

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

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

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

AMENDED AND RESTATED INITIAL ORDER

Before the Honourable Justice A. MacDonald:

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

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

**SERVICE**

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

## APPLICATION

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

## PLAN OF ARRANGEMENT

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

## POSSESSION OF PROPERTY AND OPERATIONS

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

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

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

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

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

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

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

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

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

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

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



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

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

#### **EXEMPT PROPERTY**

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

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

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

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

#### **RESTRUCTURING**

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

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

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

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

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

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

#### **NO PROCEEDINGS AGAINST THE COMPANIES OR THE PROPERTY**

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

#### **NO EXERCISE OF RIGHTS OR REMEDIES**

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

#### **NO INTERFERENCE WITH RIGHTS**

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

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

### **CONTINUATION OF SERVICES**

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

### **NON-DEROGATION OF RIGHTS**

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

### **PROCEEDINGS AGAINST DIRECTORS AND OFFICERS**

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

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

#### **DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE**

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

#### **APPOINTMENT OF MONITOR**

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

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

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

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

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



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

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

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

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



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

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

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

#### **DIP FINANCING**

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

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

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



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

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

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

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

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

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

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

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

**VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

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

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

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

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

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

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

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

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

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

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

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

## SERVICE AND NOTICE

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

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

## GENERAL

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

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

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

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

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

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

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

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

this 20 day of Feb, 2025

SBolt

COURT  
OFFICER

## DEBTOR-IN-POSSESSION FINANCING TERM SHEET

This term sheet (“**DIP Term Sheet**”) sets out the terms and conditions upon which Bank of Montreal will provide debtor-in-possession financing to the DIP Loan Parties (as defined below) in consideration of the mutual covenants, terms and conditions set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged. It is recognized and agreed that the houses forming part of the Residential Project (as defined below) are under contract and the primary purpose of this DIP Term Sheet is to provide adequate financing so as to complete the Residential Project and to address the claims against the assets forming part thereof.

**Borrower:** Karwood Contracting Ltd. (“**Contracting**”) as principal borrower together with Karwood Engineering Inc., Karwood Ontario Ltd., and Karwood Group Design Ltd. (together the “**DIP Loan Parties**”).

**DIP Lender:** Bank of Montreal (the “**DIP Lender**”)

**Monitor:** BDO Canada Limited in its capacity as monitor (in such capacity, the “**Monitor**”) in connection with the DIP Loan Parties’ proceedings (the “**CCAA Proceedings**”) under the *Companies Creditors Arrangement Act* (Canada) (the “**CCAA**”).

**Type of DIP Loan:** Loan of up to a maximum amount of CDN \$750,000.00 (the “**DIP Loan**”), secured by way of the DIP Charge (defined herein) to be available to Contracting with the agreement of the Monitor subject to and in accordance with the terms herein.

**Availability:** Subject to the fulfillment of the applicable conditions precedent to the availability of the DIP Loan set out herein and the DIP Loan Parties’ adherence to the 26 week Cash-Flow Statement dated February 18, 2025, a copy of which is attached hereto as **Schedule “A”** (the “**Approved Cash Flows**”) being satisfactory to the DIP Lender, and provided that no Event of Default (as defined below) has occurred and is then continuing, advances of the DIP Loan shall be made by the DIP Lender to Contracting.

**Purpose, Use of Proceeds:** The proceeds of the DIP Loan will be used by Contracting to fund the cash flow requirements as set out in the Approved Cash Flow on a going concern basis provided that the same is, unless approved in writing by the DIP Lender and the Monitor, (i) in accordance with the Approved Cash Flows, and (ii) not on account of a liability that existed prior to the date of filing, other than as may be provided in the Approved Cash Flow, for these CCAA Proceedings (the “**Filing Date**”), including for avoidance of doubt but without limitation any unremitted statutory remittances existing as of the Filing Date. It is understood and agreed that the principle

use of the proceeds from the DIP Loan are for the purpose of Contracting completing the construction of the residential homes located at:

1. 55 Silver Birch Crescent
2. 59 Silver Birch Crescent
3. 61 Silver Birch Crescent
4. 63 Silver Birch Crescent
5. 70 Silver Birch Crescent
6. 41 Yellow Wood Drive

(collectively, the “Residential Project”)

**Closing Date:**

On or before 24<sup>th</sup> February 2025 unless otherwise agreed by the DIP Loan Parties and the DIP Lender (the “**Closing Date**”).

**Termination Date:**

The maturity of the DIP Loan (the “**Termination Date**”) shall be the earliest of:

- (a) 6 months following the Closing Date;
- (b) 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 Supreme Court of Newfoundland (the “**Court**”) and satisfactory to the DIP Lender (any of the foregoing being a “**Transaction**”);
- (c) 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
- (d) 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 herein).

All outstanding amounts under 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.

**Interest Rates:**

All amounts outstanding under the DIP Loan will bear interest at a rate of 13% per annum, on the daily balance outstanding under the DIP Loan.

Interest shall be due, owing, payable and repaid as the Termination Date without further notice, protest, demand or other act on the part of the DIP Lender.

**Commitment Fee**

Contracting shall pay to the DIP Lender a commitment fee equal to 1.5% (the "**Commitment Fee**") which may be added to the principal balance of the DIP Loan. The Commitment Fee is non-refundable and is fully earned and payable no later than the Closing Date.

**Repayment:**

Unless otherwise repaid as contemplated herein, the DIP Loan shall be due, owing, payable and repaid as the Termination Date without further notice, protest, demand or other act on the part of the DIP Lender.

