

Clerk's Stamp

COURT FILE NUMBER 24-3301173

COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE EDMONTON

IN THE MATTER OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, R.S.C. 1985, c. C. B-3
AND IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF MORNING GLORY
DAYCARE LTD.

APPLICANT MORNING GLORY DAYCARE LTD.

DOCUMENT **APPLICATION**
(Extending Stay of NOI Proceedings, Sealing Order, and
Charging Order)

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NOTICE TO RESPONDENTS:

This application is made against you. You are a respondent. You have the right to state your side of this matter before the Court.

To do so, you must be in Court when the application is heard as shown below:

Date: **January 16, 2026**
Time: **2:00 pm**
Where: **Edmonton Law Court (Via WebEx)**
Before Whom: **THE HONORABLE JUSTICE BURNS**

Go to the end of this document to see what else you can do and when you must do it.

Remedy claimed or sought:

1. An order abridging the time for service and deeming service good and sufficient upon all interested parties.
2. An Order, substantially in the form attached as **Schedule “A”** hereto, granting the following relief:
 - i. Extending the stay of proceedings and the time period within which the Applicant, Morning Glory Daycare Ltd. (“**Morning Glory**” or the “**Company**”) may file a proposal, pursuant to section 50.5(9) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (“**BIA**”) to March 23, 2026; and
 - ii. Sealing Confidential Exhibit “A” (the “**Confidential Exhibit**”) to the Affidavit of Myoungshin Lee sworn January 5, 2026 (the “**2nd Lee Affidavit**”).
3. An Order, substantially in the form attached as **Schedule “B”** hereto, granting the following relief:
 - iii. authorizing the Applicant to obtain and borrow under a credit facility from Young Yong Kwon (the “**Interim Lender**”) in order to finance the Applicants’ working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed Forty Five Thousand (\$45,000) Dollars unless permitted by further order of this Court; and
 - iv. Granting a second priority charge (the “**DIP Charge**”) on the Daycare Assets (as defined in the 2nd Lee Affidavit) in favour of the Interim Lender pursuant to section 50.6(1) of the BIA, to secure all obligations incurred on or after the date of this Order, which charge shall not exceed the aggregate amount advanced on or after the date of this Order.
4. Such further and other relief as this Honourable Court may deem just.

Grounds for making this application:

Extension of Stay of Proceedings

5. Morning Glory filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to s. 50.4 of the Bankruptcy and Insolvency Act (“**BIA**”) on November 21, 2025 (the “**NOI Date**”). G. Chan & Associates Inc. was appointed as Proposal Trustee (“**Proposal Trustee**”).

6. The NOI provided the Company with a stay of proceedings until December 21, 2025 (“**Initial Stay Period**”), pursuant to section 50.4(1) of the BIA. As a result of an Application brought by the Proposal Trustee on December 4, 2025, Morning Glory is currently subject to an Order extending the stay of proceedings (the “**First Extension Application**”) to February 5, 2025 and Order granting a first-priority security interest or charge in the amount of \$50,000 to secure the fees and disbursements of G. Chan & Associates Inc. (the “**Trustee**”), its counsel and debtor's counsel (the “**Administration Charge**”).
7. The purpose of the NOI proceedings was to stay enforcement by certain of the Company’s creditors, to allow time for the Company to finalize the terms of a proposed sale of all or substantially all of the Company’s assets (the “**Daycare Assets**”).
8. The Trustee previously reported that interest in the Applicant’s assets indicates apparent realizable value which, with the requested relief, may be realized through the sale of the Daycare Assets as a going concern, which would maximize recovery for all creditors.
9. An asset purchase agreement (the “**APA**”) has now been finalized, but it is conditional on the approval of the Landlord. Morning Glory requires additional time 1) to fulfill this condition; 2) to satisfy the Proposal Trustee that the terms of the APA are appropriate; 3) to obtain a sale and vesting order, and 4) to close the transaction.
10. The majority of Morning Glory’s assets consist of tenant improvements and related assets whose value would be significantly diminished if not sold as a going concern.
11. The extension is necessary to preserve value for creditors by maintaining the going-concern sale of the Daycare Assets, given that the majority of value lies in tenant improvements and related assets that would be significantly diminished absent a going-concern transaction.
12. The Company has acted, and continues to act, in good faith and with due diligence, including negotiating and executing the APA, engaging with the landlord on lease transfer, communicating with the Proposal Trustee regarding fairness of the sales process and the proposed purchase price, and arranging interim financing necessary to close the transaction.
13. Without the requested extension, the Company will be deemed bankrupt, which would terminate the APA and likely subject the sale of the assets to delay, increased cost, and uncertainty, to the detriment of all creditors.

