Page to Settlement Agreement]*

**IN WITNESS WHEREOF, the Parties execute this Settlement Agreement as of the date first written above.**

**TRU – SVC, Inc.**

**By:**   
*Its duly authorized representative*

**Name:** Matthew Finigan

**Title:** Executive Vice President - Chief  
Financial Officer and Treasurer

**IN WITNESS WHEREOF, the Parties execute this Settlement Agreement as of the date first written above.**

**TRU Guam, LLC**

**By:** 

*Its duly authorized representative*

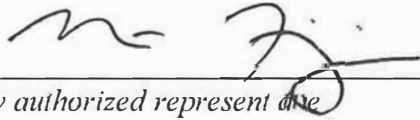
**Name:** Matthew Finigan

**Title:** Executive Vice President - Chief  
Financial Advisor and Treasurer

*[Signature Page to Settlement Agreement]*

**IN WITNESS WHEREOF, the Parties execute this Settlement Agreement as of the date first written above.**



**TRU Mobility, LLC**

By:   
*Its duly authorized representative*

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

**IN WITNESS WHEREOF, the Parties execute this Settlement Agreement as of the date first written above.**

**Wayne Real Estate Parent Company, LLC**

By:   
*its duly authorized representative* 

**Name:** Matthew Finigan

**Title:** Executive Vice President - Chief  
Financial Officer and Treasurer

*[Signature Page to Settlement Agreement]*

**IN WITNESS WHEREOF, the Parties execute this Settlement Agreement as of the date first written above.**

**TRU of Puerto Rico, Inc.**

**By:** 

*Its duly authorized representative*

**Name:** Matthew Finigan

**Title:** Executive Vice President - Chief  
Financial Officer and Treasurer

*[Signature Page to Settlement Agreement]*

**IN WITNESS WHEREOF**, the Parties hereto have executed this Settlement Agreement as of the date set forth above.

Angelo, Gordon & Co., L.P.

By: 

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**David Kamin**  
**Authorized Signatory**



**IN WITNESS WHEREOF**, the Parties hereto have executed this Settlement Agreement as of the date set forth above.

Solus Alternative Asset Management LP, on  
behalf of certain funds managed thereby

