



Province of Newfoundland and Labrador
Division No. 01 - Newfoundland and Labrador
Court No. 25186
Estate No. 51-3310276

IN THE MATTER OF THE BANKRUPTCY OF
KARWOOD CONTRACTING LTD.
OF THE TOWN OF PARADISE
IN THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

TRUSTEE'S PRELIMINARY REPORT

PURPOSE AND DISCLAIMER

The purpose of this report is to inform all interested parties about the Trustee's preliminary administration and findings of the bankrupt estate. Readers are cautioned that the Trustee has relied upon third parties for information in the preparation of this report and that such information may be incomplete and inaccurate. The Trustee's review of this information as part of the preparation of this report does not constitute an audit, nor has the Trustee extensively verified any of the information provided, unless otherwise noted. Therefore, the contents of this report should be considered "for general information purposes only".

SECTION A - BACKGROUND

Karwood Contracting Ltd. ("Karwood" or the "Company") operated as a general contractor focusing on the development and construction of residential houses and apartments primarily in Paradise, Newfoundland and Labrador ("NL") and surrounding areas. Karwood was incorporated under the Newfoundland and Labrador *Corporations Act* on August 31, 2012. The directors of Karwood are Gregory Hussey and Randy Oram, both of whom actively participated in day-to-day operations and management ("Management"). The shares of Karwood are 100% held by Mr. Hussey.

Karwood operated from a leased premises owned by 81502 Newfoundland and Labrador Ltd. ("81502NL") located at 1108 Kenmount Road, Unit 203, Paradise, NL. As detailed further below, Karwood owns 100% of the shares of 81502NL.

On February 3, 2025, the Supreme Court of Newfoundland and Labrador in Bankruptcy and Insolvency (the "Court") heard an application by Karwood and a number of related parties including Karwood Ontario Ltd., Karwood Engineering Inc., and Karwood Design Group Ltd. (collectively, the "Applicants") for an initial order pursuant to the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended ("CCAA").

The Court granted an initial order (the "Initial Order") that, among other relief:

- (a) appointed BDO Canada Limited ("BDO") as monitor of the Applicants in the CCAA proceedings (in such capacity, the "Monitor"); and
- (b) approved a stay of proceedings.

On February 20, 2025, the Court granted an amended and restated initial order (the “ARIO”). Amongst other relief, the ARIO:

- (a) approved an increase to the administration charge to the maximum amount of \$250,000 (the “**Administration Charge**”);
- (b) approved a debtor-in-possession (“DIP”) facility to be provided by the Bank of Montreal (“BMO” or the “DIP Lender”) pursuant to a DIP facility agreement dated February 20, 2025 (the “DIP Facility”); and
- (c) approved the DIP Lender’s charge to the maximum amount of \$750,000 to match the maximum allowable borrowing amount as proposed in DIP Term Sheet (the “DIP Lender’s Charge”).

At the commencement of the CCAA proceedings, Karwood had six (6) residential properties that were partially completed. The purpose of the DIP Facility was to allow for the completion of the residential properties and finance the restructuring of Karwood’s business and affairs.

During the CCAA proceedings, the six (6) residential properties were completed and sale approval and vesting orders were granted by the Court approving sale transactions of each property in accordance with the terms of agreements of purchase and sale entered into by Karwood and individual purchasers prior to the date of the Initial Order. Orders were also granted by the Court related to the distribution of the proceeds of sale from each of the residential properties which generally consisted of payments to BMO as the primary secured mortgage lender, to Karwood to facilitate the restructuring of its business and affairs, and an amount withheld by the Monitor for mechanic’s lien claims.

On October 24, 2025, following a motion by the Applicants, the Court granted a vesting order approving, among other relief:

- (a) an asset purchase agreement (the “**Asset Purchase Agreement**”) executed between the Applicants and a recently incorporated numbered company (“Newco”) controlled by a private investor on September 29, 2025 (the “**Transaction**”); and
- (b) upon completion of the Transaction (as evidenced by the Monitor filing a Monitor’s certificate certifying the same), vesting the Purchased Assets (as defined in the Asset Purchase Agreement) in Newco free and clear of all liens, charges, security interests and other encumbrances.