**Cash Management and**

**Mandatory Payments:**

The DIP Loan shall be repaid from the net proceeds of any Transaction involving the DIP Loan Parties as provided in the Approved Cash Flow. It is acknowledged and agreed that the proceeds from the sale of homes in the Residential Project shall not be treated as general revenue available to Construction or any other DIP Loan Party for general operations but the use of such funds shall be restricted to being used as provided for in the Approved Cash Flow. The net proceeds shall be delivered to, and held in trust by, the Monitor on each sale who shall distribute in accordance with the Approved Cash Flow, including to Construction if so provided in the Approved Cash Flow, such that the sale of the homes can be completed in a cost-effective manner. Any use of the proceeds from the sale of the homes identified in the Approved Cash Flows for expenses related to the CCAA proceedings shall only be permitted with the advance consent of the DIP Lender which shall be granted provided Construction is in compliance with this DIP Term Sheet and the use will not cause Construction to be in breach of this DIP Term Sheet.

**Representations and Warranties:** The DIP Loan Parties represent and warrant to the DIP Lender as of the date hereof, and as of the date of each advance under the DIP Loan, that:

- (a) the DIP Loan Parties are duly organized, validly existing and in good standing under the laws of the

jurisdiction of their organization, have all requisite power to carry on business as now and formerly conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to constitute a material adverse effect, are qualified to do business in, and are in good standing in, every jurisdiction where such qualification is required;

- (b) the execution, delivery and performance, as applicable, of the DIP Term Sheet has been duly authorized by all actions, if any, required on the part and by the DIP Loan Parties' directors, and constitutes a legal, valid and binding obligation of the DIP Loan Parties enforceable against them in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, arrangement, winding-up, moratorium and other similar laws of general application that limit the enforcement of creditors' rights generally and to general equitable principles;
- (c) the Approved Cash Flows represent the DIP Loan Parties best estimate as at each applicable date of the likely results of the operations of the DIP Loan Parties during the period applicable thereto and, to the knowledge of the DIP Loan Parties, such results are achievable as provided therein; and
- (d) all employee wages and other amounts owing to employees are up-to-date and there are no amounts owing in respect of wages, termination pay, severance pay, vacation pay, pension benefit contributions or other benefits except those accruing in the normal course and in accordance with the established practices and arrangements of the DIP Loan Parties.

**Covenants:**

The DIP Loan Parties covenant and agree that:

- (a) the DIP Loan Parties shall pay all amounts and satisfy all obligations in respect of the DIP Loan, including the Commitment Fee;
- (b) the DIP Loan Parties shall not make or permit to be made any payment on account obligations owing as at the Filing Date, other than as may be provided in the Approved Cash Flow, without the prior consent of the Monitor and the DIP Lender;

- (c) the DIP Loan Parties shall not undertake any actions with respect to their respective assets, business operations and/or capital structure which would, in the sole determination of the DIP Lender, have a material adverse effect on the DIP Loan Parties or the Collateral (as defined below);
- (d) the DIP Loan Parties shall not incur any indebtedness, including the giving of guarantees, other than indebtedness specifically contemplated herein or permitted in writing by the DIP Lender;
- (e) the DIP Loan Parties shall not incur, create, assume or suffer to exist any lien, charge, security interest or other encumbrance on any of the Collateral now owned or hereafter acquired other than: (i) those encumbrances existing as of the Filing Date, (ii) permitted by the DIP Lender in its sole discretion, (iii) the DIP Charge, and (iv) the Administration Charge, to be granted by the Court;
- (f) the DIP Loan Parties shall not enter into any other credit facility or loan arrangements that would be secured in priority to or *pari passu* with the DIP Loan;
- (g) the DIP Loan Parties shall not enter into any Transaction without the prior written consent of the DIP Lender;
- (h) without the prior written consent of the DIP Lender, the DIP Loan Parties shall not: (i) declare or pay any dividends on, or make any other payments or distributions (whether by reduction of capital or otherwise) with respect to any of their respective issued and outstanding shares or other equity interests, or (ii) grant any loans, or (iii) pay or accept any amount from the DIP Loan as an inter-company payment between the DIP Loan Parties or to any related or affiliated company;
- (i) the DIP Loan Parties shall not sell any of their assets outside of the ordinary course of business without the prior written consent of the DIP Lender;
- (j) the DIP Loan Parties shall ensure that their senior management team and advisors are available to meet and respond to inquiries and information requests from the Monitor and the DIP Lender and their advisors as may be reasonably required, and in any event no less frequently than once every two

weeks, and to provide them with updates as may be required by the DIP Lender or the Monitor;

- (k) the DIP Loan Parties shall promptly pay all DIP Expenses (as defined below), including all legal and advisory fees and expenses, of the DIP Lender as such DIP Expenses are incurred and invoiced to the DIP Loan Parties;
- (l) the DIP Loan Parties shall pay the fees, if any, owing to the DIP Lender in connection with the DIP Loan (as set out herein or otherwise) promptly when such fees are due;
- (m) the DIP Loan Parties shall update the Approved Cash Flows and provide a copy thereof to the DIP Lender and the Monitor together with a comparison to the prior version for the DIP Lender's approval, it being understood that such updated Approved Cash Flows, if approved by the DIP Lender, become the Approved Cash Flows for purposes hereof; and
- (n) the DIP Loan Parties shall provide such other information that the DIP Lender may reasonably request in relation to the CCAA Proceedings, the Collateral, or the DIP Loan generally.

