



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.**

THIRD REPORT OF THE MONITOR

April 9, 2025

TABLE OF CONTENTS

INTRODUCTION..... 3
PURPOSE 6
TERMS OF REFERENCE 7
THE PROPOSED TRANSACTION 7
THE PROPOSED DISTRIBUTION..... 9
MONITOR RECOMMENDATIONS 9

LIST OF APPENDICES

- Appendix A - Proposed Monitor’s Report dated January 31, 2025
- Appendix B - Initial Order dated February 3, 2025
- Appendix C - Monitor’s First Report dated February 12, 2025
- Appendix D - Stay Extension Order dated February 13, 2025
- Appendix E - Monitor’s Second Report dated February 20, 2025
- Appendix F - Amended and Restated Initial Order dated February 20, 2025
- Appendix G - Sale Approval and Vesting Order dated February 26, 2025
- Appendix H - Certificate of the Monitor dated March 24, 2025

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. BDO Canada Limited (“**BDO**”), as proposed monitor, prepared a pre-filing report dated January 31, 2025 (the “**Proposed Monitor’s Report**”) to provide information to this Court for its consideration in respect of the Applicants’ CCAA Application. A copy of the Proposed Monitor’s Report (without appendices) is attached hereto as **Appendix “A”**.
3. 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 for the initial 10-day period (the “**Stay of Proceedings**”);
 - 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.

A copy of the Initial Order granted by the Court is attached hereto as **Appendix “B”**.

- 4. The Initial Order contemplated a comeback motion to be heard February 13, 2025 (the “**Comeback Motion**”).
- 5. On February 12, 2025, the Monitor prepared its first report (the “**First Report**”) to provide information to this Court with respect to:
 - a. the Applicants’ operations and communications with stakeholders since the granting of the Initial Order;
 - b. the Monitor’s activities since its appointment;
 - c. updates on the Monitor’s understanding of creditor claims against the Applicants; and
 - d. the Applicants’ efforts to obtain debtor-in-possession financing.

A copy of the First Report (without appendices) is attached hereto as **Appendix “C”**.

- 6. At the Comeback Motion held on February 13, 2025, 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. A copy of the Stay Extension Order granted by the Court is attached hereto as **Appendix “D”**.
- 7. On February 20, 2025, the Monitor prepared its second report (the “**Second Report**”) to provide information to this Court with respect to:
 - a. the Applicants’ operations and communications with stakeholders since the granting of the Stay Extension Order;
 - b. the Monitor’s activities since the First Report;
 - c. an overview of the Applicants’ assets;

- d. an overview of the Applicants' revised 26-week cash flow forecast, for the period February 3, 2025, to August 1, 2025 (the "**Cash Flow Period**") on a consolidated basis for the Applicants (the "**Revised Cash Flow Forecast**"), and the Monitor's comments regarding the reasonableness thereof;
- e. the Applicant's Comeback Motion, including the following:
 - i. an amended and restated initial order ("**Amended and Restated Initial Order**" or "**ARIO**") to:
 - 1. extend the Stay of Proceedings to July 8, 2025 (the "**Proposed Stay Period**");
 - 2. increase the Initial Administrative Charge to \$250,000 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 "**Administration Charge**");
 - 3. approve the debtor-in-possession ("**DIP**") facility (the "**DIP Financing**" or "**DIP Loan**") to be provided by Bank of Montreal ("**BMO**" or the "**DIP Lender**") pursuant to a DIP facility agreement dated February 20, 2025 (the "**DIP Term Sheet**"); and
 - 4. approve a charge of up to \$750,000 (the "**DIP Lender's Charge**") to match the maximum allowable borrowing amount as proposed in DIP Term Sheet.
 - f. the Monitor's recommendations on the relief sought at the Comeback Motion.

A copy of the Second Report (without appendices) is attached hereto as **Appendix "E"**.

- 8. At the Comeback Motion held on February 20, 2025, the Court granted an amended and restated initial order (the "**Amended and Restated Initial Order**"), extending the Stay of Proceedings granted in the Initial Order to July 4, 2025 (the "**Stay Period**"). A copy of the Amended and Restated Initial Order granted by the Court is attached hereto as **Appendix "F"**.
- 9. On February 26, 2025, the Court granted a sale approval and vesting order approving the property sale transaction of 55 Silver Birch Crescent, Paradise, NL in accordance with and subject to the terms of the agreement of purchase and sale (the "**55 Silver Birch APS**") entered into by Karwood

Contracting, Kate Tobin and Adam Squires on July 8, 2024 (the “**55 Silver Birch Sale and Vesting Order**”). Although a Monitor report was not submitted in respect to the sale of 55 Silver Birch Crescent, the Monitor was supportive to the transaction and indicated so in Court. A copy of the 55 Silver Birch Sale and Vesting Order is attached hereto as **Appendix “G”**, and a copy of the Monitor’s Certificate confirming that all terms and conditions of the 55 Silver Birch APS have been met, and the purchase funds called for thereunder have been paid, is attached hereto as **Appendix “H”**.

PURPOSE

10. The purpose of this third report of the Monitor (the “**Third Report**”) is to provide information to the Court with respect to:
 - a. the Companies’ motion to seek an order (the “**Sale Approval and Vesting Order**”):
 - i. approving the proposed property sale transaction of 59 Silver Birch Crescent, Paradise, NL (the “**Purchased Property**”) in accordance with and subject to the terms of the agreement of purchase and sale (the “**APS**”) entered into by Karwood Contracting and Matthew Strowbridge (the “**Purchaser**”) on July 12, 2023 (the “**Transaction**”); and
 - ii. upon completion of the Transaction (as evidenced by the Monitor filing a Certificate certifying the same), vesting all rights, title and interest in the Purchased Property to the Purchaser free and clear of all charges, liens and encumbrances;
 - b. the Companies’ motion to seek an order (the “**Distribution Order**”, and together with the Sale Approval and Vesting Order, the “**Proposed Orders**”) approving the Monitor to distribute certain sale proceeds to be held by the Monitor post-closing of the Transaction; and
 - c. the Monitor’s recommendations on the relief being sought by the Companies.
11. The Monitor understands that the Applicants will be relying on the Affidavit of Gregory Hussey sworn April 3, 2025 (the “**April 3 Hussey Affidavit**”) filed in support of the of relief sought by the Companies.
12. 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

13. In preparing this Third 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 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 Third 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.
14. Future-oriented financial information referred to in this Third 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.
15. Unless otherwise indicated, the Monitor’s understanding of factual matters expressed in this Third Report concerning the Companies and its business is based on the Information, and not independent factual determinations made by the Monitor.
16. All references to monetary amounts in this Third Report are in Canadian dollars unless otherwise noted.

THE PROPOSED TRANSACTION

17. On July 12, 2023, Karwood Contracting entered into the APS with the Purchaser with respect to the Purchased Property in the amount of \$401,900, inclusive of applicable taxes, with a closing date of January 31, 2024 (the “**Closing Date**”). The Purchaser paid a deposit of \$20,095 to Karwood Contracting on August 17, 2023.
18. Karwood Contracting and the Purchaser entered into a total of seven (7) amendments to the APS, with the latest amendment entered into on March 13, 2025, amending the Closing Date to April 3, 2025.

19. On March 25, 2025, Karwood Contracting and the Purchaser executed a final price sheet (the “**Final Price Sheet**”) confirming the final price of the Purchased Property at \$391,086, inclusive of applicable taxes. The purchase price was reduced by \$9,216, plus applicable taxes, due to a reduction in approved options and change orders.
20. At the request of the DIP Lender, Karwood Contracting engaged Appraisal Associates Limited (the “**Appraiser**”) to provide a progress inspection report on construction to date and an appraisal of the Purchased Property as if construction was completed. The Monitor understands that on or around March 21, 2025, the DIP Lender received a progress inspection report estimating construction of the Purchaser Property was approximately 80% complete as at the effective date of March 12, 2025, the date the Appraiser inspected the Purchased Property. The Appraiser also estimated the fair market value of the Purchased Property, as if completed, was \$415,000.
21. The appraised value of the Purchased Property represents an estimated \$23,914 increase in value since the APS was executed on July 12, 2023. The Monitor understands that Karwood Contracting management has considered its options, including the option to disclaim the APS to expose the Purchased Property to the open market to potentially achieve a higher sale price. However, according to management, the additional legal costs to disclaim the APS, the impact on Karwood Contracting’s reputation in the local market, and the expected delay in closing, outweighed the potential increase in the sale price. As such, Karwood Contracting intends to complete the Transaction pending approval of the Court.
22. The Monitor is of the view that the APS should be approved by the Court due to the following:
 - a. the Purchased Property was listed with a realtor and the sale process appears to have been fair and transparent, with sufficient effort made to obtain the best price for the Purchased Property;
 - b. the Monitor is of the opinion that further marketing of the Purchase Property may not result in higher net proceeds of sale after considering costs to disclaim the APS and the time and effort required to obtain new offers;
 - c. the Applicants obtained an appraisal of the Purchased Property and the Monitor is of the view that the purchase price contemplated in the APS is fair and reasonable;
 - d. the Applicants have acted in good faith, and have not acted improvidently;
 - e. the APS and the Transaction is in the best interests of the Applicants and their respective stakeholders, as follows:
 - i. the senior secured creditor, the Bank of Montreal (“**BMO**”), is supportive of the Transaction; and

- ii. the net proceeds from the sale of the Purchased Property will be used to settle secured debt related to the Purchased Property and to assist the Applicants' restructuring efforts under the CCAA proceedings (as further detailed in the section below).
- f. there has been no unfairness in the working out of the process. The APS was negotiated in good faith with an arm's length party.

