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**Court File No. 2025 01G 0491**

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

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

**- AND -**

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

**SIXTH REPORT OF THE MONITOR**

**September 15, 2025**

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## INTRODUCTION

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



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

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

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

18. The Monitor has provided the Court with the following reports:
  - a. the report of the Proposed Monitor dated January 31, 2025 (the “**Proposed Monitor’s Report**”) in connection with the Applicants’ application for protection under the CCAA;
  - b. the first report of the Monitor dated February 12, 2025 (the “**First Report**”) in connection with the Applicants’ motion for the ARIO;
  - c. the second report of the Monitor dated February 20, 2025 (the “**Second Report**”) in connection with the Applicants’ motion for the ARIO;
  - d. the third report of the Monitor dated April 9, 2025 (the “**Third Report**”) in connection with the Applicants’ motion for the 59 Silver Birch Sale Approval and Vesting Order;
  - e. the fourth report of the Monitor dated June 5, 2025 (the “**Fourth Report**”) in connection with the Applicants’ motion for the Sale Approval and Vesting Order; and
  - f. the fifth report of the Monitor dated June 27, 2025 (the “**Fifth Report**”) in connection with the Applicants’ motion for the Stay Extension and Distribution Order.

#### **PURPOSE**

19. The purpose of this sixth report of the Monitor (the “**Sixth Report**”) is to:
  - a. provide the Court with updates on the activities of the Applicants and the Monitor in relation to the CCAA proceedings since the Fifth Report;
  - b. discuss cash flow variances arising to date with respect to the Companies’ cash flow forecast covering the period June 23, 2025 through September 5, 2025 (the “**Second Cash Flow Forecast**”), filed with the Monitor’s Fifth Report;
  - c. provide the Court with the Companies’ revised cash flow forecast covering the period September 8, 2025 through October 3, 2025 (the “**Third Cash Flow Forecast**”), and the Monitor’s comments regarding the reasonableness thereof;
  - d. provide the Court with information pertaining to the Applicants’ default of the DIP Term Sheet due to the failure to repay the DIP Loan on or before August 1, 2025, according to the Approved Cash Flows (as attached as *Schedule “A”* to the DIP Term Sheet);

- e. seek directions from the Court with respect to the distribution of net proceeds of sale of 41 Yellow Wood;
  - f. provide the Court with information pertaining to a binding offer received by the Applicants on September 10, 2025, from a private investor proposing to acquire all or substantially all assets and undertakings of the Applicants through an asset purchase agreement (the “**Binding Offer**”); and
  - g. provide the Court with information pertaining to an interlocutory application made by Patrick Street Holdings Ltd. (“**Patrick Holdings**”) made under these CCAA proceedings requesting the Court to grant an order to lift the Stay of Proceedings.
20. Copies of Court materials filed in these proceedings may be obtained from the Monitor’s website established in connection with the CCAA proceedings (the “**Website**”):

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

#### **TERMS OF REFERENCE**

21. In preparing this Sixth 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 Sixth Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the Chartered Professional Accounts Canada Handbook, has not been performed.
22. Future-oriented financial information referred to in this Sixth Report was prepared based on management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results

will vary from the projections, even if the assumptions materialize, and the variations could be significant.

23. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Sixth Report concerning the Companies and its business is based on the Information, and not independent factual determinations made by the Monitor.
24. All references to monetary amounts in this Sixth Report are in Canadian dollars unless otherwise noted.

