

THE WALL STREET JOURNAL.

- [PRO BANKRUPTCY BANKRUPTCY](#)

Toys ‘R’ Us Lenders Plan Brand’s Revival

Controlling lenders canceled a bankruptcy auction for the brand name and other intellectual-property assets



The decision to shut 800 U.S. Toys “R” Us stores left 33,000 people without jobs. PHOTO: JULIO CORTEZ/ASSOCIATED PRESS

By [Lillian Rizzo](#) Updated Oct. 2, 2018 7:23 p.m. ET

A group of hedge funds in line to take control of Toys “R” Us—the same group that pulled the plug on the retailer’s reorganization this year—intends to revive the business behind the Toys “R” Us and Babies “R” Us brand names.

The retailer [said in court papers](#) filed Monday that while it received qualified bids for assets—which include the brand names of Toys “R” Us, Babies “R” Us, registry lists, website domains, Geoffrey the Giraffe and other assets—it has opted to forgo a much-anticipated bankruptcy auction for its brand name and other intellectual-property assets.

Toys “R” Us’s proposed [reorganization plan](#) contemplates “a new, operating Toys ‘R’ Us and Babies ‘R’ Us branding company that maintains existing global license agreements and can invest in and create new, domestic, retail operating businesses” under the brand name, court papers said.

The hedge fund group has determined the qualified bids wouldn’t likely “yield a superior alternative to the plan,” because of factors including the recovery to creditors, as well as the benefits to other stakeholders in maintaining the brands “under a newly-established, independent U.S. business.”

The pivot comes after the company consulted with its controlling parties—a group of lenders that includes Solus Alternative Asset Management and other hedge funds—that were behind the retailer’s decision to close its doors. The intellectual property is considered “a valuable piece” of the lenders’ collateral,” according to court papers. Solus has denied playing any role in the liquidation of the retailer. A company spokesman declined to comment, and a Solus spokesman didn’t immediately respond to a request for comment.

Control of the retailer’s intellectual property has pitted the lender group, including Solus, against Toys “R” Us’s foreign-subsiary bondholders. Toys “R” Us’s intellectual property also plays a role in the sale of its Asian business, as any acquirer of the business would have to negotiate the use and cost of the intellectual property, or be subject to legal action. A group of bondholders has placed an opening bid on the Asian business.

The absence of Toys “R” Us has also left an \$11 billion hole in the toy industry, and hundreds of toy vendors without a major bricks-and-mortar platform to sell their goods.

The decision to shut 800 U.S. Toys “R” Us stores also left 33,000 people without jobs. In recent months, those workers have been fighting for severance pay. The Wall Street Journal reported Friday that Toys “R” Us private-equity backers Bain Capital and KKR & Co. will be [creating a \\$20 million fund](#) to be distributed to the workers.