The Transaction closed on November 12, 2025. Pursuant to the Asset Purchase Agreement, Newco purchased all of the right, title, and interest in the property, assets and undertakings of Karwood, including land held for future development, receivables, consisting of deposits receivable, accounts receivable and miscellaneous receivables, vehicles and trailers, equipment and tools used in residential development.

On November 18, 2025, following a motion by the Monitor, the Court granted orders approving, among other relief:

- (a) the distribution of proceeds from the Transaction and the mechanic’s lien funds held by the Monitor (the “**Distribution Order**”);

- (b) the termination of the CCAA proceedings, effective as at the date the termination certificate is served by the Monitor (the “Termination Certificate”); and
- (c) discharging the Monitor effective the date the Termination Certificate.

The Monitor completed all distributions as required by the Distribution Order and executed the Termination Certificate on December 12, 2025. In summary, the distributions settled the Administration Charge and partially settled the DIP Lender’s Charge. The Monitor withheld approximately \$46,000 on account of CRA’s deemed trust claim for post-CCAA filing HST obligations. Management’s intention was to file a voluntary assignment for Karwood post-closing of the Transaction to wind up the respective business.

Also on December 12, 2025, Karwood filed a voluntary assignment into bankruptcy and BDO was appointed as trustee of the bankrupt estate (in such capacity, the “Trustee”), to be affirmed at the first meeting of creditors to be held on January 8, 2026.

The funds withheld were intended to fund the bankruptcy administration of Karwood, as required, with the balance available for distribution to estate creditors.

Further information on the CCAA proceedings and these bankruptcy proceedings can be accessed on BDO’s website at:

www.bdo.ca/services/financial-advisory-services/business-restructuring-turnaround-services/current-engagements/karwood

SECTION B - CAUSES OF INSOLVENCY

The Company’s financial challenges stemmed from several factors, notably:

- (a) significant operational challenges caused by the Covid-19 pandemic including an interim slowdown of business activities and rising interest rates;
- (b) delays in subdivision approval which impacted private financing for subdivision development;
- (c) rising cost of supplies and building materials while the Company was attempting to complete fixed price contracts for residential development; and
- (d) lender demands and legal action threatened or commenced by creditors diverted Management’s attention and resources away from core operations.

SECTION C - ASSETS

The following table summarizes Karwood’s assets and liabilities as detailed in the Statement of Affairs (“SOA”) as at December 12, 2025, including the estimated net realization value of Karwood’s assets and deficiency to unsecured creditors:

Karwood Contracting Ltd. Statement of Affairs In CAD (\$)	Net Book Value	Estimated Net Realization
Assets		
Cash	46,953	46,953
Shares of 81502NL	1	-
Total Assets	46,954	46,953
Liabilities		
Secured Claims		200,000
Preferred Claims		-
Unsecured Claims		3,346,200
Total Liabilities		3,546,200
Deficiency		(3,499,247)

**Disclaimer: The SOA was prepared by using the internal records of the Company. The information contained and discussed herein has not been audited, reviewed, or otherwise verified by BDO, and as such BDO expresses no opinion, whether expressed or implied, regarding the accuracy of the information contained herein.*

Cash

As noted above, pursuant to the Distribution Order, the Monitor withheld approximately \$46,000 on account of CRA's deemed trust claim for post-CCAA filing HST obligations. The balance held includes interest earned on funds held in trust by the Monitor prior to its discharge.

Shares of 81502NL

Karwood owns 100% of the shares of 81502NL, which owns a commercial building located at 1108 Kenmount Road, Paradise, Newfoundland and Labrador (the "Kenmount Property").