#### **UPDATE ON THE APPLICANTS' ACTIVITIES**

25. Since the issuance of the ARIQ, 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 Sixth Report, the Applicants have maintained their business operations without significant disruption or issues.
26. Further, since the Fifth Report of the Monitor, the Companies have:
  - a. continued to negotiate and arrange for the post filing support of its vendors and subcontractors as the Companies, primarily Karwood Contracting, continued to operate;
  - b. completed construction of the residential properties, and closing their respective purchase and sale agreements;
  - c. consulted with the Monitor in respect of operations, cash management, and the approval of vendor and supplier payments;
  - d. reported to the Monitor actual weekly cash flows as compared to the Second Cash Flow Forecast;
  - e. reported weekly to the DIP Lender on the Companies' actual cash flow results and the variances as compared to the Second Cash Flow Forecast;
  - f. continued to engage with the Monitor and the DIP Lender with respect to the potential inclusion of related parties of the Applicants in these CCAA proceedings, namely 81502 Newfoundland and Labrador Limited ("81502 NL"), for the general benefit of the Applicants' stakeholders;
  - g. continued to market the assets of 81502 NL, namely real property located at 1108 Kenmount Rd., Paradise NL, in attempt to generate net proceeds of sale for the general benefit of the Applicants' stakeholders;

- h. engaged with the DIP Lender to negotiate an amendment to the DIP Term Sheet Loan in attempt to address the Applicants' default of the DIP Term Sheet due to the failure to repay the DIP Loan on or before August 1, 2025;
- i. initiated and advanced negotiations with a private investor (the "Private Investor") for the purpose of selling the Applicants' assets for the benefit of Karwood's stakeholders; and
- j. worked with the Monitor to draft the Third Cash Flow Forecast of the Applicants covering the period September 8, 2025, to October 3, 2025.

#### **UPDATE ON THE MONITOR'S ACTIVITIES**

- 27. The Monitor continues to maintain the Monitor's Website in respect of these CCAA proceedings. All court documents and certain other relevant documents have and will continue to be posted as they are made available.
- 28. Furthermore, since the Fifth Report, the Monitor has:
  - a. assisted the Applicants with stakeholder communications;
  - b. responded to calls, e-mails and letters received from creditors and other parties with respect to the CCAA proceedings;
  - c. assisted the Applicants with respect to their operations, cash management, and the approval of vendor and supplier payments;
  - d. assisted the Applicants with the review of actual weekly cash flows as compared to the Second Cash Flow Forecast, and related weekly reporting to the DIP Lender;
  - e. assisted the Applicants in their engagement with the DIP Lender with respect to potential inclusion of 81502 NL in these CCAA proceedings for the general benefit of the Applicants' stakeholders;
  - f. assisted the Applicants in their engagement with the DIP Lender to negotiate an amendment to the DIP Term Sheet Loan in attempt to address the Applicants' default of the DIP Term Sheet due to the failure to repay the DIP Loan on or before August 1, 2025;
  - g. reviewed the Binding Offer, and participated in discussions regarding same with the Applicants, its counsel, and the DIP Lender;
  - h. assisted the Applicants with the drafting of the Third Cash Flow Forecast; and
  - i. prepared the Sixth Report to the Court.

## **APPLICANTS' RECEIPTS AND DISBURSEMENTS VARIANCE**

29. The Monitor has reviewed the Applicant's cash flow from operations through reviewing and approving expenses and monitoring banking activities. Attached hereto as **Appendix "A"** to this Sixth Report is a variance analysis comparing the Companies' actual cash flows to the Second Cash Flow Forecast during the eleven-week period from June 23, 2025, to September 5, 2025 (the **"Second Cash Flow Period"**).
30. The Companies' actual cash flow from operations during the Second Cash Flow Period was approximately \$341,000 unfavourable to forecast. The variance is primarily attributable to the following:
- a. an unfavourable variance of approximately \$258,000 primarily related to the delayed completion, closing, and distribution of sale proceeds of 41 Yellow Wood. The variance is expected to be timing in nature with the Monitor holding the proceeds of sale of 41 Yellow Wood in its own trust account;
  - b. an unfavourable variance of approximately \$306,000 primarily related to the delayed collection of security deposit receivables from the Tarion Warranty Corporation in Ontario and the Town of Paradise, NL. The Monitor understands the Applicants continue to pursue collection of these deposit receivables;
  - c. an unfavourable variance of approximately \$292,000 related to the delayed collection of accounts receivable of Karwood Ontario;
  - d. an unfavourable variance of approximately \$200,000 related to the delayed sale of assets owned by 81502 NL, namely a commercial building located at 1108 Kenmount Rd., Paradise, NL. The Monitor understands the Applicants continue to market the property for sale;
  - e. a favourable variance of approximately \$195,000 with respect to professional fees, which is timing in nature as invoices received by the Applicants have yet to be paid; and
  - f. a favourable variance of \$500,000 due to the delayed repayment of the DIP Loan.