By:   
Name: C.J. Lanktree  
Title: Partner/Portfolio Manager

**To consent to the Settlement**

**ACIS CLO 2013-1, LTD.,** as a Lender

By: Acis Capital Management, L.P., its  
Portfolio Manager

By: Acis Capital Management GP, LLC,  
its general partner

By:  \_\_\_\_\_

Name: James Dondero

Title: President

**ACIS CLO 2014-3, LTD.,** as a Lender

By: Acis Capital Management, L.P., its  
Portfolio Manager

By: Acis Capital Management GP, LLC,  
its general partner

By:  \_\_\_\_\_

Name: James Dondero

Title: President

**ACIS CLO 2014-4, LTD.,** as a Lender

By: Acis Capital Management, L.P., its  
Portfolio Manager

By: Acis Capital Management GP, LLC,  
its general partner

By:  \_\_\_\_\_

Name: James Dondero

Title: President

**ACIS CLO 2014-5, LTD.,** as a Lender

By: Acis Capital Management, L.P., its  
Portfolio Manager

By: Acis Capital Management GP, LLC,  
its general partner

By:  \_\_\_\_\_

Name: James Dondero

Title: President

**ACIS CLO 2015-6, LTD.**, as a Lender

By: Acis Capital Management, L.P., its  
Portfolio Manager

By: Acis Capital Management GP, LLC,  
its general partner

By: \_\_\_\_\_


Name: James Dondero

Title: President

**ACIS CLO 2017-7, LTD.**, as a Lender

By: Acis Capital Management, L.P., its  
Portfolio Manager

By: Acis Capital Management GP, LLC,  
its general partner

By: \_\_\_\_\_

Name: James Dondero

Title: President

**HIGHLAND FLOATING RATE  
OPPORTUNITIES FUND**, as a Lender

By: \_\_\_\_\_

Name: Trey Parker

Title: Executive Vice President

**HIGHLAND FUNDS II**, on behalf of its  
Series, **HIGHLAND GLOBAL  
ALLOCATION FUND**, as a Lender

By: \_\_\_\_\_

Name: Trey Parker

Title: Executive Vice President

**HIGHLAND FUNDS I**, on behalf of its  
Series, **HIGHLAND OPPORTUNISTIC  
CREDIT FUND**, as a Lender

By: \_\_\_\_\_

Name: Trey Parker

Title: Executive Vice President

**ACIS CLO 2015-6, LTD.**, as a Lender

By: Acis Capital Management, L.P., its  
Portfolio Manager

By: Acis Capital Management GP, LLC,  
its general partner

By: \_\_\_\_\_  
Name: James Dondero  
Title: President

**ACIS CLO 2017-7, LTD.**, as a Lender

By: Acis Capital Management, L.P., its  
Portfolio Manager

By: Acis Capital Management GP, LLC,  
its general partner

By: \_\_\_\_\_  
Name: James Dondero  
Title: President

**HIGHLAND FLOATING RATE  
OPPORTUNITIES FUND**, as a Lender

By:  \_\_\_\_\_  
Name: Trey Parker  
Title: Executive Vice President

**HIGHLAND FUNDS II**, on behalf of its  
Series, **HIGHLAND GLOBAL  
ALLOCATION FUND**, as a Lender

By:  \_\_\_\_\_  
Name: Trey Parker  
Title: Executive Vice President

**HIGHLAND FUNDS I**, on behalf of its  
Series, **HIGHLAND OPPORTUNISTIC  
CREDIT FUND**, as a Lender

By:  \_\_\_\_\_  
Name: Trey Parker  
Title: Executive Vice President

**HIGHLAND DYNAMIC INCOME  
MASTER FUND, L.P., as a Lender**

By: Highland Capital Management, L.P.,  
its Investment Manager

By: Strand Advisors, Inc., its General  
Partner

By: 

Name: Scott Ellington

Title: Secretary

**HIGHLAND FUNDS I, on behalf of its  
Series, HIGHLAND IBOXX SENIOR  
LOAN ETF, as a Lender**

By: \_\_\_\_\_

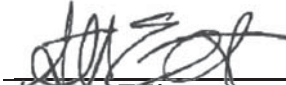
Name: Trey Parker

Title: Executive Vice President

**PENSIONDANMARK  
PENSIONSFORSIKRINGSAKTIESELS  
KAB, as a Lender**

By: Highland Capital Management, L.P.,  
its Investment Manager

By: Strand Advisors, Inc., its General  
Partner

By: 

Name: Scott Ellington

Title: Secretary

**NEXPOINT CAPITAL., as a Lender**

By: \_\_\_\_\_

Name: James Dondero

Title: President and Principal Executive  
Officer

**HIGHLAND DYNAMIC INCOME**

**MASTER FUND, L.P.**, as a Lender

By: Highland Capital Management, L.P.,  
its Investment Manager

By: Strand Advisors, Inc., its General  
Partner

By: \_\_\_\_\_

Name: Scott Ellington

Title: Secretary

**HIGHLAND FUNDS I**, on behalf of its  
Series, **HIGHLAND IBOXX SENIOR  
LOAN ETF**, as a Lender

By: \_\_\_\_\_

Name: Trey Parker

Title: Executive Vice President

**PENSIONDANMARK**

**PENSIONSFORSIKRINGSAKTIESELS**

**KAB**, as a Lender

By: Highland Capital Management, L.P.,  
its Investment Manager

By: Strand Advisors, Inc., its General  
Partner

By: \_\_\_\_\_

Name: Scott Ellington

Title: Secretary

**NEXPOINT CAPITAL**., as a Lender

By:  \_\_\_\_\_

Name: James Dondero

Title: President and Principal Executive  
Officer



**HIGHLAND DYNAMIC INCOME  
MASTER FUND, L.P., as a Lender**

By: Highland Capital Management, L.P.,  
its Investment Manager

By: Strand Advisors, Inc., its General  
Partner

By: \_\_\_\_\_  
Name: Scott Ellington  
Title: Secretary

**HIGHLAND FUNDS I, on behalf of its  
Series, HIGHLAND IBOXX SENIOR  
LOAN ETF, as a Lender**

By:  \_\_\_\_\_  
Name: Trey Parker  
Title: Executive Vice President

**PENSIONDANMARK  
PENSIONSFORSIKRINGSAKTIESELS  
KAB, as a Lender**

By: Highland Capital Management, L.P.,  
its Investment Manager

By: Strand Advisors, Inc., its General  
Partner


By: \_\_\_\_\_  
Name: Scott Ellington  
Title: Secretary

**NEXPOINT CAPITAL., as a Lender**

By: \_\_\_\_\_  
Name: James Dondero  
Title: President and Principal Executive  
Officer