THE PROPOSED DISTRIBUTION

23. Pursuant to the Companies' Revised Cash Flow Forecast as attached as Appendix "F" to the Monitor's Second Report, the Monitor understands the Applicants are seeking a Distribution Order to distribute the forecast net sale price of \$343,786 the Purchased Property, after considering the deposit previously received, closing costs, and mechanic lien funds held back on sale, as follows:
- a. a distribution of \$158,473 to BMO to settle the builder's mortgage outstanding with respect to the Purchased Property, and a prorate share (representing 1/6th of a revolving line of credit secured by a collateralized mortgage and a general security agreement, being the prorate share of the six (6) residential properties under BMO's security); and
 - b. a distribution of the remaining net proceeds of sale, notwithstanding mechanic lien holdback funds, to Karwood Contracting to assist the Applicants' restructuring efforts under the CCAA proceedings.
24. The Monitor understands that BMO is the senior secured creditor with respect to the Purchased Property and is not aware of any outstanding mechanic lien claims against the Purchased Property as at the CCAA filing date.

MONITOR RECOMMENDATIONS

25. In the Monitor's view, the Applicants have acted and continue to act in good faith and with due diligence.
26. Based on the foregoing, the Monitor recommends the Court grant the Proposed Orders:
- a. approving the completion of the Transaction and authorizing Karwood Contracting to execute such documents and take such additional steps as are necessary for that purpose;
 - b. upon completion of the Transaction (as evidenced by the Monitor filing a Certificate certifying the same), vesting the Purchased Property in the Purchaser free and clear of all charges, liens, or encumbrances; and
 - c. approving the distribution of net sale proceeds to BMO and Karwood Contracting as forecasted in the Companies' Revised Cash Flow Forecast.

All of which is submitted to this Court on this 9th day of April 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:

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



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

2025 01G
IN THE SUPREME COURT OF NEWFOUNDLAND AND LABRADOR
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF the *Companies' Creditors Arrangement Act* R.S.C., 1985, c. C-36, as amended (the "CCAA")

AND IN THE MATTER OF an application of Karwood Contracting Ltd., Karwood Engineering Inc., Karwood Ontario Ltd., and Karwood Design Group Ltd. (the "Applicants")

INITIAL ORDER

THIS APPLICATION, made by the Companies pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") for an Order substantially in the form filed with the Application was heard on February 3, 2025,

ON READING the affidavit of Greg Hussey and the Exhibits attached thereto, the consent of BDO Canada Ltd. ("BDO") to act as Court-appointed monitor of the Companies (in such capacity, the "Monitor"), and the Pre-Filing Report of BDO dated 31 January, 2025,

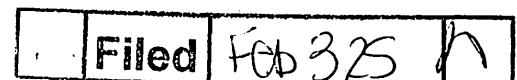
ON HEARING the submissions of counsel for the Companies and such other counsel as were present, no one else appearing for any party although duly served as outlined in the affidavit of service.

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the materials filed, as set out in the affidavit of service is hereby deemed adequate notice so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the Companies are each a company to which the CCAA applies.



POSSESSION OF PROPERTY AND OPERATIONS

3. **THIS COURT ORDERS** that the Companies shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof save and except for the Exempt Property, as defined and dealt with below (the "**Property**"). Subject to further Order of this Honourable Court, the Companies shall continue to carry on business in a manner consistent with the preservation of their business (the "**Business**") and Property. The Companies are authorized and empowered to continue to retain and employ the employees, consultants, independent contractors, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of their Business or for the carrying out of the terms of this Order.

4. **THIS COURT ORDERS** that the Companies, shall be entitled to continue to utilize their cash management system currently in place, or replace it with another substantially similar cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Companies of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Companies, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under any plan of compromise or arrangement with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

5. **THIS COURT ORDERS** that the Companies shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

(a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;



(b) the fees and disbursements of any Assistants retained or employed by the Companies in respect of these proceedings, at their standard rates and charges;

(c) amounts owing for goods and services supplied to the Companies, if in the opinion of the Monitor, the supplier or vendor of such goods or services is necessary for the operation and preservation of the Business or Property.

6. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein the Companies shall be entitled but not required to pay all reasonable expenses incurred by the Companies in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

(a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance, maintenance and security services and lease payments for mining equipment used in the operation of the Business; and

(b) payment for goods or services supplied to the Companies following the date of this Order.

7. **THIS COURT ORDERS** that the Companies shall remit, in accordance with legal requirements, or pay:

(a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;

(b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Companies in connection with the sale of goods and services by the Companies, but only where such Sales Taxes are accrued or collected after the date of this Order, and

(c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or



kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Companies.

8. **THIS COURT ORDERS** that until a real property lease is disclaimed in accordance with the CCAA, the Companies shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Companies and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order. The Monitor, on behalf of the Companies, may pay such Rent twice monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

9. **THIS COURT ORDERS** that, except as specifically permitted herein the Companies are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Companies to any of their creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

EXEMPT PROPERTY

10. **THIS COURT ORDERS** that the Property, as defined above, shall not include the following parcels of real property:

i. The property municipally known as 236 West Street, Belmont, Ontario and legally described as Lot 31, Plan 33M778 Municipality of Central Elgin; subject to an easement in gross over Part 11, Plan 33R-20685 as in ER 1300729, being the whole of PIN 08195-0655; and

ii. The property municipally known as 35 Honey Bend, St. Thomas, Ontario and legally described as Lot 8, Plan 11M232; City of St. Thomas, being the whole of PIN 35244-2202.

(collectively hereinafter referred to as the "**Exempt Property**").

11. **THIS COURT ORDERS AND DECLARES** that, notwithstanding the other terms of the



within Order, the Exempt Property is not subject to the terms of the within Order

NO PROCEEDINGS AGAINST THE COMPANIES OR THE PROPERTY

12. **THIS COURT ORDERS** that until and including 13 February 2025, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Companies or the Monitor, or affecting the Business or the Property except with the written consent of the Monitor and the Companies, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Companies or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

13. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Companies or the Monitor, or affecting the Business or the Property are hereby stayed and suspended except with the written consent of the Monitor and the Companies, or leave of this Court, provided that nothing in this Order shall (i) empower the Companies to carry on any business which the Companies is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

14. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Companies, except with the written consent of the Monitor and the Companies, or leave of this Court.

CONTINUATION OF SERVICES

15. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Companies or statutory or regulatory mandates for the supply of



goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Companies, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Companies, and the Companies shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Companies in accordance with normal payment practices of the Companies or such other practices as may be agreed upon by the supplier or service provider and the Companies or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

16. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Companies. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

17. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Companies with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Companies whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Companies, if one is filed, is sanctioned by this Court or is refused by the creditors of the Companies or this Court.

APPOINTMENT OF MONITOR

18. **THIS COURT ORDERS** that BDO is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Companies



with the powers and obligations set out in the CCAA or set forth herein and that the Companies and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Companies pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

19. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- a. monitor the Companies' receipts and disbursements;
- b. report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- c. advise, in consultation with the Companies, in its preparation of the Companies' cash flow statements and reporting;
- d. have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Companies, to the extent that is necessary to adequately assess the Companies business, cashflow, and financial affairs or to perform its duties arising under this Order;
- e. be at liberty to engage with Companies' legal counsel or retain independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- f. perform such other duties as are required by this Order or by this Court from time to time.

20. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property but as Monitor shall take part in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business, or any part thereof.

21. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to



occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

22. **THIS COURT ORDERS** that the Monitor shall provide any creditor of the Companies with information provided by the Companies in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Companies is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Companies may agree.

23. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or willful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

24. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, and counsel to the Companies shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Companies as part of the costs of these proceedings. The Companies are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor, and counsel for the Companies on a weekly basis and, in addition, the Companies are hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel



to the Companies reasonable retainers to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

25. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose, the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Supreme Court of Newfoundland and Labrador in Bankruptcy and Insolvency.

26. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, and the Companies' counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Initial Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$100,000.00, as security for their professional fees and disbursements incurred at their respective standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Initial Administration Charge shall have the priority set out herein.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

27. **THIS COURT ORDERS** that the Initial Administration Charge shall have a first charge over all the Applicants assets and undertakings.

28. **THIS COURT ORDERS** that the filing, registration or perfection of the Initial Administration Charge shall not be required, and that Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

29. **THIS COURT ORDERS** that the Initial Administration Charge shall constitute a charge on the Property and shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person, except for any secured creditor of the Companies who did not receive notice of the application for this Order. The Companies shall be entitled, on a subsequent motion on notice to those Persons likely to be affected thereby, to seek priority of the Initial Administration Charge ahead of any Encumbrances over which the Initial Administration Charge has not obtained priority pursuant to this Order.

30. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or



as may be approved by this Court, the Companies shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with the Initial Administration Charge, unless the Companies also obtain the prior written consent of the Monitor and of the applicable chargee(s) entitled to the benefit of the Initial Administration Charge (collectively, the "Chargees"), or further Order of this Court.

31. **THIS COURT ORDERS** that the Initial Administration Charge shall not be rendered invalid or unenforceable and the rights and remedies of the Chargees shall not otherwise be limited or impaired in any way by: (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the Companies.

32. **THIS COURT ORDERS** that the Initial Administration Charge created by this Order over leases of real property in Canada shall only be a charge in the Companies' interest in such real property leases.

SERVICE AND NOTICE

33. **THIS COURT ORDERS** that the Monitor shall (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner by electronic means, a notice to every known creditor who has a claim against the Company of more than \$1,000.00, and (C) 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, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

GENERAL

34. **THIS COURT ORDERS** that the Monitor and the Companies may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

n

35. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from subsequently acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Company, the Business or the Property.