## **OVERVIEW OF APPLICANTS' THIRD CASH FLOW FORECAST**

31. With the assistance of the Monitor, the Applicants have prepared the Third Cash Flow Forecast, on a consolidated basis, incorporating actual results since the commencement of the CCAA proceedings and projected results for the four-week period ending October 3, 2025 (the **"Third Cash Flow Period"**). A copy of the Third Cash Flow Forecast with supporting notes is attached hereto as **Appendix "B"**.

32. Based on the Monitor's review of the Third Cash Flow Forecast, there were no material assumptions which seem unreasonable in the present circumstances. The Monitor's report on the Third Cash Flow Forecast is attached hereto as **Appendix "C"**.
33. The Third Cash Flow Forecast was prepared based on the following assumptions:
- a. the Applicants will have access to the net sale proceeds of 41 Yellow Wood to continue the restructuring process;
  - b. disbursements primarily consist of expenses already incurred including construction expenses related to the completion and closing of 70 Silver Birch and 41 Yellow Wood, and professional fees related to the Applicants' restructuring process. With construction of the residential properties complete and no further construction projects planned, management have taken steps to significantly reduce operational expenses going forward by transferring its construction activities, including employees, to a related party of the Applicants; and
  - c. the Applicants will pursue an asset purchase agreement for all or substantially all assets and undertakings of the Companies, and the proceeds of sale will be utilized to fund the restructuring process and partially repay the DIP Loan.
34. The Monitor has reviewed the Third Cash Flow Forecast, including its assumptions, through inquiries, analytical procedures and review of documents related to the information supplied by management of the Companies. Based on the Monitor's review, nothing has come to its attention that causes it to believe, as at the date of the Sixth Report, the assumptions are not suitably supported and consistent with the plans of the Companies or do not provide a reasonable basis for the Third Cash Flow Forecast.
35. The Third Cash Flow Forecast illustrates that during the Third Cash Flow Period, the Applicants forecast to have sufficient cash flow until the expiry of the current Stay of Proceedings.

#### **DEFAULT OF THE DIP LOAN**

36. On August 6, 2025, BMO gave notice to the Applicants of a default of the DIP Term Sheet due to the failure to repay the DIP Loan principal plus accrued interest on or before August 1, 2025, pursuant to the Approved Cash Flows.
37. In addition, the DIP Lender rendered accounts for expenses incurred and requested payment from the proceeds of sales of residential properties. Due to the default of the DIP Term Sheet, the DIP Lender advised that without its consent, the Applicants were not authorized to use the net proceeds of sale from the residential properties in excess of the amounts required to be paid to BMO pursuant to the Stay Extension and Disbursement Order. We understand that the DIP Lender is of the position

that any additional proceeds of sale should be held by the Companies and only dispersed in a manner to address the DIP default.

