



Telephone: (902) 425-3100
Fax: (902) 425-3777
www.bdo.ca

BDO Canada Limited
255 Lacewood Drive
Suite 201
Halifax NS B3M 4G2 Canada

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.**

**PRE-FILING REPORT OF BDO CANADA LIMITED
AS PROPOSED MONITOR**

January 31, 2025

TABLE OF CONTENTS

INTRODUCTION 3
PURPOSE..... 4
TERMS OF REFERENCE 4
QUALIFICATIONS TO ACT AS MONITOR 5
BACKGROUND 5
CASH FLOW FORECAST 7
CREDITOR NOTIFICATION 8
PROPOSED MONITOR RECOMMENDATIONS 8

LIST OF APPENDICES

- Appendix A - BDO's Consent to Act as Monitor
- Appendix B - Companies' Cash Flow Forecast

INTRODUCTION

1. BDO Canada Limited (“**BDO**”) understands that Karwood Contracting Ltd. (“**Karwood Contracting**”), Karwood Ontario Ltd. (“**Karwood Ontario**”), Karwood Engineering Inc. (“**Karwood Engineering**”), and Karwood Design Group Ltd. (“**Karwood Design**”) (collectively, “**Karwood**” or the “**Companies**”) intend to make an application to the Supreme Court of Newfoundland and Labrador in Bankruptcy and Insolvency (the “**Court**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) for an order (the “**Initial Order**”).
2. Pursuant to the terms of the proposed Initial Order, the Companies are seeking, among other things, the following:
 - a. a stay of proceedings pending a further application to be heard within ten (10) days after the granting of the Initial Order (the “**Comeback Application**”), up to and including February 7, 2025 (the “**Initial Stay Period**”);
 - b. the appointment of BDO as monitor (the “**Monitor**”) to the Companies in these proceedings;
 - c. a charge of \$100,000 securing the fees and disbursement of professionals including the Companies counsel, the Monitor, and the Monitor’s counsel (the “**Initial Administration Charge**”); and
 - d. an entitlement, but not a requirement, of the Companies to pay for goods and services supplied to the Companies, 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 Companies.
3. BDO understands that at the Comeback Application, the Companies intend to seek, among other things, the following relief:
 - a. an extension of the stay of proceedings;
 - b. an increase of the Initial Administrative Charge to \$250,000;
 - c. debtor-in-possession financing and a related debtor-in-possession lender’s charge of up to \$1 million; and
 - d. such other relief as necessary to preserve and protect the Companies’ businesses and assets and to successfully restructure.

4. The Affidavit of Gregory Hussey (the “**Hussey Affidavit**”), the President of the Companies, affirmed January 27, 2025, provides background information concerning the Companies and their businesses, as well as the reasons that the Companies commenced these proceedings.
5. If the Court grants the relief set out in the proposed Initial Order, the Court materials filed in these proceedings will be made available by BDO on its website established in connection with these proceedings (the “**Website**”):

<https://www.bdo.ca/services/financial-advisory-services/business-restructuring-turnaround-services/current-engagements/karwood>.
6. BDO is filing this report (the “**Pre-filing Report**”) as proposed Monitor. BDO was recently retained by the Companies. If the Initial Order is granted by the Court, the Monitor will file a report in respect of the relief sought by the Companies at the Comeback Application and any material matters that have arisen since the date of this Pre-filing Report.

PURPOSE

7. The purpose of this Pre-filing Report is to:
 - a. provide BDO’s qualifications to act as Monitor in the CCAA Proceedings;
 - b. provide background information about the Companies;
 - c. comment on the cash flow forecast from January 27, 2025, through April 25, 2025, included in the Companies’ application materials (the “**Cash Flow Forecast**”); and,
 - d. the proposed Monitor’s recommendations on the relief being sought by the Companies.