36. **THIS COURT ORDERS** that each of the Company and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

37. **THIS COURT ORDERS** that a hearing for the balance of the relief sought by the Company in the Notice of Application is hereby scheduled before this Court on _____ 2025.

Issued by Justice McDonald on the 3rd day of FEB, 2025.



COURT
OFFICER





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.**

FIRST REPORT OF THE MONITOR

February 12, 2025

TABLE OF CONTENTS

INTRODUCTION..... 3
PURPOSE 4
TERMS OF REFERENCE 4
UPDATE ON THE APPLICANTS’ ACTIVITIES 5
MONITOR’S ACTIVITIES TO DATE..... 5
CREDITOR UPDATES 6
UPDATE ON DIP FINANCING 8
MONITOR RECOMMENDATIONS 8

LIST OF APPENDICES

- Appendix A - Proposed Monitor’s Report dated January 31, 2025
- Appendix B - The Initial Order dated February 3, 2025

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. BDO Canada Limited (“**BDO**”), as proposed monitor, prepared a pre-filing report dated January 31, 2025 (the “**Proposed Monitor’s Report**”) to provide information to this Court for its consideration in respect of the Applicants’ CCAA Application. A copy of the Proposed Monitor’s Report with appendices is attached hereto as **Appendix “A”**.
3. 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 for the initial 10-day period (the “**Stay of Proceedings**”);
 - 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.

A copy of the Initial Order granted by the Court is attached hereto as **Appendix “B”**.

- 4. The Initial Order contemplated a comeback hearing to be heard February 13, 2025 (the “**Comeback Hearing**”).

PURPOSE

- 5. The purpose of this first report of the Monitor (the “**First Report**”) is to provide information to the Court with respect to:
 - a. the Applicants’ operations and communications with stakeholders since the granting of the Initial Order;
 - b. the Monitor’s activities since its appointment;
 - c. updates on the Monitor’s understanding of creditor claims against the Applicants; and
 - d. the Applicants’ efforts to obtain debtor-in-possession financing (“**DIP Financing**”).
- 6. As of the date of this First Report, the Monitor understands that the Applicants will not be filing materials to the Court with respect to the Comeback Hearing.
- 7. 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

- 8. In preparing this First 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 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 First 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 First 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 Monitor's understanding of factual matters expressed in this First Report concerning the Companies and its business is based on the Information, and not independent factual determinations made by the Monitor.
11. All references to monetary amounts in this First Report are in Canadian dollars unless otherwise noted.

UPDATE ON THE APPLICANTS' ACTIVITIES

12. Since the issuance of the Initial Order, the Applicants have been 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 First Report, the Applicants have maintained their business operations without significant disruption or issues.

MONITOR'S ACTIVITIES TO DATE

13. The Monitor established 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.
14. Pursuant to the Initial Order, the following Court materials were posted on the Monitor's Website:
 - a. the Applicants' Application Record filed in support of the Initial Order;

- b. the Proposed Monitor’s Report; and
 - c. the Initial Order;
- 15. On February 7, 2025, the Monitor published notice of the Initial Order in the National Post (National Edition). A copy of the newspaper notice has been posted on the Monitor’s website.
- 16. The Monitor prepared and sent a notice, which includes information about the CCAA proceedings (the “**Notice to Creditors**”), to all known creditors, based on the contact information of such known creditors who have a claim against the Applicants of more than \$1,000, provided by the Applicants (the “**Known Creditors**”), by prepaid ordinary mail and email where known. A copy of the Notice to Creditors has been posted on the Monitor’s Website.
- 17. The Monitor has also posted on its website a list showing the names of the Known Creditors and amounts owing according to the books and records of the Applicants in accordance with the CCAA.
- 18. Completed the required statutory forms and filed such reports with the Office of the Superintendent in Bankruptcy.
- 19. Furthermore, since the granting of the Initial Order, 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. created a weekly monitoring protocol with the Applicants to allow the Monitor to review and report on the Applicants weekly cash receipts and disbursements;
 - d. assisted the Applicants in its communications and with the Bank of Montreal (“**BMO**”) and its advisors in the Applicants’ efforts to obtain DIP Financing;
 - e. assisted the Applicants in its efforts to revise its cash flow projections to incorporate potential terms contemplated by the Applicants and BMO in their negotiations to obtain DIP Financing; and
 - f. prepared this First Report, including reviewing the Applicants assets and operations.

CREDITOR UPDATES

- 20. As reported in the Proposed Monitor’s Report, the Monitor understands that management is in the process of updating its internal financials for each of the Applicants. Subsequent to the date of the Initial Order, management has provided an update regarding the liabilities of the Companies which are described in greater detail below.
- 21. According to management, Karwood Contracting is indebted to the following secured creditors:

- a. BMO in the amount of approximately i) \$666,000 secured by a mortgage against one (1) complete and five (5) partially complete residential homes located in Paradise, NL 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 \$644,000 secured by a mortgage against a 7,318 square metre parcel of land located on Kenmount Road, Paradise, NL;
 - c. Tammy and Randy Oram (the former, a current employee) in the amount of approximately \$157,000 secured by a subordinated mortgage on two (2) partially complete residential homes located in Paradise, NL; and
 - d. Ford Credit Canada Company in the form of a Purchase Money Security Interest (“**PMSI**”) related to equipment and vehicle financing.
22. According to management, Karwood Ontario is indebted to the following secured creditors:
- a. 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.
23. Karwood management provided the Monitor current statements from Canada Revenue Agency (“**CRA**”), summarized as follows:
- a. Karwood Contracting has a nominal outstanding balance in unremitted source deductions and \$498,000 in unremitted harmonized sales tax (“**HST**”). However, according to management, CRA remittances are outstanding for each account and when considered, approximately \$102,000 is estimated to be owing in source deductions and approximately \$398,000 in HST;
 - b. Karwood Ontario has a nominal outstanding balance in unremitted source deductions and \$710,000 in unremitted HST. However, according to management, CRA remittances are outstanding for each account and when considered, approximately \$32,000 is estimated to be owing in source deductions and approximately \$715,000 in HST;
 - c. Karwood Engineering has a nominal outstanding balance in unremitted source deductions and \$171,000 in unremitted HST. However, according to management, CRA remittances are outstanding for each account and when considered, approximately \$102,000 is estimated to be owing in source deductions and the unremitted HST would remain unchanged; and

- d. Karwood Design does not have any unremitted source deductions or HST.
24. In addition to the debts and creditors described above, the Companies have updated its accounts payable records which indicate that:
- a. Karwood Contracting owes unsecured trade creditors approximately \$2.0 million (not including related party debt), and unsecured loans of approximately \$735,000;
 - b. Karwood Ontario owes unsecured trade creditors approximately \$2.7 million (not including related party debt), and unsecured loans of approximately \$562,000;
 - c. Karwood Engineering owes unsecured trade creditors approximately \$210,000 (not including related party debt), and unsecured loans of approximately \$62,000; and
 - d. Karwood Design does not have any unsecured debt.
25. The Companies are also subject to a number of ongoing court proceedings, with many of the claims affecting the same assets, debts and security across the Companies. There are approximately 35 court proceedings filed in NL and 15 court proceedings filed in Ontario. Management is working to determine the total potential liability related to these contingent claims.
26. On February 11, 2025, the Monitor’s counsel received correspondence from Mr. Barry Learmonth of Learmonth, Boulis and Fitzgerald, acting as counsel for Kent Building Supplies, a division of J.D Irving, Limited (“**Kent**”), advising the Monitor that Kent has perfected lien claims against Karwood Contracting in the amount of approximately \$180,000. The Monitor has yet to fully investigate the validity of the Kent claims as it relates to these CCAA proceedings.

UPDATE ON DIP FINANCING

27. As noted above, the Monitor has been involved in communications with BMO and its advisors with respect to the Applicant’s efforts to obtain DIP Financing. As of the date of this First Report, the Monitor does not anticipate that a DIP Financing term sheet will be executed between BMO and the Applicants prior to the Comeback Hearing with respect to these CCAA proceedings.

MONITOR RECOMMENDATIONS

28. As at the date of this First Report, the Monitor understands that the Applicants will not be filing materials to the Court with respect to the Comeback Hearing. The Monitor is of the view that absent DIP Financing, there may be no chance of a viable restructuring of the Applicants.

All of which is submitted to this Court on this 12th day of February 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

2025 01G 0491
IN THE SUPREME COURT OF NEWFOUNDLAND AND LABRADOR
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF the *Companies*
Creditors Arrangement Act R.S.C., 1985 c. C-
36 as Amended (the "CCAA"); and

AND IN THE MATTER OF an application of
Karwood Contracting Ltd., Karwood
Engineering Inc., Karwood Design Group
Ltd. and Karwood Ontario Ltd. (the
"Applicants")

STAY EXTENSION ORDER

Before the Honourable Justice Alexander MacDonald on 13 February 2025:

UPON APPLICATION, made by the Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") for an order extending the Stay Period (as defined herein) up to and including 20 February 2024.

ON READING the pre-filing report of BDO Canada Ltd. in its capacity as the Proposed Monitor of the Applicants (the "Monitor");

AND UPON HEARING the submissions of counsel for the Applicants, the Monitor, the Bank of Montreal, Kent Building Supplies, a division of J.D. Irving Ltd., Moskowitz Capital Fund II LLC, and such other counsel that were present, no one else appearing for any party although duly served:

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Motion and the materials filed is hereby deemed adequate notice so that this Motion is properly returnable today and hereby


Filed Feb. 13. 25 51.

dispenses with further service thereof.