**Security:**

As continuing security (the "**DIP Security**") for the prompt payment of all amounts payable by the DIP Loan Parties to the DIP Lender under the DIP Term Sheet and as continuing security for the due and punctual performance by the DIP Loan Parties of their existing and future obligations pursuant to the DIP Term Sheet (the "**DIP Obligations**"), the DIP Loan Parties hereby grant, convey, assign, transfer, mortgage and charge as and by way of a fixed and specific security interest, mortgage and charge, to and in favour of the DIP Lender, all of their property, assets, rights and undertakings, real and personal, moveable or immovable, tangible and intangible, legal or equitable, of whatsoever nature and kind, wherever located, both present and future, and now or hereinafter owned or acquired (collectively, the "**Collateral**").

The DIP Security shall be elevated by way of a Court-ordered super-priority charge (the "**DIP Charge**") which DIP Charge shall rank in priority on the Collateral in priority to any security interests, claims, or deemed trusts (statutory or otherwise) but subordinate to the Administration Charge in relation to the Collateral as follows i) to a maximum of \$125,000.00 in and to the Collateral forming part of the Residential Project and ii) to a maximum

of \$125,000.00 in and to all other Collateral, without any other formality or requirement, such as without limitation registration or notice under the *Personal Property Security Act* (Newfoundland) or registrations in land registration office(s) or otherwise. For greater certainty, the DIP Charge shall rank in priority to any asserted, registered or claimed lien under the *Mechanics' Lien Act*, R.S.N.L. 1990 c. M-3, and the DIP Order (as defined below) shall specifically confirm such ranking.

**Events of Default:**

Each of the following shall constitute an “**Event of Default**”:

- (a) the DIP Loan Parties default in the payment of any amount due and payable to the DIP Lender (whether of principal, interest or otherwise) pursuant to this DIP Term Sheet;
- (b) any representations and warranties made by the DIP Loan Parties in the DIP Term Sheet proves to be incorrect as of the date given;
- (c) the DIP Loan Parties fail or neglect to observe or perform any term, covenant, condition or obligation contained or referred to in the DIP Term Sheet or any other document between the DIP Loan Parties and the DIP Lender;
- (d) the stay of proceedings expires without being extended or the CCAA Proceedings being dismissed or terminated or the DIP Loan Parties becoming subject to a proceeding in bankruptcy or receivership or similar insolvency proceeding;
- (e) the entry of an order staying, amending, reversing, vacation or otherwise modifying or having a material adverse effect with respect to the DIP Loan or the DIP Charge, in each case without the prior written consent of the DIP Lender;
- (f) the DIP Loan Parties undertake any actions with respect to their assets, business operations and/or capital structure which would, in the sole determination of the DIP Lender, has a material adverse effect on the DIP Loan Parties or the Collateral;
- (g) if the DIP Loan Parties make any payments of any kind not permitted by this DIP Term Sheet, or contemplated by the Approved Cash Flows;

- (h) the occurrence of any other event or circumstance that has, or could reasonably be expected to have, a material adverse effect on either of the DIP Loan Parties or on the Collateral, including a material adverse change from the Approved Cash Flow budget or negative variance of 10% in the weekly performance of the Companies against the Approved Cash Flow as determined by the DIP Lender in its sole discretion; and
- (i) if there is a change in the ownership, control, existing senior operating management arrangements or governance of the DIP Loan Parties that is not acceptable to the DIP Lender.

Upon the occurrence of an Event of Default, without any notice, protest, demand or other act on the part of the DIP Lender, all indebtedness of the DIP Loan Parties to the DIP Lender shall become immediately due and payable and the DIP Lender shall be able to take all steps necessary to enforce its security. The DIP Lender shall also have the right to exercise all other customary remedies, including, without limitation, the right to enforce and realize on any or all of the Collateral, in each case, upon providing two (2) days prior written notice to the DIP Loan Parties and the Monitor, without the necessity of obtaining further relief or an order from the Court.

**Conditions Precedent, to first advance:**

The conditions precedent to any advance being made under this DIP Term Sheet are:

- (a) the representations and warranties made by the DIP Loan Parties in this DIP Loan Term Sheet being true and correct as of the date given;
- (b) the issuance of a Court order in form and substance acceptable to the DIP Lender and its counsel which, inter alia, approves the DIP Loan and the DIP Term Sheet, creating the DIP Charge, and authorizing the payment by the DIP Loan of all of the fees and expenses in respect of the DIP Loan (the “**DIP Order**”), authorizes and approves the restriction on use of funds arising from the sale of the homes forming part of the Residential Project as set out herein and confirms that the DIP Loan Parties need not take any further step or corporate action for ratification of this DIP Term Sheet or the completion of the transactions contemplated herein such that no opinion on same shall be required;

- (c) there not being an outstanding appeal of the DIP Order; and
- (d) the DIP Lender having received independent report(s) on the status of the construction of the homes forming part of the Residential Project from Kirkland Appraisals & Consultants so that the DIP Lender may confirm that the cost to complete construction in relation to each home is as set out in Schedule "B" attached hereto; which for certainty shall be achieved if there is not a negative variance in excess of 10% in relation to any one home forming part of the Residential Project. If there is a negative variance related to the construction of a home, no construction shall proceed until the DIP Lender is satisfied in its sole discretion that completing the construction will not result in an adverse change to the Approved Cash Flow or otherwise jeopardize the completion of the construction of the balance of the Residential Project.

**Illegality:** In the event that it becomes illegal for the DIP Lender to lend or continue to lend, the DIP Lender will be repaid and/or the DIP Lender's commitment will be cancelled.


**Taxation:** All payments of principal, interest and fees will be made free and clear of all present and future taxes, levies, duties or other deductions of any nature whatsoever, levied either now or at any future time.