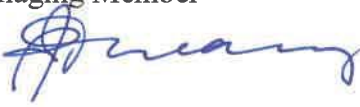


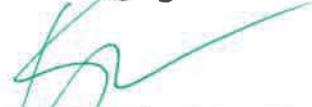


**IN WITNESS WHEREOF, the Parties execute this Settlement Agreement as of the date first written above.**

**Franklin Mutual Advisers, LLC on behalf of its advisory clients.**

By:   
*Its duly authorized representative*  
Name: Shawn Tumulty  
Title: Vice President

Address: 101 JFK Parkway  
Short Hills, NJ 07078

**IN WITNESS WHEREOF, the Parties execute this Settlement Agreement as of the date first written above.**

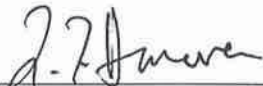
<b>Oaktree Opportunities Fund X Holdings (Delaware), L.P.</b>  By: Oaktree Fund GP, LLC Its: General Partner  By: Oaktree Fund GP I, L.P. Its: Managing Member  By: _____ Name: <b>Robert O'Leary</b> Title: <b>Authorized Signatory</b>  By: _____ Name: <b>Kaj Vazales</b> Title: <b>Authorized Signatory</b>	<b>Oaktree Opps X Holdco Ltd.</b>  By: Oaktree Capital Management, L.P. Its: Director  By: _____ Name: <b>Robert O'Leary</b> Title: <b>Managing Director</b>  By: _____ Name: <b>Kaj Vazales</b> Title: <b>Managing Director</b>
<b>Oaktree Cascade Investment Fund I, L.P.</b>  By: Oaktree Cascade Investment Fund I GP, L.P. Its: General Partner  By: Oaktree Fund GP, LLC Its: General Partner  By: Oaktree Fund GP I, L.P. Its: Managing Member  By: _____ Name: <b>Robert O'Leary</b> Title: <b>Authorized Signatory</b>  By: _____ Name: <b>Kaj Vazales</b> Title: <b>Authorized Signatory</b>	

**IN WITNESS WHEREOF, the Parties execute this Settlement Agreement as of the date first written above.**

**DIP LENDER**

Marathon Special Opportunity Master Fund Ltd.  
Marathon Credit Dislocation Fund LP  
TRS Credit Fund, LP  
Marathon Centre Street Partnership, L.P.  
Marathon CLO V Ltd.  
Marathon CLO VI Ltd.  
Marathon Strategic Opportunities Program, LP  
Marathon CLO VII Ltd.  
Marathon CLO VIII Ltd.  
AustralianSuper  
Marathon CLO IX Ltd.  
Marathon Blue Grass Credit Fund, LP  
MAM Corporate Loan Fund  
Marathon CLO X Ltd.

By: Marathon Asset Management LP, the investment advisor to each of the entities listed above

By:  JB  
*Its duly authorized representative*  
**Name:** Louis Hanover  
**Title:** Authorized Signatory

Address: One Bryant Park, 38<sup>th</sup> Floor  
New York, NY 10036

**IN WITNESS WHEREOF**, the Parties execute this Settlement Agreement as of the date first written above.

**TERM DIP AGENT**

**NexBank SSB, as administrative agent and collateral agent**

By: 

*Its duly authorized representative*

**Name:** Rhett Miller

**Title:** EVP, Chief Credit Officer

**Address:** NexBank SSB  
2515 McKinney Ave., Ste. 1100  
Dallas, Texas 75201

**THE TERM DIP AGENT HAS EXECUTED THIS SETTLEMENT AGREEMENT ON THE EXPRESS UNDERSTANDING OF THE PARTIES THAT IT DOES NOT MAKE THE REPRESENTATION CONTAINED IN SECTION 4.2(b) of THIS SETTLEMENT AGREEMENT.**

IN WITNESS WHEREOF, the Parties execute this Settlement Agreement as of the date first written above.

Bank of America, N.A., the Prepetition Term  
Loan Agent

By: Melissa Mullis  
*Its duly authorized representative*  
Name: *Melissa Mullis*  
Title: *AVP*



**IN WITNESS WHEREOF, the Parties execute this Settlement Agreement as of the date first written above.**

**Bain Capital Private Equity, LP, as a Sponsor**

**By:** 

*Its duly authorized representative*

**Name:** JOSH BERNSTEIN

**Title:** MANAGING DIRECTOR

**IN WITNESS WHEREOF**, the Parties execute this Settlement Agreement as of the date first written above.

**Kohlberg Kravis Roberts & Co. L.P., as a Sponsor**



By: \_\_\_\_\_


*Its duly authorized representative*

Name: *Nathaniel Taylor*

Title: *Member*

IN WITNESS WHEREOF, the Parties execute this Settlement Agreement as of the date first written above.