STAY OF PROCEEDINGS

2. **THIS COURT ORDERS** that the Stay Period, as defined in the Order of the Honourable Justice Alexander MacDonald dated 03 February 2025 (the "Initial Order"), is hereby further extended up to and including 20 February 2025.

GENERAL

3. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Newfoundland Time on the date of this Order.

ISSUED at St. John's, Newfoundland and Labrador this 13 day of February 2025.



COURT
OFFICER





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.**

SECOND REPORT OF THE MONITOR

February 20, 2025

TABLE OF CONTENTS

INTRODUCTION..... 3
PURPOSE 4
TERMS OF REFERENCE 6
BACKGROUND..... 7
UPDATE ON THE APPLICANTS’ ACTIVITIES 7
UPDATE ON THE MONITOR’S ACTIVITIES 7
ASSET OVERVIEW 7
CASH FLOW FORECAST 9
RELEVANT MATTERS ADDRESSED IN THE ARIO 10
THE ADMINISTRATION CHARGE..... 11
DIP LENDER’S CHARGE 11
MONITOR RECOMMENDATIONS 13

LIST OF APPENDICES

- Appendix A - Proposed Monitor’s Report dated January 31, 2025
- Appendix B - Initial Order dated February 3, 2025
- Appendix C - Monitor’s First Report dated February 12, 2025
- Appendix D - Applicants’ Letter to Court dated February 12, 2025
- Appendix E - Stay Extension Order dated February 13, 2025
- Appendix F - Applicants’ Cash Flow Forecast dated February 19, 2025

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 “**CCA Application**”) for an initial order pursuant to the Companies’ Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (“**CCA**”).
2. BDO Canada Limited (“**BDO**”), as proposed monitor, prepared a pre-filing report dated January 31, 2025 (the “**Proposed Monitor’s Report**”) to provide information to this Court for its consideration in respect of the Applicants’ CCA Application. A copy of the Proposed Monitor’s Report (without appendices) is attached hereto as **Appendix “A”**.
3. 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 CCA proceedings (in such capacity, the “**Monitor**”);
 - b. approved a stay of proceedings for the initial 10-day period (the “**Stay of Proceedings**”);
 - 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 CCA 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.

A copy of the Initial Order granted by the Court is attached hereto as **Appendix “B”**.

4. The Initial Order contemplated a comeback motion to be heard February 13, 2025 (the “**Comeback Motion**”).
5. On February 12, 2025, the Monitor prepared its first report (the “**First Report**”) to provide information to this Court with respect to:
 - a. the Applicants’ operations and communications with stakeholders since the granting of the Initial Order;
 - b. the Monitor’s activities since its appointment;
 - c. updates on the Monitor’s understanding of creditor claims against the Applicants; and
 - d. the Applicants’ efforts to obtain debtor-in-possession financing (“**DIP Financing**”).

A copy of the First Report (without appendices) is attached hereto as **Appendix “C”**.

6. The Companies submitted a letter to the Court requesting an extension to the to the Stay of Proceedings for a period of not more than ten (10) days to allow the Applicants to finalize discussions concerning proposed DIP Financing. A copy of the letter is attached hereto as **Appendix “D”**.
7. At the Comeback Motion held on February 13, 2025, 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 (the “**Stay Period**”). A copy of the Stay Extension Order granted by the Court is attached hereto as **Appendix “E”**.

PURPOSE

8. The purpose of this second report of the Monitor (the “**Second Report**”) is to provide information to the Court with respect to:

- a. the Applicants' operations and communications with stakeholders since the granting of the Stay Extension Order;
- b. the Monitor's activities since the First Report;
- c. an overview of the Applicants' assets;
- d. an overview of the Applicants' revised 26-week cash flow forecast, for the period February 3, 2025, to August 1, 2025 (the "**Cash Flow Period**") on a consolidated basis for the Applicants (the "**Revised Cash Flow Forecast**"), and the Monitor's comments regarding the reasonableness thereof;
- e. the Applicant's Comeback Motion, including the following:
 - i. an amended and restated initial order ("**Amended and Restated Initial Order**" or "**ARIO**") to:
 1. extend the Stay of Proceedings to July 8, 2025 (the "**Proposed Stay Period**");
 2. increase the Initial Administrative Charge to \$250,000 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 "**Administration Charge**");
 3. approve the debtor-in-possession ("**DIP**") facility (the "**DIP Financing**" or "**DIP Loan**") to be provided by Bank of Montreal ("**BMO**" or the "**DIP Lender**") pursuant to a DIP facility agreement (which the Monitor anticipates will be signed before the Comeback Motion) dated February ____, 2025 (the "**DIP Term Sheet**");
 4. approve a charge of up to \$750,000 (the "**DIP Lender's Charge**") to match the maximum allowable borrowing amount as proposed in DIP Term Sheet; and
 5. such other relief as necessary to preserve and protect the Applicant's businesses and assets and to successfully restructure.
- f. the Monitor's recommendations on the relief sought at the Comeback Motion.

9. The Monitor understands that the Applicants will be relying on the Affidavit of Gregory Hussey sworn January 27, 2025, the Supplemental Affidavit sworn February 3, 2025 filed in support of the Initial Order (collectively, the “**First Hussey Affidavit**”), and the Affidavit of Gregory Hussey sworn February 18, 2025 filed in support of the of relief sought at the Comeback Motion (the “**Second Hussey Affidavit**”).
10. 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

11. In preparing this Second 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 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 Second 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.
12. Future-oriented financial information referred to in this Second 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.
13. Unless otherwise indicated, the Monitor’s understanding of factual matters expressed in this Second Report concerning the Companies and its business is based on the Information, and not independent factual determinations made by the Monitor.

14. All references to monetary amounts in this Second Report are in Canadian dollars unless otherwise noted.

BACKGROUND

15. This Second Report should be read in conjunction with the Second Hussey Affidavit. Additional background and financial information with respect to the Applicants was provided in the First Hussey Affidavit, the Proposed Monitor's Report, and the Monitor's First Report.
16. Any terms not expressly defined herein are otherwise defined in the Second Hussey Affidavit.

UPDATE ON THE APPLICANTS' ACTIVITIES

17. Since the issuance of the Stay Extension Order, 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 Second Report, the Applicants have maintained their business operations without significant disruption or issues.
18. Further details concerning the Applicants' activities are set forth in the Second Hussey Affidavit.

UPDATE ON THE MONITOR'S ACTIVITIES

19. 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.
20. Furthermore, since the granting of the Stay Extension Order, 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 in its communications with BMO and its advisors in obtaining DIP Financing;
 - d. assisted the Applicants in the development of the Revised Cash Flow Forecast; and
 - e. prepared this Second Report to the Court.

ASSET OVERVIEW

21. Karwood Contracting owns six (6) residential properties at varying stages of completion (collectively, the "Residential Properties"). The percentage of completion of the Residential

Properties as estimated by management based on calculations used by the Appraisal Institute of Canada, and the status of purchase and sale agreements (“PSA”) is summarized below:

- a. 55 Silver Birch Crescent, Paradise, NL - 100% complete and subject to a PSA dated June 19, 2023 and an amendment extending closing until February 17, 2025;
 - b. 59 Silver Birch Crescent, Paradise, NL - 80% complete and subject to a PSA dated July 13, 2023 and an amendment extending closing until March 17, 2025;
 - c. 61 Silver Birch Crescent, Paradise, NL - 53% complete and subject to a PSA dated May 31, 2023 and an amendment extending closing until May 12, 2025;
 - d. 63 Silver Birch Crescent, Paradise, NL - 53% complete and subject to a PSA dated April 17, 2023 and an amendment extending closing until May 20, 2025;
 - e. 70 Silver Birch Crescent, Paradise, NL - 46% complete and subject to a PSA dated December 9, 2023 and an amendment extending closing until May 27, 2025; and
 - f. 41 Yellow Wood Drive, Paradise, NL - 51% complete and subject to a PSA dated December 9, 2023. The Company issued an amendment to extend closing until June 4, 2025 which is pending execution by the purchaser.
22. In addition, Karwood Contracting owns the following parcels of land held for purposes of future development:
- a. a 1.83 acre parcel located on Kenmount Road, Paradise, NL; and
 - b. a 10-acre parcel located on Tolt Road, Portugal Cove, NL.
23. As detailed in the First Hussey Affidavit, other assets of Karwood Contracting include i) security deposits held by the Town of Paradise, NL; ii) accounts receivable; iii) land improvement claims; and iv) shares of 81502 Newfoundland and Labrador Ltd. The Monitor continues to assess the potential value and collectability of these assets.
24. Karwood Ontario’s physical assets consisted of the Exempt Property as defined above, exempt from the CCAA proceedings in favour of Libro, pursuant to the Initial Order, to take possession, market and sell the assets. Other Karwood Ontario assets include i) security deposits held by Tarion Warranty Corporation; ii) accounts receivable; iii) a deposit on a subdivision development; and iv) land improvement claims (together the “**Remaining Ontario Assets**”). The Monitor continues to assess the potential value and collectability of the Remaining Ontario Assets.
25. Karwood Engineering and Karwood Design do not have assets of material value.

