

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**”)

SUPPLEMENTAL AFFIDAVIT

I, **GREGORY HUSSEY**, of Paradise, Newfoundland and Labrador, **MAKE OATH AND SAY THAT:**

1. I am the President and a Director of Karwood Contracting Ltd. (“**Karwood Contracting**”), Karwood Engineering Inc. (“**Karwood Engineering**”), Karwood Ontario Ltd. (“**Karwood Ontario**”) and Karwood Design Group Ltd (“**Karwood Design**”) (collectively referred to as the “**Applicants**”), and as such I have direct knowledge of the Applicants’ business and financial affairs.
2. This Supplemental Affidavit is sworn in support of the Applicants’ motion pursuant to s. 11 of the CCAA. Where the information provided herein is not based on my direct knowledge of the Applicants’ business and financial affairs, I have indicated the third-party source for that information.
3. This Supplemental Affidavit gives detailed information on the reasons for insolvency in Ontario.
4. Further, attached to this affidavit is the list with amounts due to secured, preferred and unsecured creditors as at the date of filing of this affidavit. The list is attached as exhibits as follows;

- i. **Exhibit "A"** Secured Creditors List
 - ii. **Exhibit "B"** Karwood Contracting Ltd. unsecured creditors list
Karwood Engineering Inc. unsecured creditors list
5. I will turn to deal with reasons for insolvency in for Ontario based companies; Karwood Ontario and Karwood Design.

REASONS FOR INSOLVENCY IN ONTARIO

Background:

6. The Province of Newfoundland and Labrador, where Karwood Contracting and Karwood Engineering are incorporated, was experiencing a housing slowdown.
7. The town of Paradise changed its developable land area due to a lack of water pressure at higher elevations. This effectively eliminated Karwood Contracting's supply of desirable lots in Newfoundland and Labrador, which led us to find new and more stable housing markets to expand into.
8. After exhaustive research we decided on expansion in St. Thomas, Ontario, as at that time, St. Thomas was rated the best housing market in the country.

A. Aggressive Lender Behavior and/or Litigation:

A Team London

9. When we first landed in Ontario, we had a subdivision of thirty-two (32) lots arranged to be built in a Belmont, Ontario and financing arranged to make the required deposit.
10. The developer on this subdivision then experienced multiple delays in getting permits which took over a year to reconcile. During this time the private financing which had been arranged was no longer available due to the delays.
11. Financing was then arranged with Business Development Bank of Canada, however due to an unrelated issue with a business partner in Newfoundland and Labrador this offer of financing was subsequently retracted.
12. When the developer was finally ready, notice to pay the required deposit was required urgently. At that time, the financing options which had been arranged were no longer available.

13. The real estate team for Karwood Ontario was working with A Team London (“A Team”) which offered to finance the deposit of six hundred thousand dollars \$600,000.00 with the expectation of one million one hundred thousand dollars \$1,100,000.00 to be repaid. Given that no other options were available, that offer was accepted. The real estate team positioned this subdivision as affordable housing with a starting price of three hundred and ninety-nine thousand dollars \$399,000.00. Karwood Ontario gave instructions to A Team to only sell ten (10) units at a time based on the size of the construction team and Karwood’s newness to the Ontario market.
14. The subdivision went to market just as the COVID-19 lockdown started and the ten (10) houses sold almost immediately. The A Team put pressure on us to sell an additional ten (10) homes because there was uncertainty about when homes would sell at this rate again. As the A Team had provided the financing, there was significant pressure to continue selling the houses.
15. After the first twenty (20) units were sold the A Team requested for houses be sold to agents in their team as well. Although this was beyond what we were comfortable with selling at the time, there was significant pressure from the A Team to do the sales. An additional six (6) houses were sold to the A Team real estate agents.
16. It is pertinent to note that these homes were sold at pre-covid pricing with pre-covid timelines for completion. Very quickly the covid effect happened and the number of home sales skyrocketed while the availability of trades decreased due to demand and lockdown restrictions. Material supplies some instances quadrupled during this time.
17. It became quickly obvious to the Applicants that many of these sales were to investors who flipped the contracts at much higher prices. For example, the same houses we sold at three hundred and ninety-nine thousand dollars \$399,000.00. were being resold at eight hundred and ninety-nine thousand dollars \$899,000.00. Karwood Ontario was using pre-covid pricing on the homes but having to build at much high covid pricing due to investor pressure.
18. Despite all the challenges, this subdivision, at present, has been completed with only some warranty work remaining.