TERMS OF REFERENCE

8. In preparing this Pre-filing Report and making the comments herein, the proposed 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 management and employees of the Companies and other information from various sources (collectively the “**Information**”).
 - a. The proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the proposed 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 proposed Monitor expresses no opinion or other form of assurance in respect of the Information; and

- b. Some of the Information referred to in this Pre-filing 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.
9. Future-oriented financial information referred to in this Pre-filing 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.
10. Unless otherwise indicated, the proposed Monitor's understanding of factual matters expressed in this Pre-filing Report concerning the Companies and its business is based on the Information, and not independent factual determinations made by the proposed Monitor.
11. All references to monetary amounts in this Pre-filing Report are in Canadian dollars unless otherwise noted.

QUALIFICATIONS TO ACT AS MONITOR

12. BDO is a licensed insolvency trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act*). BDO is not subject to any of the restrictions to act as monitor set out in Section 11.7(2) of the CCAA on who may be appointed as monitor.
13. BDO already has a detailed understanding of the Applicants' operations and cash flow and will be able to quickly and seamlessly perform its responsibilities as Monitor, if appointed.
14. BDO has consented to act as Monitor in these proceedings should the Court grant the Initial Order. A copy of BDO's consent to act as Monitor is attached as **Appendix "A"** to this Pre-filing Report.
15. The Proposed Monitor has retained Boyne Clark LLP to act as its independent legal counsel in connection with these CCAA proceedings.

BACKGROUND

16. This Pre-filing Report should be read in conjunction with the Hussey Affidavit. Gregory Hussey is the President and 100% shareholder of each of the Companies.
17. The Companies are privately held and incorporated as follows:
 - a. Karwood Contracting and Karwood Engineering are incorporated under the *Newfoundland and Labrador Corporations Act*, RSNL 1990, c C-37; and
 - b. Karwood Ontario and Karwood Design are incorporated under the *Ontario Business Corporations Act*, RSO, 1990, c B.16.

18. Karwood is primarily a general contractor focusing on the development and construction of residential houses and apartments. In Newfoundland and Labrador, Karwood Contracting constructs properties that are designed and planned by Karwood Engineering. In Ontario, Karwood Ontario constructs properties that are designed and planned by Karwood Design.
19. BDO understands that Karwood management is in the process of updating its internal financials for each of the Applicants. The most recent externally prepared financial statements for Karwood Contracting and Karwood Ontario, the primary operating entities, were completed for the year ended March 31, 2023. Therefore, the liabilities of the Companies, which are described in greater detail below, will be updated as more information becomes available.
20. According to management, Karwood Contracting is indebted to the following secured creditors:
 - a. Bank of Montreal (“**BMO**”) in the amount of approximately i) \$650,000 secured by a mortgage against one (1) complete and five (5) partially complete residential homes located in Paradise, Newfoundland and Labrador; and ii) \$150,000 with respect to a revolving line of credit secured by a general security agreement;
 - b. Boreal Atlantic Ltd. (“**Boreal**”) in the amount of approximately \$650,000 secured by a mortgage against a 7,318 square metre parcel of land located on Kenmount Road, Paradise, Newfoundland and Labrador;
 - c. Tammy and Randy Oram (the former, a current employee) in the amount of approximately \$160,000 secured by a subordinated mortgage on two (2) partially complete residential homes located in Paradise, Newfoundland and Labrador; and
 - d. Ford Credit Canada Company in the form of a Purchase Money Security Interest (“**PMSI**”) related to equipment and vehicle financing.
21. According to management, Karwood Ontario is indebted to the following secured creditors :
 - a. Libro Credit Union Ltd. (“**Libro**”) in the amount of approximately \$1.3 million secured by a mortgage against two (2) completed residential homes located in Belmont and St. Thomas, Ontario; and
 - b. Axiom Leasing Inc. and BMW Canada Inc. in the form of PMSIs related to equipment and vehicle financing.
22. BDO understands that Karwood management is in the process of reconciling its internal financials and filing outstanding remittances to Canada Revenue Agency (“**CRA**”). Currently, Karwood management estimates it is indebted to CRA as follows:
 - a. Karwood Contracting owes approximately \$96,000 in unremitted source deductions and \$350,000 in unremitted HST;

