

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**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
KOREX DON VALLEY ULC**

APPLICANT

FOURTH REPORT OF IRA SMITH TRUSTEE & RECEIVER INC.

**IN ITS CAPACITY AS COURT-APPOINTED MONITOR OF
KOREX DON VALLEY ULC**

DATED APRIL 29, 2009

1.0 INTRODUCTION

This Fourth Report (the "**Fourth Report**") is filed by Ira Smith Trustee & Receiver Inc. ("**ISI**") in its capacity as court-appointed monitor (the "**Monitor**") of all of the assets, undertakings and properties of Korex Don Valley ULC ("**Korex**").

On January 2, 2009, by Endorsement of the Honourable Mr. Justice Campbell, prior to its appointment as Monitor, ISI was directed to perform certain work and prepare its First Report in its capacity as proposed court-appointed monitor as part of an adjournment on a consent basis of the within application.

On January 12, 2009, the parties attended before the Honourable Madam Justice Pepall to seek an adjournment of the hearing of Korex's motion. By endorsement of Justice Pepall, the First Report was not filed with this Honourable Court at that time. A copy of Her Honour's Endorsement was attached to the proposed Monitor's Supplementary First Report as Exhibit "A" (further discussed below).

On January 19, 2009, the parties attended before the Honourable Mr. Justice Morawetz to seek a further adjournment of the hearing of Korex's motion. By endorsement of Justice Morawetz on that same date, His Honour directed that the proposed monitor file a further report for the next attendance on January 23, 2009 providing an up to date summary of key events.

On January 23, 2009, the parties attended before the Honourable Mr. Justice Cumming and scheduled the hearing of the Korex motion for February 3, 2009. By Endorsement of Mr. Justice Cumming, the proposed monitor was directed to file a Supplementary Second Report with this Honourable Court on February 2, 2009. Justice Cumming also directed the proposed monitor to file the First Report and the Supplementary First Report with this Honourable Court which was done at the same time.

On February 6, 2009, Korex's motion was heard and an Order was made granting Korex the requested relief, including, the stay of proceedings, the appointment of ISI as Monitor and directing that a further hearing in this Application should be heard on March 9, 2009, or such alternate date as the Court may fix (the "**Initial Stay Order**"). Attached hereto as **Exhibit "A"** is a copy of the Initial Stay Order.

On March 6, 2009, the Monitor's legal counsel, Aird & Berlis LLP, filed the Monitor's First Report to Court (the "**First Report**") with this Honourable Court in connection with the

Applicant's motion for an extension to the Initial Stay Order being heard on March 9, 2009 before the Honourable Madam Justice Hoy. Her Honour advised Mr. S. Mitra of Aird & Berlis LLP, who appeared on the March 9 attendance on behalf of the Monitor, that the First Report was not contained in the Court file. Accordingly, the First Report was neither considered nor approved by Her Honour. By Order of the Honourable Madam Justice Hoy dated March 9, 2009, the Initial Stay Order and the initial stay was extended to March 30, 2009 (the "**First Extension Order**"). Attached hereto as **Exhibit "B"** is a copy of the First Extension Order.

On March 25, 2009, the Monitor's legal counsel, Aird & Berlis LLP, filed the Monitor's Second Report to Court (the "**Second Report**") with this Honourable Court. Attached as Exhibit "A" to the Second Report was an original signed copy of the First Report. Included in the Exhibits to the First Report is a copy of all Reports filed by ISI in its capacity as proposed monitor.

On March 30, 2009, Aird & Berlis LLP filed the Monitor's Supplementary Second Report to Court (the "**Supplementary Second Report**") dated March 28, 2009. The purpose of the Supplementary Second Report was to provide the Court with additional information in connection with the Applicant's application for an extension of a further extension of the Initial Stay and the Initial Stay Order to April 30, 2009, which was served and filed subsequent to the finalization of the Second Report.

By Order of the Honourable Mr. Justice Lederman dated March 31, 2009, the Initial Stay Order and the initial stay was extended to April 30, 2009 (the "**Second Extension Order**"). Attached hereto as **Exhibit "C"** is a copy of the Second Extension Order.

In the Second Extension Order, Mr. Justice Lederman ordered that the Set-Off Motion (as defined in the Second Extension Order) as to the validity of the set-offs claimed by U L Canada Inc. (“**Unilever Canada**”) be adjourned until April 17, 2009.

By further Order of Mr. Justice Lederman dated March 31, 2009, the First and Second Report of the Monitor, its actions and activities contained therein, and the fees and disbursements of the Monitor and of Aird & Berlis LLP, as contained in such Second Report, were approved (the “**First Approval Order**”). Attached hereto as **Exhibit “D”** is a copy of the First Approval Order.

The Set-Off Motion began on April 17, 2009 and was continued on April 22, 2009 before Mr. Justice Wilton-Seigel. On April 22, Mr. Justice Wilton-Seigel directed that an inventory count under the supervision of the Monitor be conducted of the product in Toronto which was the subject of the dispute with Unilever Canada. On April 27, 2009, the Monitor filed its Third Report to Court with this Honourable Court (the “**Third Report**”) to advise this Honourable Court of the result of the Toronto inventory count and of other information as directed by Justice Wilton-Seigel.

By Order of Mr. Justice Wilton-Seigel dated April 22, 2009, the Administration Charge was increased to \$350,000 from its original maximum amount of \$250,000 (the “**Revised Administration Charge Order**”).

Purpose of this Report

The purpose of this Fourth Report is to:

1. Assist this Honourable Court by reporting on the Monitor's review of Korex's operations since its monitoring report for the week ended March 14, 2009, being the last monitoring report included in the Monitor's Second Report.
2. Advise this Honourable Court of the current status of Korex's relationship with Comerica Bank.
3. Provide additional information, in connection with Korex's motion for its application for a further extension of the Initial Stay Order.

2.0 DISCLAIMER

The Monitor has relied upon the financial records and financial statements of Korex, as well as other information supplied by Messrs. S. Pensler (President) and Mr. J. Bojkovski (Chief Financial Officer). Our procedures did not constitute an audit or review engagement.