AEON

19. Karwood Ontario and Karwood Engineering struggled to secure trades during covid, so we took a recommendation from Doug Tarry Homes Limited (“DTHL”). for an excavation and landscape contractor; AEON. Our residential manager got fixed price contracts for excavation and landscaping and issued purchase orders (“PO”) for the needed work.
20. At the beginning, things were going as expected. We paid them as work was completed. Unfortunately, they billed for more than ten (10) times the PO issued which included for work not started, work not completed and work for lots which were nonexistent.
21. We disputed the amount once this came to light however, AEON proceeded to file a blanket lien against the subdivision for five hundred and seventy thousand dollars \$570,000.00. We stopped work in the Belmont Subdivision for months until we borrowed seven hundred and eighteen thousand dollars \$718,000.00 to pay into the court so the lien could be vacated.
22. The fallout from this led to bills for approximately three hundred thousand dollars \$300,000.00 in legal fees. This resulted in a settlement with AEON against our wishes at an amount way above what we owed them in order to ensure the legal bills were paid. This resulted in a loss.

B. Covid-19

Business Strategy Failure:

23. The original expansion plan going into Ontario was based on a strategy to have the experienced Newfoundland and Labrador employees working in Ontario on a rotational schedule. The pandemic and Atlantic bubble restrictions prevented this from working effectively and resulted in Karwood Ontario having to hire and rely on new, less experienced staff.
24. For the first six (6) months of the pandemic no one from the Newfoundland and Labrador Karwood Contracting and Karwood Engineering teams was in Ontario due to lockdown restrictions. There were a lot of pre-sales before covid and there were not much experienced employees to do the work for those six months. There was also a fair amount of staff time dedicated to the ever-changing health restrictions and requirements for the worksite which impacted productivity.

25. Productivity was also impacted because there was less direct interaction with trades possible on the worksite.

300 Manor:

26. Karwood Ontario entered into an agreement with DTHL to build affordable apartments buildings under CMHC financing. DTHL was new to this type of project, but Karwood Ontario came with experience and helped arrange the financing on DTHL's behalf using its Newfoundland and Labrador contacts.
27. Karwood Ontario and Karwood Design entered into a design build agreement with DTHL which included a clause for changes in pricing due to covid as the pandemic had just started at that point, but the real covid impacts had not begun such as price increases.
28. There were many supply-chain and labour issues due to covid impacting construction of these apartments, so they took much longer than anticipated.
29. Karwood Ontario did not request a pricing change, despite trades changing their pricing and construction costs rising. Karwood Ontario's objective was to try and establish a solid basis for future development partnerships by completing these units according to the agreed contractual terms. It was only after the relationship with DTHL broke down that Karwood Ontario decided to seek compensation for higher costs as stipulated in the contract.

C. Rising Costs:

30. Rising construction costs and slow payment by DTHL resulted in payment to trades taking longer than expected. As a result, a disgruntled trade filed a lien against the project due to late payment and Doug Tarry breached the agreement with Karwood to pay the trade directly and then subsequently not pay the outstanding bills to Karwood. Karwood filed a lien against the project for five million dollars, \$5,000,000.00 to account for the amounts owing.
31. Severe inflation in supply costs of essential supplies caused a financial loss in Ontario, especially that the failure of the business strategy had not been anticipated.

CONCLUSION


- 32. The effects of COVID-19, failure of business strategy, lender aggression and rising cost of supplies cumulatively led to the insolvency in Ontario based companies.
- 33. This Supplemental Affidavit is sworn in respect of the Applicants' application for an Initial Order under the CCAA, and for no other purpose.

