



COURT/ESTATE FILE NUMBER

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COURT

**COURT OF KING'S BENCH OF ALBERTA
IN BANKRUPTCY AND INSOLVENCY**

JUDICIAL CENTRE

EDMONTON

FILING PARTY

G. CHAN & ASSOCIATES INC.

DOCUMENT

**SECOND REPORT OF THE PROPOSAL
TRUSTEE**

**IN THE MATTER OF THE BANKRUPTCY
AND INSOLVENCY ACT, R.S.C. 1985 C. B-3**

**AND IN THE MATTER OF THE NOTICE OF
INTENTION TO MAKE A PROPOSAL OF**

MORNING GLORY DAYCARE LTD.

DATED JANUARY 8, 2025

**ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT**

PROPOSAL TRUSTEE:

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Introduction

1. Morning Glory Daycare Ltd. ("**Company**") 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**"), and G. Chan & Associates Inc. was appointed as Proposal Trustee ("**Proposal Trustee**").
2. On December 4, 2025, on application by the Proposal Trustee, the Court granted:
 - a. an Order extending the stay of proceedings by 45 days to January 18, 2026 ("**First Extension Order**"); and
 - b. an Order ("**Administrative Charging Order**") granting a first-priority security interest or charge in the amount of \$50,000 over all of the real and personal property of the Company ("**Administration Charge**") to secure the fees and disbursements of the Proposal Trustee and any financial or other experts engaged by the Proposal Trustee, Sharek Logan & Van Leenen LLP, legal counsel to the Proposal Trustee ("**Trustee Counsel**"), and legal counsel to the Company ("**Debtor Counsel**"); and
 - c. an Order sealing a pending offer to purchase the Company's assets as confidential due to commercial sensitivity ("**Restricted Access Order**").
3. The Company has filed an application returnable January 16, 2026, seeking the following relief, inter alia:
 - a. an Order ("**Second Extension Application**") extending the stay of proceedings and time period within which the Company may file a proposal to March 23, 2026, and sealing the Confidential Exhibit "A" to the second affidavit of Myoungshin Lee ("**Second Lee Affidavit**"), filed in these proceedings; and
 - b. an Order ("**Interim Financing Application**") pursuant to s. 50.6(1) of the BIA authorizing the Applicant to borrow up to \$45,000 under a credit facility ("**DIP Loan**") from Young Yong Kwon ("**Interim Lender**") to finance the Company's working capital requirements and other general corporate purposes and granting a second priority charge ("**DIP Charge**") on the Daycare Assets in favour of the Interim Lender.
4. The purpose of this second report of the Proposal Trustee ("**Second Report**") is to provide the Court with:
 - a. information regarding the Proposal Trustee's activities to date;
 - b. an update on the Company's restructuring efforts since the First Report; and
 - c. the Proposal Trustee's comments on the relief the Company is seeking in the Second Extension and Interim Financing Applications.

Notice to reader

5. In preparing this report, the Proposal Trustee has relied on unaudited financial information, the books and records of the Company, and discussions with the Company's management ("**Management**"), interested parties, and stakeholders. The Proposal Trustee has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook. The Proposal Trustee expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report or relied upon by the Proposal Trustee in preparing this report.
6. Certain of the information referred to herein consists of financial forecasts and/or projections. The financial forecasts included in the report are the responsibility of Management. Management's responsibility extends beyond ensuring that the individual assumptions used to prepare the financial forecasts are appropriate in the circumstances and to ensure that assumptions as a whole are appropriate. While the Proposal Trustee has reviewed the information, the Proposal Trustee has not performed an audit or other verification of such information. The Proposal Trustee expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in the financial forecasts or relied upon by it in reporting on the financial forecasts. Future-oriented financial information included in this report is based upon Management's assumptions regarding future events. Actual results achieved may vary and these variations may be material.
7. The Proposal Trustee assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction, or use of this report. Any use which any party makes of this report, or any reliance or decision to be made based on this report, is the sole responsibility of such party.
8. All amounts included herein are in Canadian dollars unless otherwise stated.
9. All defined terms not otherwise defined herein have the meanings given to them in the First Report and First Supplemental Report filed in these proceedings.