Our procedures and enquiries did not include verification work or constitute an audit in accordance with generally accepted auditing standards. In the event any of the information we relied upon was inaccurate or incomplete, the results of our analysis could be materially affected. As well, in our Monitoring Reports, we have assumed that Korex will continue for as long as required in order to properly liquidate at least its accounts receivable and inventory for the benefit of Comerica Bank, its secured lender, as a going-concern, and that current business conditions will remain status quo, including but not limited to, commodity and other input prices.

As well, the Monitor did not review internal plans and support budgets such as sales, manufacturing and marketing plans or budgets. The Monitor's analysis is subject to the reasonableness of all of the assumptions used in such plans and budgets, and the future business conditions Korex will encounter.

Therefore, the Monitor is unable to and does not express an opinion on any financial statements, or elements of accounts referred to in this Fourth Report, or any of the attached Appendices or Exhibits forming part of this Fourth Report. We reserve the right to review all calculations included or referred to in this Fourth Report and, if we consider it necessary, to revise our calculations or conclusions in light of new information as such information becomes available.

3.0 MONITORING

The Monitor has been regularly monitoring the operations of Korex since the granting of the Initial Stay Order, and has provided on a weekly basis, a memorandum to both Korex and Comerica Bank and their respective legal counsel, contemporaneously, on the findings of the Monitor for the week ended immediately prior to the week in which the Monitor's memorandum was issued.

Attached hereto as **Exhibits "E" through "I"** are the reports issued by the Monitor for the weeks ended March 21, 28, April 4, 11 and 18, respectively.

The Monitor has also been involved in numerous email communications and telephone calls with representatives of both Korex and Comerica Bank regarding both Korex's financial operations and the monitoring in general, and has also been involved in several conference calls between Korex and Comerica Bank representatives and their respective legal counsel. To facilitate

funding advances for Korex, Comerica Bank requested that the Monitor provide additional reporting on the cash collections of Korex twice weekly to supplement the weekly monitoring reports. The Monitor has been providing such additional reporting to Comerica Bank. Korex has provided complete cooperation to the Monitor, and Comerica Bank has had complete access to the Monitor.

4.0 COMERICA BANK POSITION

On April 28, 2009, Comerica Bank, through its legal counsel, delivered a letter to Korex and the Monitor indicating that Comerica Bank would not be advancing any further funding to Korex at the expiry of the current forbearance agreement on April 30, 2009. Attached hereto as **Exhibit “J”** is a copy of the letter. The Monitor understands that notwithstanding the foregoing, Comerica Bank will fund the professional fees secured by the Revised Administration Charge incurred up to April 30, 2009. Comerica has approached Ira Smith Trustee & Receiver Inc. and inquired as to whether they will act as its receiver with respect to the inventory and receivables.

5.0 KOREX REQUEST FOR A THIRD EXTENSION

On April 27, 2009, Korex served its motion material for a third extension of the Initial Stay Order and the initial stay. The Monitor has been requesting that Korex to provide the Monitor with: (i) proof of funding in order to allow it to operate, to continue the CCAA restructuring process and to be able to fund the professional fees to be incurred after April 30, 2009 secured by the Administration Charge (as defined in the Initial Stay Order, as increased in the Revised Administration Charge Order); (ii) its cash-flow projections and its operating budgets for the period of its third extension request; and (iii) information to allow the Monitor to assess the

likelihood of Korex being able to present a viable Plan of Arrangement for consideration by its unsecured creditors.

At the time of writing this Third Report, the Monitor has not been provided with particulars of any of the foregoing. However, both Korex's legal counsel and Mr. Pensler have advised the Monitor that Korex: (i) has arranged debtor in possession ("DIP") financing which in Korex's view is sufficient to allow it to continue to both operate and carry on with the CCAA restructuring process for the period of its extension request; (ii) is currently in the midst of very sensitive negotiations with an arm's length party to inject significant funds to allow for Korex's currently formulated Plan of Arrangement to be implemented; (iii) will submit further affidavit evidence to this Honourable Court in connection with its extension request to substantiate its advice that the DIP financing is sufficient and to provide evidence to this Honourable Court concerning the negotiations with such third party; and (iv) it believes that such information is so sensitive given the current state of negotiations that it will be requesting a sealing Order for this information and therefore, Korex cannot disclose this information to any party, including the Monitor.

As such, the Monitor has not been able to review any information in support of Korex's assertions and therefore cannot provide any assessment or opinion to assist this Honourable Court.

6.0 CONCLUSION

Korex has been acting in good faith and co-operating. As indicated above, at the time of the writing of this Fourth Report, other than an indication that there is a DIP facility which may become available, the Monitor does not have particulars of what Korex is relying upon to

demonstrate to this Honourable Court that it has sufficient funding in order to continue its operations and this restructuring process. The Monitor also does not have the particulars of a plan to permit it to comment on a further extension request.

The Monitor believes that, in addition to statutory requirements, in order to for a further stay to be warranted Korex must satisfy the Court of the following: (i) proof of adequate funding in order to allow it to continue to operate and restructure after April 30, 2009; and (iii) a viable Plan of Arrangement can still be presented for consideration by its creditors.

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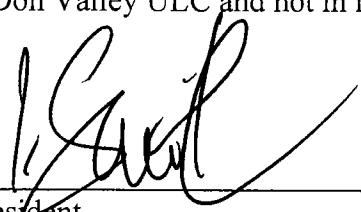
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All of which is respectfully submitted at Toronto, Ontario this 29th day of April, 2009.

IRA SMITH TRUSTEE & RECEIVER INC.
solely in its capacity as Court-Appointed Monitor
of Korex Don Valley ULC and not in its personal Capacity

Per:



President

Attached is Exhibit "A"

as referred to in the

FOURTH REPORT
of Ira Smith Trustee & Receiver Inc.

COURT FILE NO. 08-CL-7925

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE MR.) FRIDAY, THE 6TH DAY OF
)
JUSTICE CUMMING) FEBRUARY, 2009.