CASH FLOW FORECAST

26. The Proposed Monitor's Report included a cash flow forecast for the period January 27, 2025, to April 25, 2025, under the assumption the initial hearing would be held on January 31, 2025. Due to Court availability, the initial hearing was held on February 3, 2025. During the hearing, at the Court's request, a revised cash flow forecast was submitted by the Applicants to the Court for the period February 3, 2025, to May 2, 2025 (the "**Interim Cash Flow Forecast**").
27. The Applicants, with the assistance of the Monitor, have prepared the Revised Cash Flow Forecast for the period February 3, 2025 to August 1, 2025, on a consolidated basis for the Applicants, for the purpose of projecting the Applicants' estimated cash flows for a period sufficient to complete the Residential Properties, while contemplating key terms pursuant to the DIP Loan. A copy of the Revised Cash Flow Forecast is attached hereto as **Appendix "F"**.
28. The Revised Cash Flow Forecast is presented on a weekly basis during the Cash Flow Period and represents management's estimate of the projected cash flow during the Cash Flow Period. The Revised Cash Flow Forecast has been prepared by the Applicants using probable and hypothetical assumptions (the "**Assumptions**") set out in the notes to the Cash Flow Forecast.
29. The Monitor has reviewed the Revised Cash Flow Forecast through inquiries, analytical procedures and discussions, and a review of documents related to the Information supplied to it by certain key members of management and employees of the Applicants. Based on the Monitor's review, nothing has come to its attention that causes it to believe, in all material respects, that:
 - a. the Assumptions are not consistent with the purpose of the Revised Cash Flow Forecast;
or
 - b. as at the date of the Second Report, the Assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Revised Cash Flow Forecast, given the probable and hypothetical assumptions; or
 - c. the Revised Cash Flow Forecast does not reflect the Assumptions.
30. Pursuant to the terms of the DIP Term Sheet, the Monitor understands the DIP Lender will open a new account specific to the DIP facility. Further, the Monitor will collect the proceeds from the sale of each of the Residential Properties and hold in trust funds sufficient to repay the BMO secured debt including the builder mortgages held against each of the Residential Properties and a pro-rate portion of the BMO revolving line of credit (the "**Restricted Cash**"). The net proceeds from the sale of the Residential Properties, in excess of the Restricted Cash, will be released by the Monitor to the Applicants for purposes of, together with the DIP Financing, to finance the Applicants' operations to allow for the completion of the Residential Properties. If the Applicant's require use

of the Restricted Cash to complete the construction of the Residential Properties, funds may be released to the Applicants with prior approval of the DIP Lender.

31. The Revised Cash Flow Forecast shows that during the Cash Flow Period, the Applicants will experience a net cash inflow of approximately \$266,000. This is in addition to the Company projecting i) the Monitor withholding Restricted Cash to repay BMO's secured debt; and ii) the repayment of the DIP Loan in full, including interest and charges, within the Cash Flow Period. The Revised Cash Flow Forecast projects that during the Cash Flow Period, the Applicants should have sufficient liquidity with funding from the DIP Loan to operate during the Cash Flow Period.
32. The Monitor has set up a procedure with the Applicants to facilitate its ongoing monitoring of the Applicants' receipts and disbursements. The Monitor will attend to a weekly reconciliation of receipts and disbursements and a projection to actual variance analysis on a bi-weekly basis going forward.
33. As per the Revised Cash Flow Forecast, the DIP Financing is projected to be advanced during the week ending February 28, 2025, in the amount of \$750,000, less a 1.5% facility fee of \$11,250, to fund the Applicants' operations.
34. The Applicants have provided the Monitor with full co-operation and access to the necessary books and records.
35. The Monitor will report future material adverse variances, if any, to the Applicants' Revised Cash Flow Forecast.

RELEVANT MATTERS ADDRESSED IN THE ARIO

36. The ARIO provides for two (2) priority charges (collectively, the "**Charges**") on all of the current and future assets, undertakings, and properties of the Applicants, with the exception of the Exempt Property, wherever located, including all proceeds thereof that rank in the following order:
 - a. first, the updated Administration Charge; and
 - b. second, the DIP Lender's Charge.
37. The Monitor understands that the Applicants have provided their secured creditors with notice prior to commencing these CCAA proceedings. Such secured creditors will be included on the Service List in connection with these CCAA proceedings moving forward and, as such, have been provided with motion materials in connection with the Comeback Motion, upon which the Applicants will seek, among other things, a stay extension.
38. The Monitor understands that Kent Building Supplies, a division of J.D. Irving, Limited ("**Kent**"), may assert its mechanic's liens rank ahead of the DIP Lender's Charge. The Monitor also understands that Kent has filed a statement of claim for, inter alia, an order that the transfer of the property

located at 166 Park Avenue, Mount Pearl, NL (“**Park Avenue**”), from Karwood Contracting to 77592 Newfoundland and Labrador Inc. was undervalue and a fraudulent conveyance. The Court file no. is 2024 01G 6914. The Monitor will continue to investigate the matter however it appears there are two (2) mortgages registered against Park Avenue in which Karwood Contracting is the mortgagor.

THE ADMINISTRATION CHARGE

39. The ARIO provides for an Administration Charge up to a maximum amount of \$250,000 in favour of counsel to the Applicants, the Monitor and the Monitor’s independent counsel, as security for the professional fees and disbursements incurred prior to and after the commencement of the CCAA proceedings. Professional fee obligations secured by the Administration Charge will be paid in the ordinary course from funding provided by the DIP Loan.
40. The Monitor is of the view that given the current liquidity constraints of the Applicants, the proposed Administration Charge is required and reasonable in the circumstances. The Monitor believes the quantum of the Administration Charge is reasonable in the circumstances based upon a review and assessment of the anticipated professional costs to be incurred during this matter.

DIP LENDER’S CHARGE

41. The Applicants are seeking approval of a term sheet (which the Monitor anticipates will be signed before the Comeback Motion and is attached as Appendix “A” to the Second Hussey Affidavit) from BMO dated February __, 2025 pursuant to which the DIP Lender has agreed to provide the DIP financing to the Applicants (collectively, the “**Borrowers**”) in order to provide sufficient liquidity to continue operations during the Proposed Stay Period, subject to the terms of the DIP Term Sheet. The Monitor has prepared this section in anticipation that the DIP Term Sheet will be signed before the Comeback Motion.
42. In addition to the approval of the DIP Term Sheet, the ARIO also provides for the creation of a related charge the DIP Lender’s Charge in the amount of \$750,000 to match the maximum allowable borrowing amount.
43. The material items, terms and conditions of the DIP Term Sheet include the following:
 - a. The proceeds of the DIP Loan will be used by the Applicants to fund the cash flow requirements as set out in the Cash Flow Forecast, which is also attached as an appendix to the DIP Term Sheet. Unique terms within the DIP Term Sheet are as follows:
 - i. the net proceeds from the sale, after closing costs, of each of the Residential Properties will be paid to the Monitor to be held in trust;
 - ii. the Monitor will withhold proceeds sufficient to repay the BMO secured debt including the builder mortgages held against each of the Residential Properties

- and a pro-rate portion of the BMO revolving line of credit, plus interest and charges (defined above as the Restricted Cash);
- iii. any remaining proceeds from the sale of the Residential Properties will be released by the Monitor to the Applicants for purposes of, together with the DIP Financing, financing the Applicants operations to allow for the completion of the Residential Properties; and
 - iv. if the Applicants require additional funds to complete the Residential Properties, the release of Restricted Cash shall only be permitted with the advance consent of the DIP Lender which shall be granted provided construction of the Residential Properties is in compliance with this DIP Term Sheet and the use will not cause said construction costs to be in breach of the DIP Term Sheet.
- b. principal amount: \$750,000;
 - c. purpose of DIP Loan: to finance:
 - i. working capital needs of the Applicants, with focus on costs required to complete the Residential Properties; and
 - ii. professional fees and expenses incurred by the Applicants and the Monitor in respect of the CCAA proceedings, in accordance with the Revised Cash Flow Forecast;
 - d. interest rate: 13% per annum, calculated daily on the outstanding balance owing under the DIP Loan, not in advance, and accruing and paid on the Termination Date (defined herein);
 - e. commitment fee: \$11,250, representing 1.5% of the DIP Loan, payable on the closing date defined with the DIP Term Sheet as February 24, 2025 (the “Closing Date”);
 - f. DIP Lender’s Charge and court approval: The DIP Loan is to be secured by a court-ordered priority charge over all of the Applicants’ present and after-acquired property, subject only to the Administration Charge to a maximum of \$125,000 in and to the collateral being the Residential Properties, and to a maximum of an addition \$125,000 to all other collateral held by the Applicants. The DIP Loan will be available to the Applicants upon the issuance of the ARIO approving the DIP Term Sheet, the DIP Loan and the DIP Lender’s Charge; and
 - g. repayment: The DIP Loan, together with all interest accrued in respect thereof and all other amounts owing under this DIP Term sheet, shall be payable in full on the termination date (the “Termination Date”), which is defined as the earlier of:

- i. six (6) months following the Closing Date;
 - ii. the effective date of any merger, amalgamation, consolidation, arrangement, reorganization, recapitalization, sale or any other transaction affecting the DIP Loan Parties' assets or operations or resulting in the change of ownership or control of the DIP Loan Parties as confirmed by the Court and satisfactory to the DIP Lender;
 - iii. the date on which the DIP Loan Parties' stay of proceedings expires without being extended or the date on which the CCAA Proceedings are dismissed or terminated or the date on which either of the DIP Loan Parties becomes bankrupt or the stay of proceedings is lifted to allow the filing of a bankruptcy or receivership application or similar insolvency proceeding; and
 - iv. the date of the acceleration of the DIP Loan and the termination of the commitment with respect to the DIP Loan as a result of an Event of Default (as defined within the DIP Term Sheet).
44. As illustrated in the Revised Cash Flow Forecast, the Applicants have a critical and immediate need for interim financing. Without access to the DIP Loan, the Applicants will be unable to continue operations during the Cash Flow Period.
45. The Monitor is of the view that the Applicants' request for approval of the DIP Term Sheet and the DIP Lender Charge is required and reasonable in the circumstances.