Vornado Realty Trust, as a Sponsor

By:   
Its duly authorized representative  
Name: JOSEPH MACNOW  
Title: EVP - CFO & Chief Administrative Officer

**IN WITNESS WHEREOF, the Parties execute this Settlement Agreement as of the date first written above.**

### Administrative Claim Holder

Just Play LLC

By: Jeffrey Pearson

*Its duly authorized representative*

**Name:** Geoffrey Greenberg

**Title:** Co-President

Address: 6 Terry Drive  
Newtown PA 18940

Aggregate Amount of Asserted Administrative Claims:

(\$) \_\_\_\_\_

Date: 7/17/18

**IN WITNESS WHEREOF**, the Parties hereto have executed this Settlement Agreement as of the date set forth above.

Artsana (USA) Inc.  
The Boppy Company LLC  
Cablen Asia Pacific LTD.

By their counsel:

/s/ *John D. Demmy*  
John D. Demmy  
**SAUL EWING ARNSTEIN & LEHR, LLP**  
1201 N. Market Street, Suite 2300  
Wilmington, DE 19801  
Telephone: (302) 421-6848  
E-mail: john.demmy@saul.com

IN WITNESS WHEREOF, the Parties hereto have executed this Settlement Agreement as of the date set forth above.

CRAYOLA LLC

By: Stephen Hoff  
Name: Stephen Hoff  
Title: Chief Financial Officer

IN WITNESS WHEREOF, the Parties hereto have executed this Settlement Agreement as of the date set forth above.

**DOREL INDUSTRIES, INC.**, on its own behalf, and on behalf of Dorel Juvenile Group, Inc., Dorel Asia, Inc., Dorel Home Furnishings, Inc., Pacific Cycle, Inc.,

By: 

Frank Rana  
SVP Finance



**IN WITNESS WHEREOF**, the Parties hereto have executed this Settlement Agreement as of the date set forth above.

KENT INTERNATIONAL, INC., USA  
HELMET SUB KENT INTL, INC., AND  
KAZAM, LLC

By: 

Name: ARNOLD KAMLER

Title: Chief Executive Officer

**IN WITNESS WHEREOF**, the Parties hereto have executed this Settlement Agreement as of the date set forth above.

**KIDS II, INC.**

By: 

Name: Ryan Gunnigle

Title: Chief Executive Officer

**KIDS II FAR EAST LIMITED**

By: 

Name: Ryan Gunnigle

Title: Chief Executive Officer

**IN WITNESS WHEREOF**, the Parties hereto have executed this Settlement Agreement as of the date set forth above.

**THE STEP2 COMPANY, LLC**

By: Marc Mucci  
Name: Marc Mucci

IN WITNESS WHEREOF, the Parties execute this Settlement Agreement as of the date first written above.

The Official Committee of Unsecured Creditors  
of Toys "R" Us, Inc. and Its Co-Debtors and  
Debtors-in-Possession

KRAMER LEVIN

By: 


*Its duly authorized representative*

Name: KENNETH ECKSTEIN

Title: PARTNER

IN WITNESS WHEREOF, the Parties execute this Settlement Agreement as of the date first written above.

LEGO Systems, Inc. (solely in its capacity as an  
Administrative Claim Holder)

\_\_\_\_\_  
By: 

*Its duly authorized representative*

Name: R. Scott Slishe

Title: Secretary

IN WITNESS WHEREOF, the Parties execute this Settlement Agreement as of the date first written above.

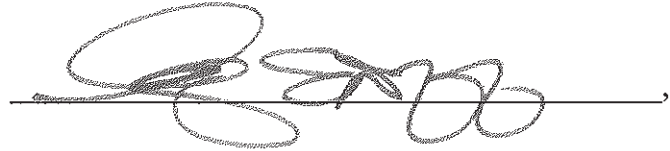
Mattel, Inc. (solely in its capacity as an Administrative Claim Holder)

By: Joseph J. Eutenewer  
Its duly authorized representative  
Name: JOSEPH J. EUTENEUER  
Title: CFO

[Signature Page to Settlement Agreement]

IN WITNESS WHEREOF, the Parties execute this Settlement Agreement as of the date first written above.

Evenflo Company, Inc. (solely in its capacity as  
an Administrative Claim Holder)

A handwritten signature in dark ink, appearing to read 'Amy E. Neff', is written over a horizontal line.