38. On August 14, 2025, the Applicants provided the DIP Lender with a revised cash flow forecast covering the remainder of the Stay Period, an update on outstanding costs and timing of completion of 70 Silver Birch and 41 Yellow Wood, and an update on collection efforts of outstanding deposits and miscellaneous receivables. The Applicants requested the following of the DIP Lender:
  - a. use of net proceeds of sale from 70 Silver Birch of \$103,987 (after the payment of a portion of the sale proceeds to BMO pursuant to the Stay Extension and Distribution Order and not considering mechanic's lien holdback funds) (the "**70 Silver Birch Net Proceeds**") to fund operating costs, including construction costs related to the completion of 70 Silver Birch and 41 Yellow Wood;
  - b. use of anticipated proceeds of sale from 41 Yellow Wood (projected to be \$259,624 after the payment of a portion of the sale proceeds to BMO pursuant to the Stay Extension and Distribution Order and not considering mechanic's lien holdback funds) to fund operating costs, including construction costs related to the completion of 70 Silver Birch and 41 Yellow Wood; and
  - c. an amendment to the termination clause within the DIP Term Sheet to October 1, 2025, coinciding with the current Stay Period.
39. On August 15, 2025, the DIP Lender consented to the Applicants not applying the 70 Silver Birch Net Proceeds to payment of the DIP Loan, conditional on the funds being used to settle post-filing construction costs related to the completion of 70 Silver Birch and 41 Yellow Wood.
40. On September 5, 2025, the Applicants provided the DIP Lender with a revised cash flow analysis and requested to use the net proceeds of sale from 41 Yellow Wood of \$258,337 (after the payment of a portion of the sale proceeds to BMO pursuant to the Stay Extension and Distribution Order and not considering mechanic's lien holdback funds) (the "**41 Yellow Wood Net Proceeds**") to fund operating costs, including construction costs related to the completion of both 70 Silver Birch and 41 Yellow Wood.
41. The Applicants and the DIP Lender were unable to agree on the use of the 41 Yellow Wood Net Proceeds. The Applicants continue to be in default of the DIP Term Sheet as the Applicants have been unable to repay the principal of the DIP Loan, accrued interest or the expenses incurred by the DIP Lender.
42. On September 11, 2025, after consideration of the Binding Offer, among other factors, the DIP Lender provided notice to the Companies and the Monitor that failing full payment of all amounts

due to the DIP Lender on or before 11:00 a.m. (Newfoundland time) on September 15, 2025, the DIP Lender would proceed with the enforcement of its rights.

43. On September 15, 2025, the DIP Lender provided notice to the Applicants and the Monitor that it had appointed MNP Ltd. as private receiver pursuant to its rights under the DIP Term Sheet and the ARIO.

#### **41 YELLOW WOOD NET PROCEEDS**

44. The Monitor seeks direction from the Court with respect to the distribution of the 41 Yellow Wood Net Proceeds. Pursuant to the Stay Extension and Distribution Order, the funds are to be distributed to the Applicants.
45. However, with the Applicants are in default of the DIP Loan, the DIP Lender is of the position that any use of the proceeds from the sale of the residential properties shall only be permitted with the advance consent of the DIP Lender.
46. In the event the 41 Yellow Wood Net Proceeds are made available to the Applicants, disbursements would primarily consist of expenses already incurred including construction expenses related to the completion and closing of 70 Silver Birch and 41 Yellow Wood, and professional fees related to the Applicants' restructuring process.

#### **BINDING OFFER**

47. On September 10, 2025, the Applicants received a binding offer from a private company wholly owned by the private investor ("**Potential Purchaser**") proposing to acquire all or substantially all assets and undertakings of the Companies through an asset purchase agreement. Through the Binding Offer, the Potential Purchaser aims to continue the Hussey family legacy, with Greg Hussey remaining actively involved to ensure operational continuity and the preservation of expertise with respect to residential home development.
48. According to the Binding Offer, the transaction is not conditional on financing or other corporate authorizations, as funds are readily available to close a transaction. Conditions of the Binding Offer include:
  - a. satisfactory completion of due diligence procedures, including real estate appraisals, environmental assessments, review of financials and other relevant documentation;
  - b. release of all personal guarantees and directors' liabilities related to the Applicants' debts;
  - c. confirmation there are no change of control prohibitions in material contracts, with necessary consents obtained; and

- d. approval of the Court through the granting of an approval and vesting order to allow for the transfer of the Companies' assets free and clear from all liens and encumbrances.
49. On September 13, 2025, following discussions between the Applicants, DIP Lender, Monitor, and Potential Investor, the Potential Investor revised the Binding Offer to increase the purchase price offered for certain of the Applicants' assets and undertakings and to include a meaningful deposit to be held in trust by the Monitor that is refundable if an asset purchase agreement is not approved by the Court or the conditions to closing in favour of the Potential Investor are not satisfied or waived.
  50. The Monitor continues to review the Binding Offer, including the purchase price offered as compared to the estimated realizable value of the Applicants' assets which includes real property, intangible assets such as the shares of 81502 NL and various contracts, and miscellaneous and contingent receivables. Discussions continue with the DIP Lender, being the primary secured creditor regarding the Binding Offer.