Proposal Trustee's activities to date

10. Since the First Report, the Proposal Trustee has attended to the following:
 - a. prepared and filed the First Supplemental Report and notified all creditors, the Official Receiver, and the Court of the material adverse change relating to the November 17 Offer;
 - b. participated in discussions with Debtor Counsel in negotiating and documenting a Transaction in furtherance of the November 17 and December 1 Offers;
 - c. reviewed the materials filed by the Company in support of its Second Extension and Interim Financing Applications; and

- d. prepared this Second Report.

Company's restructuring efforts

11. As discussed in the First Supplemental Report, the Purchaser under the November 17 Offer provided notice of non-waiver of conditions which, in the Proposal Trustee's opinion, constituted a material adverse change.
12. Notwithstanding the Purchaser's non-waiver of conditions, the Company received the December 1 Offer, which was filed as a confidential supplement to the First Supplemental Report.
13. Subsequently, the Company attempted to re-engage with the Purchaser and induce the Purchaser to withdraw the non-waiver of conditions and continue with a Transaction.
14. While the Purchaser indicated some interest in doing so, the purchaser under the December 1 Offer ("**Second Purchaser**") submitted an improved offer on December 4, 2025, ("**December 4 Offer**") that was superior to the November 17 Offer.
15. Accordingly, the Company accepted the December 4 Offer and proceeded to documentation with the Second Purchaser as it remained uncertain if the Purchaser would return to the table.
16. After a period of negotiation, on December 16, 2025, an Asset Purchase Agreement ("**APA**") was executed between the Company and the Second Purchaser.
17. A copy of the APA is attached to the Second Lee Affidavit and the Company is seeking an Order to seal the APA due to it containing sensitive commercial terms of the ongoing transaction.
18. The APA contemplates an all-cash purchase by the Second Purchaser of the Daycare Assets situated at the Premises and is not subject to financing.
19. Conditions precedent to closing of the APA include the following:
 - a. Satisfactory due diligence on or before December 31, 2025 ("**Diligence Condition**");
 - b. Execution and delivery of a satisfactory agreement for the Second Purchaser to lease the premises on or before January 30, 2026 ("**Lease Condition**"); and
 - c. A sale and vesting order ("**SAVO**") granted by the Court within a reasonable time following satisfaction of the Lease Condition ("**SAVO Condition**").
20. Closing pursuant to the APA is expected to occur on the 10th business day following the date the SAVO is granted by the Court.
21. As of the date of this report, the APA appears to be progressing. The Second Purchaser's legal counsel has confirmed satisfaction of the Due Diligence Condition and advises that the Second Purchaser is following up with the Landlord on the Lease Condition.

Proposal Trustee's comments on Interim Financing Application

22. The Company is seeking the Court ordered DIP Charge against the Daycare Assets to secure the proposed DIP Loan to a maximum of \$45,000 from the Interim Lender pursuant to s. 50.6(1) of the BIA.
23. The Company and the Interim Lender have executed a commitment letter ("**Commitment Letter**") that sets out the terms of the DIP Loan.
24. The Commitment Letter is attached hereto as Appendix "A" and the material terms are summarized below:
 - a. \$45,000 non-revolving credit facility to be available in a single advance and funded to Debtor Counsel's trust account;
 - b. closing fee in the amount of \$5,000, with such fee to be deducted from the initial advance;
 - c. interest payable at the rate of 12% per annum compounded monthly;
 - d. the loan shall be repayable in full on the earliest of a default and demand under the terms of the Commitment Letter, a bankruptcy occurring, the sale of the Daycare Assets, and December 31, 2025, or as may be extended and agreed upon between the Company and the Interim Lender; and
 - e. a condition precedent that the Company obtain an Order of the Court granting the DIP Charge and extension of time sought in the Second Extension Application.
25. The Proposal Trustee is of the view that the terms and cost of financing in the Commitment Letter appear reasonable and in line with loans of similar nature.
26. Set out below are the criteria to be considered by the Court in granting a charge pursuant to s. 50.6(5) of the BIA together with the Trustee's comments thereto:
 - a. the period during which the debtor is expected to be subject to proceedings under the BIA:
The primary purpose of the Interim Financing is to facilitate closing of the APA, which has an outside date of 10 business days following the granting of a SAVO for which an application to Court is to be made within a reasonable time after satisfaction of the Lease Condition on or before January 30, 2026. Subject to Court availability to hear a SAVO application, it is likely the APA will close by March 2026 and a proposal may be filed shortly thereafter.
 - b. how the debtor's business and financial affairs are to be managed during the proceedings:
The Company has no ongoing operations, and its primary objective is to advance the APA, which is under the guidance of its legal counsel and oversight of the

Proposal Trustee. Debtor Counsel has advised the Proposal Trustee that the DIP Loan proceeds will be disbursed as required from Debtor Counsel's trust account.

