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Court File No. 2025 01G 0491

**THE SUPREME COURT OF NEWFOUNDLAND AND LABRADOR
GENERAL DIVISION, IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED**

- AND -

**IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF
KARWOOD CONTRACTING LTD., KARWOOD ONTARIO LTD., KARWOOD ENGINEERING INC., AND
KARWOOD DESIGN GROUP LTD.**

SEVENTH REPORT OF THE MONITOR

September 29, 2025

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INTRODUCTION

1. On February 3, 2025, the Supreme Court of Newfoundland and Labrador (“**NL**”) in Bankruptcy and Insolvency (the “**Court**”) heard an application by Karwood Contracting Ltd. (“**Karwood Contracting**”), Karwood Ontario Ltd. (“**Karwood Ontario**”), Karwood Engineering Inc. (“**Karwood Engineering**”), and Karwood Design Group Ltd. (“**Karwood Design**”) (collectively, “**Karwood**”, the “**Companies**”, or the “**Applicants**”) (the “**CCAA Application**”) for an initial order pursuant to the Companies’ Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (“**CCAA**”).
2. On February 3, 2025 (the “**Filing Date**”), the Court granted an initial order in these proceedings (the “**Initial Order**”) that:
 - a. appointed BDO as monitor of the Applicants in these CCAA proceedings (in such capacity, the “**Monitor**”);
 - b. approved a stay of proceedings (the “**Stay of Proceedings**”) for the initial 10-day period;
 - c. approved a charge of \$100,000 securing the fees and disbursement of professionals including the Applicant’s counsel, the Monitor, and the Monitor’s counsel (the “**Initial Administration Charge**”);
 - d. approved an entitlement, but not a requirement, of the Applicants to pay for goods and services supplied to the Applicants, whether incurred prior to or after the Initial Order, and if in the opinion of the Monitor, the supply of such goods or services is necessary for the preservation of the business or property of the Applicants;
 - e. exempted certain parcels of real property of Karwood Ontario from the CCAA Stay of Proceedings, namely:
 - i. the residential property located at 236 West Street, Belmont, Ontario, identified by property index number (“**PIN**”) 08195-0655; and
 - ii. the residential property located at 35 Honey Bend, St. Thomas, Ontario, identified by PIN 35244-2202 (collectively, the “**Exempt Property**”).
 - f. authorized Libro Credit Union Limited (“**Libro**”), as the secured mortgage lender of the Exempt Property, to take possession, market and sell the Exempt Property for purposes of applying the proceeds of sale against the secured mortgage debt of Libro; and

- g. excluded the Exempt Property from the Initial Administration Charge (or any subsequent administration charge), if within ten (10) days of the date of the Initial Order, Libro paid to the Monitor \$15,000 on account of the charge.
3. The Initial Order contemplated a comeback motion to be heard February 13, 2025 (the “**Comeback Motion**”).
4. At the Comeback Motion, the Court granted a stay extension order (the “**Stay Extension Order**”), extending the Stay of Proceedings granted in the Initial Order to February 20, 2025.
5. On February 20, 2025, the Court granted an amended and restated initial order (the “**ARIO**”). Amongst other things, the ARIO:
 - a. extended the Stay of Proceedings up to and including July 4, 2025;
 - b. approved an increase to the Administration Charge (as defined in the Second Report) to the maximum amount of \$250,000;
 - c. approved the debtor-in-possession (“**DIP**”) facility (the “**DIP Loan**”) to be provided by the Bank of Montreal (“**BMO**” or the “**DIP Lender**”) pursuant to a DIP facility agreement dated February 20, 2025 (the “**DIP Term Sheet**”); and
 - d. approved the DIP Lender’s Charge (as defined in the Second Report) to the maximum amount of \$750,000 to match the maximum allowable borrowing amount as proposed in DIP Term Sheet.
6. Also on February 20, 2025, the Court granted a procedural order (the “**Procedural Order**”) outlining a procedure for the Applicants, BMO and Kent Building Supplies, a division of J.D. Irving Ltd. (“**Kent**”) to file submissions, including security documents, to the Monitor for purposes of determining priority of security of claims with respect to three (3) of the residential properties, namely 61 Silver Birch Crescent, Paradise, NL (“**61 Silver Birch**”), 63 Silver Birch Crescent, Paradise, NL (“**63 Silver Birch**”) and 41 Yellow Wood Drive, Paradise, NL (“**41 Yellow Wood**”).
7. On February 26, 2025, the Court granted:
 - a. a sale approval and vesting order approving the property sale transaction of 55 Silver Birch Crescent, Paradise, NL (“**55 Silver Birch**”) in accordance with and subject to the terms of an agreement of purchase and sale (the “**55 Silver Birch Sale Approval and Vesting Order**”); and