#### THE INTERLOCUTORY APPLICATION

51. On August 28, 2025, Patrick Holdings made an interlocutory application (the "**Interlocutory Application**") under these CCAA proceedings requesting the Court to grant an order to lift the Stay of Proceedings concerning property owned by Patrick Holdings, described as parcels B, C and D located on Ladysmith Drive, St. John's NL (the "**Expropriated Properties**"), which is subject to a notice of expropriation as issued by the Minister of the Department of Transportation and Infrastructure of the Government of Newfoundland and Labrador (collectively, the "**NL Government**") on June 10, 2024 (the "**Notice of Expropriation**").
52. As detailed within the Interlocutory Application, the Monitor understands the following:
  - a. on April 11, 2022, a contract was executed by Patrick Holdings and Karwood Contracting whereby Karwood Contracting was to market and build residential houses prior to purchasing various land parcels, including the Expropriated Properties, from Patrick Holdings;
  - b. on January 30, 2024, Karwood Contracting registered a Lis Pendens with the Registry of Deeds for the Province of NL, with respect to the Expropriated Properties;
  - c. on February 7, 2024, Karwood Contracting commenced legal action against Patrick Holdings and the NL Government, filing a statement of claim with respect to its right to develop the Expropriated Properties;
  - d. on March 22, 2024, Patrick Holdings filed a defence and counterclaim against Karwood Contracting;

- e. on April 10, 2024, Karwood Contracting filed a defence to Patrick Holdings' counterclaim;  
and
  - f. on August 16, 2024, the NL Government filed a defence to Karwood Contracting's statement of claim.
53. The Monitor understands that as at June 10, 2024, the date the Notice of Expropriation was issued, Karwood Contracting had partially erected a residential house on parcel C, which according to the Companies' management, was weather-tight and estimated to be over 50% complete.
54. The Monitor also understands that within the Binding Offer, the Private Investor is proposing to acquire all or substantially all assets and undertakings of the Applicants, including Karwood Contracting's rights under the contract executed with Patrick Holdings to develop the Expropriated Properties. The Monitor is not currently aware how the removal of this asset would impact the Binding Offer and the Applicants' plan to restructure its operations.

#### **MONITOR CONSIDERATIONS**

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

All of which is submitted to this Court on this 15<sup>th</sup> day of September 2025.

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

Per:



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

Karwood Contracting Ltd., Karwood Ontario Ltd., Karwood Engineering Inc., and Karwood Design Group Ltd. (collectively, the "Applicants" or "Karwood") Variance Report to the Second Cash Flow Forecast						
Weeks 21 - 31 Ending September 5, 2025		Notes	Forecast	Actual	Variance	Variance %
<b>Receipts</b>						
Six (6) Residential Properties						
Sale of homes - Karwood Contracting	1		690,223	431,992	(258,232)	-37%
Mechanic Lien holdback release	2		55,004	-	(55,004)	-100%
Other Corporate Receipts						
Misc. Receivables Karwood Ontario						
Deposits receivable	3		213,066	-	(213,066)	-100%
Accounts receivable			292,162	-	(292,162)	-100%
Misc. Receivables Karwood Contracting						
Sale of assets owned by 81502 NL Ltd.	4		200,000	-	(200,000)	-100%
Deposits receivable	3		92,500	-	(92,500)	-100%
Misc receivable			78,279	51,726	(26,553)	-34%
<b>Total Receipts</b>			<b>1,621,234</b>	<b>483,717</b>	<b>(1,137,517)</b>	<b>-70%</b>
<b>Disbursements</b>						
<b>Operational</b>						
Critical supplier payments			-	-	-	0%
Home construction costs	5		179,454	113,515	65,939	37%
Construction payroll expenses	6		87,383	135,383	(48,000)	-55%
Vehicle expenses			19,856	8,256	11,600	58%
Municipal taxes and insurance			17,066	18,215	(1,149)	-7%
<b>Karwood corporate costs</b>						
Overhead payroll expenses			89,990	69,168	20,822	23%
Banking fees and related charges			1,100	780	320	-100%
Office and admin expenses			26,261	16,307	9,954	38%
HST payable (refund)	7		41,682	-	41,682	100%
<b>Restructuring &amp; Legal</b>						
Monitor and Monitor's Counsel fees			198,187	135,247	62,941	32%
Company Counsel Fees	8		120,613	56,976	63,637	53%
Project manager fees			40,000	11,500	28,500	71%
Corporate legal costs			40,000	-	40,000	100%
<b>Debtor in Possession Financing</b>						
DIP professional fees			-	-	-	0%
DIP interest and fees			-	-	-	0%
DIP repayment	9		500,000	-	500,000	100%
<b>Total Disbursements</b>			<b>1,361,593</b>	<b>565,348</b>	<b>796,245</b>	<b>58%</b>
<b>Opening Cash</b>			<b>82,776</b>	<b>82,776</b>	<b>-</b>	<b>0%</b>
<b>Net Cash Flow</b>			<b>259,641</b>	<b>(81,630)</b>	<b>(341,272)</b>	<b>-131%</b>
<b>Closing Cash</b>			<b>342,418</b>	<b>1,146</b>	<b>(341,272)</b>	<b>-100%</b>

**Notes:**

- The unfavourable variance in proceeds from the Sale of Homes - Karwood Contracting relates to the closing of 41 Yellow Wood, the final of six (6) residential homes completed by Karwood during the CCAA proceedings. The variance is expected to be timing in nature as the Monitor holds the net proceeds of sale in trust.
- The unfavourable variance in the release of the Mechanic's Lien holdbacks is expected to be primarily a permanent variance. The Monitor continues to hold the Mechanic's Lien funds in trust pursuant to the an Order granted by the Court on June 30, 2025.
- The unfavorable variance in Karwood's Receivables is primarily due to the lack of collection of warranty deposits from the Town of Paradise, NL and Tarion Warranty Corporation in Ontario. Karwood's counsel have sent multiple demand letters in attempt to collect these balances however collection may require legal action as they appear to be contingent in nature.
- The unfavourable variance in Sale of assets owned by 81502 NL Ltd. relates to Karwood's head office building located at 1108 Kenmount Rd., Paradise, NL. Karwood Contracting owns the shares of 81502 NL Ltd., and any benefit to the Applicants will depend on the sale proceeds as compared to mortgage debt owing by 81502 NL Ltd. Karwood management continues its efforts to realize upon this asset, listing the units with the building separately as a condominium. Timing of the sale is
- The favorable variance in Home Construction Costs is expected to be timing in nature as the Karwood anticipates the payment of outstanding construction expenses related to the completion of 70 Silver Birch and 41 Yellow Wood over the coming weeks.
- The unfavorable variance in Construction Payroll expenses is offset by the miscellaneous receivable which relates to a payment from a related company for time worked by Karwood employees on other projects.
- The favourable variance in HST payable is expected to be partly timing and permanent in nature. Karwood management have calculated HST owing for the latest quarterly reporting period to be approximately \$11,000 which is anticipated to be paid over the coming weeks.
- The favourable variance in professional fees is expected to be timing in nature. Karwood management is expecting to pay professional fees in the coming weeks with the assumption the net proceeds from the sale of 41 Yellow Wood are made available.
- The favourable variance related to the DIP Repayment is expected to be partly timing in nature. Management is currently working with a potential investor to facilitate a transaction for Karwood's assets and undertakings to partially repay the DIP Loan.

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 OR ARRANGEMENT OF  
KARWOOD CONTRACTING LTD., KARWOOD ONTARIO LTD., KARWOOD ENGINEERING INC., AND  
KARWOOD DESIGN GROUP LTD.