**Fees and Expenses:** The DIP Loan Parties shall pay all of the DIP Lender's out-of-pocket expenses (including the fees and expenses of its counsel and advisors), whether or not any of the transactions contemplated hereby are consummated and whether incurred prior to or after the date of the DIP Order, as well as all expenses of the DIP Lender in connection with the ongoing monitoring, interpretation, administration, protection and enforcement of the DIP Loan, and the enforcement of any and all of its remedies at law (collectively, the "**DIP Expenses**").

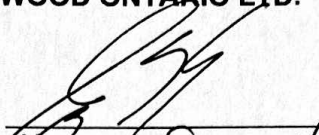
**Governing Law, Jurisdiction:** Laws of the Province of Newfoundland and the federal laws of Canada applicable in the Province of Newfoundland and Labrador. The DIP Loan Parties agree to submit to the non-exclusive jurisdiction of the courts of the Province of Newfoundland and Labrador.

**IN WITNESS HEREOF**, the parties hereby execute this DIP Term Sheet as of the date first written above.

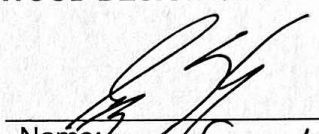
**KARWOOD CONTRACTING LTD.**

Per:   
Name: Greg Hussey  
Title: Director

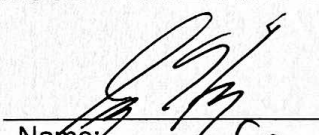
**KARWOOD ONTARIO LTD.**

Per:   
Name: Greg Hussey  
Title: Director

**KARWOOD DESIGN GROUP INC.**

Per:   
Name: Greg Hussey  
Title: Director

**KARWOOD ENGINEERING INC.**

Per:   
Name: Greg Hussey  
Title: Director

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**BANK OF MONTREAL**

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

**Schedule "A"**

**Cash Flow**

**See attached**



Karwood Contracting Ltd. / Karwood Ontario Ltd.  
Karwood Engineering Inc. & Karwood Design Group Ltd.  
13 Week Cash Flow Projection  
Week of Jan. 27, 2025 to Week of April 21, 2025

	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	Total		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	Total
	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		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		
15th/17th Town of Paradise - Municipal tax payment agreement 2025	-	-	-	-	-	-	1,857	-	-	-	1,857	-	-	3,713	-	-	1,857	-	-	-	-	1,857	-	-	-	1,857	-	-	5,570
17th Federated INS - Business & Builders Risk Insurance	-	-	-	5,218	-	-	5,218	-	-	-	5,218	-	-	15,654	-	-	5,218	-	-	-	-	5,218	-	-	-	5,218	-	-	15,654
? Karwood Contracting - Workers Compensation	-	-	-	-	-	833	-	-	-	-	833	-	-	1,666	-	833	-	-	-	-	-	833	-	-	-	833	-	-	2,499
? Karwood Engineering Workers Compensation	-	-	-	-	417	-	-	-	417	-	-	-	417	1,251	-	-	-	-	-	417	-	-	-	417	-	-	-	417	1,251
<b>Total</b>	-	-	-	5,218	417	833	7,075	-	417	-	7,908	-	417	22,284	-	833	7,075	-	417	-	7,908	-	417	-	7,908	-	417	24,974	





Karwood Contracting Ltd. / Karwood Ontario Ltd.  
Karwood Engineering Inc. & Karwood Design Group Ltd.  
13 Week Cash Flow Projection  
Week of Jan. 27, 2025 to Week of April 21, 2025

	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	Total		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	Total	
	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		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			
Annual	AHWP annual fee	-	-	-	230	-	-	-	-	-	-	-	-	230		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1st	81502 NL - Office rent	-	-	-	4,981	4,981	-	-	4,981	-	-	-	4,981	19,924		-	-	-	-	4,981	-	-	-	4,981	-	-	-	-	4,981	14,943
11th	NL Power - 1108 Kenmount Rd	-	-	-	400	-	400	-	-	400	-	-	-	1,200		-	400	-	-	-	400	-	-	-	400	-	-	-	-	1,200
1st	Builder Trend - Project management cloud system	-	-	-	1,270	1,270	-	-	1,270	-	-	-	-	3,810		-	1,270	-	-	1,270	-	-	-	1,270	-	-	-	-	1,270	5,080
quarterly?	Modern Business - Photocopier monthly usage charges	-	-	-	276	-	-	-	-	-	-	-	-	276		276	-	-	-	-	-	-	-	-	-	-	-	-	-	276
24th	Infotech - Google Email & cloud storage	-	-	-	650	-	-	650	-	-	-	650	-	1,950		-	-	650	-	-	-	-	650	-	-	-	650	-	-	1,950
17th	ACE Cloud Hosting - Accounting software	-	-	-	915	-	-	915	-	-	915	-	-	2,745		-	915	-	-	-	-	915	-	-	-	915	-	-	-	2,745
15th	De Lage Landen - Printer Lease	-	-	-	256	-	256	-	-	-	256	-	-	768		-	256	-	-	-	-	256	-	-	256	-	256	-	-	1,024
3rd	Bell - Office Phone & Internet	-	-	-	410	410	-	-	410	-	-	-	-	1,230		410	-	-	410	-	-	-	410	-	-	-	-	-	-	1,230
27th	Telus - Mobile Bills	-	-	-	880	-	-	880	-	-	-	-	880	2,640		-	-	-	880	-	-	-	880	-	-	-	-	-	-	2,640
	Pearl Springs - Water cooler	-	-	-	10	-	-	-	-	-	10	-	-	20		-	10	-	-	-	-	10	-	-	-	-	10	-	-	30
	Avalon Recycling - Office Recycling	-	-	-	30	-	-	30	-	-	30	-	-	90		-	30	-	-	-	-	30	-	-	-	30	-	-	-	90
half-year	Staples - Office supplies	-	-	-	-	-	-	-	100	-	-	-	-	100		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Annual	Godaddy - domain registration - annual fee	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Annual	Squarespace - website hosting - annual fee	-	-	-	350	-	-	-	-	-	-	-	-	350		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Total</b>	-	-	-	10,658	6,661	656	945	1,530	6,761	400	1,211	650	5,861	35,333	-	686	2,881	-	1,530	6,661	400	1,211	1,530	6,917	400	1,211	650	7,131	31,208