- b. a distribution order approving the distribution of proceeds from the sale of 55 Silver Birch (the “**55 Silver Birch Distribution Order**”).
8. On March 24, 2025, the Monitor issued a certificate confirming that all terms and conditions of the 55 Silver Birch agreement of purchase and sale had been met, and the purchase funds called for thereunder have been paid. The Monitor also distributed \$156,384 to BMO pursuant to the 55 Silver Birch Distribution Order. On March 28, 2024, the Monitor distributed \$150,573, being the remaining net proceeds of sale not including the mechanic’s lien funds held back on the sale of 55 Silver Birch, to Karwood Contracting pursuant to the 55 Silver Birch Distribution Order.
9. On April 11, 2025, the Court granted a sale approval and vesting order approving the property sale transaction of 59 Silver Birch Crescent, Paradise, NL (“**59 Silver Birch**”) in accordance with and subject to the terms of an agreement of purchase and sale (the “**59 Silver Birch Sale Approval and Vesting Order**”).
10. On April 22, 2025, the Monitor issued a certificate confirming that all terms and conditions of the 59 Silver Birch agreement of purchase and sale had been met, and the purchase funds called for thereunder have been paid. On April 24, 2025, the Court granted a distribution order approving the distribution of proceeds from the sale of 59 Silver Birch (the “**59 Silver Birch Distribution Order**”).
11. On April 25, 2025, the Monitor distributed \$158,473 to BMO pursuant to the 59 Silver Birch Distribution Order. On April 28, 2025, the Monitor distributed \$159,180, the remaining net proceeds of sale not including the mechanic’s lien funds held back on the sale of 59 Silver Birch, to Karwood Contracting pursuant to the 59 Silver Birch Distribution Order.
12. On June 5, 2025, the Court granted an order (the “**Sale Approval and Vesting Order**”) approving the proposed property sale transactions of:
 - a. 61 Silver Birch in accordance with and subject to the terms of an agreement of purchase and sale entered into by Karwood Contracting on May 31, 2023;
 - b. 63 Silver Birch in accordance with and subject to the terms of an agreement of purchase and sale entered into by Karwood Contracting on April 16, 2023;
 - c. 70 Silver Birch Crescent, Paradise, NL (“**70 Silver Birch**”) in accordance with and subject to the terms of an agreement of purchase and sale entered into by Karwood Contracting on July 12, 2023; and
 - d. 41 Yellow Wood in accordance with and subject to the terms of an agreement of purchase and sale entered into by Karwood Contracting on April 23, 2024.