By: AMY E. NEFF


*Its duly authorized representative*

Name:

Title: ASSOCIATE GENERAL COUNSEL

**IN WITNESS WHEREOF, the Parties execute this Settlement Agreement as of the date first written above.**

**Huffy Corporation (solely in its capacity as an  
Administrative Claim Holder)**

\_\_\_\_\_  
By: 

*Its duly authorized representative*

**Name:** Matthew S. Kerr

**Title:** SVP, Chief Financial Officer



**Exhibit 2**

**First Amendment to Settlement Agreement**

## FIRST AMENDMENT TO SETTLEMENT AGREEMENT

THIS FIRST AMENDMENT TO SETTLEMENT AGREEMENT<sup>1</sup> (this “Amendment”) is made and entered into as of August 7, 2018, by and among (a) the Debtors, (b) the Ad Hoc Group of B-4 Lenders, (c) other lender parties whose signature pages are affixed to the Settlement Agreement, (d) the Creditors Committee, (e) the Term DIP Agent, (f) the Prepetition Term Loan Agent, (g) the Ad Hoc Vendor Group, (h) other administrative claimants whose signature pages are affixed to the Settlement Agreement, and (i) the Sponsors (the “Settlement Parties”).

### RECITALS

**WHEREAS**, the Settlement Parties are parties to the Settlement Agreement; and

**WHEREAS**, the Settlement Parties now desire to amend the Settlement Agreement as set forth herein;

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Settlement Parties agree as follows:

1. The definitions of “Non-Debtor Released Parties” and “Non-Debtor Releasing Parties” in Section 2.1 of the Settlement Agreement are each amended and restated to provide as follows:

“Non-Debtor Released Parties” means (a) the Creditors Committee and its members, (b) each member of the Ad Hoc Vendor Group, (c) the Term DIP Agent, (d) each member of the Ad Hoc Group of B-4 Lenders (whether as a Prepetition Secured Lender or as a Term DIP Lender), (e) each of the other lender parties hereto, (f) each of the other administrative creditors party hereto, (g) the Prepetition Term Loan Agent, (h) each of the Sponsors, (i) all holders of Administrative Claims at Toys Delaware that do not affirmatively opt-out of participating in the Administrative Claims Distribution Pool, in each case in their respective capacities as such, (j) the administrative agent and collateral agent and lenders under the ABL/FILO DIP Facility, and (k) for each of those persons’ or entities’ identified in (a)-(j) above, such parties non-Debtor affiliates and its and their respective, directors, officers, agents, advisors, or professionals; *provided, however*, notwithstanding the foregoing, no current or former directors, officers, or managers of any of the Debtors, including any directors, officers, or managers affiliated with or designated by any of the Sponsors, in each case in their respective capacities as such, shall be “Non-Debtor Released Parties” under this Settlement Agreement.

---

<sup>1</sup> The “Settlement Agreement” is that certain Settlement Agreement dated as of July 17, 2018, relating to, among other things, certain claims in the chapter 11 cases of *Toys “R” Us, Inc.* pending in the United States Bankruptcy Court for the Eastern District of Virginia as Case No. 17-34665. Capitalized terms used but not defined in this Amendment shall have the meanings given to such terms in the Settlement Agreement.

“Non-Debtor Releasing Parties” means (a) the Creditors Committee and its members, (b) each member of the Ad Hoc Vendor Group, (c) the Term DIP Agent, (d) each member of the Ad Hoc Group of B-4 Lenders, (e) each of the other lender parties hereto, (f) the Prepetition Term Loan Agent, (g) each of the Sponsors (h) all holders of Administrative Claims at Toys Delaware other than those that affirmatively opt-out of participating in the Administrative Claims Distribution Pool, and (i) the administrative agent and collateral agent and lenders under the ABL/FILO DIP Facility, in each case on behalf of themselves and their respective successors, assigns, and representatives, in each case in their respective capacities as such.

2. The definition of “D&O Party” is amended and restated to provide as follows:

“D&O Party” means all current and former directors, officers, or managers (including Sponsor affiliated directors, officers, and managers) of the Debtors, in their respective capacities as such.

3. Section 3.1(c)(2) of the Settlement Agreement is amended and restated to provide as follows:

Contingent Amounts: Once the aggregate postpetition recovery of all B 4 Lenders from Toys Delaware and Wayne reaches 50% of the face amount of the approximately \$1.003 billion in aggregate B-4 Claims (principal plus accrued interest) as of the Petition Date (for the avoidance of doubt, after giving effect to applicable distributions on account of Term B-2 Loans and Term B-3 Loans): (i) the Prepetition Secured Lenders will receive 50% of any further recoveries from Toys Delaware and the remaining 50% will be distributed to the Administrative Claims Distribution Pool; and (ii) subject to the last two sentences of Section 3.1(b) hereof, the B-4 Lenders will receive 50% of any further recoveries from Wayne and the remaining 50% will be distributed to the Administrative Claims Distribution Pool.