On December 15, 2025, Moskowitz Capital Mortgage Fund II Inc. ("Moskowitz"), the mortgage lender of 81502NL appointed a private receiver over the assets and undertakings of 81502NL, with the primary asset being the Kenmount Property. Pursuant to the notice of the receiver dated December 29, 2025, Moskowitz is owed in excess of \$3.2 million. The Trustee is aware that the Kenmount Property has been listed for sale on Realtor.ca since July 2025 and the highest offer received to date was approximately \$3.0 million.

As noted above, distributions pursuant to the Distribution Order settled the Administration Charge and partially settled the DIP Lender's Charge. The Trustee estimates that the DIP Lender is currently owed approximately \$200,000 and would have a top-ranking secured position on any proceeds from the bankrupt estate. The Trustee anticipates there will be a significant shortfall in satisfying the secured claim of the DIP Lender and that no funds will be available for distribution to Karwood's unsecured creditors.

Creditors are encouraged to read the Monitor's reports for more details on the Transaction involving the sale of the majority of Karwood's assets and the related distribution of sale proceeds.

SECTION D - CONSERVATORY AND PROTECTIVE MEASURES

a) Conservatory and protective measures

The Trustee has taken no conservatory or protective measures.

Pursuant to the Asset Purchase Agreement, Newco purchased all of the right, title, and interest in the property, assets and undertakings of Karwood, including land held for future development, receivables, consisting of deposits receivable, accounts receivable and miscellaneous receivables, vehicles and trailers, equipment and tools used in residential development. The only assets remaining are cash which is held in trust by the Trustee and shares of 81502NL which are not expected to have any net benefit to the bankrupt estate.

b) Carrying on business

The Company effectively ceased operations on November 12, 2025, the date the Transaction closed. The Trustee has no plans to operate the business.

c) Books and records

The Trustee has taken possession of certain available books and records for this administration.

SECTION E - LEGAL PROCEEDINGS

The Trustee is aware of a number of ongoing court proceedings that involve the Company and its directors, with many of the claims affecting the same assets, debts and security across the CCAA Applicants. Exhibit "J" of the Hussey Affidavit filed with the Court on January 27, 2025, attached hereto as **Appendix "A"**, listed 35 court proceedings filed in Newfoundland and Labrador and 14 court proceedings filed in Ontario. All legal proceedings are subject to the stay of proceedings taking effect on the date of bankruptcy, December 12, 2025.

SECTION F - PROVABLE CLAIMS

The Trustee continues to review the proofs of claim being advanced by the Company's creditors and has not at this time completed an adjudication of the claims. The following table summarizes claims filed to date as compared to the SOA:

Karwood Contracting Ltd. Summary of Claims In CAD (\$)	Statement of Affairs	Claims as Filed
Secured Claims	200,000	-
Preferred Claims	-	-
Unsecured Claims	3,346,200	548,242
Total	3,546,200	548,242

SECTION G - SECURED CREDITORS

Through knowledge of the CCAA proceedings, review of the Karwood's books and records, and a search conducted under the *Personal Property Security Act* ("PPSA"), the Trustee is aware of the following security interests over the Company's assets (or former assets):

a) 98536 Newfoundland and Labrador Inc. ("**98536NL**")

Prior to the execution of the Asset Purchase Agreement, BMO and 98536NL executed an assignment of debt and security agreement on October 24, 2025 (the "**Assignment Agreement**") whereby BMO assigned its right, title and interest in the DIP Facility and DIP Lender's Charge arising from the ARIO, together with its right, title and interest in the indebtedness under the DIP Facility to 98536NL. Effectively, 98536NL was assigned the security rights of the "DIP Lender".