- b. Karwood Ontario owes approximately \$30,000 in unremitted source deductions and \$176,000 in unremitted HST;
 - c. Karwood Engineering is current in its source deduction remittances and owes approximately \$99,000 in unremitted HST; and
 - d. Karwood Design does not have any unremitted source deductions or HST.
23. In addition to the debts and creditors described above, the Companies have provided accounts payable listings to the proposed Monitor which show that:
- a. Karwood Contracting has 84 trade creditors owed approximately \$2.2 million in aggregate (not including related party debt), and unsecured loans of approximately \$1.5 million;
 - b. Karwood Ontario has 111 trade creditors owed approximately \$2.6 million in aggregate (not including related party debt)
 - c. Karwood Engineering owes unsecured creditors and trade suppliers approximately \$99,000 (not including related party debt); and
 - d. Karwood Design has owes unsecured creditors approximately \$26,000.
24. According to the Hussey Affidavit, there are currently a number of ongoing court proceedings that involve the Companies, with many of the claims affecting the same assets, debts and security across the Companies. Exhibit “J” of the Hussey Affidavit lists 35 court proceedings filed in Newfoundland and Labrador and at least 14 court proceedings filed in Ontario. Management is working to determine the total potential liability related to these contingent claims.
25. The Companies’ head office is located at 1108 Kenmount Road, Paradise, Newfoundland and Labrador, which is leased from a related party. The Companies have approximately 20 employees, with an additional two (2) individuals hired under contract.

CASH FLOW FORECAST

26. The Cash Flow Forecast reflects that the Companies are projected to have minimal operational activity until the date of the Comeback Application. A summary of the major assumptions in the Cash Flow Forecast is as follows:
- a. the Companies’ have assumed they will have access to debtor-in-possession financing to finance operations following the Comeback Application;
 - b. the Companies’ operations will focus on the completion and closing of residential homes at varying stages of completion. The Companies will also complete an apartment building

located in Newfoundland and Labrador in which Karwood Contracting is acting as general contractor for a related party;

- c. no headcount reductions are contemplated during the cash flow period; and
 - d. the Companies' business will be operated on a cash-on-delivery basis, or close to it, from the date of the Initial Order.
27. A copy of the Companies' Cash Flow Forecast, as attached under Exhibit "I" to the Hussey Affidavit, the statutory report required pursuant to Section 10(2)(b) of the CCAA, and the report required by the proposed Monitor, are included as **Appendix "B"**.
28. If appointed Monitor, BDO intends to file a revised cash flow forecast, if necessary, in its report to Court on the Comeback Application.

CREDITOR NOTIFICATION

29. The proposed Initial Order requires the Monitor to:
- a. publish without delay a notice in a local newspaper containing the information prescribed under the CCAA; and
 - b. within five (5) days of the granting of the Initial Order to:
 - i. make the Initial Order publicly available in the manner prescribed under the CCAA;
 - ii. send, in the prescribed manner, a notice to every known creditor who has a claim against the Companies of more than \$1,000 advising that the order is publicly available; and
 - iii. prepare a list, showing the names and addresses of those creditors, and the estimated amounts of those claims, and make it publicly available in the prescribed manner.
30. If appointed Monitor, BDO will also post the Initial Order and all motion materials on the Website.

PROPOSED MONITOR RECOMMENDATIONS

31. Based on the foregoing and the presently available information, BDO respectfully recommends that this Court grant an initial order under the CCAA on the terms of the draft Initial Order set out in the Companies' application materials.

All of which is submitted to this Court on this 31st day of January 2025.

BDO CANADA LIMITED

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

Per:

A handwritten signature in black ink, appearing to read "Neil Jones", written in a cursive style.

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

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.

Applicants

CONSENT OF THE PROPOSED MONITOR

BDO Canada Limited hereby consents to act as the Court-appointed monitor of Karwood Contracting Ltd., Karwood Ontario Ltd., Karwood Engineering Inc., and Karwood Design Group Ltd. (collectively, the "Applicants"), pursuant to the terms of the initial order contained in the Applicants' Application Record and the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, in respect of these proceedings.

