



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 “**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 (“**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 undervalued 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



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

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

Appendix A

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,

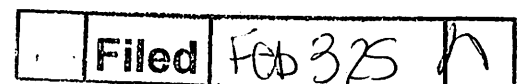
ON HEARING the submissions of counsel for the Companies and such other counsel as were present, no one else appearing for any party although duly served as outlined in the affidavit of service.

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.

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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

E-MAILED
12/Feb/25
MSL

O'KEEFE & SULLIVAN

BY COURIER AND EMAIL

Supreme Court of Newfoundland and Labrador
233 Duckworth St.
St. John's, NL
Attn: Mr. Justice MacDonald
Email: AnettePower@supreme.court.nl.ca

To the Service List attached hereto as **Schedule "A"**

12 February 2025

To the Registry:

2025 01G 0491

**Re: Karwood Contracting Ltd., Karwood Engineering Inc., Karwood Ontario Ltd.,
Karwood Design Group Inc. (the "Karwood Group")**

This letter is to advise that at tomorrow's hearing we will be seeking an extension to the stay of proceedings for a period of not more than ten (10) days to allow the Companies and the Bank of Montreal to finalize discussions concerning a proposed debtor in possession financing.

Thank you,



DARREN D. O'KEEFE
dokeefe@okeefesullivan.com

**KARWOOD CONTRACTING LTD. AND KARWOOD ENGINEERING INC. AND KARWOOD
ONTARIO LTD. AND KARWOOD DESIGN GROUP LTD.**

**SCHEDULE "A"
MASTER SERVICE
LIST**

<p>O'KEEFE & SULLIVAN LAWYERS 80 Elizabeth Ave Suite 202 St. John's, N.L., A1A 1W7</p> <p>Darren O'Keefe dokeefe@okeefesullivan.com Tel: 709.700.0911</p> <p>Joshua L. Hancott jhancott@okeefesullivan.com</p> <p>80 Elizabeth Ave Suite 202 St. John's, N.L., A1A 1W7</p> <p>Counsel for the Applicants</p>	<p>BOYNE CLARKE LAWYERS 99 Wyse Road, Suite 600 P.O. Box 876, Dartmouth Main Dartmouth, NS B2Y 3Z5 JSantimaw@boyneclarke.ca Joshua J. Santimaw</p> <p>Counsel for the Monitor</p> <p>BDO Canada Limited 300 Kenmount Rd #200, St. John's, NL A1B 3R2</p> <p>Email: nejones@bdo.ca</p> <p>The Proposed Monitor</p>
<p>ROYAL BANK OF CANADA 1871 Hollis Street, 7th Floor Halifax, NS B3J 1M7</p> <p>David Savoie 902-421-4905 David.Savoie@rbc.com</p>	<p>AXIOM LEASING INC. 4 Robert Speck Pkwy 15th Floor, Mississauga, ON L4Z 1S1</p>
<p>MOSKOWITZ CAPITAL MORTGAGE FUND II INC.</p> <p>Stewart McKelvey Suite 1100, Cabot Place 100 New Gower St. St. John's, N.L. A1C 6K3 Tel 709.570.8851 Fax 709.722.4565</p> <p>Stephen Winter swinter@stewartmckelvey.com</p> <p>Joe Thorne</p>	<p>BANK OF MONTREAL 31 Water Street St. John's NL A1C 1A9 Canada Raffael Di Genova Raffael.digenova@bmo.com</p> <p>Cox & Palmer Scotia Centre, 235 Water St suite 1100, St. John's, NL A1C 1B6</p> <p>Josh McElman jmcelman@coxandpalmer.com</p>