**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
KOREX DON VALLEY ULC**

APPLICANT

INITIAL ORDER

THIS APPLICATION, made by the Applicant, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Application issued December 31, 2008, the affidavit of John Bojkovski, sworn December 31, 2008, and the Exhibits thereto, the Notice of Motion of the Respondent Secured Party, Comerica Bank, dated January 28, 2009, the Affidavit of Jacob Villemure, sworn January 27, 2009 and the Exhibits, thereto, the Affidavit of Sanford Pensler sworn February 2, 2009, and the Exhibits thereto, the First Report, Supplementary First Report and Supplementary Second Report, dated January 9, 2009, January 22, 2009 and February 2,

2009, respectively, of Ira Smith Trustee & Receiver Inc. in its capacity as proposed Court - Appointed Monitor and being advised that their respective clients consent to the terms hereof, and on reading the consent of Ira Smith Trustee & Receiver Inc. to act as the Monitor, filed.

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICANT

2. THIS COURT ORDERS AND DECLARES that the Applicant is a company to which the CCAA applies.

FURTHER HEARING

3. THIS COURT ORDERS that a further hearing in this Application shall be held on March 9, 2009, or such alternate date as this Court may fix, at which time this Order may be supplemented or otherwise varied, and the Stay Period (as herein defined) extended or terminated. The Applicant and the Monitor shall serve their materials for this further hearing on all parties who serve a Notice of Appearance on the Applicant and the Monitor, such materials to be served by no later than five (5) days prior to the date scheduled for the further hearing.

POSSESSION OF PROPERTY AND OPERATIONS

4. THIS COURT ORDERS that the Applicant shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"). Subject to further Order of this Court, the Applicant shall continue to carry on business in a manner consistent with the preservation of its business (the "Business") and Property. The Applicant shall be authorized and empowered to continue to retain and employ the employees, consultants, 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 business or for the carrying out of the terms of this Order.
5. THIS COURT ORDERS that the Applicant shall be entitled to continue to utilize their existing bank accounts and any other bank accounts permitted under the Forbearance Agreement with its lender, Comerica Bank ("Comerica") (as defined below) (the "**Bank Accounts**") and that all banks in which the Applicant maintains any Bank Account are authorized and directed to deliver the balance of such funds held on behalf of the Applicant to Comerica.
6. THIS COURT ORDERS that the Applicant is authorized and empowered to continue to manage their cash and cash equivalents and transfer funds among their respective Comerica Bank Accounts pursuant to the cash management system currently in place, or replace it with another substantially similar central cash management system satisfactory to Comerica (the "Cash Management System").
7. THIS COURT ORDERS that the Applicant 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, bonuses and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
 - b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges.
8. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the Applicant shall be entitled but not required to pay all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:
- a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
 - b) payment for goods or services actually supplied to the Applicant following the date of this Order.
9. THIS COURT ORDERS that the Applicant 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 (a) employment insurance, (b) Canada Pension Plan, (c) Quebec Pension Plan, and (d) income taxes;
- b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, 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 Applicant.

10. THIS COURT ORDERS that, except as specifically permitted herein, the Applicant is 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 Applicant to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or

encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

11. THIS COURT ORDERS that until and including March 9, 2009, 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 Applicant or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court. Notwithstanding the foregoing, nothing in this Order shall stay the exercise by Comerica of any of its rights or remedies under the Forbearance Agreement (as defined below).

NO EXERCISE OF RIGHTS OR REMEDIES

12. 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 Applicant or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry

on, (ii) exempt the Applicant from compliance with statutory or regulatory provisions relating to health, safety or the environment, (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

13. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicant, except with the written consent of the Applicant and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

14. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with the Applicant 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 Applicant, 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 Applicant, and that the Applicant shall be entitled to the continued use of its 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 Applicant in accordance with normal payment practices of the Applicant or such other practices as may be agreed

upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

15. THIS COURT ORDERS that, notwithstanding anything else contained herein, no creditor of the Applicant shall be under any obligation after the making of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicant. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA, provided however that, any Person that seeks to advance a claim of, or analogous to set-off or equitable set-off to justify the non-payment of any existing or accruing debt to the Applicant shall advise the Applicant and the Monitor in writing prior to so doing so as to enable the Applicant to have the validity of the set-off adjudicated upon by this Honourable Court on an urgent basis if so advised.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

16. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.5(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicant whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicant, if one

is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

17. THIS COURT ORDERS that the Applicant shall indemnify its directors and officers from all claims, costs, charges and expenses relating to the failure of the Applicants, after the date hereof, to make payments of the nature referred to in subparagraphs 7(a), 9(a), 9(b) and 9(c) of this Order which they sustain or incur by reason of or in relation to their respective capacities as directors and/or officers of the Applicants, except to the extent that, with respect to any officer or director, such officer or director has actively participated in the breach of any related fiduciary duties or has been grossly negligent or guilty of wilful misconduct.
18. THIS COURT ORDERS that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on the Property, which charge shall not exceed an aggregate amount of \$250,000, as security for the indemnity provided in paragraph 17 of this Order. The Directors' Charge shall have the priority set out in paragraph 31.
19. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such

coverage is insufficient to pay amounts indemnified in accordance with paragraph 18 of this Order.

APPOINTMENT OF MONITOR

20. THIS COURT ORDERS that Ira Smith Trustee & Receiver Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the Property and the Applicant's conduct of the Business with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations.

21. 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 Applicant's 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) have full and complete access to the books, records and management, employees and advisors of the Applicant and to the Business and the Property to the extent required to perform its duties arising under this Order;

- d) assist the Applicant in preparing the cash flow projections, budgets and any other reporting or information they may require in relation to the Business and the Property, and to report to Comerica as required in relation to the Forbearance Agreement, which information shall be reviewed with the Monitor;
- e) assist the Applicant in its dissemination to Comerica and its counsel of financial and other information requested by Comerica and in its sole discretion, provide any creditor of the Applicant with information provided by the Applicant 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 21. In the case of information that the Monitor has been advised by the Applicant 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 Applicant may agree;
- f) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- g) perform such other duties as are required by this Order or by this Court from time to time.

22. 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.

23. 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*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety 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.
24. 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 wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

25. THIS COURT ORDERS that the Monitor, counsel to the Monitor and counsel to the Applicant shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicant as part of the costs of these proceedings. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a bi-weekly basis.
26. 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 Commercial List of the Ontario Superior Court of Justice.
27. THIS COURT ORDERS that the Monitor, counsel to the Monitor, if any, and the Applicant 's 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, as security for their professional fees and disbursements incurred at the 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 paragraph 31 hereof.