MONITOR RECOMMENDATIONS

46. The Monitor supports the relief sought by the Applicants in the ARIO. The Monitor is of the view that:
- a. as noted above, the Proposed Stay Period is reasonable and appropriate in order to allow the Applicants to continue its operations and to minimize business disruptions. Further, based on the Cash Flow Forecast supported by the availability of advances under the DIP Loan, the Monitor believes the Applicants will have sufficient liquidity for the duration of the Proposed Stay Period;
 - b. the proposed increase in the Administration Charge to be consistent with the estimated fees of the professionals to be incurred during the Proposed Stay Period and as set out in the Cash Flow Forecast, is required and reasonable in the circumstances; and
 - c. as noted above, the Applicants' request for approval of the DIP Term Sheet and the DIP Lender Charge is required and reasonable in the circumstances.

All of which is submitted to this Court on this 20th day of February 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:

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

2025 01G 0491
 IN THE SUPREME COURT OF NEWFOUNDLAND AND LABRADOR
 IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF the *Companies Creditors Arrangement Act* R.S.C., 1985 c. C-36 as Amended (the "CCAA"); and

AND IN THE MATTER OF an application of Karwood Contracting Ltd., Karwood Engineering Inc., Karwood Design Group Ltd. and Karwood Ontario Ltd. (the "Applicants")

AMENDED AND RESTATED INITIAL ORDER



Before the Honourable Justice A. MacDonald:

WHEREUPON the Applicants have filed an affidavit for an extension to the current stay of proceedings under the CCAA up to and including 04 July 2025;

AND UPON reading the affidavit of Gregory Hussey sworn 18 February 2025 (the "Hussey Affidavit") and the Exhibits thereto, and on being satisfied that the secured creditors who are likely to be affected by the charges created herein including, without limitation, any creditor with an asserted, registered or claimed lien under the Mechanics' Lien Act, R.S.N.L. 1990 c. M-3, were given notice, and on hearing the submissions of counsel for the Applicant and such other counsel as appeared, with all parties being duly served and on reading the Pre-Filing Report and First Report of the Proposed Monitor and their consent act as the Monitor, the following is ordered and declared:

SERVICE

THIS COURT ORDERS that the time for service of the Notice of Application and the materials filed, as set out in the affidavit of service, is hereby deemed adequate notice so that this Application is properly returnable today and hereby dispenses with further service thereof.

	Filed	February 20, 2025	 
--	-------	-------------------	--

APPLICATION

1. **THIS COURT ORDERS AND DECLARES** that the Companies are each a company to which the CCAA applies.

PLAN OF ARRANGEMENT

2. **THIS COURT ORDERS** that the Companies shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**").

POSSESSION OF PROPERTY AND OPERATIONS

3. **THIS COURT ORDERS** that the Companies shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof save and except for the Exempt Property, as defined and dealt with below (the "**Property**"). Subject to further Order of this Honourable Court, the Companies shall continue to carry on business in a manner consistent with the preservation of their business (the "**Business**") and Property. The Companies are authorized and empowered to continue to retain and employ the employees, consultants, independent contractors, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of their Business or for the carrying out of the terms of this Order.

4. **THIS COURT ORDERS** that the Companies, shall be entitled to continue to utilize their cash management system currently in place, or replace it with another substantially similar cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Companies of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Companies, pursuant to the terms of the

2

documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under any plan of compromise or arrangement with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

5. **THIS COURT ORDERS** that from and after the date of this Order, the Companies shall each maintain separate books and records and shall account separately in respect of receipts and disbursements. The Companies shall not commingle funds and revenues received or receivable by the Companies nor incur or pay any expenses or costs payable directly by the other Company or for the benefit of the other Company. The Applicants shall continue to maintain separate accounts for each corporate entity and shall not commingle funds except with the consent of the Monitor or leave of this Court.

6. **THIS COURT ORDERS** that the Companies shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
- (b) the fees and disbursements of any Assistants retained or employed by the Companies in respect of these proceedings, at their standard rates and charges;
- (c) with the consent of the DIP Lender (as defined herein), amounts owing for goods and services supplied to the Companies, if in the opinion of the Monitor, the supplier or vendor of such goods or services is necessary for the operation and preservation of the Business or Property. The Monitor shall report to the Court as to any payments made under this subparagraph.

7. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein the Companies shall be entitled but not required to pay all reasonable expenses incurred by the Companies in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business; and
- (b) payment for goods or services supplied to the Companies following the date of this Order.

8. **THIS COURT ORDERS** that the Companies shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, and (ii) Canada Pension Plan;
- (b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Companies.

9. **THIS COURT ORDERS** that until a real property lease is disclaimed in accordance with the CCAA, the Companies shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Companies and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such



payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

10. **THIS COURT ORDERS** that, except as specifically permitted herein the Companies are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Companies to any of their creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

EXEMPT PROPERTY

11. **THIS COURT ORDERS** that the Property, as defined above, shall not include the following parcels of real property:

- i. The property municipally known as 236 West Street, Belmont, Ontario and legally described as Lot 31, Plan 33M778 Municipality of Central Elgin; subject to an easement in gross over Part 11, Plan 33R-20685 as in ER 1300729, being the whole of PIN 08195-0655; and
- ii. The property municipally known as 35 Honey Bend, St. Thomas, Ontario and legally described as Lot 8, Plan 11M232; City of St. Thomas, being the whole of PIN 35244-2202.

(collectively hereinafter referred to as the "**Exempt Property**").

12. **THIS COURT ORDERS AND DECLARES** that, notwithstanding the other terms of the within Order, the Exempt Property is not subject to the terms of the within Order.

RESTRUCTURING

13. **THIS COURT ORDERS** that the Companies shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents (as hereinafter defined), have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of their business or operations, and to dispose of non-material assets not exceeding \$100,000 in one transaction in the aggregate;
- (b) terminate the employment of such of its employees, or temporarily lay off such of its employees, as it deems appropriate; and
- (c) pursue all avenues of refinancing, restructuring, sale and reorganization of the Business or Property, in whole or part, subject to obtaining prior approval of this, Court before effecting any material refinancing, restructuring, sale or reorganization, as determined by the Monitor,

all of the foregoing to permit the Companies to proceed with an orderly restructuring of the Business (the "**Restructuring**").

14. **THIS COURT ORDERS** that the Companies shall provide each of the relevant landlords with notice of the Companies intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Companies entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Companies, or by further Order of this Court upon application by the Companies on at least two (2) days' notice to such landlord and any such secured creditors. If the Companies disclaims the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Companies claim to the fixtures in dispute.

15. **THIS COURT ORDERS** that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Companies and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may

have against the Companies in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE COMPANIES OR THE PROPERTY

16. **THIS COURT ORDERS** that until and including 04 July 2025, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Companies or the Monitor, or affecting the Business or the Property except with the written consent of the Monitor and the Companies, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Companies or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

17. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Companies or the Monitor, or affecting the Business or the Property are hereby stayed and suspended except with the written consent of the Monitor and the Companies, or leave of this Court, provided that nothing in this Order shall (i) empower the Companies to carry on any business which the Companies is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

18. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right,

contract, agreement, license or permit in favour of or held by the Companies, except with the written consent of the Monitor and the Companies, or leave of this Court.

CONTINUATION OF SERVICES

19. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Companies or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Companies, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Companies, and the Companies shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Companies in accordance with normal payment practices of the Companies or such other practices as may be agreed upon by the supplier or service provider and the Companies or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

20. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Companies. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

21. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Companies with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Companies whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations,

2

until a compromise or arrangement in respect of the Companies, if one is filed, is sanctioned by this Court or is refused by the creditors of the Companies or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

22. **THIS COURT ORDERS** that the Companies shall indemnify their directors and officers against obligations and liabilities that they may incur as directors or officers of the Companies after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

APPOINTMENT OF MONITOR

23. **THIS COURT ORDERS** that GT is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Companies with the powers and obligations set out in the CCAA or set forth herein and that the Companies and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Companies pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

24. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Companies' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Companies, to the extent required by the Companies, in the dissemination, (i) to the DIP Lender and its counsel, and (ii) to registered secured creditors, Canada Revenue Agency ("**CRA**"), and their counsel if the Monitor determines it necessary or desirable, on a timely basis, of financial and other information as agreed to between the Companies and the DIP Lender, or information which the Monitor may determine is necessary or desirable to share

2

- with registered secured creditors or CRA, including reporting on a basis to be agreed with the DIP Lender, or between the Monitor and any registered secured creditor or CRA, as the case may be;
- (d) advise the Companies in the preparation of the Companies' cash flow statements and reporting required by the DIP Lender;
 - (e) advise the Companies in their development of a plan or compromise or arrangement and any amendments thereto;
 - (f) assist the Companies, to the extent required by the Companies, with the holding and administering of creditors' or shareholders' meetings for voting on a plan of compromise or arrangement;
 - (g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Companies, to the extent that is necessary to adequately assess the Companies business, cashflow, and financial affairs or to perform its duties arising under this Order;
 - (h) be at liberty to engage with Companies' legal counsel or retain independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
 - (i) assist the Companies to design and conduct any sales process as may be approved by the Court; and
 - (j) perform such other duties as are required by this Order or by this Court from time to time.

25. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

Q

26. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

27. **THIS COURT ORDERS** that the Monitor shall provide any creditor of the Companies with information provided by the Companies in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Companies is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Companies may agree.

28. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or willful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

29. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, and counsel to the Companies shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, whether incurred prior to, or subsequent to, the date of this Order, by the Companies as part of the costs of these proceedings. The Companies are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor, and counsel for the Companies on a weekly basis and, in addition, the Companies are hereby authorized to

pay to the Monitor, counsel to the Monitor, and counsel to the Companies reasonable retainers to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

30. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose, the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Supreme Court of Newfoundland and Labrador in Bankruptcy and Insolvency.

31. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, and the Companies' counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$250,000.00 as security for their professional fees and disbursements incurred at their respective standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 40-44 herein.

DIP FINANCING

32. **THIS COURT ORDERS** that the Companies are hereby authorized and empowered to obtain and borrow under a credit facility from the Bank of Montreal (the "**DIP Lender**") in order to finance the Companies' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$750,000.00 unless permitted by further Order of this Court.

33. **THIS COURT ORDERS** that such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Companies and the DIP Lender dated as of 19 February 2025 (the "**Commitment Letter**"), filed.

34. **THIS COURT ORDERS** that the Companies are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "**Definitive Documents**"), as are contemplated by the Commitment Letter or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Companies are hereby authorized and directed to pay and perform all of their indebtedness, interest, fees, liabilities and obligations to

the DIP Lender under and pursuant to the Commitment Letter and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

35. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge on the principle, interest and other costs noted in the Commitment Letter (the "**DIP Lender's Charge**") on the Property, which DIP Lender's Charge shall not secure any obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 39-44 herein. The DIP Lender's Charge is effective on the issuance of this Order and no further Definitive Documents are required in order for the DIP Lender's Charge to be effective. Further, the DIP Lender may rely on the materials filed in this proceeding and this Order as sufficient evidence of the corporate authorization, due execution and delivery of the Commitment Letter and any other Definitive Documents without the necessity of any further opinion, certificates or resolutions.

36. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may, but shall not be required to, take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, two (2) Business Days' notice to the Companies and the Monitor, may exercise any and all of its rights and remedies against the Companies or the Property under or pursuant to the Commitment Letter, Definitive Documents and the DIP Lender's Charge, or this Order. On the expiration of the notice set out above, unless the Companies have cured the default to the DIP Lender's satisfaction, the DIP Lender shall be entitled to, including without limitation, appoint a private receiver, cease making advances to the Companies and set off and/or consolidate any amounts owing by the DIP Lender to the Companies against the obligations of the Companies to the DIP Lender under the Commitment Letter, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager



or interim receiver, or for a bankruptcy order against the Companies and for the appointment of a trustee in bankruptcy of the Companies, to collect on receivables forming part of the Property or take any other action permitted at law or in equity to recover the amounts due including without limitation to exercise all rights of a mortgagee of real property or a secured creditor under the applicable *Personal Property Security Act*; and

- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Companies or the Property and the DIP Lender shall not be required to provide notice in accordance with section 244 of the *Bankruptcy and Insolvency Act* (Canada).

37. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Companies under the CCAA, or any proposal filed by the Companies under the *Bankruptcy and Insolvency Act* of Canada (the "**BIA**") and is not subject to any stay in these proceedings, with respect to any advances made under the Definitive Documents.

38. **THIS COURT ORDERS AND DECLARES** that this Order is subject to provisional execution and that if any of the provisions of this Order in connection with the DIP Agreement, the other Definitive Documents or the DIP Lender's Charge shall subsequently be stayed, modified, varied, amended, reversed, or vacated in whole or in part (collectively, a "**Variation**") whether by subsequent order of this Court on or pending an appeal from this Order, such Variation shall not in any way impair, limit or lessen the priority, protections, rights or remedies of the DIP Lender, whether under this Order (as made prior to the Variation), under the DIP Agreement or the other Definitive Documents with respect to any advances made or obligations incurred prior to the DIP Lender being given notice of the Variation, and the DIP Lender shall be entitled to rely on this Order as issued (including, without limitation, the DIP Lender's Charge) for all advances so made and other obligations set out in the DIP Agreement and the other Definitive Agreements.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

39. **THIS COURT ORDERS** that the priorities of the Administration Charge the DIP Lender's Charge, as among them, shall be as follows:

First – Administration Charge (\$250,000); and

Second –DIP Lender's Charge (\$750,000)

provided that as amongst the Property subject to the Charges, the Administrative Charge shall only have priority against the residential homes under construction at the following addresses 55 Silver Birch Crescent, 59 Silver Birch Crescent, 61 Silver Birch Crescent, 63 Silver Birch Crescent, 70 Silver Birch Crescent and 41 Yellow Wood Drive to the maximum of \$125,000.00 a (collectively, the "**Residential Project**") and the balance of the Administrative Charge shall have priority over all other encumbrances, liens and charges on the other assets of the Applicants, to the maximum amount of \$125,000.00.

40. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge or the DIP Lender's Charge (collectively, the "**Charges**") shall not be required, and that Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect. Notwithstanding the foregoing, the Companies shall file a copy of this Order under the applicable land registration systems and a notice under the Personal Property Security Acts in relation to the Property.

THIS COURT ORDERS that the Charges, on the issuance of this Order and without the need for any further act or document, shall constitute a charge on the Property and shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person which includes, without limitation, any creditor with an asserted, registered or claimed lien under the Mechanics' Lien Act, R.S.N.L. 1990 c. M-3, including without limitation any persons who may claim a lien but have not yet asserted or registered such claim.

41. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Companies shall not grant any Encumbrances over any Property, or permit any statutory or other liens to arise, that rank in priority to, or *pari passu* with

any of the Charges, unless the Companies also obtain the prior written consent of the Monitor and of the applicable chargee(s) entitled to the benefit of the Charges (collectively, the "Charges"), or further Order of this Court.

42. **THIS COURT ORDERS** that the Charges, the Commitment Letter and the Definitive Documents shall not be rendered invalid or unenforceable and the rights and remedies of the Chargees shall not otherwise be limited or impaired in any way by: (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the Companies, and notwithstanding any provision to the contrary in any Agreement:

- (a) The creation of the Charges nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the Definitive Documents shall not be deemed to constitute a breach by the Companies of any Agreement to which they are a party;
- (b) None of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Companies entering into the Commitment Letter, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) The payments made by the Companies pursuant to this Order, the Commitment Letter or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

43. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a charge in the Companies' interest in such real property leases.

SERVICE AND NOTICE

44. **THIS COURT ORDERS** that the Monitor shall (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner by electronic means, a notice to every known creditor who has a claim against the Companies of more than \$1,000, and (C) 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, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

45. **THIS COURT ORDERS** that the Companies and Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Companies creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

46. **THIS COURT ORDERS** that the Monitor and the Companies may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

47. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from subsequently acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Company, the Business or the Property.

48. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Companies, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Companies and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding,

or to assist the Companies and the Monitor and their respective agents in carrying out the terms of this Order.

49. **THIS COURT ORDERS** that each of the Company and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

50. **THIS COURT ORDERS** that any interested party (including the Companies and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

51. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12.01 a.m., Newfoundland Time, on the date of this Order.

Dated at St John's, in the Province of NL

this 20 day of Feb, 2025

SBolt

COURT
OFFICER

Q

2025 01G 0491
IN THE SUPREME COURT OF NEWFOUNDLAND AND LABRADOR
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF the *Companies Creditors Arrangement Act* R.S.C., 1985 c. C- 36 as Amended (the "**CCAA**")

AND IN THE MATTER OF an application of Karwood Contracting Ltd., Karwood Engineering Ltd., Karwood Design Group Ltd., and Karwood Ontario Ltd. (the "**Applicants**")

ORDER

THIS MOTION made by the Applicants was heard on 26 February 2025.

ON READING the Applicants' Motion and supporting Affidavit; and

ON HEARING the submissions of counsel for the Applicants and such other counsel as were present, and no one else appeared for any other party although duly served as outlined in the affidavit of service.

SERVICE

1. **THIS COURT ORDERS** that the time for service of this Motion and accompanying materials is abridged so that this Motion is properly returnable today and therefore dispenses with further service hereof. Capitalized terms used but not defined in this Order shall have the meaning attributed to them in the Notice of Motion or the ARIO, as the case may be.

APPROVAL AND VESTING

2. **THIS COURT ORDERS AND DECLARES AND CONFIRMS** that the APS is hereby approved and the execution of the APS by KCI is hereby authorized and approved, with such minor amendments as KCI and/or Purchaser may deem necessary or

2

otherwise agree to, with the approval of the Monitor. KCI are hereby authorized and directed to perform their obligations under the APS and to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the transactions contemplated thereunder, and to execute and deliver such additional documents as contemplated in the APS.

3. **THIS COURT ORDERS AND DECLARES** that this Order shall constitute the only authorization required by the Monitor and KCI to proceed with the sale of property contemplated under the APS and that no shareholder or other approval shall be required by KCI in connection therewith.

4. **THIS COURT ORDERS AND DECLARES** that, at the time of the delivery of the Monitor's certificate (the "**Monitor's Certificate**") to KCI and the Purchaser (the "**Effective Time**"), substantially in the form attached as **Schedule "A"** hereto, the following shall occur and shall be deemed to have occurred at the Effective Time, all in accordance with the APS and the steps contemplated thereunder:
 - (a) KCI shall be deemed to have transferred to the Purchaser, and the Purchaser shall be deemed to have accepted such assignment and assumption of the Purchased Property in consideration of the Purchase Price; and

 - (b) all of the right, title and interest in and to the Purchased Property shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens (maritime or otherwise), executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing: (i) any encumbrances or all Charges (as defined in the ARIO) charges created by the ARIO, or any other Order of the Court; (ii) all charges, security interests or Claims evidenced by registrations



pursuant to the *Personal Property Security Act* (Newfoundland and Labrador), or any other personal property registry system or pursuant to the *Registration of Deeds Act, 2009* (Newfoundland and Labrador), the *Mechanics' Lien Act* (Newfoundland and Labrador) or any other real property or real property related registry or recording system (all of which are collectively referred to as the "**Encumbrances**"), and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Property are hereby expunged and discharged as against the Purchased Property, as applicable, and shall be of no further force and effect.