<p>joethorne@stewartmckelvey.com</p>	<p>Allison Philpott aphilpott@coxandpalmer.com Counsel for the Bank of Montreal</p>
<p>ROYAL BANK OF CANADA 7101 Pare Avenue, 5th Floor Montreal QC H3N 1X9 Canada</p>	<p>CANADA REVENUE AGENCY Shawinigan – Sud National Verification Collections Centre 4695 Shawinigan- Sud Boulevard Shawinigan QC G9P 5H9 Atlantic Canada AGC-PGC.Atlantic-Tax-Fiscal@justice.gc.ca</p>
<p>DEPARTMENT OF FINANCE Dept of Digital Government and Service NL 2nd Floor, West Block, P.O. Box 8700 St. John's, NL A1B 4J6 Tel 709-729-2981 Fax 709-729-2091 collections@gov.nl.ca</p>	<p>Boreal Atlantic Ltd. 239 Main Street Milltown NL Canada A0H 1W0 Aaron Watkins</p>
<p>WORKPLACE NL PO Box 9000 St. John's, NL A1A 3B8 Jennifer Langdon jennifer.langdon@workplacnl.ca</p>	<p>STEELCASE FINANCIAL SERVICES LTD. 200 King Street west Suite 2400 Toronto ON M5H 3T4</p>
<p>FORD CREDIT CANADA LEASING, DIVISION OF CANADIAN ROAD LEASING COMPANY PO Box 2400 Edmonton AB T5J 5C7 Canada ON L4S 0C8</p>	<p>LIBRO CREDIT UNION LTD. 217 York Street London, Ontario N6A 5P9</p>

BMW CANADA INC. 50 Ultimate Drive, Richmond Hill ,ON L4S 0C8	RANDY ORAM TAMMY ORAM 14 Old Topsail Hill CBS, NL, A1W 5W6 Canada
DEPARTMENT OF JUSTICE CANADA CRA Suite 1400, Duke Tower 5251 Duke Street Halifax NS B3J 1P3 Tel: 782-409-0068 Deanna Frappier, K.C. Deanna.Frappier@justice.gc.ca Caitlin Ward caitlin.ward@justice.gc.ca	

Email List

dokeefe@okeefesullivan.com; JSantimaw@boyneclarke.ca; Allan.MacDonald@ca.gt.com ;
David.Savoie@rbc.com; nejones@bdo.ca ; swinter@stewartmckelvey.com ;
joethorne@stewartmckelvey.com; Raffael.digenova@bmo.com; jmcelman@coxandpalmer.com
;AGC-PGC.Atlantic-Tax-Fiscal@justice.gc.ca ; collections@gov.nl.ca ;
jennifer.langdon@workplaceni.ca; Deanna.Frappier@justice.gc.ca

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

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



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)**

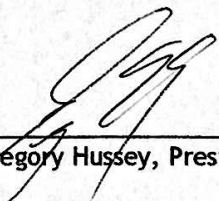
The management of Karwood Contracting Ltd., Karwood Ontario Ltd., Karwood Engineering Inc., and Karwood Design Group Ltd. (collectively, the "Applicants") has developed the assumptions and prepared the attached consolidated statement of projected cash flow as of the 19th day of February, 2025, for the period February 3, 2025 to August 1, 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 19th day of February, 2025.



Gregory Hussey, President

Karwood Contracting Ltd., Karwood Ontario Ltd.,
Karwood Engineering Inc. & Karwood Design Group Ltd. (collectively, the "Applicants" or "Karwood")
Statement of Projected Cash Flow for the period week ending February 7, 2025 to August 1, 2025