COMERICA FACILITY

28. THIS COURT ORDERS that, notwithstanding any other provision of this Order:
- a) the Applicant is authorized and empowered to continue to borrow under the Loan Agreement among Comerica and the Applicant made April 30, 2003, as subsequently amended, modified and supplemented, most recently pursuant to a

Forbearance Agreement between the Applicant and Comerica (the “**Forbearance Agreement**”);

- b) the Applicant is authorized and directed to perform all obligations to Comerica under the Loan Agreement and any security or other documents contemplated thereby, whether arising before or after the making of this Order as and when the same become due and are to be performed, but subject to the priority set out in paragraph 31 hereof (the “**Loan Documents**”); and
- c) the Applicant is authorized, empowered and directed to enter into and perform their obligations under a certain Forbearance Agreement, substantially in the form of the agreement attached hereto to which the Applicant is a party, and are directed and shall comply with the Loan Documents and the Forbearance Agreement and shall make all payments to Comerica provided for under the Forbearance Agreement and Loan Documents.

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

- a) subject to the terms of the Forbearance Agreement and the Loan Agreement, Comerica may, upon the occurrence of a default (other than an Existing Default as defined in the Forbearance Agreement): (i) without notice to the Applicant or any other Person cease making advances to the Applicant and set off and/or consolidate any amounts owing by Comerica to the Applicant, against the obligations of the Applicant to Comerica under the Loan Agreement, the Loan Documents or the Comerica Charge, and (ii) upon two (2) business days notice to the Applicant and the Monitor, exercise any and all of its rights and remedies against the Applicant or the Property under or pursuant to the Forbearance Agreement, the Loan Agreement, and the Loan Documents, including without limitation, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant or for the appointment of a trustee in bankruptcy of the Applicant, but subject to the priorities as set out in paragraph 31 of this Order; and

- b) the foregoing rights and remedies of Comerica shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant or the Property.

30. THIS COURT ORDERS AND DECLARES that, without prejudice to the stay of Comerica's right to take enforcement proceedings against the Applicant contained in the Forbearance Agreement and herein, Comerica shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicant under the CCAA, or any proposal filed by the Applicant under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"), with respect to any advances made under the Credit Agreement or the Loan Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

31. THIS COURT ORDERS that the priorities of the Directors' Charge and the Administration Charge, as between them, shall be as follows:

- a) First – Administration Charge not to exceed the amount of \$250,000;
- b) Second – The Directors' Charge not to exceed the amount of \$250,000.

32. THIS COURT ORDERS that the filing, registration or perfection of the Directors' Charge, and the Administration Charge (collectively, the "Charges") shall not be required, and that the 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.

33. THIS COURT ORDERS that each of the Charges (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all

other security interests, trusts, liens, charges and encumbrances, statutory or otherwise (collectively, "Encumbrances") in favour of any Person.

34. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicant also obtains the prior written consent of the Monitor and the beneficiaries of the Charges, or further Order of this Court.

35. THIS COURT ORDERS that the Charges and the Forbearance Agreement shall not be rendered invalid or unenforceable and the rights and remedies of the parties entitled to the benefit of the Charges and the Forbearance Agreement (collectively, the "Chargees") thereunder 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 Applicant, and notwithstanding any provision to the contrary in any Agreement:

- a) the creation of the Charges nor the execution, delivery, or performance of the Forbearance Agreement, shall not create or be deemed to constitute a breach by the Applicant of any Agreement to which it is 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 creation of the Charges or the execution, delivery or performance by the Applicant; and
- c) any payments made by the Applicant pursuant to this Order or the Forbearance Agreement, and the granting of the Charges and the Forbearance Agreement, do not and will not constitute fraudulent preferences, fraudulent conveyances, oppressive conduct, settlements or other challengeable, voidable or reviewable transactions under any applicable law.

SERVICE AND NOTICE

36. THIS COURT ORDERS that the Applicant shall, within ten (10) business days of the date of entry of this Order, send a copy of this Order to its known creditors, other than employees and creditors to which the Applicant owes less than \$500.00, at their addresses as they appear on the Applicant's records, and shall promptly send a copy of this Order (a) to all parties filing a Notice of Appearance in respect of this Application, and (b) to any other interested Person requesting a copy of this Order, and the Monitor is relieved of its obligation under Section 11(5) of the CCAA to provide similar notice, other than to supervise this process.

37. THIS COURT ORDERS that the Applicant and the Monitor be at liberty to serve 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 electronic transmission to the Applicant's creditors or other interested parties at their respective addresses as last shown on the records of the Applicant as applicable and that (i) any such service by courier, personal delivery, facsimile or electronic transmission shall be deemed to be received (i) if delivered by or forwarded by facsimile or electronic submission before 4:00 p.m. on a business day (being a day that the principal Canadian banks are open for business in Toronto), on that same day, (ii) if delivered or forwarded by facsimile or electronic submission following 4:00 p.m. on any day, on the next business day following the date of delivery or forwarding thereof, or (iii) if sent by ordinary mail, on the third business day after mailing, and (ii) any such service shall be deemed to be good and sufficient service.
38. THIS COURT ORDERS that the Applicant, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, in accordance with the E-filing protocol of the Commercial List to the extent practicable, and the Monitor may post a copy of any or all such materials on its website at www.irasmithinc.com .

GENERAL

39. THIS COURT ORDERS that the Applicant or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.
40. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.
41. 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 Applicant, 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 Applicant 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 Applicant and the Monitor and their respective agents in carrying out the terms of this Order.
42. THIS COURT ORDERS that each of the Applicant 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.
43. THIS COURT ORDERS that any interested party (including the Applicant 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.

44. THIS COURT ORDERS that notwithstanding paragraph 43, no creditor other than Comerica, shall apply to this Court to vary, rescind or otherwise affect the provisions of this Order with respect to the Forbearance Agreement or the Charges unless notice of a Motion for such Order is served on the Applicant, the Monitor and Comerica, returnable no later than 7 days following the making of this Order.

45. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard Time on the date of this Order.

Feb 6, 2009 Peter A. Cumming J.