Dated at Halifax, Nova Scotia this 31st day of January, 2025.

BDO CANADA LIMITED

Per:



Neil Jones, LIT
Senior Vice President

| EXHIBIT "I" Karwood Contracting Ltd., Karwood Ontario Ltd. Karwood Engineering Inc. & Karwood Design Group Ltd. (collectively, the "Karwood Group") Statement of Projected Cash Flow for the period January 27, 2025 to April 25, 2025 | | | | | | | | | | | | | | | |
|---|-----------|----------|------------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------|
| Week Ending Week | 31-Jan-25 | 7-Feb-25 | 14-Feb-25 | 21-Feb-25 | 28-Feb-25 | 7-Mar-25 | 14-Mar-25 | 21-Mar-25 | 28-Mar-25 | 4-Apr-25 | 11-Apr-25 | 18-Apr-25 | 25-Apr-25 | Total | Note |
| Week | Week 1 | Week 2 | Week 3 | Week 4 | Week 5 | Week 6 | Week 7 | Week 8 | Week 9 | Week 10 | Week 11 | Week 12 | Week 13 | | |
| Receipts | | | | | | | | | | | | | | | |
| DIP Financing | - | - | 750,000 | - | - | - | - | - | - | - | - | - | - | 750,000 | 1 |
| Sale of homes - Karwood Ontario | - | - | - | 550,000 | - | - | - | - | - | - | - | - | - | 550,000 | |
| 236 West Street | - | - | - | - | 765,000 | - | - | - | - | - | - | - | - | 765,000 | |
| 35 Honeybend Street | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Sale of homes - Karwood Contracting | - | - | - | - | 340,549 | - | - | 333,781 | - | - | - | - | - | 340,549 | 2 |
| 55 Silverbirch | - | - | - | - | - | - | - | - | - | - | - | - | - | 333,781 | |
| 59 Silverbirch | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| 61 Silverbirch | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| 63 Silverbirch | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| 70 Silverbirch | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| 41 Yellowwood | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| 55 Silverbirch Mechanic Lien holdback release | - | - | - | - | - | - | - | 39,422 | - | - | - | - | - | 39,422 | 3 |
| 59 Silverbirch Mechanic Lien holdback release | - | - | - | - | - | - | - | - | - | - | - | - | 38,657 | 3 | |
| 166 Park Ave. Construction revenue | - | - | 250,000 | - | - | 583,333 | - | - | - | - | - | 583,333 | - | 38,657 | 4 |
| HST refunds | - | - | - | - | - | 74,026 | - | - | - | - | 123,376 | - | - | 1,416,667 | 5 |
| Total Receipts | - | - | 1,000,000 | 550,000 | 1,105,549 | 74,026 | 583,333 | 373,203 | - | - | 123,376 | 583,333 | 38,657 | 4,431,477 | |
| Disbursements | | | | | | | | | | | | | | | |
| Operational | | | | | | | | | | | | | | | |