Week Ending	Notes	7-Feb-25	14-Feb-25	21-Feb-25	28-Feb-25	7-Mar-25	14-Mar-25	21-Mar-25	28-Mar-25	4-Apr-25	11-Apr-25	18-Apr-25	25-Apr-25	2-May-25	Weeks 1-13
Week		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Total
Receipts															
Operating Receipts															
D/P Financing		-	-	-	760,000	-	-	-	-	-	-	-	-	-	760,000
Sale of homes - Karwood Contracting	1	-	-	-	-	-	166,080	-	-	-	-	-	-	-	166,080
Mechanic Lien holdback releases	2	-	-	-	-	-	-	-	-	33,767	166,313	-	-	-	199,080
Released by Monitor from Trust closing proceeds		-	-	-	-	-	-	-	-	-	-	-	-	-	37,937
Company Receipts															
U.S. Receivables Karwood Ontario		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits receivable	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-
U.S. Receivables Karwood Contracting		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of assets owned by 81002 NL Ltd	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits receivable	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts		-	-	-	760,000	-	166,080	-	-	33,767	166,313	-	-	-	1,140,160
Disbursements															
Operational															
Critical supplier payments		-	-	-	41,893	3,910	11,116	15,891	-	-	-	-	-	-	72,809
Home construction costs		-	-	-	15,168	41,632	36,192	48,098	26,367	33,430	36,324	26,762	21,321	26,647	312,691
Construction payroll expenses	7	-	-	-	43,659	20,633	2,827	20,033	-	20,633	-	22,960	-	-	111,115
Home closing costs	8	-	-	-	-	21,620	-	-	-	22,424	-	-	-	-	44,044
Home inspection / appraisal fees		-	-	-	3,105	-	-	-	-	-	-	-	-	-	3,105
Vehicle expenses		-	-	-	7,669	1,881	1,160	3,828	2,009	2,782	1,160	3,909	2,009	2,782	28,999
Municipal taxes and insurance		-	-	-	6,218	417	833	7,076	-	-	-	7,908	-	-	22,261
Karwood corporate costs		-	-	-	34,261	19,278	-	16,207	-	19,276	-	16,207	-	19,276	124,454
Overhead payroll expenses		-	-	-	-	900	-	-	-	900	-	-	-	900	2,700
Banking fees and related charges		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office and admin expenses	9	-	-	-	10,668	6,981	666	945	1,630	6,781	400	1,211	660	6,981	38,333
HST payable (refund)		-	-	-	-	-	-	-	(23,767)	-	-	-	(9,726)	-	(33,493)
Restructuring & Legal															
Monitor and Monitor's Counsel fees		-	-	-	60,000	25,000	-	-	36,000	-	-	-	-	36,000	145,000
Company Counsel Fees		-	-	-	60,000	25,000	-	-	25,000	-	-	-	-	25,000	125,000
Project manager fees		-	-	-	10,000	10,000	-	-	10,000	-	-	-	-	10,000	40,000
Corporate legal costs		-	-	-	10,000	-	-	-	10,000	-	-	-	-	10,000	30,000
Debtor In Possession Financing															
D/P professional fees		-	-	-	-	-	-	-	-	-	8,933	-	-	-	8,933
D/P interest and fees		-	-	-	11,260	-	-	-	-	-	-	-	-	-	11,260
D/P repayment		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements		-	-	-	232,638	179,530	64,254	112,526	80,139	106,623	46,218	78,876	34,264	76,376	482,687
Opening Cash		-	-	-	-	467,307	280,577	411,463	236,657	218,617	151,861	291,746	212,770	119,616	1,918,616
Net Cash Flow		-	-	-	467,307	(176,830)	(130,806)	(142,526)	(80,139)	(63,936)	(140,956)	(79,979)	(84,254)	(76,376)	(42,138)
Closing Cash		-	-	-	467,307	280,577	411,463	236,657	219,617	151,861	291,746	212,770	119,616	42,138	1,876,478
Restricted Cash held by Monitor															
Opening funds held by Monitor		-	-	-	-	-	341,474	-	-	-	343,786	-	-	-	685,260
Sale proceeds collected by Monitor		-	-	-	-	-	-	-	-	343,786	-	-	-	-	343,786
Released by Monitor to Karwood		-	-	-	-	341,474	-	-	-	-	-	-	-	-	341,474
Distribution to secured creditor(s)		-	-	-	-	-	(165,000)	-	-	-	(166,473)	-	-	-	(331,473)
Closing funds held by Monitor		-	-	-	-	341,474	-	-	-	343,786	-	-	-	-	685,260