Karwood Contracting Ltd. / Karwood Ontario Ltd.  
Karwood Engineering Inc. & Karwood Design Group Ltd.  
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	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	Notes	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	
17th NL Auto Insurance	-	-	-	870	-	-	870	-	-	-	870	-	-	-	-	-	870	-	-	-	870	-	-	-	870	-	-	-	2,610
18th BMW Auto Insurance	-	-	-	388	-	-	388	-	-	-	388	-	-	1,164	-	-	388	-	-	-	388	-	-	-	388	-	-	-	1,164
18th ON Auto Insurance	-	-	-	761	-	-	761	-	-	-	761	-	-	2,283	-	-	761	-	-	-	761	-	-	-	761	-	-	-	2,283
1st week of tl Vehicle reimbursement - Bert Twyne	-	-	-	521	521	-	-	-	521	-	-	-	521	2,084	-	-	-	-	521	-	-	-	-	521	-	-	-	521	1,563
30th Ford Credit - 2022 Ford Truck	-	-	-	1,101	-	-	-	-	1,101	-	-	-	1,101	3,303	-	-	-	1,101	-	-	-	-	-	1,101	-	-	-	1,101	3,303
25th BMW Goup Finance - 2017 BMW X5	-	-	-	849	-	-	-	849	-	-	-	849	-	2,547	-	-	-	849	-	-	-	-	849	-	-	-	849	-	2,547
18th RBC Auto Loan - 2017 GMC	-	-	-	749	-	-	-	749	-	-	-	749	-	2,247	-	-	749	-	-	-	749	-	-	-	749	-	-	-	2,247
Annually Vehicle registrations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	370	-	-	-	-	370	
weekly Fuel	-	-	-	1,400	700	700	700	700	700	700	700	700	700	7,700	700	700	700	700	700	700	700	700	700	700	700	700	700	700	9,100
weekly Vehicle maintenance	-	-	-	920	460	460	460	460	460	460	460	460	460	5,060	460	460	460	460	460	460	460	460	460	460	460	460	460	460	5,980
<b>Total</b>	-	-	-	7,559	1,681	1,160	3,928	2,009	2,782	1,160	3,928	2,009	2,782	28,998	1,160	1,160	3,928	3,110	1,681	1,160	3,928	2,009	3,152	1,160	3,928	2,009	2,782	31,167	

Karwood Contracting Ltd. / Karwood Ontario Ltd.  
Karwood Engineering Inc. & Karwood Design Group Ltd.  
13 Week Cash Flow Projection  
Week of Jan. 27, 2025 to Week of April 21, 2025

	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	Total	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	Total
	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	Notes	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
End/1st of mont BMO Bank Charges	-	-	-	-	400	-	-	-	400	-	-	-	400	1,200	-	-	-	-	400	-	-	-	400	-	-	-	400	1,200
End/1st of mont Cash Management Fee	-	-	-	-	500	-	-	-	500	-	-	-	500	1,500	-	-	-	-	500	-	-	-	500	-	-	-	500	1,500
Total	-	-	-	-	900	-	-	-	900	-	-	-	900	2,700	-	-	-	-	900	-	-	-	900	-	-	-	900	2,700

## Home Closings

Home	Closing dates	Total Sale	Lien Held	Closing Costs	Work remaining	Total
55 Silverbirch	Jan 6	\$369,239	\$11,992	\$21,620	\$45,720	\$313,891
59 Silverbirch	Jan 20	\$371,217	\$12,322	\$22,424	\$78,846	\$282,270
61 Silverbirch		\$369,059	\$10,913	\$21,478	\$124,876	\$233,617
63 Silverbirch		\$361,525	\$10,913	\$21,478	\$130,963	\$219,997
70 Silverbirch		\$271,936	\$9,083	\$16,782	\$77,429	\$186,808
41 Yellow		\$427,989	\$8,715	\$3,000	\$121,059	\$312,645
		<b>\$2,170,966</b>	<b>\$63,937</b>	<b>\$106,783</b>	<b>\$578,893</b>	<b>\$1,549,228</b>

Time to complete  
Estimated costs

3 months  
\$192,964 per month  
\$48,241 Week

**Include Park**  
**Include Calvary**  
**Contracts**  
Park Ave

1  
0

Total OHP \$1,000,000.00  
Months to finish 12  
OHP / month \$83,333.33  
Total Project \$7,000,000.00  
Bill pre month \$583,333.33  
Total Cost \$6,000,000.00  
Expenses per month \$500,000.00  
Expenses per week \$125,000.00

Calvary  
Total OHP \$0.00  
Months to finish 12

OHP / month	\$0.00
Total Project	\$0.00
Bill pre month	\$0.00
Total Cost	\$0.00
Expenses per month	\$0.00
Expenses per week	\$0.00

**DIP Securities**

35 Honey Bend	\$765,000
West Lorne	\$550,000
Homes under construction Park	
Sprucewood	\$550,000
1108 Kenmount	\$500,000

Mortgages	Net HST
\$122,230	\$45,634
\$124,222	\$45,630
\$180,625	\$45,250
\$179,377	\$44,372
\$91,832	\$33,371
\$88,145	\$55,699
\$786,431	\$269,956