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

The management of Karwood Contracting Ltd., Karwood Ontario Ltd., Karwood Engineering Inc., and Karwood Design Group Ltd. (collectively, the "Applicants") has developed the assumptions and prepared the attached consolidated statement of projected cash flow as of the 15<sup>th</sup> day of September 2025, for the period September 8, 2025 to October 3, 2025 (the "Cash Flow Forecast"). All such assumptions are disclosed in the notes to the Cash Flow Forecast.

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

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

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

Dated at Paradise, Newfoundland and Labrador, this 15<sup>th</sup> day of September, 2025.

  
\_\_\_\_\_  
Gregory Hussey, President

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

Karwood Contracting Ltd., Karwood Ontario Ltd.,  
Karwood Engineering Inc. & Karwood Design Group Ltd. (collectively, the "Applicants" or "Karwood")  
Projected Cash Flow for the period week ending September 12th, 2025 to October 3rd 2025

Week Ending	Notes	Actuals	12-Sep-25	19-Sep-25	26-Sep-25	3-Oct-25	Weeks 1-35
Week		Weeks 1 - 31	Week 32	Week 33	Week 34	Week 35	Total
<b>Receipts</b>							
<b>6 Properties</b>							
DIP Financing		750,000	-	-	-	-	750,000
Sale of homes - Karwood Contracting	1	753,737	-	258,337	-	-	1,012,074
Mechanic Lien holdback release		33,239	-	-	-	-	33,239
Released by Monitor from Trust closing proceeds		-	-	-	-	-	-
<b>Corporate Operations</b>							
Misc. Receivables Karwood Ontario		-	-	-	-	-	-
Deposits receivable		-	-	-	-	-	-
Accounts receivable		-	-	-	-	-	-
Misc. Receivables Karwood Contracting	2	-	-	-	-	-	-
Sale of assets owned by 81502 NL Ltd.		-	-	-	-	-	-
Deposits receivable		57,500	-	-	-	-	57,500
Misc. receivable		86,033	-	-	-	3,450	89,483
Sale of company owned assets		-	-	-	-	-	-
<b>Total Receipts</b>		<b>1,680,508</b>	<b>-</b>	<b>258,337</b>	<b>-</b>	<b>3,450</b>	<b>1,942,296</b>
<b>Disbursements</b>							
<b>Operational</b>							
Critical supplier payments	3	76,481	-	-	-	-	76,481
Home construction costs	4	409,001	-	65,555	-	-	474,556
Construction payroll expenses		351,150	-	-	-	-	351,150
Home closing costs		-	-	-	-	-	-
Home inspection / appraisal fees		2,444	-	-	-	-	2,444
Vehicle expenses		43,697	-	5,592	-	-	49,288
Municipal taxes and insurance		43,936	-	1,857	-	-	45,793
<b>Karwood corporate costs</b>							
Overhead payroll expenses	5	251,847	213	10,222	-	-	262,283
Banking fees and related charges		4,687	-	-	-	-	4,687
Office and admin expenses	6	63,976	-	13,962	-	-	77,938
HST payable / (refund)	7	6,874	-	10,967	-	946	18,787
<b>Restructuring &amp; Legal</b>							
Monitor and Monitor's Counsel fees		247,906	-	60,612	-	-	308,518
Company Counsel Fees	8	132,088	-	77,371	-	-	209,460
Project manager fees		25,762	-	-	-	-	25,762
Corporate legal costs		8,263	-	-	-	-	8,263
<b>Debtor in Possession Financing</b>							
DIP professional fees		-	-	-	-	-	-
DIP interest and fees		11,250	-	-	-	-	11,250
DIP repayment		-	-	-	-	-	-
<b>Total Disbursements</b>		<b>1,679,362</b>	<b>213</b>	<b>246,137</b>	<b>-</b>	<b>946</b>	<b>1,926,658</b>
<b>Opening Cash</b>		<b>-</b>	<b>1,146</b>	<b>933</b>	<b>13,133</b>	<b>13,133</b>	<b>-</b>
<b>Net Cash Flow</b>		<b>1,146</b>	<b>(213)</b>	<b>12,200</b>	<b>-</b>	<b>2,504</b>	<b>15,636</b>
<b>Closing Cash</b>		<b>1,146</b>	<b>933</b>	<b>13,133</b>	<b>13,133</b>	<b>15,636</b>	<b>15,636</b>
<b>Restricted Cash held by Monitor</b>							
<b>Opening funds held by Monitor</b>	9	320,002	387,038	258,337	-	-	-
Sale proceeds collected by Monitor		935,105	-	-	-	-	935,105
Sale proceeds released by Monitor to Karwood		(431,992)	-	(258,337)	-	-	(690,329)
Distribution to secured creditor(s)		(436,077)	(128,701)	-	-	-	(564,778)
<b>Closing funds held by Monitor</b>		<b>387,038</b>	<b>258,337</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Mechanics lien funds held by Monitor</b>							
<b>Opening funds held by Monitor</b>	10	-	198,867	198,867	198,867	198,867	-
Mechanic lien holdback funds collected by Monitor		232,106	-	-	-	-	232,106
Mechanic lien holdback funds released by Monitor to Karwood		(33,239)	-	-	-	-	(33,239)
<b>Mechanic lien funds held by Monitor</b>		<b>198,867</b>	<b>198,867</b>	<b>198,867</b>	<b>198,867</b>	<b>198,867</b>	<b>198,867</b>