- c. whether the debtor's management has the confidence of its major creditors;

The Company's primary secured lender, TD, recently retained legal counsel on January 7, 2026. The Proposal Trustee has briefed TD's counsel on the Second Extension and Interim Financing Applications, status of the APA, and the proceedings generally. The Proposal Trustee has been advised that TD's counsel does not yet have instructions but will be seeking them imminently.

- d. whether the loan would enhance the prospects of a viable proposal being made in respect of the debtor;

The DIP Loan is being obtained for the purpose of advancing the APA which will form the basis of any viable proposal. As stated in the Second Lee Affidavit, the DIP Loan proceeds will be used to:

- i. address any rent arrears to cure any default with the Landlord and facilitate satisfaction of the Lease Condition;*
- ii. pay for the cost of a desktop appraisal to satisfy the Proposal Trustee and in support of a SAVO application, which must satisfy the criteria set out in s. 65.13(4) of the BIA;*
- iii. pay professional fees that might exceed the Administration Charge for the professionals' assistance in advancing the APA and proposal proceedings generally; and*
- iv. other ongoing costs, as required.*

These expenditures will enhance the prospects of a Transaction and by extension the viability of any proposal.

- e. the nature and value of the debtor's property

Notwithstanding that the Daycare Assets have not yet been appraised, the assets comprising primarily leasehold improvements were marketed by the Broker prior to the NOI Date. The outcome was two competitive, comparable offers which indicate value exceeding the proposed DIP Charge that would only be realizable through the ongoing transaction given the nature of leasehold improvements and difficulty liquidating them without Landlord consent and going concern consideration.

- f. whether any creditor would be materially prejudiced as a result of the security or charge; and

The Proposal Trustee is of the view that no creditor would be materially prejudiced by the proposed interim financing charge. The financing is required to see the APA through to closing, which likely offers the best method of monetizing the Daycare Assets in situ.

- g. the trustee's report referred to in paragraph 50(6)(b) or 50.4(2)(b), as the case may be

The First Cash-Flow and the Proposal Trustee's Report on Cash-Flow pursuant to s. 50.4(2)(b) were filed with the Court as a confidential supplement to the First Supplemental Report.

The First Cash-Flow sets out the proposed expenses that may need to be paid during these proceedings. Although the First Cash-Flow covered up to January 26, 2026, and anticipated the DIP Loan being available in December 2025, the First Cash-Flow remains representative of the situation adjusted for the APA's timelines.

The First Cash-Flow indicates material value in paying the contemplated expenses, if necessary, and pursuing a Transaction with financial support from the Interim Lender.

Proposal Trustee's comments on Second Extension Application

27. The stay of proceedings and extension of time to file a proposal provided for in the First Extension Order expires on January 18, 2026.
28. It is unlikely that the Lease Condition will be satisfied before then. Further, the Company will need to obtain an appraisal and apply to Court for a SAVO, which is subject to Court availability.
29. A further extension of 45 days from January 16, 2026, to March 2, 2026, is reasonable to allow time to address the above requirements.
30. If an extension of time is not granted the Company will be deemed bankrupt and any sale of the Daycare Assets will be subject to an extended timeline and increased cost and uncertainty to the detriment of all creditors.
31. Accordingly, the Proposal Trustee is of the view that the requested extension of time is reasonable and that:
 - a. the Company has acted, and is acting in good faith and with due diligence;
 - b. the Company would likely be able to make a viable proposal if the extension being applied for were granted; and
 - c. no creditor would be materially prejudiced if the extension being applied for were granted.