13. On June 30, 2025, the Court issued an order (the “**Stay Extension and Distribution Order**”):
 - a. approving the Monitor to distribute certain sale proceeds with respect to 61 Silver Birch, 63 Silver Birch, 70 Silver Birch, and 41 Yellow Wood to the DIP Lender and Karwood Contracting;
 - b. approving the Monitor to hold in trust the statutory holdback amount required to be retained by Karwood Contracting on the sale of the residential properties pursuant to the *Mechanic’s Lien Act*; and
 - c. extending the Stay of Proceedings up to and including October 1, 2025.
14. On July 4, 2025, the Monitor issued a certificate confirming that all terms and conditions of the 61 Silver Birch agreement of purchase and sale had been met, and the purchase funds called for thereunder have been paid. The Monitor also distributed \$151,754 to BMO with respect to the sale of 61 Silver Birch pursuant to the Stay Extension and Distribution Order. In addition, the Monitor distributed \$168,248, the remaining net proceeds of sale not including the mechanic’s lien funds held back on the sale of 61 Silver Birch, to Karwood Contracting pursuant to the Stay Extension and Distribution Order.
15. On July 7, 2025, the Monitor issued a certificate confirming that all terms and conditions of the 63 Silver Birch agreement of purchase and sale had been met, and the purchase funds called for thereunder have been paid. On July 8, 2025, the Monitor distributed \$151,754 to BMO with respect to the sale of 63 Silver Birch pursuant to the Stay Extension and Distribution Order. In addition, the Monitor distributed \$158,756, being the remaining net proceeds of sale not including the mechanic’s lien funds held back on the sale of 63 Silver Birch, to Karwood Contracting pursuant to the Stay Extension and Distribution Order.
16. On August 13, 2025, the Monitor issued a certificate confirming that all terms and conditions of the 70 Silver Birch agreement of purchase and sale had been met, and the purchase funds called for thereunder have been paid. On August 14, 2025, and August 15, 2025, the Monitor distributed \$132,569 to BMO and \$103,987 to Karwood Contracting respectively, the remaining net proceeds of sale not including the mechanic’s lien funds held back on the sale of 70 Silver Birch, pursuant to the Stay Extension and Distribution Order.
17. On September 9, 2025, the Monitor issued a certificate confirming that all terms and conditions of the 41 Yellow Wood agreement of purchase and sale had been met, and the purchase funds called for thereunder have been paid. The Monitor also distributed \$128,701 to BMO with respect to the sale of 41 Yellow Wood pursuant to the Stay Extension and Distribution Order. The Monitor continues

to hold in trust \$258,337, the remaining net proceedings of sale not including the mechanic's lien funds held back on the sale of 41 Yellow Wood.

18. The Monitor has provided the Court with the following reports:

- a. the report of the Proposed Monitor dated January 31, 2025 (the "**Proposed Monitor's Report**") in connection with the Applicants' application for protection under the CCAA;
- b. the first report of the Monitor dated February 12, 2025 (the "**First Report**") in connection with the Applicants' motion for the ARIO;
- c. the second report of the Monitor dated February 20, 2025 (the "**Second Report**") in connection with the Applicants' motion for the ARIO;
- d. the third report of the Monitor dated April 9, 2025 (the "**Third Report**") in connection with the Applicants' motion for the 59 Silver Birch Sale Approval and Vesting Order;
- e. the fourth report of the Monitor dated June 5, 2025 (the "**Fourth Report**") in connection with the Applicants' motion for the Sale Approval and Vesting Order;
- f. the fifth report of the Monitor dated June 27, 2025 (the "**Fifth Report**") in connection with the Applicants' motion for the Stay Extension and Distribution Order; and
- g. the sixth report of the Monitor dated September 15, 2025 (the "**Sixth Report**") to provide the Court with information primarily pertaining to:
 - i. the Applicants' default of the DIP Term Sheet;
 - ii. a binding offer received by the Applicants from a private investor (the "**Private Investor**") proposing to acquire all or substantially all assets and undertakings of the Applicants through an asset purchase agreement;
 - iii. an interlocutory application made by Patrick Street Holdings Ltd. made under these CCAA proceedings requesting the Court to grant an order to lift the Stay of Proceedings; and
 - iv. the Monitor's request for directions from the Court with respect to the distribution of net proceeds of sale of 41 Yellow Wood.