Kanwood Contracting Ltd., Kanwood Ontario Ltd.,
 Kanwood Engineering Inc. & Kanwood Design Group Ltd. (collectively, the "Applicants" or "Kanwood")
 Statement of Projected Cash Flow for the period week ending February 7, 2026 to August 1, 2026

Week Ending	9-May-25	16-May-25	23-May-25	30-May-25	6-Jun-25	13-Jun-25	20-Jun-25	27-Jun-25	4-Jul-25	11-Jul-25	18-Jul-25	25-Jul-25	1-Aug-25	Weeks 1-26	Weeks 1-26
Week	Week 14	Week 15	Week 16	Week 17	Week 18	Week 19	Week 20	Week 21	Week 22	Week 23	Week 24	Week 25	Week 26	Total	Total
Receipts															
Operating Receipts															
DIP Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	750,000
Sale of homes - Kanwood Contracting	-	-	-	-	198,891	103,092	127,443	270,890	-	-	-	-	-	799,316	1,105,489
Mechanics Lien holdback release	39,763	-	-	-	-	-	-	38,422	-	-	-	-	-	102,285	232,042
Released by Monitor from Trust closing proceeds	-	-	-	-	-	-	-	-	-	38,857	29,073	45,379	-	-	-
Other Receipts															
Misc. Receivables Kanwood Ontario	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits receivable	-	-	-	-	-	-	200,000	-	-	-	-	-	-	200,000	200,000
Accounts receivable	-	-	-	-	-	120,148	-	-	-	-	-	-	-	120,148	120,148
Misc. Receivables Kanwood Contracting	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of assets owned by B 1502 NL Ltd.	200,000	-	-	-	-	-	-	-	-	-	250,000	-	-	450,000	450,000
Deposits receivable	45,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	-	-	165,000	165,000
Total Receipts	284,763	15,000	15,000	15,000	211,891	206,092	282,681	625,112	15,000	63,857	234,073	45,379	-	1,942,818	2,102,678
Disbursements															
Operational															
Critical supplier payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	72,899
Home construction costs	22,765	19,692	44,260	59,775	28,135	6,289	-	-	-	-	-	-	-	170,896	462,890
Construction payroll expenses	-	22,890	-	20,033	-	6,289	-	-	-	-	-	-	-	49,898	201,289
Home closing costs	-	-	-	-	21,478	19,782	3,000	-	-	-	-	-	-	62,260	100,763
Home inspection / appraisal fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,165
Vehicle expenses	1,160	1,100	3,028	3,110	1,681	1,160	3,028	2,009	3,162	1,160	3,028	2,009	2,782	31,187	60,969
Municipal taxes and insurance	-	833	7,075	-	417	-	7,936	-	417	-	7,936	-	417	14,974	47,688
Kanwood corporate costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overhead payroll expense	-	16,207	-	16,207	3,069	16,247	2,927	22,540	3,039	22,540	2,927	22,640	3,069	101,141	254,695
Banking fees and related charges	-	-	-	-	800	-	-	800	-	-	-	-	800	2,700	5,400
Office and admin expenses	695	2,861	-	1,630	6,691	400	1,211	1,630	6,617	400	1,211	680	7,131	31,208	66,544
HST payable (refund)	-	-	-	9,655	-	-	463	-	-	-	-	120,893	-	130,972	130,972
Kanwood Restructuring & Legal	-	-	-	35,000	-	-	-	35,000	-	-	-	-	35,000	105,000	250,000
Monitor and Monitor's Counsel fees	-	-	-	25,000	-	-	-	25,000	-	-	-	-	25,000	75,000	300,000
Company Counsel Fees	-	-	-	10,000	-	-	-	10,000	-	-	-	-	10,000	30,000	70,000
Project manager fees	-	-	-	10,000	-	-	-	10,000	-	-	-	-	10,000	30,000	80,000
Corporate legal costs	-	-	-	10,000	-	-	-	10,000	-	-	-	-	10,000	30,000	80,000
Debtors In Possession Financing	-	8,333	-	-	-	-	-	-	8,333	-	8,333	8,333	8,333	41,667	60,000
DIP professional fees	-	-	-	-	-	-	-	-	-	-	-	-	-	43,274	64,224
DIP interest and fees	-	-	-	-	-	-	-	-	-	-	-	-	-	737,000	760,000
DIP repayment	-	-	-	-	-	-	69,240	416,570	-	-	21,789	249,421	-	757,020	1,000,000
Total Disbursements	24,602	72,008	55,288	111,338	63,342	46,171	18,974	168,782	441,356	24,100	45,476	493,906	65,907	1,716,625	2,036,646
Opening Cash	42,150	292,260	245,224	221,671	8,592	157,101	219,022	650,270	616,570	492,212	621,769	770,336	931,639	2,000,000	2,000,000
Net Cash Flow	260,182	67,195	(40,288)	(65,388)	149,549	159,924	244,216	386,328	(225,356)	396,577	249,593	(48,527)	85,907	1,800,000	(1,035,458)
Closing Cash	302,232	245,224	204,936	156,583	157,101	319,022	660,240	1,046,598	791,214	621,769	770,336	721,809	817,546	2,000,000	200,000
Restricted Cash held by Monitor															
Opening funds held by Monitor	-	-	-	-	340,649	333,781	251,916	391,325	0	0	0	0	0	-	2,000,000
Sets proceeds collected by Monitor	-	-	-	340,649	333,781	251,916	391,325	-	-	-	-	-	-	1,317,601	2,000,000
Released by Monitor to Kanwood	-	-	-	-	(196,961)	(490,089)	(127,443)	(270,690)	-	-	-	-	-	(865,089)	(1,035,458)
Distribution to secured creditor(s)	-	-	-	-	(143,288)	(143,639)	(124,503)	(120,635)	-	-	-	-	0	(232,655)	(477,375)
Closing funds held by Monitor	-	-	-	340,649	333,781	251,916	391,325	0	0	0	0	0	0	2,000,000	2,000,000