SWORN TO at St. John's, Newfoundland)
and Labrador, this 03 day of ~~January~~)
2025, before me: February)



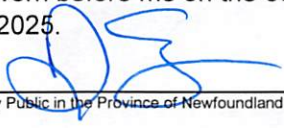
A Commissioner of Oaths, being a)
Solicitor)

Witnessed Dave Nife)



GREGORY HUSSEY

This is Exhibit A to the affidavit of Gregory
Hussey sworn before me on the 03 day of
February 2025.


Notary Public in the Province of Newfoundland and Labrador

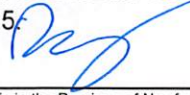
Darren D. O'Keefe, B.C.L., LL.B.
Barrister, Solicitor, Notary Public
Newfoundland & Labrador, Canada

EXHIBIT "A"

Secured Creditors				Principal	Outstanding Interest & fees	Total	
Karwood Contracting							
BMO	Builders mortgage on 6 properties						
	55 Silverbirch			\$121,230.00		\$121,230.00	
	59 Silverbirch			\$123,222.00		\$123,222.00	
	61 Silverbirch			\$109,125.00		\$109,125.00	
	63 Silverbirch			\$109,125.00		\$109,125.00	
	70 Silverbirch			\$90,832.00		\$90,832.00	
	41 Yellowwood			\$87,145.00		\$87,145.00	
	Estimated interest & fees				\$25,600.00	\$25,600.00	
	Total			\$640,679.00	\$25,600.00	\$666,279.00	\$666,279.00
Tammy & Randy Oram	Mortgage on 61 & 63 Silverbirch			\$140,000.00		\$140,000.00	\$140,000.00
	Estimated interest & fees				\$17,000.00	\$17,000.00	
	Total			\$140,000.00	\$17,000.00	\$157,000.00	\$157,000.00
Boreal Atlantic	Mortgage on Land on Kenmount Road			\$550,000.00	\$0.00	\$550,000.00	\$550,000.00
	Estimated interest & fees				\$94,000.00	\$94,000.00	
	Total			\$550,000.00	\$94,000.00	\$644,000.00	\$644,000.00
Karwood Ontario							
Libro							
	3761855-7	236 West Street	Statement Attached	\$207,558.99		\$207,558.99	
	3761855-63	236 West Street		\$163,344.00		\$163,344.00	
	3761855-64	236 West Street		\$98,550.00		\$98,550.00	
	3761855-65	35 Honey bend	Statement Attached	\$483,971.84		\$483,971.84	
	3761855-62	35 Honey bend		\$256,050.00		\$256,050.00	
	Total interest incurred up to September 16 2024				\$28,074.32	\$28,074.32	
	Estimated interest from September (\$251.16 per diem)				\$37,674.00	\$37,674.00	
	Total			\$1,209,474.83	\$65,748.32	\$1,275,223.15	\$1,275,223.15
Karwood Engineering // Design							

Grand Total \$3,432,502.15

This is Exhibit "B" to the affidavit of Gregory
Hussey sworn before me on the 03 day of
February 2025.



Notary Public in the Province of Newfoundland and Labrador

Darren D. O'Keefe, B.C.L., LL.B
Barrister, Solicitor, Notary Public
Newfoundland & Labrador, Canada

EXHIBIT "B"

January 31, 2025

Karwood Contracting Ltd.

Vendor Name	Correct Balance
81502 NI Ltd	\$34,865.46
A1 Eavestrouging Inc	\$1,178.75
Ace Cement Finishing	\$6,207.70
Aliant	\$1,662.07
Atlas Structural Systems	\$8,012.75
Avalon Recycling Service Ltd	\$655.50
Babb Security Systems	\$549.13
Benson Buffett	\$70,513.82
Brown & Way Surveys	\$92,114.30
BSB Contracting	\$6,661.05
Cole-Air Contracting Ltd	\$24,814.01
Cardon Plumbing	\$23,977.50
CD Ventilation	\$16,387.50
Clean Cut Kitchen Inc	\$33,858.17
Concrete Products	\$73,771.78
Connors Construction Ltd	\$1,207.50
Cory Rideout	\$10,893.03
James G Crawford Ltd	\$65,641.70
Creative Closets	\$14,605.00
Dennis Stuckless	\$5,000.00
Distinctive Framing	\$2,853.50
DLL Financial Soltns	\$1,126.82
Donovan Services Inc	\$3,124.55
Drywall Plus Limited	\$4,476.28
Duff's Excavating	\$42,546.51
Dynamic Engineering	\$1,868.75
Economy Insulators	\$7,389.21
Englobe Corp	\$5,750.00
EVO Group	\$7,498.00
Exp Services Inc	\$2,875.00
G&K Plumbing	\$9,545.00
GGD Electrical	\$7,260.00
Hardwood Depot	\$15,358.25
Home Shield Insulation	\$28,037.20
Irving Energy	\$461.14
Irving Oil Marketing GP	\$1,900.89
Kent Building Supplies	\$380,782.69
Kirkland Appraisals	\$7,492.25
KMS Conctruction Ltd	\$13,397.50