PURPOSE

19. The purpose of this seventh report of the Monitor (the “**Seventh Report**”) is to:
- a. provide the Court with updates on the activities of the Applicants and the Monitor in relation to the CCAA proceedings since the Sixth Report;
 - b. discuss cash flow variances arising to date (up to and including September 26, 2025) with respect to the Companies’ cash flow forecast covering the period September 8 through October 3, 2025 (the “**Third Cash Flow Forecast**”), filed with the Monitor’s Sixth Report;
 - c. provide the Court with information pertaining to:
 - i. a revised binding offer received by the Applicants from the Private Investor on September 15, 2025 (the “**Revised Binding Offer**”); and
 - ii. an asset purchase agreement (the “**Asset Purchase Agreement**”) executed between the Applicants and a recently incorporated numbered company (“**Newco**”) controlled by the Private Investor on September 29, 2025 (the “**Proposed Transaction**”).
 - d. provide the Court with information regarding the Applicants’ motion to seek an order (the “**Amended Administration Charge Order**”):
 - i. increasing the Administrative Charge to \$300,000 in favour of the Applicant’s counsel, the Monitor and its counsel against the Applicant’s assets, as security for their respective fees and disbursements incurred at the standard rates and charges of the professionals involved with the Applicant’s restructuring (the “**Amended Administration Charge**”);
 - e. provide the Court with information regarding the Applicants’ motion to seek an order (the “**Sale Approval and Vesting Order**”):
 - i. approving the Asset Purchase Agreement as executed by the Applicants and Newco, authorizing the Applicants to complete the Proposed Transaction in accordance with the Asset Purchase Agreement, and authorizing the Applicants to execute such documents and take such additional steps as are necessary for that purpose; and
 - ii. upon completion of the Proposed Transaction (as evidenced by the Monitor filing a Monitor’s certificate certifying the same), vesting the Purchased Assets (as defined in the Asset Purchase Agreement) in Newco free and clear of all liens, charges, security interests and other encumbrances;

- f. provide the Court with information regarding the Applicants' motion to seek an order extending the stay of proceedings for the Applicants up to and including October 31, 2025 (the "**Extension Order**");
 - g. provide the Court with information regarding the Monitor's motion to seek an order (the "**Distribution Order**", and together with the Amended Administration Charge Order, the Sale Approval and Vesting Order, and the Extension Order, the "**Proposed Orders**"):
 - i. to distribute proceeds from the Asset Purchase Agreement;
 - ii. to distribute funds held in trust by the Monitor related to the net sales proceeds of 41 Yellow Wood (the "**41 Yellow Wood Proceeds**");
 - iii. to distribute mechanic's lien holdback funds held in trust by the Monitor related to the sale of 55 Silver Birch, 59 Silver Birch, 61 Silver Birch, 63 Silver Birch, 70 Silver Birch, and 41 Yellow Wood (the "**Mechanic's Lien Funds**"); and
 - iv. approving such further and other relief as the Court may deem just and equitable.
 - h. the Monitor's recommendations on the relief being sought by the Applicants and the Monitor.
20. Copies of Court materials filed in these proceedings may be obtained from the Monitor's website established in connection with the CCAA proceedings (the "**Website**");

<https://www.bdo.ca/services/financial-advisory-services/business-restructuring-turnaround-services/current-engagements/karwood>.

TERMS OF REFERENCE

21. In preparing this Seventh Report and making the comments herein, the Monitor has been provided with, and has relied upon unaudited financial information, books and records and financial information prepared by the Companies, discussions with the Companies management (the "**Management**") and employees of the Companies and other information from various sources (collectively the "**Information**").
- a. The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited 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 Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of the Information; and

- b. Some of the Information referred to in this Seventh Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the Chartered Professional Accounts Canada Handbook, has not been performed.
- 22. Future-oriented financial information referred to in this Seventh Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
- 23. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Seventh Report concerning the Companies and its business is based on the Information, and not independent factual determinations made by the Monitor.
- 24. All references to monetary amounts in this Seventh Report are in Canadian dollars unless otherwise noted.

UPDATE ON THE APPLICANTS' ACTIVITIES

- 25. Since the issuance of the ARIO, the Applicants have continued taking steps and focusing on stabilizing operations. Management, with the assistance of the Monitor, has engaged in various discussions with stakeholders, suppliers, customers and employees. As of the date of this Seventh Report, the Applicants have maintained their business operations without significant disruption or issues.
- 26. Further, since the Sixth Report of the Monitor, the Companies have:
 - a. continued to negotiate and arrange for the post filing support of its vendors and subcontractors as the Companies, primarily Karwood Contracting, continued to operate;
 - b. consulted with the Monitor in respect of operations, cash management, and the approval of vendor and supplier payments;
 - c. reported to the Monitor actual weekly cash flows as compared to the Third Cash Flow Forecast;
 - d. continued to market the assets of 81502 NL, namely real property located at 1108 Kenmount Rd., Paradise NL, in attempt to generate net proceeds of sale for the general benefit of the Applicants' stakeholders;
 - e. advanced negotiations with a Private Investor for the purpose of entering into the Asset Purchase Agreement to sell the Applicants' assets for the benefit of the Companies' stakeholders; and

- f. engaged with the DIP Lender and its private receiver, MNP Ltd. (the “**Private Receiver**”), in negotiations with respect to the Revised Binding Offer and the Asset Purchase Agreement contemplating the sale all or substantially all assets and undertakings of the Applicants.