Conclusions and recommendations

32. The Proposal Trustee is of the view that:
- a. the DIP Loan and DIP Charge are reasonable in the circumstances and would enhance the viability of the ongoing APA and proposal;
 - b. the Company is acting in good faith, with due diligence, and continues to make progress on its Restructuring Objectives in support of a viable proposal; and
 - c. no creditor will be materially prejudiced by the Second Extension Application and Interim Financing Application.
33. The Proposal Trustee has briefed legal counsel for TD but has not received notice from any party objecting or consenting to the Second Extension and Interim Financing Applications as of the date of this report.

Respectfully submitted this 8th day of January 2026.

G. CHAN & ASSOCIATES INC.

Trustee in the Matter of the Proposal of
Morning Glory Daycare Ltd.
And not in its personal capacity

Signed by:



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Per: Garrett Chan, CIRP, LIT
President

Appendix “A”

DIP CREDIT FACILITY Commitment Letter**Dated December 3, 2025**

WHEREAS the Borrowers (as defined below) have requested that the DIP Lender (as defined below) provide debtor in possession financing to fund certain of the Borrowers' obligations during the NOI Proceedings (as defined below);

AND WHEREAS the Borrowers and the DIP Lender have agreed, as a condition to the granting of the DIP Credit Facility (as defined below), to seek the permission of the Alberta Court of King's Bench (the "Court") to secure the DIP Credit Facility by way of a priority charge against the assets and undertaking of the Borrowers, ranking in priority to all mortgages, charges and security interests granted by the Borrowers, other than such other Court-ordered charges that may be provided for in the Extension Order (as defined below), which rank in priority to the DIP Lender Charge (as defined below), as all more fully described herein.

NOW THEREFORE, in contemplation of the Extension Order and in consideration of the foregoing and the mutual agreements contained herein (the receipt and sufficiency of such consideration is hereby acknowledged), the parties agree that the DIP Lender will provide interim (debtor-in-possession) financing to the Borrower on and subject to the terms and conditions set forth below:

<u>Borrower</u>	Morning Glory Daycare Ltd. (the "Borrower").
<u>Lender:</u>	Young Yong Kwon (in its capacity as lender under the DIP Credit Facility, the "DIP Lender").
<u>Defined Terms:</u>	Unless otherwise defined herein, capitalized words and phrases used in this DIP Credit Facility Commitment Letter have the meanings given thereto in Schedule A hereto.
<u>Purpose:</u>	<p>In connection with the filing of proceedings (the "NOI Proceedings") under the <i>Bankruptcy and Insolvency Act</i>, RSC 1985, c. C-36, as amended (the "NOI") in respect of the Borrower, to provide interim (debtor-in-possession) financing to support the restructuring of the Borrowers' affairs pursuant to the NOI Proceedings. The Borrowers shall use proceeds of the DIP Credit Facility solely for the following purposes:</p> <ul style="list-style-type: none"> (a) to pay (i) the reasonable and documented legal and other professional and advisory fees and expenses of the Borrower (iv) the reasonable and documented financial advisory fees and legal fees and expenses of the Borrower, (v) the reasonable and documented fees and expenses of the Trustee and its legal counsel; and (vi) the reasonable and documented fees and expenses of any agent(s) in a sale and/or investment solicitation process in respect of any of the Borrowers or their respective assets or otherwise incurred in the course of marketing all of some of the Borrowers' assets for sale. (b) to pay the fees and interest owing to the DIP Lender under the DIP Credit Facility and the other Loan Documents; and (c) to fund the ongoing operational expenses of the Borrower, including, <i>inter alia</i>, current and outstanding rent owed;