4. Section 3.4(b)(2) of the Settlement Agreement is amended and restated to provide as follows:

to the extent not already released in the Final DIP Financing Order, any and all Claims or Causes of Action against any of the Term DIP Lenders, the Term DIP Agent, the Prepetition Term Loan Agent, the administrative agent and collateral agent and lenders under the ABL/FILO DIP Facility, and any of the Prepetition Secured Lenders, in each case in their capacity as such, including, for the avoidance of doubt, any Claim or Cause of Action preserved for the Creditors Committee to seek to pursue on behalf of any estate under the Final DIP Financing Order (including any Claim or Cause of Action for fraudulent transfer or preference or based on section 506(c) or section 552(b) of the Bankruptcy Code)

5. Except as set forth herein, the Settlement Agreement shall remain in full force and effect. This Amendment may be signed in counterparts and electronic signatures shall be binding.

**IN WITNESS WHEREOF**, the Settlement Parties have executed this Amendment as of the date first set forth above.

[Signature pages follow]

**Exhibit 3**

**Opt-Out Form**

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

In re:	)	
	)	Chapter 11
	)	
TOYS “R” US, INC., <i>et al.</i> , <sup>10</sup>	)	Case No. 17-34665 (KLP)
	)	
Debtors.	)	(Jointly Administered)
	)	

**ADMINISTRATIVE CLAIM HOLDER OPT-OUT  
FORM FOR OPTING OUT OF THE VENDOR SETTLEMENT AGREEMENT**

**PLEASE READ AND FOLLOW THE ENCLOSED INSTRUCTIONS CAREFULLY  
BEFORE COMPLETING THIS OPT-OUT FORM.**

IN ORDER FOR YOUR OPT-OUT TO BE EFFECTIVE, THIS FORM  
MUST BE ACTUALLY RECEIVED BY AUGUST 24, 2018, AT 4:00 P.M.  
(PREVAILING EASTERN TIME) (THE “SETTLEMENT OPT OUT DEADLINE”).

FAILURE TO OPT OUT OF THE SETTLEMENT  
AGREEMENT OR SUBMIT AN OPT-OUT FORM  
WILL BIND YOU TO THE TERMS OF THE SETTLEMENT AGREEMENT,  
INCLUDING WITH RESPECT TO THE PLAN CONFIRMATION PROCESS.

On [August --, 2018], the Bankruptcy Court for the Eastern District of Virginia (the “Bankruptcy Court”) approved a settlement agreement (the “Settlement Agreement”) by and among, among others, certain of the above-captioned debtors and debtors in possession (collectively, the “Debtors”), the Creditors’ Committee, an Ad Hoc Vendor Group, and an Ad Hoc Group of B-4 Lenders, which Settlement Agreement resolves certain issues related to, among others, the Debtors’ wind-down of U.S. operations [Docket No. \_\_\_\_] (the “Settlement Order”). The Settlement Order is attached hereto as Exhibit 1. The Settlement Agreement is attached to the Settlement Order as Exhibit A. Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Settlement Order.

The Settlement Agreement provides certain benefits to all Holders of Administrative Claims and, subject to the opt-out described below, will bind any such Holder to its terms. Pursuant to the Settlement Agreement, among other things, Holders of Administrative Claims that are party to the Settlement Agreement:

---

<sup>10</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are set forth in the *Order (I) Directing Joint Administration of Chapter 11 Cases and (II) Granting Related Relief* [Docket No. 78]. The location of the Debtors’ service address is One Geoffrey Way, Wayne, New Jersey 07470.

- are entitled to their pro rata share of \$180 million from the Administrative Claims Distribution Pool;
- may share in additional recoveries if the recovery of the Prepetition Secured Lenders from certain Debtor entities reaches certain thresholds;
- may share in recoveries from the settlement or litigation of Non-Released Claims in the Non-Released Claims Trust;
- will receive a waiver and release of all potential preference and avoidance actions under the Bankruptcy Code and state and federal law that could be brought by the Debtors or any Chapter 7 trustee;
- agree to vote in favor of and support the Plan, if and when solicited;
- agree that your acceptance of and consent to the Settlement Agreement will be deemed consent to the Plan and acceptance of the treatment under the Plan in satisfaction of section 1129(a)(9) of the Bankruptcy Code; and
- agree to provide the Releases described in the Settlement Agreement.<sup>11</sup>

You are receiving this opt-out form (the “Opt-Out Form”) because either (i) the Debtors believe you are a Holder of an Administrative Claim as of June 30, 2018 or (ii) you filed a proof of Administrative Claim, filed a motion seeking allowance of an Administrative Claim, or have otherwise asserted an Administrative Claim in these Chapter 11 Cases. All Holders of Administrative Claims (other than those party to the Settlement Agreement) have an option to opt out of the Settlement Agreement and Releases contained therein.