UPDATE ON THE MONITOR’S ACTIVITIES

27. The Monitor continues to maintain the Monitor’s Website in respect of these CCAA proceedings. All court documents and certain other relevant documents have and will continue to be posted as they are made available.
28. Furthermore, since the Sixth Report, the Monitor has:
 - a. assisted the Applicants with stakeholder communications;
 - b. responded to calls, e-mails and letters received from creditors and other parties with respect to the CCAA proceedings;
 - c. assisted the Applicants with respect to their operations, cash management, and the approval of vendor and supplier payments;
 - d. reviewed the Revised Binding Offer, and participated in discussions regarding same with the Applicants, its counsel, and the DIP Lender;
 - e. assisted the Applicants in advancing negotiations with a Private Investor for the purpose of executing the Asset Purchase Agreement to sell the Applicants’ assets for the benefit of the Companies’ stakeholders;
 - f. assisted in the Applicants in engaging with the DIP Lender, the Private Receiver and the Private Investor in negotiations with respect to the Proposed Transaction which contemplates the sale all or substantially all assets and undertakings of the Applicants; and
 - g. prepared the Seventh Report to the Court.

APPLICANTS’ RECEIPTS AND DISBURSEMENTS VARIANCE

29. The Monitor has reviewed the Applicant’s cash flow from operations through reviewing and approving expenses and monitoring banking activities. During the period September 8, 2025, to September 26, 2025, since the Monitor filed its Sixth Report, the Companies’ actual cash flow from operations has been \$nil as the Applicants did not have access to the 41 Yellow Wood Proceeds. The 41 Yellow Wood Proceeds continue to be held by the Monitor in trust and are considered in the Monitor’s motion for the Distribution Order.

ASSET PURCHASE AGREEMENT

30. On September 15, 2025, following discussions between the Applicants, DIP Lender, Monitor, and Private Investor, the Applicants received the Revised Binding Offer from the Private Investor, proposing to acquire all or substantially all assets and undertakings of the Companies. The Monitor understands that the intent of the Private Investor is to operate a residential development business and to hire the Applicant's directors, Greg Hussey and Randy Oram, to be actively involved in management.
31. On September 29, 2025, the Applicants and Newco executed the Asset Purchase Agreement, attached as an appendix to a confidential supplement to this Seventh Report (the "**Confidential Supplement**"). The Asset Purchase Agreement was also provided to the DIP Lender for consideration, and they have been kept apprised of ongoing discussions with the Private Investor. Key terms of the Asset Purchase Agreement are summarized as follows:
- a. the purchase price, plus applicable taxes ("the "**Purchase Price**"), is subject to customary adjustments for similar transactions;
 - b. an additional cash contribution towards professional fees of the Monitor, the Monitor's counsel, and counsel of the Applicants to facilitate closing of the Proposed Transaction;
 - c. the assumption of certain liabilities of the Applicants, including:
 - i. landscaping and paving obligations owed to 33 homeowners who purchased residential properties prior to the CCAA proceedings; roadway, sidewalk and landscaping obligations for a subdivision developed prior to the CCAA proceedings; and landscaping security deposits owing to homeowners who purchased during the CCAA proceedings;
 - ii. honouring all existing Karwood warranty obligations related to residential properties sold prior to and following the Filing Date, a service provided through Atlantic Home Warranties providing builder liability and structural defect coverage; and
 - iii. vacation pay obligations of Karwood Contracting's former employees.
32. The Monitor understands closing of the Asset Purchase Agreement is not conditional on financing or other corporate authorizations, as the Private Investor has funds readily available to finance the closing of the Proposed Transaction through Newco. Noteworthy conditions of the Asset Purchase Agreement include:
- a. satisfactory completion of legal, financial and environmental due diligence procedures, including but not limited to real estate title searches and appraisals, status of various litigations, insurance policies, permits and licenses, leases and warranty programs;