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ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

FEB 06 2009

PER / PAR TV

**IN THE MATTER OF THE COMPANIES' CREDITORS'
ARRANGEMENT ACT .S.C. 1985 c.C - 36, as amended**

Court File No. 08-CL-7925

**IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF KOREX DON VALLEY ULC**

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT TORONTO

INITIAL ORDER

DAVIS LLP

Barristers & Solicitors
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100 King Street West
Toronto, ON M5X 1E2

Susan E. Friedman (LSUC #24991U)

Tel: 416.365.3503

Fax: 416.777.7415

Email: sfriedman@davis.ca

Lawyers for the Applicant

Exhibit "B"

as referred to in the

FOURTH REPORT
of Ira Smith Trustee & Receiver Inc.

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE) MONDAY, THE 9TH DAY OF
JUSTICE HOY) MARCH, 2009.

**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
KOREX DON VALLEY ULC**

APPLICANT

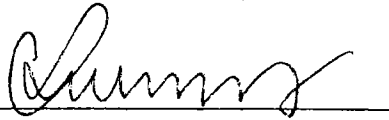
ORDER

This Motion, made by Korex Don Valley ULC (hereinafter the "Applicant") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 330 University Avenue, Toronto, Ontario.

On reading the Motion Record and the Affidavit of Sanford Pensler, sworn March 4, 2009 and on hearing the submissions of counsel for the moving party, the Monitor, Comerica Bank, UL Canada Inc. ("Unilever") and the Communications, Energy and Paperworkers Union of Canada Local 132-0, and on being advised that all of the parties, with the exception of Unilever, consent to this Order and that Unilever does not oppose it,

1. THIS COURT ORDERS that the Initial Order of Mr. Justice Cumming dated February 6, 2009, is hereby extended until March 31, 2009.

2. THIS COURT ORDERS that the Stay Period as described in paragraph 11 of the Initial Order of Mr. Justice Cumming dated February 6, 2009, is hereby extended until March 31, 2009.



Christina Irwin
Registrar, Superior Court of Justice

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

MAR 10 2009

PER / PAR: 

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

IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
KOREX DON VALLEY ULC

Court File No. 08-CL-7925

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDING COMMENCED AT TORONTO

ORDER

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Susan E. Friedman (LSUC #24991U)
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Fax: 416.777.7415

Lawyers for the Applicant

Attached is Exhibit "C"

as referred to in the

FOURTH REPORT
of Ira Smith Trustee & Receiver Inc.

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE)
) TUESDAY, THE 31ST DAY OF
)
JUSTICE LEDERMAN) MARCH, 2009.

**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
KOREX DON VALLEY ULC**

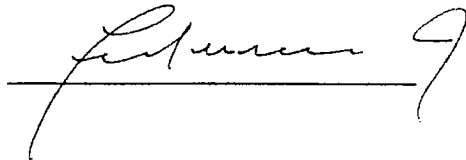
APPLICANT

ORDER

This Motion, made by Korex Don Valley ULC (hereinafter the "Applicant") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 330 University Avenue, Toronto, Ontario.

On reading the Motion Record, the Affidavit of Sanford Pensler, sworn March 25, 2009, the Second Report of the Monitor, the Supplementary Second Report of the Monitor and the affidavit of Lynne Gott sworn March 30, 2009, and on hearing the submissions of counsel for the moving party, the Monitor, Comerica Bank, Unilever Canada Inc. ("Unilever") and the Communications, Energy and Paperworkers Union of Canada Local 132-0, and upon being advised that all parties consent to paragraph 3 and 4 of this Order, and that all parties except Unilever consent to paragraphs 1 and 2 of this Order and that Unilever does not oppose them,

1. THIS COURT ORDERS that the Initial Order of Mr. Justice Cumming dated February 6, 2009, is hereby extended until April 30, 2009.
2. THIS COURT ORDERS that the Stay Period as described in paragraph 11 of the Initial Order of Mr. Justice Cumming dated February 6, 2009, is hereby extended until April 30, 2009.
3. THIS COURT ORDERS that the motion (the "Set-Off Motion") as to the validity of the set-offs claimed by Unilever is adjourned until April 17, 2009.
4. THIS COURT ORDERS that the parties participating in the Set-Off Motion shall adhere to the timetable attached as Schedule "A" hereto.



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MAR 31 2009

PER / PAR:

SCHEDULE "A"

Monday, March 30, 2009	Unilever to deliver its Responding materials
Friday, April 3, 2009	Korex Don Valley ULC to deliver its Reply materials
Monday, April 6 - Tuesday, April 7, 2009	Examinations and cross-examinations to take place
Wednesday, April 15, 2009	Facta to be exchanged and filed
Friday, April 17, 2009	Argument of Motion

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

Court File No. 08-CL-7925

IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
KOREX DON VALLEY ULC

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDING COMMENCED AT TORONTO

ORDER

DAVIS LLP
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100 King Street West
Toronto, ON M5X 1E2

Susan E. Friedman (LSUC #24991U)
Tel: 416.365.3503
Fax: 416.777.7415

Lawyers for the Applicant, Moving Party

Attached is Exhibit "D"

as referred to in the

FOURTH REPORT
of Ira Smith Trustee & Receiver Inc.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.) TUESDAY, THE 31ST DAY
JUSTICE LEDERMAN) OF MARCH, 2009

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

IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
KOREX DON VALLEY ULC

APPLICANT

ORDER

THIS MOTION, made by Ira Smith Trustee & Receiver Inc. in its capacity as the Court-appointed monitor (the "**Monitor**") of Korex Don Valley ULC (the "**Applicant**") pursuant to the Order of the Honourable Mr. Justice Cumming dated February 6, 2009 (the "**Initial Order**"), was heard on Tuesday, the 31st day of March, 2009, at 330 University Avenue, Toronto, Ontario.

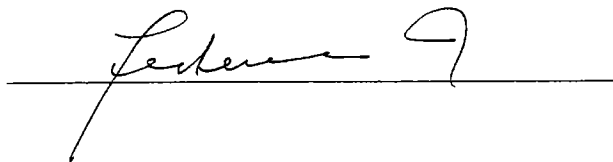
ON READING the First Report of the Monitor dated March 6, 2009, the Second Report of the Monitor dated March 25, 2009, the affidavits of the Monitor and its counsel as to fees, and on hearing the submissions of counsel for the Monitor, UL Canada Inc., Comerica Bank and the Applicant, no one else appearing although served as evidenced by the Affidavit of Richard Epstein sworn March 24, 2009, filed;

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and Motion Record be and is hereby abridged such that the motion is properly returnable today, and, further, that any requirement for service of the Notice of Motion and the Motion Record upon any interested party, other than the parties herein mentioned, is hereby dispensed with.