January 31, 2025
Karwood Contracting Ltd.

Vendor Name	Correct Balance
MacIntyre Homes & Renovations	\$3,229.20
Millenium Express	\$22.84
Modern Business Equipment	\$168.66
Murno Contracting Inc	\$20,968.00
Newfoundland Power	\$787.10
O'Brien's Trucking Ltd.	\$3,020.76
O'keefe Sullivan	\$53,497.88
Overhead Door (NFLD) Limitd	\$4,140.00
Paint Shop	\$521,077.49
Pike & Associates	\$6,842.50
Pyramid Construction	\$2,530.00
Quickshot Contracting	\$13,800.00
R&L Contracting	\$10,336.20
Randy Oram	\$7,012.32
Rock solid Masonry	\$4,178.63
Rogers Coombs & Asscts Prf	\$6,375.00
Tanya RSP Finance Interest	\$11,458.35
Sherwin Williams	\$2,350.31
Shockfree Electrical	\$67,571.53
S&S Supply	\$5,280.80
Stephen Jewczyk	\$3,766.25
Tammy & Randy RSP interest	\$16,707.10
Thorne Electrical	\$17,559.53
Telus Mobility	\$2,378.04
TODD Mahon Plster	\$1,629.55
Total Insulation	\$9,372.50
Town of Paradise	\$18,956.45
Trimwood Construction	\$53,363.39
Tyco Intergrated Fire	\$4,573.55
Workplace NL	\$9,000.00
	\$1,918,274.19

January 31, 2025	
Karwood Engineering Inc.	
Vendor Name	Correct Balance
Building Energy Matters	\$5,085.00
Bert Twyne	\$106.60
Bluewater Energy	\$734.50
Brown & Way Surveys	\$2,817.50
Callidus Engineering	\$71,090.89
Crosbie Engineering Ltd	\$11,271.15
Exp Services Inc.	\$38,990.74
Mills & Wright	\$3,703.00
Angela & Pike Associates	\$1,380.00
Pinnacle Engineering Ltd	\$9,453.00
RDH Building Science	\$10,775.96
Ron Kouidy's Landscape	\$25,460.31
Strik Bladinelli Moniz	\$5,062.40
Workplace NL	\$7,473.74
	\$193,404.79

January 31, 2025

Karwood Ontario Ltd.

Vendor Name	Correct Balance
407-ETR	\$1,826.30
ABA Construction	\$94,157.77
Abell Pest control	\$141.25
Akubuilt	\$446,621.10
Alarm Shield Inc	\$4,172.19
Altus Group	\$17,639.30
Aquarelux Bath Showrm Ltd	\$3,690.58
Artisan Exteriors	\$5,329.91
The Better bin Company	\$4,693.46
Bowsher & Bowsher LLP	\$4,140.76
Builders Choice Air Systems LT	\$43,773.39
B. Wilson engineerng Inc	\$508.50
BZ Plumber	\$17,374.00
Car Wal Garage Doors	\$628.28
Centric Engineering Crprt	\$3,218.00
CJDL Consulting Engineers	\$2,825.00
Comfort Contracting	\$491.54
Computata	\$2,411.42
Roger Coombs & Associates	\$9,950.00
Progressive Cntrtp Systems	\$4,561.76
Countryside Concret Fnshng	\$15,728.92
Davidoff Roofing Ltd	\$13,715.87
Davis Electrical	\$14,259.19
Diamnd Painting & Wall Finsh	\$27,473.21
DNO Towing	\$282.50
Door Way Canada	\$38,409.11
Dowler-karn Limited	\$1,150.39
Environmental 360 Solutn	\$2,548.95
EDS Concrete Products	\$1,722.56
Elgin Roofing Ic	\$15,328.96
Enbridge Gas	\$120.91
Enercare Home	\$4,484.19
Entegrus Powerlines Inc	\$2,785.34
EPCOR Natural Gas LP	\$840.81
ERTH Power	\$3,856.53
Everest Mangmnt Ntwrk Inc	\$6,430.00
EXP Services Inc	\$6,306.53
Financial Consulting	\$15,500.00
Flooring Canada	\$24,365.66