| Home construction costs (Silverbirch & Yellowwood) | - | - | 39,501 | 39,501 | 39,501 | 39,501 | 39,501 | 39,501 | 39,501 | 39,501 | 39,501 | 39,501 | 39,501 | 434,515 | 6 |
| Home closing costs | - | - | - | 145,173 | - | - | 45,630 | - | - | - | - | - | - | 190,803 | |
| 166 Park Ave. construction Costs | - | - | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 | 1,375,000 | |
| Municipal taxes and insurance | - | - | 2,690 | 5,218 | - | 417 | 2,690 | 5,218 | - | 417 | - | 7,908 | - | 24,557 | |
| Payroll expenses | - | - | 45,404 | 42,885 | 1,275 | 45,045 | 42,885 | 42,885 | - | 41,970 | 4,350 | 42,884 | - | 266,688 | 7 |
| Office expenses | - | - | 9,937 | 410 | 256 | 1,270 | 1,930 | 5,901 | 686 | 1,626 | 1,556 | 5,901 | 760 | 30,233 | 8 |
| Vehicle expenses | - | - | 2,860 | 2,809 | 4,289 | 1,711 | 1,190 | 2,809 | 1,190 | 4,289 | 1,711 | 2,809 | 1,190 | 26,857 | |
| Banking fees and related charges | - | - | - | 9,510 | 900 | 280 | 5,570 | - | - | 900 | 2,516 | 3,000 | - | 22,676 | |
| Restructuring & Legal | | | | | | | | | | | | | | | |
| Monitor and Monitor's Counsel fees | - | - | 50,000 | - | 25,000 | - | - | - | 25,000 | - | - | - | - | 125,000 | |
| Company Counsel Fees | - | - | 50,000 | - | 25,000 | - | - | - | 25,000 | - | - | - | - | 125,000 | |
| Corporate costs | - | - | 10,000 | - | - | - | - | - | 10,000 | - | - | - | - | 30,000 | |
| Project manager fees | - | - | 10,000 | - | 10,000 | - | - | - | 10,000 | - | - | - | - | 40,000 | |
| Debtor in Possession Financing | | | | | | | | | | | | | | | |
| Interest and fees | - | - | 15,000 | - | - | - | 16,750 | - | - | - | 18,750 | - | - | 50,500 | 9 |
| Total Disbursements | - | - | 360,392 | 225,333 | 376,394 | 213,225 | 194,631 | 266,944 | 236,377 | 213,704 | 193,364 | 227,003 | 236,451 | 2,743,839 | |
| Net Cash Flow | - | - | 639,608 | 324,667 | 729,154 | (139,199) | 388,702 | 106,259 | (236,377) | (213,704) | (70,008) | 356,330 | (197,794) | 1,687,639 | |
| Opening Cash | - | - | - | 639,608 | 964,275 | 1,693,429 | 1,554,230 | 1,942,933 | 2,049,192 | 1,812,815 | 1,589,111 | 1,529,103 | 1,885,433 | - | |
| Net Cash Flow | - | - | 639,608 | 324,667 | 729,154 | (139,199) | 388,702 | 106,259 | (236,377) | (213,704) | (70,008) | 356,330 | (197,794) | 1,687,639 | |
| Closing Cash | - | - | 639,608 | 964,275 | 1,693,429 | 1,554,230 | 1,942,933 | 2,049,192 | 1,812,815 | 1,589,111 | 1,529,103 | 1,885,433 | 1,687,639 | 1,687,639 | |