2. **THIS COURT ORDERS** that the activities of the Monitor in these proceedings, including, without limitation, as set out in the Proposed Monitor's First Report to Court dated January 9, 2009, the Proposed Monitor's First Supplementary Report to Court dated January 22, 2009, the Proposed Monitor's Second Supplementary Report to Court dated January 22, 2009, the Monitor's First Report to Court dated March 6, 2009 and the Monitor's Second Report to Court dated March 25, 2009 (collectively, the "**Reports**"), and the Reports themselves, be and are hereby approved.

3. **THIS COURT ORDERS** that the fees and disbursements of the Monitor in respect of the period from February 6, 2009 to March 20, 2009, in the amount of \$132,473.01, be and are hereby approved and allowed.

4. **THIS COURT ORDERS** that the fees and disbursements of counsel to the Monitor, Aird & Berlis LLP, in respect to the period from January 8, 2009 to March 18, 2009, in the amount of \$20,350.96 be and are hereby approved and allowed.



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MAR 31 2009

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IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF KOREX DON VALLEY ULC

APPLICANT

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDINGS COMMENCED AT TORONTO

ORDER

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Barristers and Solicitors
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Fax: 416.863.1515

Sanjeev Mitra – LSUC # 37934 U
Tel: 416.863.1500
Fax: 416.863.1515

Solicitors for the Monitor

Attached is Exhibit "E"

as referred to in the

FOURTH REPORT
of Ira Smith Trustee & Receiver Inc.



Stanley Sugar CA
Tel. (905) 738-4167
Fax (905) 738-9848
Email: stan@irasmithinc.com
Website: www.irasmithinc.com

Memo

To: Korex Monitoring File
From: Stanley Sugar
CC: Ira Smith
Date: March 26th, 2009
Re: **Korex Don Valley ULC – Forbearance Agreement dated February 6th 2009**

As instructed, I attended at Korex on March 24th and 25th as part of our monitoring engagement. I met with John Bojkovski, CFO and various members of his staff in order to perform various aspects of our mandate.

This report covers the week ending March 21st, 2009.

I obtained from Korex their borrowing base report prepared on March 24th 2009 for revised week two being the period March 15th to March 21st 2009 which as of this date has not been sent to Comerica Bank.

I reviewed on a random basis the documents backing up the information as contained therein to satisfy myself that the report was appropriate.

I also reviewed the Company's cash receipts and disbursements for that week. I prepared the attached financial statement summaries from information that I obtained from the Company. I compared the cash receipts and disbursements to the Company's cash flow statement that I referred to in last week's memo.

As previously stated the information presented herein is based on Company revised financial forecasts wherein this represents what is now week two.

Sales for the week were \$636K which was an increase in forecast of \$256K with a resultant loss for the week of \$38K vs a forecasted loss of \$102K.

Of the \$636K of sales for the week, \$186K (28.3%) were sales made to Unilever Canada.

Trade accounts receivable increased by \$321K during the week net of A/R collections received during the week.

Inventory decreased by \$231K during the week from \$2,812K to \$2,581K.

Accounts payable and accrued liabilities increased by \$346K for the week from \$10,169K to \$10,515K.

The Company's indebtedness to Comerica Bank remained unchanged during the week at a total indebtedness of \$2,965K.

The Company's cash in bank position increased during the week by \$297K leaving the Company with \$452K of funds in its accounts as at March 21st 2009.

The Company continues to be within margin based on the applicable borrowing base report prepared by the Company and reviewed by myself. Attached is a summary of the borrowing base calculation.

On March 23rd 2009 Comerica Bank applied the funds on hand in Korex's Comerica accounts. Approximately \$463K was applied in reduction of the outstanding Comerica Bank indebtedness from \$2,965K to \$2,502K.

Concerning Unilever Canada, the Monitor has provided a memo re its attendance with Korex on March 23rd 2009 at a meeting held at the offices of Unilever and the issues that were discussed at that meeting.

Unilever Canada did make a wire payment to Korex Don Valley on March 23rd 2009 in the amount of \$154K paying for an over 90 day invoice going back to August 2008. With sales to Unilever this week of \$186K and the receipt of \$154K from Unilever the outstanding position of the Unilever account as shown by Korex's records remains relatively unchanged.

Over the last four days there has been a series of telephone conference calls and email communications between Korex and its legal counsel, and Comerica Bank and its legal counsel, to attempt to resolve the ongoing financing issues arising from the Unilever situation. The Monitor's legal counsel has taken part in most of those communications. There has also been communications between those parties and Unilever's legal counsel.

The Unilever situation is of great concern to Korex, Comerica Bank and the Monitor. Comerica Bank does not feel that it can advance any further funds until a resolution to the problem is found. As a result, my understanding is that Korex has determined that it cannot continue to operate without knowing that it has future financing.

Yesterday, Korex provided Comerica Bank with a schedule of what funding is required to allow Korex to continue to operate essentially until March 31, 2009, the date when Korex's application to Court for a further extension of the Initial Stay Order will be heard. The schedule indicated that Korex would require funding in the amount of

\$393,486. Today, my understanding is that Mr. Pensler of Korex is advising Comerica Bank that since they will not produce for Unilever, that cash requirement is reduced by the amount of \$170K to \$223,486.

This cash requirement is for operational purposes only. It does not cover professional fees. As per our email of yesterday, currently, the Monitor has an outstanding billing in the amount of \$55,973 and Aird & Berlis' outstanding billing in the amount of \$5,154. Of course, as our work is continuing, our time charges, as well as those of Davis LLP continue to increase the Administrative Charge (as defined in the Initial Stay Order).

I am advised that Korex had no option today other than to send its employees home until it is able to resolve the issue of how to fund its payroll due March 31, 2009 and ongoing.

The continuing future viability of Korex depends on a resolution to how it will fund ongoing operations.