Karwood Contracting Ltd  
Funding Reconciliation

House number	Using PDF						Revised						Difference						Total			
	55	59	61	63	70	41	55	59	61	63	70	41	55	59	61	63	70	41				
Sales price	\$345,711	\$345,682	\$342,804	\$336,149	\$252,810	\$394,599	\$2,017,755	391,344	391,312	388,054	380,520	286,181	450,298	2,287,710	45,633	45,630	45,250	44,371	33,371	55,699	269,955	Net HST
less customer deposits	(22,105)	(20,095)	(18,995)	(18,995)	(14,245)	(22,309)	(116,744)	(22,105)	(20,095)	(18,995)	(18,995)	(14,245)	(22,309)	(116,744)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	
Exit HST	\$323,606	\$325,587	\$323,809	\$317,154	\$238,565	\$372,290	\$1,901,011	369,239	371,217	369,059	361,525	271,936	427,989	2,170,966	45,633	45,630	45,250	44,371	33,371	55,699	269,955	
Mt. From BMO draws with legal	\$11,992	\$12,322	\$10,913	\$10,913	\$9,083	\$8,715	\$63,937	11,992	12,322	10,913	10,913	9,083	8,715	63,937	(0)	0	(1)	(1)	0	(1)	(1)	
DIP	\$335,598	\$337,909	\$334,722	\$328,067	\$247,648	\$381,005	\$1,964,949	381,231	383,539	379,971	372,438	281,020	436,704	2,234,903	45,633	45,630	45,249	44,371	33,372	55,699	269,954	
Cash available	335,598	337,909	334,722	328,067	247,648	381,005	1,964,949	506,231	508,539	504,971	497,438	406,020	561,704	2,984,903	170,633	170,630	170,249	169,371	158,372	180,699	1,019,954	
Costs to complete																						
Hard	-	70,279	121,403	118,820	75,773	109,985	496,260	-	70,279	121,403	118,820	75,773	109,985	496,260	3,670	-	(0)	(0)	(0)	0	(0)	(0)
Labour	-	8,124	22,856	22,856	14,985	23,809	92,630	-	40,260	40,260	40,260	40,260	40,260	201,298	-	32,136	17,404	17,404	25,275	16,451	108,668	
Priority payments	-	78,403	144,259	141,676	90,758	133,794	588,890	-	110,538	161,662	159,080	116,033	150,244	697,558	-	32,135	17,403	17,404	25,275	16,450	108,668	
Select AP	45,720	8,567	3,473	12,143	1,656	11,075	82,634	45,720	8,567	3,473	12,143	1,656	11,075	82,633	9,734	(0)	(0)	(0)	(0)	(1)	(1)	
Mechanics lien	39,757	39,753	39,422	38,657	29,073	45,379	232,041	39,757	39,753	39,422	38,657	29,073	45,379	232,041	(39,757)	(39,753)	(39,422)	(38,657)	(29,073)	(45,379)	(232,041)	
Legal on sale	3,000	3,000	3,000	3,000	3,000	3,000	18,000	3,000	3,000	3,000	3,000	3,000	18,000	18,000	-	-	-	-	-	-	-	
T&R Mortgage release	-	-	100	100	-	-	200	-	-	-	-	-	-	-	-	-	(100)	(100)	-	-	(200)	
Sales commission	18,620	19,424	18,378	18,378	13,782	-	88,583	18,620	19,424	18,378	18,378	13,782	-	88,583	18,620	19,424	18,378	18,378	13,782	-	88,583	Required - NJ discussion
Bank fees	900	900	900	900	900	900	5,400	900	900	900	900	900	5,400	5,400	-	-	-	-	-	-	-	
Project managements fees	11,667	11,667	11,667	11,667	11,667	11,667	70,000	11,667	11,667	11,667	11,667	11,667	70,000	70,000	-	-	-	-	-	-	-	
Municipal taxes and insurance	7,876	7,876	7,876	7,876	7,876	7,876	47,258	7,876	7,876	7,876	7,876	7,876	47,258	47,258	-	-	-	-	-	-	-	
Corporate overhead	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Home inspection	3,000	3,000	3,000	3,000	3,000	3,000	18,000	3,000	3,000	3,000	3,000	3,000	18,000	18,000	-	-	-	-	-	-	-	
Estimated HST payable	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	See HST test
Sub-total	88,477	51,320	45,995	53,900	33,729	59,454	332,875	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	
Proceeds available for debt	247,121	208,186	144,468	132,491	123,161	187,757	1,043,184	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	
DIP								125,000	125,000	125,000	125,000	125,000	125,000	750,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	
DIP Interest								9,087	9,087	9,087	9,087	9,087	9,087	54,524	9,087	9,087	9,087	9,087	9,087	9,087	54,524	
T&R			70,500	69,252			139,752	-	-	-	-	-	-	-	-	(70,500)	(69,252)	-	-	-	(139,752)	
Mortgages																						
BMO mortgage release	100	100	100	100	100	100	600	100	100	100	100	100	600	600	-	-	-	-	-	-	-	
BMO	121,230	123,222	109,125	109,125	90,832	87,145	640,679	121,230	123,222	109,125	109,125	90,832	87,145	640,679	-	-	-	-	-	-	-	
BMO - interest	5,916	6,013	5,325	5,325	4,433	4,252	31,264	5,916	6,013	5,325	5,325	4,433	4,252	31,264	-	-	-	-	-	-	-	
BMO ODL + Term loan C+1 =174829.48/6=	29,138	29,138	29,138	29,138	29,138	29,138	174,830	29,138	29,138	29,138	29,138	29,138	174,830	174,830	-	-	-	-	-	-	-	
	90,737	49,713	69,720	80,449	1,342	67,122	56,060	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	
DIP - Professional fees	8,333	8,333	8,333	8,333	8,333	8,333	49,998	8,333	8,333	8,333	8,333	8,333	49,998	49,998	0	0	0	0	0	0	0	2
Net cash	82,404	41,380	(78,053)	(88,782)	(9,675)	58,789	6,062	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	
<b>Reconciliation to 26 week CF</b>																						
Add:																						
Misc - Karwood receivable								#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	
Less:																						
T&R Mortgage release										100	100	-	-	200								
T&R										70,500	69,252	-	-	139,752								
Professional fees										#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	
Payroll expenses										#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	
Office expenses										#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	
Vehicle expenses										#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	
Karwood sales commission	18,620	19,424	18,378	18,378	13,782	0	88,582			#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	
Corporate costs	18,620	19,524	18,478	18,478	13,882	100	89,082			#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	
	63,784	21,856	(96,531)	(107,260)	(23,557)	58,689	(83,021)	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	
Reconcile to BDO Cash flow																						
Potential HST payable																						#REF!
BDO HST payable																						(71,167)
Lower home construction costs																						32,161
Home inspection																						18,000
T&R																						139,752
DIP repayment																						750,000
Mortgages																						846,773
DIP fees																						50,000
Cash																						#REF!
BMO 13 26 Week CF - original balance																						1,949,825
Professional fees							\$50,000															
Add back liens							232,041															
Test							\$399,612															
PDF							\$399,610															
Mortgage payment								156,284	158,373	143,588	143,588	124,403	120,535									