EXHIBIT "I"
Karwood Contracting Ltd., Karwood Ontario Ltd.
Karwood Engineering Inc. & Karwood Design Group Ltd. (collectively, the "Karwood Group")
Statement of Projected Cash Flow for the period January 27, 2025 to April 25, 2025

| Week Ending | 31-Jan-25 | 7-Feb-25 | 14-Feb-25 | 21-Feb-25 | 28-Feb-25 | 7-Mar-25 | 14-Mar-25 | 21-Mar-25 | 28-Mar-25 | 4-Apr-25 | 11-Apr-25 | 18-Apr-25 | 25-Apr-25 | Total |
|-------------|-----------|----------|-----------|-----------|-----------|----------|-----------|-----------|-----------|----------|-----------|-----------|-----------|-------|
| Week | Week 1 | Week 2 | Week 3 | Week 4 | Week 5 | Week 6 | Week 7 | Week 8 | Week 9 | Week 10 | Week 11 | Week 12 | Week 13 | Note |

- Notes:**
- 1 Karwood Ontario Ltd. ("Karwood Ontario") home closings relate to homes that are complete, and therefore do not require work to complete and close. Purchase and sale agreements are executed and current.
 - 2 Karwood Contracting Ltd. ("Karwood Contracting") homes are at various stages of construction. \$5 Silverbirch being 100% complete while other homes are at varying stages of completion.
 - 3 Certain home closings are beyond the 13-week cash flow projection period. These remaining four (4) properties are anticipated to be ready for closing within 18 weeks of construction restart.
 - 4 Mechanic line holdbacks are typically released 30 days after closing upon confirmation, via a lien search, that no liens have been filed on the property in question.
 - 5 The 166 Park Ave. Apartment building project is to be billed on a monthly basis based on construction percentage of completion. Karwood Contracting is the contractor constructing the building for a related party that is not part of the CCMA proceedings.
 - 6 Home closing costs consists of real state legal and disbursement fees, municipal taxes, utilities and realtor commissions.
 - 7 Payroll expenses consist of CRA remittances, payroll provider processing fees, employee benefits and net employee wages.
 - 8 Office expenses consist of rent and utilities for the NL office location, as well as office supplies, software licenses and mobile phone service expenses.
 - 9 The Karwood Group is working to arrange DIP financing. The amount of financing and associated interest and fees are based on management assumptions.

As of January 21, 2025

Karwood Contracting Ltd.
Karwood Ontario Ltd.
Karwood Engineering Inc.
Karwood Design Group Ltd.

Per: 
Greg Huxley
President

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,
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- AND -

IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
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KARWOOD DESIGN GROUP LTD.

MANAGEMENT'S REPORT ON CASH FLOW STATEMENT
(paragraph 10(2)(b) of the CCAA)

The management of Karwood Contracting Ltd., Karwood Ontario Ltd., Karwood Engineering Inc., and Karwood Design Group Ltd. (collectively, the "Applicants") has developed the assumptions and prepared the attached consolidated statement of projected cash flow as of the 23rd day of January, 2025, for the period January 27, 2025 to April 25, 2025 (the "Cash Flow Forecast"). All such assumptions are disclosed in the notes to the Cash Flow Forecast.

The hypothetical assumptions are suitably supported and consistent with the purpose of the Cash Flow Forecast as described in the Cash Flow Forecast, and the probable assumptions are suitably supported and consistent with the plans of the Applicants and provide a reasonable basis for the Cash Flow Forecast.

Since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

The Cash Flow Forecast has been prepared solely for the purpose outlined in the Cash Flow Forecast using a set of probable assumptions set out therein. Consequently, readers are cautioned that the Cash Flow Forecast may not be appropriate for other purposes.

Dated at Paradise, Newfoundland and Labrador, this 30th day of January, 2025.



Gregory Hussey, President

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

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
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IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
KARWOOD CONTRACTING LTD., KARWOOD ONTARIO LTD., KARWOOD ENGINEERING INC., AND
KARWOOD DESIGN GROUP LTD.

PROPOSED MONITOR'S REPORT ON STATEMENT OF PROJECTED CASH-FLOW
(paragraph 23(1)(b) of the CCAA)

The attached consolidated statement of projected cash-flow of Karwood Contracting Ltd., Karwood Ontario Ltd., Karwood Engineering Inc., and Karwood Design Group Ltd. (collectively, the "**Applicants**"), as of the 23rd day of January, 2025, consisting of a weekly projected cash flow statement for the period January 27, 2025 to April 25, 2025 (the "**Cash Flow Forecast**") has been prepared by the management of the Applicants for the purpose described in the Cash Flow Forecast, using probable and hypothetical assumptions as set out in the notes to the Cash Flow Forecast.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by the management of the Applicants. We have reviewed the support provided by management for the probable and hypothetical assumptions and the preparation and presentation of the Cash Flow Forecast.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- (a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;
- (b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the hypothetical assumptions; or
- (c) the Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

Since the Cash Flow Projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow Forecast will be achieved. We express no opinion of other form of assurance with respect to the accuracy of any financial information presented in this report or relied on in preparing this report.

The Cash Flow Forecast has been prepared solely for the purpose described in the Cash Flow Forecast and readers are cautioned that it may not be appropriate for other purposes.

Dated at Halifax, Nova Scotia this 30th day of January, 2025.

BDO CANADA LIMITED

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

Per:

A handwritten signature in black ink, appearing to read "Neil Jones", written in a cursive style.

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