Stan

Attachments

Korex Don Valley ULC
Balance Sheet
(000s Canadian Dollars)

	wk2		wk2		wk1		For the
	Actual	Forecast	Actual	Forecast	Actual	Forecast	Week
	21-Mar-09	21-Mar-09	21-Mar-09	21-Mar-09	14-Mar-09	14-Mar-09	net change
Current Assets							
Cash / Short Term Investments	452	2	450	450	155	155	297
Accounts Receivable	7,243	6,717	526	526	6,922	6,922	321
Inventory	2,581	2,854	(273)	(273)	2,812	2,812	(231)
Prepaid Expenses	619	612	7	7	620	620	(1)
Total Current Assets	10,895	10,185	710	710	10,509	10,509	386
Fixed Assets (NBV)	5,134	5,134	-	-	5,153	5,153	(19)
Total Assets	16,029	15,319	710	710	15,662	15,662	367
LIABILITIES							
Current Liabilities							
Bank - Revolving Loan	2,965	2,884	81	81	2,965	2,965	-
Accounts Payable & Accrued Liabilities	10,515	9,934	581	581	10,169	10,169	346
Wages Payable	1,325	1,325	-	-	1,265	1,265	60
Unearned Revenue	9	9	-	-	9	9	-
Taxes Payable	(1,535)	(1,535)	-	-	(1,535)	(1,535)	-
Total Current Liabilities	13,279	12,617	662	662	12,873	12,873	406
Long Term Debt	25	25	-	-	26	26	(1)
Deferred Income Taxes	810	810	-	-	810	810	-
Total Liabilities	14,114	13,452	662	662	13,709	13,709	405
SHAREHOLDER'S EQUITY							
Capital Stock	0	0	-	-	0	0	-
Retained Earnings	1,915	1,867	48	48	1,953	1,953	(38)
Total Shareholder's Equity	1,915	1,867	48	48	1,953	1,953	(38)
Total Liabilities and Equity	16,029	15,319	710	710	15,662	15,662	367

*Note: The Company has revised its forecast for what is now wk2

Korex Don Valley ULC
Income Statement
(000s Canadian Dollars)

	wk2		wk2		Cumulative to date	
	Actual	Forecast	Actual	Forecast	Actual	Forecast
	21-Mar-09	21-Mar-09	21-Mar-09	21-Mar-09	Forecast	net change
Total Sales	636	380	256	134	983	849
Cost of Sales - Materials	(477)	(285)	(192)	(71)	(715)	(644)
Cost of Sales - Plant Spend (excludes Admin)	(97)	(97)	-	-	(194)	(194)
Total Cost of Goods Sold	(574)	(382)	(192)	(71)	(909)	(838)
Gross Profit	62	(2)	64	63	74	11
Total SG&A	(47)	(47)	-	-	(94)	(94)
Depreciation Expense	(19)	(19)	-	-	(38)	(38)
Operating Income	(4)	(68)	64	63	(58)	(121)
Other Income/ (Expenses)						
Interest Income/ (Expense)	(4)	(4)	-	-	(8)	(8)
Other Income/ (Expenses)	-	-	-	-	1	1
Restructuring Costs	(30)	(30)	-	-	(60)	(60)
Total Other Income/(Expenses)	(34)	(34)	-	-	(67)	(67)
Net Income, (Loss) Before Tax	(38)	(102)	64	63	(125)	(188)
Income Tax	-	-	-	-	-	-
Net Loss	(38)	(102)	64	63	(125)	(188)

*Note: The Company has revised its forecast for what is now wk2

Korex Don Valley ULC
Cash Flow
(000s Canadian Dollars)

	wk2		Cumulative to date	
	Actual	Forecast	Actual	Forecast
	21-Mar-09	21-Mar-09	21-Mar-09	net change
Cash From Operations				
Net Income	(38)	(102)	(125)	(188)
Depreciation	19	19	38	38
Total Cash from Income	(19)	(83)	(87)	(150)
Receivables				
Inventories	(321)	81	(617)	7
	231	76	361	163
				198
Accounts Payable/Accruals				
Accounts Payable	720	-	1,548	(1)
GRNI (Goods Received not Invoiced)	(438)	-	(1,308)	-
Unlever Payables	13	13	26	26
Intercompany Payables	-	-	-	-
Unearned Revenue	(1)	(1)	(2)	(2)
Bank Loan Payable	-	-	-	-
Wages Payable	60	60	-	-
Other Accruals	(2)	(38)	100	4
				96
Other Taxes Payable	51	-	33	-
Other Working Capital	4	6	4	11
				(7)
Total Cash from Working Capital	317	197	145	208
TOTAL CASH FROM OPERATIONS	298	114	58	58
Cash from Financing				
Payments on Long - Term Loans	(1)	(1)	(1)	(1)
Other Loans / Interest (Revolver)	-	(113)	-	(82)
				82
TOTAL CASH FROM FINANCING	(1)	(114)	(1)	(83)
NET CASH FLOW	297	-	57	(25)
Cash - Beginning of Period	155	2	395	27
Cash - End of Period	452	2	452	2

*Note: The Company has revised its forecast for what is now wk2

Korex Don Valley ULC
Bank Accounts - (in CDN\$)
Week 2 ending March 21st 2009

	<u>\$</u>	<u>Previous to date</u>	<u>Total Cumulative</u>
Cash in Bank - March 14th 2009	153,523	94,568	94,568
Receivable collections	335,687	1,005,907	1,341,594
Disbursements			
Supplier payments	36,794	1,232,545	1,269,339
Payroll	-	364,407	364,407
	<u>36,794</u>	<u>1,596,952</u>	<u>1,633,746</u>
Net cash increase / (decrease)	298,893	(591,046)	(292,152)
Increase in Bank Loan	-	650,000	650,000
Cash in Bank - March 21st, 2009	<u>452,416</u>	<u>153,522</u>	<u>452,416</u>
		<u>Cheque Disbursements</u>	
TD - CDN	1,703		
TD - US	212		
Comerica - CDN	240,525		16,144
Comerica - US	234,411		4,910
	<u>(24,435)</u>		4,233
Due to Travellex - funds rec'd in error	<u>452,416</u>		4,093
			2,433
			2,305
			1,536
			<u>1,140</u>
			<u>36,794</u>
		<u>Receivable Collections</u>	
Phoenix Brands LLC	289,436		
Johnson Diversey	46,251		
	<u>335,687</u>		

**Korex Don Valley ULC
Bank Borrowing Base Report**

(000s Canadian Dollars)