Notes:

- 1 Karwood Contracting Ltd. homes are at various stages of construction with 55 Silverbirch being 100% complete, while other homes are at varying stages of completion.
- 2 Mechanic lien holdbacks are typically released 30 days after closing upon confirmation, via a lien search, that no liens have been filed on the property in question.
- 3 Karwood Ontario has approximately \$520,000 in deposits receivable from Terlan Builders warranty program, held for two (2) years post close of home completion and sale closing. Management estimates there are liens against the receivable for approximately \$175,000, and estimates the collection of the remainder over time.
- 4 Collection of outstanding accounts receivable related to design work completed by Karwood Design Group Ltd. in conjunction with Doug Terry Homes for a YMCA project.
- 5
- 6 Estimate of equity remaining in 81602 Newfoundland and Labrador Ltd. following sale of 1108 Kennmount Rd. office building and gym equipment, and after payment of the mortgage debt outstanding to Mockovitz Capital. Karwood Contracting Ltd. owns 100% of the shares of 81602 Newfoundland and Labrador Ltd.
- 7
- 8 Karwood Contracting Ltd. deposit collections relate to security deposits held by the Town of Paradise, NL. Deposits are released on request upon confirmation that occupancy deficiencies / seasonal items are completed. The total estimated deposit receivable with the Town is approximately \$400,000.
- 9 Payroll expenses consist of CRA, remittances, payroll provider processing fees, employee benefits and net employee wages.
- 10 Home closing costs consist of real estate legal and disbursement fees, municipal taxes, utilities and realtor commissions.
- 11 Office expenses consist of rent and utilities for the NL office location, as well as office supplies, software licenses and mobile phone service expenses.
- 12 Recaptured Cash held by the Monitor pursuant to the terms of the DIP Terms Sheet.

As of February 19, 2025

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

Per: _____
Greg Huesey
President



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 19th day of February, 2025, consisting of a weekly projected cash flow statement for the period February 3, 2025 to August 1, 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 19th 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". The signature is fluid and cursive, with the first name "Neil" being more prominent than the last name "Jones".

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