	<p>(d) to pay any costs reasonably necessary to facilitate the sale of the Borrower's assets, including a desktop appraisal of the assets of the Borrower.</p> <p>The Borrowers may use the proceeds of the DIP Credit Facility to pay pre-filing obligations; <i>provided</i> that all such pre-filing amounts are: (i) permitted to be paid by the Trustee or other order of the Court, and (ii) approved by the DIP Lender in its sole and absolute discretion.</p>
<u>Documentation:</u>	<p>Loan documents providing for the DIP Credit Facility and ancillary matters, including the DIP Credit Agreement, will be between the Borrower and the DIP Lender, and shall reflect the debtor-in-possession financing nature, rank and priority of the DIP Credit Facility, including provisions, covenants and events of default customarily included in debtor-in-possession financings of this type (the foregoing collectively with this DIP Credit Facility Commitment Letter, the "Loan Documents").</p>
<u>Non-Revolving Credit Facility:</u>	<p>An interim financing, non-revolving credit facility of up to Cdn. \$45,000.00 (the "DIP Credit Facility"), to be available in a single advance subject to the conditions herein and in the Loan Documents.</p> <p>The advance under the DIP Credit Facility shall be funded to the trust account of counsel for the Borrower.</p>
<u>Conditions Precedent to Advance:</u>	<p>The DIP Lender's agreement to make any advance available to the Borrower is subject to satisfaction of the following conditions precedent (collectively, the "Funding Conditions"), as determined by the DIP Lender:</p> <ul style="list-style-type: none"> (a) the Borrowers shall have obtained the Extension Order and an Order granting a charge in favour of the DIP Lender in form and substance satisfactory to the DIP Lender (the "DIP Charge Order"); (b) the DIP Lender shall be satisfied that each Borrower has complied with and is continuing to comply in all material respects with all applicable laws, regulations and policies; (c) the DIP Lender shall have received duly executed and delivered copies of all Loan Documents, each in form and substance satisfactory to the DIP Lender; (d) the representations and warranties under the Loan Documents are true and correct in all respects; and (e) no Default or Event of Default has occurred or would reasonably be expected to occur as a result of the requested Advance.
<u>Collateral; DIP Security:</u>	<p>All DIP Financing Obligations shall be secured by the DIP Lender Charge (as defined below), which shall include the grant by the Court of a super-priority charge and security interest (the "DIP Lender Charge") in favour of the DIP Lender on all of the present and after-acquired assets, properties and undertaking of each of the Borrowers, real and personal, tangible or intangible, contingent or otherwise (collectively, the "Collateral"), to the extent set out below.</p>
<u>Maturity:</u>	<p>The DIP Credit Facility shall be repayable in full on the earliest of: (a) the occurrence of any Event of Default under the Loan Documents which is continuing and has not been cured following any grace or cure period therefor, and a demand for repayment in writing having been made by the</p>

	<p>DIP Lender to the Borrowers with a copy to the Trustee (and each of their respective counsel), (b) the conversion of the NOI Proceedings into a bankruptcy proceeding, or (c) the sale of all or substantially all of the Collateral; and (f) December 31, 2025 (the earliest of such dates being the "Maturity Date").</p> <p>The Maturity Date may be extended from time to time at the request of the Borrower and with the prior written consent of the DIP Lender in its sole and absolute discretion for such period and on such terms and conditions as the Borrower and the DIP Lender may agree.</p>
<u>Interest Rates:</u>	<p>Interest shall be payable in cash on the aggregate outstanding principal of the DIP Credit Facility from the date of the funding of each advance thereunder at a rate equal to 12% <i>per annum</i> on drawn amounts, compounded monthly and payable in full on the Maturity Date to the extent not otherwise paid pursuant to the terms set forth under "Pre-Maturity Payments" above.</p>
<u>Fees:</u>	<p>A closing fee in the amount of Cdn. \$5,000 earned and payable by the Borrowers to the DIP Lender on the Closing Date and, such fee to be deducted from the Initial Advance under the DIP Credit Facility.</p>
<u>DIP Charge Order:</u>	<p>An order of the Court, which order shall be satisfactory in form and substance to the DIP Lender which, among other matters but not by way of limitation, authorizes the Borrowers to obtain credit, incur the DIP Financing Obligations under the DIP Credit Facility on an interim basis, and grant the DIP Lender Charge described herein.</p>
<u>Covenants:</u>	<p>The Borrower covenants and agrees to perform and do each of the following until the DIP Financing Obligations are permanently and indefeasibly repaid in full and the DIP Credit Facility is terminated:</p> <ul style="list-style-type: none"> (a) Use the proceeds of the DIP Credit Facility only for the purposes described herein. (b) Comply with the provisions of all of the Court Orders. (c) Forthwith notify the DIP Lender and the Trustee of the occurrence of any Default or Event of Default. (d) Comply with all applicable laws except to the extent not required to do so pursuant to the Extension Order or any other Court Order. (e) Take all reasonable steps to continue to maintain and preserve the value of the Collateral.
<u>Representations and Warranties:</u>	<p>The Borrower represents and warrants to the DIP Lender, which representations and warranties shall be deemed to be repeated at each Advance, and upon which the DIP Lender rely on in providing this DIP Credit Facility Commitment Letter, that:</p> <ul style="list-style-type: none"> (a) Subject to the Orders granted within these NOI Proceedings, the execution and delivery of, and transactions contemplated by, this DIP Credit Facility Commitment Letter and the other Loan Documents: <ul style="list-style-type: none"> (i) are within the powers of each of the Borrowers; (ii) have been duly authorized by all necessary corporate and, if required, shareholder approval of each of the Borrowers;