Distributions pursuant to the Distribution Order settled the first ranking Administration Charge and partially settled the second ranking DIP Lender's Charge. The Trustee estimates that the DIP Lender is currently owed approximately \$200,000 and would have a top-ranking secured position on any proceeds from assets realized within the bankrupt estate.

b) Boreal Atlantic Ltd. ("**Boreal**")

Boreal is owed approximately \$640,000 and held mortgage security against a 7,318 square metre parcel of land located on Kenmount Road, Paradise, Newfoundland and Labrador. Given the land parcel was included in the Transaction as approved by the Court through a vesting order on October 24, 2025, the asset under security is not part of the Karwood estate, and it is understood Boreal would have an unsecured claim.

c) Tammy and Randy Oram

The Oram's are owed approximately \$160,000 and held mortgage security on two (2) of the partially complete residential homes located in Paradise, Newfoundland and Labrador. Given the residential properties were sold as approved by the Court through vesting orders granted within the CCAA proceedings, the assets under security are no longer part of the Karwood estate, and it is understood the Oram's would have an unsecured claim.

d) Moskowitz Capital Mortgage Fund II Inc. (defined herein as "**Moskowitz**")

The Trustee understands Moskowitz held mortgage security and multiple PPSA security registrations related to a 1.3-acre land parcel located at 166 Park Avenue, Mount Pearl, Newfoundland and Labrador ("**Park Avenue**"). Prior to the CCAA proceedings, Park Avenue was transferred to 77592 Newfoundland and Labrador Inc., a related party of Karwood and understood to be controlled by Mr. Hussey, for \$1.00 on September 12, 2024.

Within the CCAA proceedings, the Monitor reported to the Court that:

- i. on December 18, 2023, Appraisal Associates Limited appraised Park Avenue at \$6.8 million as if the development was complete and estimated the value of the land to be \$800,000. According to the Applicants, the development of Park Avenue had yet to commence at the date of transfer on September 12, 2024;

- ii. on April 22, 2024, a mortgage amendment was executed by Moskowitz with respect to a mortgage dated November 21, 2023 and registered in the Registry of Deeds as registration number 1098210 (the “**Moskowitz Mortgage Amendment**”). At the time of the Moskowitz Mortgage Amendment, the secured mortgage was in the amount of \$450,000; and
- iii. on July 8, 2024, a mortgage amendment was executed by Canadian Western Trust Company with respect to a mortgage dated April 25, 2024 and registered in the Registry of Deeds as registration number 111675 (the “**CWT Mortgage Amendment**”). At the time of the CWT Mortgage Amendment, the secured mortgage was in the amount of \$235,000. The balance of the mortgage was approximately \$246,000, including accrued interest to October 15, 2025.

The Monitor elected not to take action on the potential transfer at undervalue for the following reasons:

- i. assuming the appraisal performed by Appraisal Associates Limited on December 18, 2023 is similar to current fair market value of Park Avenue, its value exceeds the secured mortgage debt outstanding by approximately \$104,000. However, after considering the costs to attack the transaction transferring Park Avenue and potential the costs of realization, the benefit to the Companies estate would likely be less; and
- ii. the Applicants did not have the financial resources to fund the Monitor to take action against the transaction transferring Park Avenue pursuant to subsection 36.1(1) of the CCAA.

Ultimately, the Court granted an order on November 18, 2025, authorizing the applicant, Kent Building Supplies, a division of J.D. Irving Limited, to commence proceedings in its own name and its own expense and risk, pursuant to subsection 36.1(1) of the CCAA. The Trustee is of the view that no funds will be available for distribution to Karwood’s unsecured creditors from the above action.

e) Canadian Western Trust Company

See d) above.

f) Ford Credit Canada Company (“**Ford Credit**”)

Ford Credit held a Purchase Money Security Interest (“**PMSI**”) related to vehicle financing for a 2022 Ford F150. The Trustee understands said vehicle was transferred as part of the Transaction with the purchaser assuming the related debt.

g) Steelcase Financial Services Ltd. (“**Steelcase**”)

Steelcase held a PMSI related to vehicle financing for office furniture. The Trustee understands said assets were transferred as part of the Transaction while the related debt was fully repaid prior to the date of bankruptcy.