**Notes:**

- The Sale of Homes - Karwood Contracting inflows relate to the closing of 41 Yellow Wood, the final of six (6) residential homes completed by Karwood during the CCAA proceedings. The Monitor currently holds the net proceeds of sale in trust.
- Karwood management continues to pursue collection of Miscellaneous Receivables. Karwood's counsel have sent multiple demand letters in attempt to collect these balances however collection may require legal action as they appear to be contingent in nature.
- Karwood disbursements primarily consist of expenses already incurred including construction expenses related to the completion and closing of 70 Silver Birch and 41 Yellow Wood, and professional fees related to the Applicants' restructuring process. With construction of the residential properties complete and no further construction projects planned, management have taken steps to significantly reduce operational expenses going forward by transferring its construction activities, including employees, to a related party of the Applicants.
- Home Construction Costs related to subcontractor expenses incurred to complete the construction of 70 Silver Birch and 41 Yellow Wood.
- Payroll expenses consist of CRA remittances, payroll provider processing fees, employee benefits and net employee wages.
- Office expenses consist of rent and utilities for the NL office location, as well as office supplies, software licenses and mobile phone service expenses.
- Karwood management have calculated HST owing for the reporting period ended July 2025 and August 2025, owing as at month end August 2025 and September 2025, respectively.
- Professional fees incurred and outstanding by the Monitor, its counsel, and Karwood's counsel.
- Restricted Cash to be held by the Monitor pursuant to the terms of the DIP Term Sheet and released subject to the Distribution Orders granted by the Court on June 30, 2025.
- Mechanic's lien funds held by the Monitor pursuant to an Order granted by the Court on June 30, 2025.

As of September 15, 2025

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

Per:   
Greg Hússey  
President

Court File No. 2025 01G 0491

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

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

- AND -

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

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

The attached consolidated statement of projected cash-flow of Karwood Contracting Ltd., Karwood Ontario Ltd., Karwood Engineering Inc., and Karwood Design Group Ltd. (collectively, the "Applicants"), as of the 15<sup>th</sup> day of September, 2025, consisting of a weekly projected cash flow statement for the period September 8, 2025 to October 3, 2025 (the "Cash Flow Forecast") has been prepared by the management of the Applicants for the purpose described in the Cash Flow Forecast, using probable and hypothetical assumptions as set out in the notes to the Cash Flow Forecast.

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

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

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

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

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

Dated at Halifax, Nova Scotia this 15<sup>th</sup> day of September, 2025.

**BDO CANADA LIMITED**

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

Per:

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*