	<p>(iii) have been duly executed and delivered by or on behalf of each of the Borrowers;</p> <p>(iv) constitute legal, valid and binding obligations of each of the Borrowers; and</p> <p>(v) do not require the consent or approval of, registration or filing with, or any other action by, any governmental or regulatory authority.</p> <p>(b) None of the reports, financial statements, certificates or other written information furnished by or on behalf of the Borrowers to the DIP Lender or its advisors and counsel in connection with the negotiation of this DIP Credit Facility Commitment Letter or delivered with respect thereto (as modified or supplemented by other information so furnished), contains any misstatement of material fact or omits to state any material fact necessary to make the statements therein, taken as a whole, in the light of the circumstances under which it was made, not materially misleading; <i>provided that</i> to the extent any such reports, financial statements, certificates or other written information therein was based upon or constitutes a forecast or projection, the Borrowers represent only that they have acted in good faith and utilized assumptions believed by them to be reasonable at the time made.</p> <p>(c) All representations and warranties made by the Borrowers in all other documentation are materially true and correct in all respects.</p>
<u>Events of Default:</u>	<p>The occurrence of any one or more of the following events shall constitute an event of default (each, an "Event of Default"):</p> <p>(a) the issuance of a Court Order or any other order issued by a court of competent jurisdiction: (i) terminating the NOI Proceedings, or lifting the stay in the NOI Proceedings to permit the enforcement of any Lien against the Borrower, or a material portion of such Borrower's respective property, assets or undertaking, or (ii) staying, reversing, vacating or otherwise modifying any Court Order without the prior consent of the DIP Lender, or (iii) the assignment of the Borrower into bankruptcy.</p> <p>(b) failure of any of the Credit Party to comply with (i) any of the negative covenants in this DIP Credit Facility Commitment Letter, and to the extent such failure or default is capable of being remedied, such failure or default shall continue unremedied for a period of ten Banking Days, or (ii) any of the affirmative covenants in this DIP Credit Facility Commitment Letter, and to the extent such failure or default is capable of being remedied, such failure or default shall continue unremedied for a period of ten Banking Days;</p> <p>(c) the occurrence of a Material Adverse Change;</p> <p>(d) any representation or warranty by any Borrower in this DIP Credit Facility Commitment Letter is incorrect or misleading in any material respect;</p> <p>(e) any material violation or breach of any Court Order;</p> <p>(f) any proceeding, motion or application is commenced or filed by any of the Credit Parties, or if commenced by another party, supported or otherwise consented to by any Credit Party, (i) seeking the</p>