Karwood\_13 & 26-week Cash Flow Forecast\_Feb 14 2025

Collected on sales 269,956

Estimated HST on expenses

Hard costs	496,260	
Legal on sale	18,000	
Project managements fees	70,000	
DIP - Professional fees	50,000	
Professional fees	#REF!	
Office expenses	#REF!	
Vehicle expenses	#REF!	
Corporate costs	#REF!	
Incl HST	#REF!	
Exclude HST	#REF!	#REF!
Potential HST payable		#REF!

Per NJ - all expenses are gross incl HST. He noted it was assumed the amount

its paid would offset amounts collected

**Schedule "B"**

**Cost to Complete Construction**

**See attached**

	<b>Property ID</b>				
	<b>55 SB</b>	<b>59 SB</b>	<b>61 SB</b>	<b>63 SB</b>	<b>70 SB</b>
Critical supplier payments	\$ 45,278	\$ 8,567	\$ 1,610	\$ 10,280	\$ -
Construction costs	-	69,779	120,653	118,070	75,273
Labour costs - Note 1	-	28,515	49,305	48,250	30,761
<b>Total</b>	<b>\$ 45,278</b>	<b>\$ 106,861</b>	<b>\$ 171,568</b>	<b>\$ 176,599</b>	<b>\$ 106,034</b>

Notes:

[1] - allocated proportionately based on Constructions Costs to complete the residential prop

[2] - This Schedule B is a summary of the detailed listings provided by the Companies in supp  
Flow Forecast dated February 20, 2025

<b>41 Yellow</b>	<b>Total</b>
\$ 7,165	\$ 72,899
108,815	492,590
44,467	201,298
<u>\$ 160,447</u>	<u>\$ 766,787</u>

erties  
ort of the 26-week Cash-



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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.**

**SIXTH REPORT OF THE MONITOR**

**September 15, 2025**

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**LIST OF APPENDICES**

Appendix A - Companies' Cash Flow Variance Report for the period ended September 5, 2025

Appendix B - Companies' Third Cash Flow Forecast dated September 15, 2025

Appendix C - Monitor's Report on the Third Cash Flow Forecast dated September 15, 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. On February 3, 2025 (the “**Filing Date**”), the Court granted an initial order in these proceedings (the “**Initial Order**”) that:
  - a. appointed BDO as monitor of the Applicants in these CCAA proceedings (in such capacity, the “**Monitor**”);
  - b. approved a stay of proceedings (the “**Stay of Proceedings**”) for the initial 10-day period;
  - c. approved a charge of \$100,000 securing the fees and disbursement of professionals including the Applicant’s counsel, the Monitor, and the Monitor’s counsel (the “**Initial Administration Charge**”);
  - d. approved an entitlement, but not a requirement, of the Applicants to pay for goods and services supplied to the Applicants, whether incurred prior to or after the Initial Order, and if in the opinion of the Monitor, the supply of such goods or services is necessary for the preservation of the business or property of the Applicants;
  - e. exempted certain parcels of real property of Karwood Ontario from the CCAA Stay of Proceedings, namely:
    - i. the residential property located at 236 West Street, Belmont, Ontario, identified by property index number (“**PIN**”) 08195-0655; and
    - ii. the residential property located at 35 Honey Bend, St. Thomas, Ontario, identified by PIN 35244-2202 (collectively, the “**Exempt Property**”).
  - f. authorized Libro Credit Union Limited (“**Libro**”), as the secured mortgage lender of the Exempt Property, to take possession, market and sell the Exempt Property for purposes of applying the proceeds of sale against the secured mortgage debt of Libro; and



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

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

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

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

#### **PURPOSE**

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

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

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

#### **TERMS OF REFERENCE**

21. In preparing this Sixth Report and making the comments herein, the Monitor has been provided with, and has relied upon unaudited financial information, books and records and financial information prepared by the Companies, discussions with the management and employees of the Companies and other information from various sources (collectively the “**Information**”).
- a. The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of the Information; and
  - b. Some of the Information referred to in this Sixth Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the Chartered Professional Accounts Canada Handbook, has not been performed.
22. Future-oriented financial information referred to in this Sixth Report was prepared based on management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results