- b. release of all personal guarantees and directors' liabilities related to the Applicants' debts;
 - c. confirmation there is no material adverse change in the Applicants' business, including operations, prospects, financial condition or the purchased assets of the Companies; and
 - d. approval of the Court through the granting of an approval and vesting order to allow for the transfer of the Companies' assets free and clear from all liens and encumbrances.
33. The Applicants have brought a motion to the Court seeking the Sale Approval and Vesting Order as regards the Proposed Transaction. If the Sale Approval and Vesting Order is granted by the Court, the Companies plan to close the Proposed Transaction with Newco as soon as reasonably possible.
34. The Monitor understands that it is the intent of the Private Investor, through Newco, to hire certain current and former employees of the Applicants following the closing of the Proposed Transaction, however negotiations continue in this regard. The Monitor also understands that the Applicants' current and former employees have been paid up to date, with the exception of vacation pay which is to be assumed by Newco.
35. The Monitor has provided further details on the merits of the Asset Purchase Agreement and the reasoning for supporting the Proposed Transaction in the Confidential Supplement. The Monitor is of the view the Proposed Transaction meets with the Soundair test, including as such test is codified in s. 36 of the CCAA.

PROPOSED DISTRIBUTION

36. The Monitor has filed a motion seeking the Distribution Order to distribute:
- a. the Purchase Price received pursuant to the Asset Purchase Agreement; and
 - b. funds held by the Monitor in trust, which includes:
 - i. \$198,867 in Mechanic's Lien Funds related to the sale of the residential properties completed and closed since the Filing Date, namely 55 Silver Birch, 59 Silver Birch, 61 Silver Birch, 63 Silver Birch, 70 Silver Birch, and 41 Yellow Wood (each, a "**Residential Property**" and collectively, the "**Residential Properties**");
 - ii. \$258,337 in 41 Yellow Wood Proceeds;
 - iii. \$15,000 held in trust as a contribution towards the Administration Charge by Libro pursuant to the ARIO; and

- iv. \$1,011 in interest earned from holding the above funds in trust (collectively, with the Purchase Price, the Mechanic's Lien Funds, and the 41 Yellow Wood Proceeds, the "**Distribution Funds**")

Post-Filing Obligations

37. Management has estimated the Companies have \$108,774 in outstanding post-filing obligations (the "**Post-Filing Obligations**"), including:
 - a. \$43,822 in subcontractor expenses related to the completion of 41 Yellow Wood;
 - b. \$61,591 to the Canada Revenue Agency ("**CRA**") for Harmonized Sales Tax ("**HST**") remittances once all transactions incurred since the Filing Date and up to Proposed Transaction close are considered. Management have confirmed that all CRA obligations related to employee source deductions are current in the post-filing period; and
 - c. \$3,361 in administrative and overhead expenses.

All other post-filing obligations of the Applicants have been settled by the Companies, or in certain recent cases, by a related party.

38. The Monitor proposes to distribute \$47,183 of the Distribution Funds to settle the Applicants' post-filing subcontractor, administration and overhead expenses (the "**Post-Filing Obligations Distribution**"). It is proposed that the Post-Filing Obligations Distribution will take place prior to the closing of the Proposed Transaction.
39. The Monitor understands that Management intends to file a voluntary assignment for Karwood Contracting post-closing of the Proposed Transaction to clean up the estate.

Distributions Post-Closing

40. Pursuant to the ARIO granted by the Court on February 20, 2025, the Administrative Charge and the DIP Lender's Charge rank in priority to all Encumbrances (as defined in the ARIO). Therefore, the Monitor is of the view the mechanic's liens registered against the Residential Properties rank behind the Administrative Charge and the DIP Lender's Charge.
41. The Distribution Funds are insufficient to settle the DIP Lender's Charge, after payment of the Post-Filing Obligations Payment and settlement of the Administration Charge. As a result, the Monitor does not anticipate funds being available for pre-filing mechanic's lien claims, priority claims, secured or unsecured claims of the Applicants.
42. The Monitor proposes withholding \$61,591 of the Distribution Funds on account of CRA's deemed trust claim for post-filing HST obligations. As noted above, Management intends to file a voluntary assignment for Karwood Contracting post-closing of the Proposed Transaction. The funds withheld

will fund the bankruptcy administration of Karwood Contracting with the balance available for distribution to estate creditors.