If you wish to opt out of the Settlement Agreement, you may only do so by following the procedures of this Opt-Out Form. **The Creditors’ Committee, the Ad Hoc Vendor Group, and the Debtors recommend that you not opt out of the Settlement Agreement.**

**IF YOU OPT OUT OF THE SETTLEMENT AGREEMENT, YOU WILL NOT BE ENTITLED TO ANY OF THE BENEFITS DESCRIBED ABOVE.**

**IF YOU DO NOT WISH TO OPT OUT OF THE SETTLEMENT AGREEMENT, YOU DO NOT NEED TO TAKE ANY FURTHER ACTION AT THIS TIME.**

In order to opt out of the Settlement Agreement, your Opt-Out Form must be received by the Notice and Claims Agent on or before the Settlement Opt-Out Deadline, which is **[August 24], 2018, at 4:00 p.m., prevailing Eastern Time.** If an Opt-Out Form indicating your election is not received by the Settlement Opt-Out Deadline, and if the Settlement Opt-Out Deadline is not extended, **you will become a party to the Settlement Agreement, become entitled to the benefits thereof, and become bound by its terms and obligations.** If Administrative Claim Holders holding more than 7.5% in aggregate value of allowed Administrative Claims elect to opt out of the Settlement Agreement, the Ad Hoc group of B-4 Lenders and Debtors will have the option to terminate the Settlement Agreement.

---

<sup>11</sup> Under the Settlement Agreement, the “Non-Debtor Released Parties” receiving a release include (a) the Creditors’ Committee and its members, (b) each member of the Ad Hoc Vendor Group, (c) the Term DIP Agent, (d) each member of the Ad Hoc Group of B-4 Lenders, (e) each of the other lender parties hereto, (f) each of the other administrative creditors party thereto, (g) the Prepetition Term Loan Agent, (h) each of the Sponsors, (i) all holders of Administrative Claims at Toys Delaware that do not affirmatively opt-out of participating in the Administrative Claims Distribution Pool, in each case in their respective capacities as such, and (j) for each of those persons’ or entities’ identified in (a)-(i) above, such parties non-Debtor affiliates and its and their respective, directors, officers, agents, advisors, or professionals; *provided, however,* notwithstanding the foregoing, no directors, officers, or managers of any of the Debtors, including any directors, officers, or managers affiliated with or designated by any of the Sponsors, shall be “Non-Debtor Released Parties” under the Settlement Agreement.

You are strongly encouraged to review the Settlement Agreement before you make an election. You may wish to seek legal advice concerning the Settlement Agreement and this Opt-Out Form.

**Item 1. Amount of Claim(s).**

The undersigned hereby certifies that as of the date of completion of this Opt-Out Form, the undersigned asserts it was the Holder of an Administrative Claim or Claims in the following aggregate amount:<sup>12</sup>

\$ \_\_\_\_\_

**Item 2. Settlement Election.** You may elect to opt out of the Settlement Agreement by checking the box below and returning this Opt-Out Form to the Notice and Claims Agent on or before the Settlement Opt-Out Deadline by mail or by using the electronic balloting portal, as set forth below. If you return this Opt-Out Form but do not check the box below or do not return this Opt-Out Form, you will be bound by the Settlement Agreement. If you submit multiple Opt-Out Forms, your last timely received Opt-Out form shall control. Election to withhold consent is at your option.

☐

**THE HOLDER OF THE ADMINISTRATIVE CLAIM OR CLAIMS SET FORTH IN ITEM 1 ELECTS TO OPT OUT OF THE SETTLEMENT AGREEMENT.**

Should you wish to obtain a copy of the Settlement Agreement or any other documents in these Chapter 11 Cases, you should contact Prime Clerk LLC, by: (a) calling the Debtors' restructuring hotline at (844)-794-3476; (b) visiting the Debtors' restructuring website at: <https://cases.primeclerk.com/toysrus>; (c) writing to Toys "R" Us, Inc. Ballot Processing, c/o Prime Clerk LLC, 830 Third Avenue, 3rd Floor, New York, NY 10022; and/or (d) emailing [toysrusballots@primeclerk.com](mailto:toysrusballots@primeclerk.com). You may also obtain copies of any pleadings filed in the Chapter 11 Cases for a fee via PACER at: <http://www.vaeb.uscourts.gov>.