January 31, 2025
Karwood Ontario Ltd.

Vendor Name	Correct Balance
FloorSouce	\$14,236.37
Glen Allan Pillars Inc	\$988.75
Geerlinks Home Hardware	\$17,643.79
Heritage Stair & Railing	\$15,938.65
Hierbert Enterprise Inc	\$133,789.74
Home Wood Working	\$18,984.00
Adobe Home Comfort	\$16,978.25
Howe Electric	\$4,237.50
HVAC Delineation Inc	\$847.50
Hydro One	\$1,650.56
Innovative Inter Cnsltnt	\$9,821.52
JR Roestenberg Welding Ltd	\$593.25
Kielstra Siding & Windows	\$80,682.00
Kim Husted surveyng Ltd	\$4,816.18
Legacy Insulation Inc	\$152,022.11
Littlewood Landscapng Ltd	\$42,190.30
Living Lighting	\$2,147.00
London Str & Rlmg Co. Ltd	\$1,201.50
Medeiros & Son Trim	\$18,284.76
Merry Maids	\$452.00
Mint Painting	\$5,351.96
Moka Custom Cabinetry	\$17,541.34
MOORE FLORING & DESIGN	\$8,462.45
Mr. Cha Painting	\$1,150.00
Municipality Central Elgn	\$19,331.30
Nuway Kitchens	\$69,603.59
O'Keefe & Sullivan	\$21,924.20
Olvec Canada Ltd	\$13,692.21
Paramount Services Ltd	\$247,482.60
Parsons Engineering	\$862.50
PERMACORP	\$26,555.00
Phase Five Electric	\$27,421.98
PIKE&ASSOCIATES	\$690.00
PMD EXCAVATION	\$106,186.35
PM Reno Inc	\$9,221.43
Polley Security & Contrls	\$13,341.89
poly-mor Canada Inc	\$142,300.90
Pro-ABL DRS & Systms Inc	\$12,422.23
Quality One Renovations	\$7,209.40

January 31, 2025
Karwood Ontario Ltd.

Vendor Name	Correct Balance
R. A. Walker Construction	\$82,423.67
RDH Building Science	\$25,854.40
Refined Flooring & Design	\$8,665.69
Ritchin Insulation	\$63,212.04
Riverside Exteriors	\$25,865.76
Riverside concrete Formng	\$14,271.25
Ruby Farms	\$791.00
SBM GEOMATICS	\$7,571.00
Simpson's Fence	\$1,932.50
Siv-ik Plnng & Desgn Inc	\$17,409.07
Spriet Associates	\$24,311.40
Stephenson's Rental Srvcs	\$4,332.61
Stonex Granite & Quartz	\$740.15
Suma Cleaning	\$3,525.60
SWMInc	\$11,400.07
TAAPPLIANC	\$34,684.22
TALBOT	\$937.90
Three Vallys Cntrctng Crp	\$19,153.50
Tiller engineering	\$437.00
The Top Shop	\$23,629.44
UWork Inc	\$2,259.98
VanBoxmeer & Stranges	\$1,094.69
Veracity Construction	\$2,514.25
WEIRFORULDS4100-66	\$19,922.15
Western fire Protctn Inc	\$55,201.07
Willow Tree Custom Cabnts	\$43,757.16
Wizard of Paint	\$19,178.88
	\$2,666,797.65