	<p>invalidation, subordination or other challenging of or is otherwise inconsistent with the terms of the DIP Credit Facility;</p> <p>(g) challenging the validity, priority, perfection or enforceability of the Liens created pursuant to the DIP Lender Charge;</p> <p>(h) the priority of the Liens created pursuant to the DIP Lender Charge is varied without the consent of the DIP Lender;</p> <p>(i) failure of any Borrower to pay any interest, fees or other amount when due under this DIP Credit Facility Commitment Letter or principal when due under the DIP Credit Facility;</p> <p>(j) any Borrower commences an action or takes any other proceeding to obtain any form of relief against the DIP Lender;</p> <p>(k) the expiry without further extension of the stay of proceedings provided for in the Extension Order; and</p> <p>(l) the denial or repudiation by any Credit Party of the legality, validity, binding nature or enforceability of any portion of this DIP Credit Facility Commitment Letter.</p>
<u>Remedies:</u>	<p>Upon the occurrence of an Event of Default that is continuing, and subject to the Court Orders, the DIP Lender may, in its sole and absolute discretion, elect to terminate its commitments to make Advances to the Borrowers hereunder and declare all DIP Financing Obligations in respect of this DIP Credit Facility Commitment Letter to be immediately due and payable and cease making any further Advances.</p> <p>In addition, upon the occurrence of an Event of Default that is continuing, the DIP Lender may, in its sole discretion, on not less than five days' written notice to the Borrowers and the Trustee, and subject to any Court Order:</p> <p>(a) subject to obtaining prior approval from the court, exercise the powers and rights of a secured party under the <i>Personal Property Security Act</i> (Alberta) or any other applicable law relating to the enforcement of Liens by the DIP Lender against any types of property and for certainty including the Collateral; and</p> <p>(b) subject to obtaining prior approval from the court, exercise all such other rights and remedies under the, the Court Orders and the applicable laws.</p> <p>The rights and remedies of the DIP Lender under this DIP Credit Facility Commitment Letter are cumulative and are in addition to and not in substitution for any other rights and remedies available at law or in equity or otherwise.</p>
<u>Governing Law and Jurisdiction:</u>	<p>The Loan Documents shall be governed by and interpreted in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein. Without prejudice to the right of the DIP Lender to commence any proceedings with respect to the Loan Documents in any other proper jurisdiction, the parties to the Loan Documents shall attorn and submit to the non-exclusive jurisdiction of the courts of the Province of Alberta.</p>

This DIP Credit Facility Commitment Letter may be executed in any number of counterparts, including by facsimile and PDF all of which taken together shall be deemed to constitute one and the same instrument and any of the parties hereto may execute this DIP Credit Facility Commitment Letter by signing any such counterpart. The words "execution," "execute," "signed," "signature," and words of like import in or related to any document to be signed in connection with this DIP Credit Facility Commitment Letter shall be deemed to include electronic signatures, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law including, without limitation, as provided in Parts 2 and 3 of the *Personal Information Protection and Electronic Documents Act* (Canada), the *Electronic Commerce Act, 2000* (Ontario), the *Electronic Transaction Acts* (British Columbia), the *Electronic Transactions Act* (Alberta), or any other similar laws based on the Uniform Electronic Commerce Act of the Uniform Law Conference of Canada. The DIP Lender may, in its discretion, require that any such documents and signatures executed electronically or delivered by fax or other electronic transmission be confirmed by a manually-signed original thereof; provided that the failure to request or deliver the same shall not limit the effectiveness of any document or signature executed electronically or delivered by fax or other electronic transmission.

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IN WITNESS HEREOF, the parties hereby execute this DIP Credit Facility Commitment Letter as at the date first above mentioned.

YOUNG YONG KWON

Per:



MORNING GLORY DAYCARE LTD.

Per:



Name: Myoungshin (Karen) Lee

Title: President

Schedule A DEFINED TERMS

"Availability Period" means the period commencing on the Closing Date and ending on the Maturity Date.

"Closing Date" means the date on which all conditions precedent to effectiveness of the DIP Credit Agreement are satisfied or waived.

"Court Orders" means all orders issued in the NOI Proceedings by a court of competent jurisdiction.

"Default" means any event or circumstances which, with the passing of time, the giving of notice or other similar condition would constitute an Event of Default.

"DIP Credit Agreement" means the credit agreement pursuant to which the DIP Credit Facility shall be established.

"Filing Date" means the date of commencement of the NOI Proceedings.

"Liens" means:

- (a) a lien, charge, mortgage, deed of trust, pledge, security interest or conditional sale or title retention agreement in the nature of security which secures payment or performance of an obligation;
- (b) an assignment, lease, consignment, deposits, trust or deemed trust that secures payment or performance of an obligation;
- (c) a garnishment; and
- (d) any other encumbrance of any kind in the nature of security which secures payment or performance of an obligation.

"Material Adverse Effect" means any event, circumstance, occurrence or change which materially impairs or has a material adverse effect on, or would reasonably be expected to materially impair or have a material adverse effect on:

- (a) the business, financial condition, operations or assets of the Borrower;
- (b) the ability of any Credit Party to perform its obligations under the Loan Documents to which it is a party and under any applicable Court Order;
- (c) the validity or enforceability of any Loan Document; or
- (d) the Collateral, the DIP Lender Charge, the priority thereof or any material right or remedy of the DIP Lender under any Loan Document.

"Trustee" means the Proposal Trustee in the NOI Proceedings.