7. **THIS COURT ORDERS** that the Monitor may rely on written notice from KCI and the Purchaser regarding the satisfaction of the Purchase Price and satisfaction or waiver of conditions to closing under the APS and shall have no liability with respect to delivery of the Monitor's Certificate.
8. **THIS COURT ORDERS AND DIRECTS** the Monitor to file with the Court a copy of the Monitor's Certificate, forthwith after receipt of the Purchase Funds required under the APS.
9. **THIS COURT ORDERS** that upon the delivery of the Monitor's Certificate, and upon filing of a copy of this Order, together with any applicable registration fees, all governmental authorities and any other applicable registrar or government ministries or authorities exercising jurisdiction with respect to KCI and the Purchased Property (collectively, the "**Governmental Authorities**") are hereby authorized, requested and directed to accept delivery of such Monitor's Certificate and a copy of this Order as though they were originals and to register, as applicable, such transfers, interest authorizations, discharges and discharge statements of conveyance as may be required to give effect to the terms of this Order and the APS. Presentment of this Order and the Monitor's Certificate shall be the sole and sufficient authority for the Governmental Authorities to make and register, as applicable, transfer of title or interest and cancel and discharge registrations against any of KCI or the Purchased Property of any Claims or Encumbrances, and the Monitor and the Purchaser are hereby specifically authorized to discharge the



registrations against KCI or the Purchased Property, as applicable.

10. **THIS COURT ORDERS** that no authorization, approval or other action by and no notice to or filing with any Governmental Authority or regulatory body exercising jurisdiction over KCI or the Purchased Property is required for the due execution, delivery and performance by KCI of the APS.

11. **THIS COURT ORDERS** that except to the extent expressly contemplated by the APS, all Contracts, suits, choses of action, claims in *personam* or *in rem*, whether commenced or contingent, to which KCI are the proper party upon delivery of the Monitor's Certificate will be and remain in full force and effect upon and following delivery of the Monitor's Certificate and no individual, firm, corporation, governmental body or agency, or any other entity (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") who is a party to any such arrangement may accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, to deny the availability of any such claim in the name of the Purchaser, or to enforce or exercise any right (including any right of set-off, dilution or other remedy) or make any demand under or in respect of any such arrangement and no automatic termination will have any validity or effect, by reason of:
 - (a) any event that occurred on or prior to the delivery of the Monitor's Certificate and is not continuing that would have entitled such Person to enforce those rights or remedies (including defaults or events of default arising as a result of the insolvency of KCI);
 - (b) any monetary defaults in relation to the contracts incurred on or prior to the delivery of the Monitor's Certificate;
 - (c) the insolvency of KCI or the fact that KCI sought or obtained relief under the CCAA;
 - (d) any compromises, releases, discharges, cancellations, transactions,



arrangements, or other steps taken or effected pursuant to the APS, the transactions contemplated thereunder, or the provisions of this Order, or any other Order of the Court in these proceedings; or

- (e) any effective change of control of KCI arising from the implementation of the APS or the provisions of this Order.

12. **THIS COURT ORDERS** that from and after the Effective Time, any and all Persons shall be and are hereby forever barred, estopped, stayed and enjoined from commencing, taking, applying for or issuing or continuing any and all steps or proceedings, whether directly, derivatively or otherwise, and including without limitation, administrative hearings and orders, declarations and assessment, commenced, taken or proceeded with or that may be commenced, taken or proceeded with against the Purchased Property.

13. **THIS COURT ORDERS** that for greater certainty, nothing in this Order shall affect, vary, derogate from, limit or amend, and the Monitor shall continue to have the benefit of, any and all rights and approvals and protections in favour of the Monitor at law or pursuant to the CCAA, the Initial Order, the ARIO, this Order, any other Orders in these CCAA Proceedings or otherwise, including all approvals, protections and stays of proceedings in favour of the Monitor, all of which are expressly continued and confirmed.

14. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these CCAA Proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the BIA in respect of KCI and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of KCI;
- (d) the provisions of any federal or provincial statutes pertaining to fraudulent



preferences, assignments, fraudulent conveyances, transfers at undervalue, other reviewable transactions, or oppressive or unfairly prejudicial conduct;

the APS, the implementation of the transactions contemplated thereunder (including without limitation the transfer and vesting of the Purchased Property) and any payments by the Purchaser authorized herein or pursuant to the APS shall be binding on any trustee in bankruptcy that may be appointed in respect of KCI, and shall not be void or voidable by creditors of KCI or the Purchaser, as applicable, nor shall they constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the CCAA, the BIA or any other applicable federal or provincial legislation, nor shall they constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

THE MONITOR

15. **THIS COURT ORDERS** that the Monitor, its employees and representatives shall not be deemed directors of the Purchaser, de facto or otherwise, and shall incur no liability as a result of acting in accordance with this Order, other than any liability arising out of or in connection with the gross negligence or wilful misconduct of the Monitor.
16. **THIS COURT ORDERS** that no action lies against the Monitor by reason of this Order or the performance of any act authorized by this Order, except by leave of the Court following a motion brought on not less than fifteen (15) days' notice to the Monitor and its legal counsel. The entities related or affiliated with the Monitor or belonging to the same group as the Monitor (including, without limitation, any agents, employees, legal counsel or other advisors retained or employed by the Monitor) shall benefit from the protection granted to the Monitor in this paragraph.
17. **THIS COURT ORDERS** that the Monitor shall not, as a result of this Order or any matter contemplated hereby: (i) be deemed to have taken part in the management or supervision of the management of KCI or the Purchaser, or to



have taken or maintained possession or control of the business or property of any of KCI or the Purchaser, or any part thereof; or (ii) be deemed to be in Possession (as defined in the Initial Order and ARIO) of any property of KCI or the Purchaser within the meaning of any applicable Environmental Legislation (as defined in the Initial Order and ARIO) or otherwise.

18. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Monitor's Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale¹, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

GENERAL

19. **THIS COURT ORDERS** that following the Effective Time, the Purchaser shall be authorized to take all steps as may be necessary to affect the discharge of the Claims and Encumbrances against KCI and the Purchased Property.
20. **THIS COURT DECLARES** that this Order shall have full force and effect in all provinces and territories in Canada.
21. **THIS COURT DECLARES** that the Monitor, KCI and/or the Purchaser shall be authorized to apply as it may consider necessary or desirable, with or without notice, to any other court or administrative body, whether in Canada, the United States or elsewhere, for orders which aid and complement this Order. All courts and administrative bodies of all such jurisdictions are hereby respectfully requested to make such orders and to provide such assistance to KCI, the Monitor, and/or the Purchaser as may be deemed necessary or appropriate for that purpose.
22. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court,



tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist KCI, the Monitor, and/or the Purchaser and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to KCI, the Purchaser, and the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist KCI, the Purchaser and the Monitor and their respective agents in carrying out the terms of this Order.

23. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Newfoundland and Labrador Time on the date hereof.

Issued by _____ on the ____ day of February 2025.



Schedule "A"
2025 01G 0491
IN THE SUPREME COURT OF NEWFOUNDLAND AND LABRADOR
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF the *Companies Creditors Arrangement Act* R.S.C., 1985 c. C-36 as Amended (the "**CCAA**")

AND IN THE MATTER OF an application of Karwood Contracting Ltd., Karwood Engineering Ltd., Karwood Design Group Ltd., and Karwood Ontario Ltd. (the "**Applicants**")

CERTIFICATE OF THE MONITOR

1. On ____ February 2025 the Court approved a purchase and sale agreement between KCI and Amanda Roberts (the "**Purchaser**") concerning the sale of 55 Silver Birch Crescent, Paradise, NL (the "**APS**").

2. The Court provided that upon the Monitor's satisfaction that all terms and conditions of the APS have been met, and the purchase funds called for thereunder have been paid, the Monitor shall deliver to KCI and the Purchaser a certificate signed by the Monitor stating the terms of the APS have been met and the transaction contemplated thereunder closed.

THE MONITOR CERTIFIES the following:

3. The Monitor has received written confirmation from KCI and the Purchaser that the transaction contemplated under the APS has closed and confirms that the purchase funds called for thereunder have been received.



Schedule "A"
2025 01G 0491
IN THE SUPREME COURT OF NEWFOUNDLAND AND LABRADOR
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF the *Companies Creditors Arrangement Act* R.S.C., 1985 c. C- 36 as Amended (the "**CCAA**")

AND IN THE MATTER OF an application of Karwood Contracting Ltd., Karwood Engineering Ltd., Karwood Design Group Ltd., and Karwood Ontario Ltd. (the "**Applicants**")

CERTIFICATE OF THE MONITOR

1. On 26 February 2025 the Court approved a purchase and sale agreement between KCI and Amanda Roberts (the "**Purchaser**") concerning the sale of 55 Silver Birch Crescent, Paradise, NL (the "**APS**").
2. The Court provided that upon the Monitor's satisfaction that all terms and conditions of the APS have been met, and the purchase funds called for thereunder have been paid, the Monitor shall deliver to KCI and the Purchaser a certificate signed by the Monitor stating the terms of the APS have been met and the transaction contemplated thereunder closed.

THE MONITOR CERTIFIES the following:

3. The Monitor has received written confirmation from KCI and the Purchaser that the transaction contemplated under the APS has closed and confirms that the purchase funds called for thereunder have been received.



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.