43. The Monitor provides the Court the following information pertaining to the Applicants’ mechanic’s lien claims, priority claims, and secured claims:

a. mechanic’s lien claims by Residential Property pursuant to title searches conducted by the Monitor on September 26, 2025, are summarized in the following table:

Residential Property	Holdback Funds in Trust	Kent Liens	Newcrete Liens	Quick Shot Liens	Total Lien Claims
55 Silver Birch	\$ 6,518	\$ -	\$ 6,518	\$ -	\$ 6,518
59 Silver Birch	39,730	-	6,518	13,800	20,318
61 Silver Birch	39,557	41,709	8,941	-	50,650
63 Silver Birch	38,594	35,762	8,941	-	44,703
70 Silver Birch	29,089	-	-	-	-
41 Yellow Wood	45,379	63,501	-	-	63,501
	<u>\$ 198,867</u>	<u>\$ 140,972</u>	<u>\$ 30,918</u>	<u>\$ 13,800</u>	<u>\$ 185,691</u>

The Monitor clarifies that all mechanic’s lien claims are pre-filing claims. Further, the mechanic’s lien claim filed by Newcrete Investments Limited Partnership (“Newcrete”) against i) 55 Silver Birch and 59 Silver Birch for \$6,518; and ii) 61 Silver Birch and 63 Silver Birch \$8,941, are single claims filed against Residential Properties within the same multiplex, as confirmed by Newcrete’s counsel.

b. pre-filing priority claims of the Applicants include CRA deemed trust claims for source deductions and HST; and

c. pre-filing secured claims of the Applicants include:

- i. Boreal Atlantic Ltd., a mortgage lender with security over the 1.8 acre land parcel on Kenmount Rd., Paradise, NL;
- ii. Tammy and Randy Oram (the former, a director of the Companies), holding a subordinated mortgage with security over 61 and 63 Silver Birch;
- iii. Libro, a mortgage lender with security over the Exempt Property pursuant to the ARIO; and
- iv. Ford Credit Canada Company and the Royal Bank of Canada, each with Purchase Money Security Interest (PMSI) related to vehicle financing, liabilities being assumed by Newco.

44. The Monitor has provided further details on the proposed distribution in the Confidential Supplement.

MONITOR RECOMMENDATIONS

45. In the Monitor's view, the Applicants have acted and continue to act in good faith and with due diligence.

46. Based on the foregoing, the Monitor recommends the Court grant the Proposed Orders:

- a. extending the Stay of Proceedings up to and including October 31, 2025;
- b. increasing the Administrative Charge to \$300,000 in favour of the Applicant's counsel, the Monitor and its counsel against the Applicant's assets;
- c. approving the Asset Purchase Agreement as executed between the Applicants and Newco on September 29, 2025;
- d. approving the completion of the Proposed Transaction and authorizing the Applicants to execute such documents and take such additional steps as are necessary for that purpose; and
- e. upon completion of the Proposed Transaction (as evidenced by the Monitor filing a Certificate certifying the same), vesting the Purchased Assets (as defined in the Asset Purchase Agreement) in the Purchaser free and clear of all liens, charges, security interests and other encumbrances; and
- f. approving the distribution of proceeds from the Proposed Transaction, the 41 Yellow Wood Proceeds, and the Mechanic's Lien Funds.

All of which is submitted to this Court on this 29th day of September 2025.

BDO CANADA LIMITED

**Acting in its capacity as Monitor of
Karwood Contracting Ltd., Karwood Ontario Ltd.,
Karwood Engineering Inc., and Karwood Design Group Ltd.
and not in its personal capacity.**

Per:



Neil Jones, CA, CPA, CIRP, LIT
Senior Vice-President