SECTION H - ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

The Trustee estimates that the DIP Lender is currently owed approximately \$200,000 and would have a top-ranking secured position on any proceeds from the bankrupt estate pursuant to the DIP Lender's Charge granted within the ARIO on February 20, 2025. The Trustee anticipates there will be a significant shortfall in satisfying the secured claim of the DIP Lender and that no funds will be available for distribution to Karwood's unsecured creditors.

SECTION I - PREFERENCES AND PREFERENCES

The Trustee is not aware of any preferential payments or transactions at undervalue. The Trustee will report any findings to the estate inspectors, if any, for further consideration in due course.

Should any creditors have knowledge of potential preferential payments or transactions at undervalue, they are encouraged to contact the Trustee.

SECTION J - OTHER MATERIAL MATTERS NOT COVERED ABOVE

The Trustee is not aware of any conflict of interest that would prevent it from acting.

Prior to the commencement of the CCAA proceedings, BDO received a retainer paid by Mr. Hussey personally of which approximately \$10,000 is currently held in trust to fund professional fees of the Trustee.

Dated at Halifax, Nova Scotia this 7th day of January 2026.

BDO CANADA LIMITED

In its capacity as Trustee in Bankruptcy of
Karwood Contracting Ltd.
and not in its personal capacity

Per:



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

Appendix "A"

Newfoundland & Labrador Court Proceedings

Court Action Number	Name
2012 01G 2142	V. Acharya & Associates Inc. v. 61902 Newfoundland & Labrador Limited et al
2014 01G 1750	Karwood Contracting Limited v. Breath Easy Ventilation Systems Inc et al
2014 01G 6727	Karwood Contracting Ltd v. Jean-Francois Ratthe
2014 01G 6774	Rockmount Properties Inc. v. Karwood Contracting Ltd.
2014 01G 7991	Karwood Contracting Limited v. Kelvin George Fowler et al
2015 01G 5623	GCLawlor Enterprises Inc. v. Karwood Contracting Ltd.
2016 01G 5389	Jody Gedge et al v. Karwood Contracting Ltd.
2020 01G 0928	SEB Electrical Limited v. Karwood Contracting Limited
2019 01G 6525	Cole Air Contracting Ltd. v 81502 Newfoundland & Labrador Ltd et al
2020 01G 5543	Fairview Investments Limited v. Karwood Contracting Ltd.
2024 01G 1684	Quick Shot Contracting Inc. v. Karwood Estates Inc. et al
2024 01G 0775	Karwood Contracting Ltd. v. Patrick Street Holdings Limited et al
2023 01G 2765	Nuway Kitchens (2008) Limited v. Karwood Contracting Ltd.
2023 01G 2226	86265 Newfoundland & Labrador Ltd. v. Mark Crocker and Janell Crocker et al
2022 01G 2073	Lisa Dober v. Karwood Contracting Ltd.
2021 01G 5708	Karwood Contracting Inc v. Conception Bay South (Town)
2024 01G 3954	Kent Building Supplies v. Karwood Contracting Ltd.
2024 01G 4090	Yuijan Huang v. Karwood Contracting Ltd. et al
2024 01G 4115	Kent Building Supplies v. Karwood Contracting Ltd.
2024 01G 4116	Kent Building Supplies v. Karwood Contracting Ltd.
2024 01G 4117	Kent Building Supplies v. Karwood Contracting Ltd.
2024 01G 4118	Kent Building Supplies v. Karwood Contracting Ltd.
2024 01G 5347	Newcrete investments Limited Partnership v. Karwood Contracting Ltd. et al
2024 01G 6737	Boreal Atlantic Ltd. v. Karwood Contracting Ltd. et al
2024 01G 6848	Newcrete Investments Limited Partnership v. Karwood Contracting Ltd.
2024 01G 6914	Kent Building Supplies v. Karwood Contracting Ltd. et al
0124C00275	Shock Free Electrical Inc. v. Karwood Contracting Ltd.
0124C00276	Shock Free Electrical Inc. v. Karwood Contracting Ltd.
0124C00277	Shock Free Electrical Inc. v. Karwood Contracting Ltd.
0124C00329	R & L Contracting Limited v. Karwood Contracting Ltd.
0124C00101	Cole Air Contracting Ltd. v. Karwood Contracting Ltd.
0124C00102	Cole Air Contracting Ltd. v. Karwood Contracting Ltd.
0124C00103	Cole Air Contracting Ltd. v. Karwood Contracting Ltd.
0124C00104	Cole Air Contracting Ltd. v. Karwood Contracting Ltd.
2017 01G 1795	Jocelyn Dunn v. Gregory H. G. Hussey at al