Approval of Interim Financing and DIP Charge

14. As a result of the extension of time required to close the sale of the Daycare Assets, the Company expects to incur additional costs over and above the Administration Charge, including the following:
 - a. Rent owing to the Landlord, to the extent the Company is required to bring the rent back into good standing to obtain Landlord approval of the APA;
 - b. Costs associated with a desktop appraisal if the Daycare Assets requested by the Proposal Trustee;
 - c. Legal and other professional fees over and above what is secured by the Administration Charge;
 - d. Other ongoing operational costs, as required.
15. The Applicant seeks the authority of this Court to borrow under the interim financing commitment and a corresponding DIP Charge ranking behind the existing Administration Charge to fund essential costs required to maintain the estate and complete the sale process, including rent arrears required for landlord consent, a desktop appraisal requested by the Proposal Trustee, and incremental professional fees and limited operating costs.
16. It is just and convenient in the circumstances that the Court approve the interim financing and grant a charge in favour of the Interim Lender, as 1) the terms of the interim financing are reasonable; 2) the interim financing will not materially prejudice any creditor, and 3) access to the interim financing will enhance the likelihood of a viable sale of the Daycare Assets and maximize value of those assets for all creditors.

Sealing Order in respect of the Asset Purchase Agreement

17. On December 5, 2025, the Court sealed a pending offer to purchase the Company's assets due to commercial sensitivity (the "**Original Offer**"). The Original Offer has since fallen through, but a second offer was received by the Company, which lead to the negotiation of the Asset Purchase Agreement contained in the Confidential Exhibit.
18. A sealing order in respect of the Confidential Exhibit is necessary to protect commercially sensitive terms that, if disclosed, could prejudice the sale process and realizations for creditors.

Material or evidence to be relied on:

19. The Applicant relies on the following materials and evidence in support of this Application:

- (a) The Proposal Trustee's First Report and the Proposal Trustee's Supplemental Report to the First Report dated December 2, 2025;
- (b) The Affidavit of Myoungshin (Karen) Lee sworn December 3, 2025, and the 2nd Lee Affidavit;
- (c) The Confidential Exhibit to the 2nd Lee Affidavit; and
- (d) Such further and other materials as counsel may advise and this Honourable Court may permit.

Applicable Rules:

20. Alberta Rules of Court, Alta Reg 124/20110, Rule 1.4 and Part 6, Division 1.

Applicable Acts and regulations:

- 21. The *Bankruptcy and Insolvency Act*, R.S.C. 1985, c.B-3, as amended (the "BIA"); and
- 22. Such further and other Acts or regulations as counsel may advise and this Honourable Court may permit.

Any irregularity complained of or objection relied on:

23. None.

How the application is proposed to be heard or considered:

24. By hearing conducted through WebEx video conference.

WARNING

If you do not come to Court either in person or by your lawyer, the Court may give the applicant(s) what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of the form. If you intend to give evidence in response to the application, you must reply by filing an affidavit or other evidence with the Court and serving a copy of that affidavit or other evidence on the applicant(s) a reasonable time before the application is to be heard or considered.