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

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

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

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

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

#### UPDATE ON THE MONITOR'S ACTIVITIES

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

## APPLICANTS' RECEIPTS AND DISBURSEMENTS VARIANCE

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

## OVERVIEW OF APPLICANTS' THIRD CASH FLOW FORECAST

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

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

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

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

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

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

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

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

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

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

#### **BINDING OFFER**

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

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

#### THE INTERLOCUTORY APPLICATION

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

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

#### **MONITOR CONSIDERATIONS**

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

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

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

Per:



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

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

**Notes:**

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

Court File No. 2025 01G 0491

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

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

- AND -

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

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

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

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

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

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

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



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Gregory Hussey, President

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

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

Week Ending	Notes	Actuals	12-Sep-25	19-Sep-25	26-Sep-25	3-Oct-25	Weeks 1-35
Week		Weeks 1 - 31	Week 32	Week 33	Week 34	Week 35	Total
<b>Receipts</b>							
<b>6 Properties</b>							
DIP Financing		750,000	-	-	-	-	750,000
Sale of homes - Karwood Contracting	1	753,737	-	258,337	-	-	1,012,074
Mechanic Lien holdback release		33,239	-	-	-	-	33,239
Released by Monitor from Trust closing proceeds		-	-	-	-	-	-
<b>Corporate Operations</b>							
Misc. Receivables Karwood Ontario		-	-	-	-	-	-
Deposits receivable		-	-	-	-	-	-
Accounts receivable		-	-	-	-	-	-
Misc. Receivables Karwood Contracting	2	-	-	-	-	-	-
Sale of assets owned by 81502 NL Ltd.		-	-	-	-	-	-
Deposits receivable		57,500	-	-	-	-	57,500
Misc. receivable		86,033	-	-	-	3,450	89,483
Sale of company owned assets		-	-	-	-	-	-
<b>Total Receipts</b>		<b>1,680,508</b>	<b>-</b>	<b>258,337</b>	<b>-</b>	<b>3,450</b>	<b>1,942,296</b>
<b>Disbursements</b>							
<b>Operational</b>							
Critical supplier payments	3	76,481	-	-	-	-	76,481
Home construction costs	4	409,001	-	65,555	-	-	474,556
Construction payroll expenses		351,150	-	-	-	-	351,150
Home closing costs		-	-	-	-	-	-
Home inspection / appraisal fees		2,444	-	-	-	-	2,444
Vehicle expenses		43,697	-	5,592	-	-	49,288
Municipal taxes and insurance		43,936	-	1,857	-	-	45,793
<b>Karwood corporate costs</b>							
Overhead payroll expenses	5	251,847	213	10,222	-	-	262,283
Banking fees and related charges		4,687	-	-	-	-	4,687
Office and admin expenses	6	63,976	-	13,962	-	-	77,938
HST payable / (refund)	7	6,874	-	10,967	-	946	18,787
<b>Restructuring &amp; Legal</b>							
Monitor and Monitor's Counsel fees		247,906	-	60,612	-	-	308,518
Company Counsel Fees	8	132,088	-	77,371	-	-	209,460
Project manager fees		25,762	-	-	-	-	25,762
Corporate legal costs		8,263	-	-	-	-	8,263
<b>Debtor in Possession Financing</b>							
DIP professional fees		-	-	-	-	-	-
DIP interest and fees		11,250	-	-	-	-	11,250
DIP repayment		-	-	-	-	-	-
<b>Total Disbursements</b>		<b>1,679,362</b>	<b>213</b>	<b>246,137</b>	<b>-</b>	<b>946</b>	<b>1,926,659</b>
<b>Opening Cash</b>		<b>-</b>	<b>1,146</b>	<b>933</b>	<b>13,133</b>	<b>13,133</b>	<b>-</b>
<b>Net Cash Flow</b>		<b>1,146</b>	<b>(213)</b>	<b>12,200</b>	<b>-</b>	<b>2,504</b>	<b>15,636</b>
<b>Closing Cash</b>		<b>1,146</b>	<b>933</b>	<b>13,133</b>	<b>13,133</b>	<b>15,636</b>	<b>15,636</b>
<b>Restricted Cash held by Monitor</b>							
<b>Opening funds held by Monitor</b>	9	320,002	387,038	258,337	-	-	-
Sale proceeds collected by Monitor		935,105	-	-	-	-	935,105
Sale proceeds released by Monitor to Karwood		(431,992)	-	(258,337)	-	-	(690,329)
Distribution to secured creditor(s)		(436,077)	(128,701)	-	-	-	(564,778)
<b>Closing funds held by Monitor</b>		<b>387,038</b>	<b>258,337</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Mechanics lien funds held by Monitor</b>							
<b>Opening funds held by Monitor</b>	10	-	198,867	198,867	198,867	198,867	-
Mechanic lien holdback funds collected by Monitor		232,106	-	-	-	-	232,106
Mechanic lien holdback funds released by Monitor to Karwood		(33,239)	-	-	-	-	(33,239)
<b>Mechanic lien funds held by Monitor</b>		<b>198,867</b>	<b>198,867</b>	<b>198,867</b>	<b>198,867</b>	<b>198,867</b>	<b>198,867</b>

**Notes:**

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

As of September 15, 2025

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

Per:   
Greg Hússey  
President

Court File No. 2025 01G 0491

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

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

- AND -

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

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

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

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

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

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

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

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

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

**BDO CANADA LIMITED**

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

Per:

A handwritten signature in black ink, appearing to read "Neil Jones".

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