Ontario Court Proceedings

Court Number	Parties
EXP Services / Order 24 April 2024 St. Thomas SC-23-00000192-0000+00D1	EXP Services v Karwood et al and Karwood (KARwood Ontario Ltd and Karwood Design Group) v Doug Tarry Limited et al (2695612 Ontario Inc.)
Gilbert Renovations Ltd CV-23-00000014-0000	Gilbert vs Karwood ON Ltd. Karwood Contracting Ltd, Greg Hussey, Randy Oram (personally)
Legacy Construction Services (1000204780 Ontario Inc) CV-24-00000023-0000	1000204780 Ontario Inc o/a Legacy Construction Services and Walter Lukye AND Doug.Tarry Limited, 2695612 Ontario Inc, Karwood Ontario Ltd, Karwood Contracting Ltd, Karwood Engineering Inc, and Karwood Sales Inc.
2695612 Ontario Ltd. CV-23-00000030-0000	2695612 Ontario Inc AND Karwood Ontario Ltd, Greg Hussey (personally), Karwood Engineering Inc, and 2716702 Ontario Ltd, operating as Karwood Design Group Ltd.
AE3 Excavating Corp and AEON Landscaping Corp CV-22-00001401-0000	AE3 Excavating Corp and AEON Landscaping Corp AND Karwood Contracting Ltd, Karwood Ontario Ltd, Gregory Hussey and Randy Oram
Akubilt Construction Partner Ltd CV-00000623-0000	Akubilt Construction Partners Ltd AND Karwood Ontario Ltd, Greg Hussey and Randy Oram (personally)
Kielstar Inc CV-22-00001768-0000	Kielstar Inc operating as Kielstar Siding & Windows AND Karwood Ontario Ltd, Greg Hussey and Randy Oram (personally)
Callidus Engineering Inc. CV-00000021-0000	Callidus Engineering Inc AND Karwood Design Group Ltd, Alexander Chouinard, Nick Herder, Greg Hussey, Randy Oram (personally)
Stephenson's CV-22-00000099-0000	Stephenson's Rental Services Inc AND Karwood Ontario Inc, Gregory Hussey, also known as Greg Hussey and Canada Mortgage and Housing Corporation
Flooring Canada Tillsonburg CV-23-00000051-0000	15376688 Ontario Inc c.o.b. as Flooring Canada Tillsonburg AND Andrew Pearson, Kelsey Gaudreault, Karwood Ontario Ltd and Karwood Ontario Ltd.
Flooring Canada Tillsonburg CV-23-00000052-0000	15376688 Ontario Inc c.o.b. as Flooring Canada Tillsonburg AND Andrew Pearson, Kelsey Gaudreault, Karwood Ontario Ltd and Karwood Ontario Ltd.
Paramount???	
Bell/ AE3 SC-23-0000-0256-0000	Bell Canada AND AE3 Excavating Corp and Karwood Ontario Ltd.
Bell/AE3 SC-23-0000-1311-0000	Bell Canada AND AE3 Excavating Corp and Karwood Ontario Ltd.

RA Walker CV-22-00002012-0000

Karwood Ontario Ltd., Greg Hussey and Randy Oram (personally)