To submit your Opt-Out Form via the Claims and Solicitation Agent's online balloting portal, visit <https://cases.primeclerk.com/toysrus>. Click on the "Submit E-Ballot" section of the website and follow the instructions to submit your Election Form.

**IMPORTANT NOTE: You will need the following information to retrieve and submit your electronic Opt-Out Form:**

**Unique E-Ballot ID#:** \_\_\_\_\_

The Claims and Solicitation Agent's online balloting portal is the sole manner in which Opt-Out Forms will be accepted via electronic or online transmission. Opt-Out Forms submitted by facsimile, email or other means of electronic transmission will not be counted.

Please complete and submit an electronic Opt-Out Form for each E-Ballot ID# you receive, as applicable. Holders who cast an Opt-Out Form using the Claims and Solicitation Agent's online portal should NOT also submit a paper Opt-Out Form.

<sup>12</sup> This amount should represent the amount of your previously-asserted Administrative Claim. Do not assert your Administrative Claim via this Opt-Out Form. For more information about asserting an Administrative Claim, visit the Debtors' case website: <https://cases.primeclerk.com/toysrus/EPOC-Index>. The Debtors reserve the right to dispute the asserted amount and validity of your asserted Administrative Claim.



**Item 3. Acknowledgments.** By signing this Opt-Out Form, the undersigned Holder of an Administrative Claim or Claims identified in Item 1 above certifies that (i) it is the Holder of the Administrative Claim(s) identified in Item 1 above or (ii) it has full power and authority to act on behalf of the Holder of the Administrative Claim(s) identified in Item 1 above.

_____
Name
_____
Social Security or Federal Tax I.D. No. (optional)
_____
Signature
_____
If by Authorized Agent, Name and Title
_____
Name of Institution
_____
Street Address
_____
City, State, Zip Code
_____
Telephone Number
_____
Email Address
_____
Date Completed

**PLEASE FOLLOW THESE INSTRUCTIONS FOR SUBMITTING YOUR ELECTION. IF YOU ELECT TO OPT OUT OF THE SETTLEMENT AGREEMENT, PLEASE COMPLETE, SIGN, DATE, AND TRANSMIT THIS OPT-OUT FORM SO THAT IT IS *ACTUALLY RECEIVED* BY THE NOTICE AND CLAIMS AGENT ON OR BEFORE THE SETTLEMENT OPT-OUT DEADLINE.**

**IF YOU WOULD LIKE TO RECEIVE THE BENEFITS OF THE SETTLEMENT AGREEMENT AND DO NOT WISH TO OPT OUT OF THE SETTLEMENT AGREEMENT, YOU DO NOT NEED TO TAKE ANY FURTHER ACTION AT THIS TIME.**

**YOU MAY RETURN YOUR OPT-OUT FORM IN THE PRE-ADDRESSED, PRE-PAID RETURN ENVELOPE PROVIDED OR VIA FIRST CLASS MAIL, HAND DELIVERY, OR OVERNIGHT COURIER, TO:**

**TOYS "R" US, INC.  
BALLOT PROCESSING CENTER  
C/O PRIME CLERK LLC  
830 THIRD AVENUE, 3RD FLOOR  
NEW YORK, NY 10022**

**If you elect to opt out of the Settlement Agreement, please return your Opt-Out Form promptly.**

If you have any questions regarding this Opt-Out Form or the procedures for opting out, please contact Prime Clerk, by: (a) calling the Debtors' restructuring hotline at (844)-794-3476 (TOLL FREE); (b) visiting the Debtors' restructuring website at: <https://cases.primeclerk.com/toysrus>; (c) writing to Toys "R" Us, Inc. Ballot Processing, c/o Prime Clerk LLC, 830 Third Avenue, 3rd Floor, New York, NY 10022; and/or (d) emailing [toysrusballots@primeclerk.com](mailto:toysrusballots@primeclerk.com).

If Prime Clerk LLC does not actually receive the Opt-Out Form on or before [August 24], 2018, at 4:00 p.m., prevailing Eastern Time indicating your intent to opt out of the Settlement Agreement (and if the Settlement Opt-Out Deadline is not extended), your opt-out election will not be effective
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