Inventory Collateral

	wk2		wk1	
	Actual 21-Mar-09	Forecast 21-Mar-09	Actual 14-Mar-09	Forecast 14-Mar-09
		net change		net change
Gross A/R	7,750	7,253	7,429	7,339
Ineligibles	(4,109)	(3,799)	(4,145)	(3,886)
Eligible A/R	3,641	3,454	3,284	3,453
Collateral @ 85%				
A/R Collateral	3,095	2,936	2,791	2,935
Gross Inventory	3,571	3,944	4,029	4,021
Ineligibles	(2,139)	(2,125)	(2,282)	(2,125)
Eligible A/R	1,432	1,819	1,747	1,896
Collateral @ 55%				
Inventory Collateral	787	1,000	961	1,043
Total Collateral (Per Formula)	3,882	3,936	3,752	3,978
Borrowing	2,965	2,884	2,965	2,997
<i>(maximum Borrowing Line \$3,750)</i>				
Excess Availability	785	866	785	753
		(81)		32

*Note: The Company has revised its forecast for what is now wk2

Attached is Exhibit "F"

as referred to in the

FOURTH REPORT
of Ira Smith Trustee & Receiver Inc.



Stanley Sugar CA
Tel. (905) 738-4167
Fax (905) 738-9848
Email: stan@irasmithinc.com
Website: www.irasmithinc.com

Memo

To: Korex Monitoring File
From: Stanley Sugar
CC: Ira Smith
Date: April 2nd, 2009
Re: **Korex Don Valley ULC – Forbearance Agreement dated February 6th 2009**

As instructed, I attended at Korex on March 31st, April 1st and 2nd as part of our monitoring engagement. I met with John Bojkovski, CFO and various members of his staff in order to perform various aspects of our mandate.

This report covers the week ending March 28th, 2009.

I obtained from Korex their borrowing base report executed March 31st 2009 for revised week three being the period March 22nd to March 27th 2009. I reviewed on a random basis the documents backing up the information as contained therein to satisfy myself that the report was appropriate. at the report was appropriate.

I also reviewed the Company's cash receipts and disbursements for that week. I prepared the attached financial statement summaries from information that I obtained from the Company. I compared the cash receipts and disbursements to the Company's cash flow statement that I referred to in last week's memo.

As previously stated the information presented herein is based on Company revised financial forecasts wherein this represents what is now week three.

Sales for the week were \$185K which was a decrease in forecast of \$214K for the week. The decreased sales for the week was as a result of Korex not producing product for Unilever Canada and a full day of no production as Korex's employees were sent home for a day awaiting resolution due to uncertainty related to their payroll funding being uncommitted.

The Company's significant loss for the week was attributable to those occurrences and the recording of restructuring professional fees that had not been provided and accrued for previously in Korex's accounts.

Trade accounts receivables increased by \$5K during the week net of \$246K of A/R collections received during the week.

Inventory decreased by \$106K during the week from \$2,581K to \$2,475K.

Accounts payable and accrued liabilities increased by \$201K for the week from \$10,515K to \$10,716K.

The Company's indebtedness to Comerica Bank reduced during the week by \$396K from \$2,965K down to a total indebtedness of \$2,569K.

The Company's cash in bank position decreased during the week by \$411K (\$396K of which was used towards repayment of the Comerica Bank loan as stated above) leaving the Company with \$41K of funds in its accounts as at March 28th 2009.

On March 31st 2009 the relevant stakeholders via their respective legal counsel appeared before Justice Lederman in the Ontario Superior Court of Justice re Korex's motion to extend the current CCAA stay and the Initial Stay Order to April 30th 2009. In addition thereto Comerica Bank and Korex executed an amended and extended forbearance agreement to April 30th 2009.

We have posted on our web site www.irasmithinc.com the Monitor's Reports and the First and Second Report Approval Order.

As to the ongoing Unilever Canada "set-off" (contra) payment issue, the Court has ordered that a motion will be heard by the Court on April 17th 2009 and both Korex and Unilever are to provide and exchange their respective document materials as so ordered.

Stan

Attachments

Korex Don Valley ULC
Balance Sheet
(000s Canadian Dollars)

	wk3		wk3		wk2		For the
	Actual	Forecast	Actual	net change	Actual	net change	Week
	28-Mar-09	28-Mar-09	21-Mar-09				
Current Assets							
Cash / Short Term Investments	41	2	452	39		(411)	
Accounts Receivable	7,248	6,540	7,243	708		5	
Inventory	2,475	2,680	2,581	(205)		(106)	
Prepaid Expenses	612	608	619	4		(7)	
Total Current Assets	10,376	9,830	10,895	546		(519)	
Fixed Assets (NBV)	5,114	5,114	5,134	-		(20)	
Total Assets	15,490	14,944	16,029	546		(539)	
LIABILITIES							
Current Liabilities							
Bank - Revolving Loan	2,569	2,570	2,965	(1)		(396)	
Accounts Payable & Accrued Liabilities	10,716	9,989	10,515	727		201	
Wages Payable	1,270	1,265	1,325	5		(55)	
Unearned Revenue	9	8	9	1		-	
Taxes Payable	(1,535)	(1,535)	(1,535)	-		-	
Total Current Liabilities	13,029	12,297	13,279	732		(250)	
Long Term Debt	24	24	25	-		(1)	
Deferred Income Taxes	810	810	810	-		-	
Total Liabilities	13,863	13,131	14,114	732		(251)	
SHAREHOLDER'S EQUITY							
Capital Stock	0	0	0	-		-	
Retained Earnings	1,627	1,813	1,915	(186)		(288)	
Total Shareholder's Equity	1,627	1,813	1,915	(186)		(288)	
Total Liabilities and Equity	15,490	14,944	16,029	546		(539)	

* Note: The Company has revised it's forecast for what is now wk3

Korex Don Valley ULC
Income Statement
(000s Canadian Dollars)

	wk3		wk3		Cumulative to date	
	Actual	Forecast	Actual	Forecast	Actual	Forecast
	28-Mar-09	28-Mar-09	28-Mar-09	28-Mar-09	Forecast	net change
Total Sales	185	399	(214)		1,168	1,248 (80)
Cost of Sales - Materials	(216)	(295)	79		(931)	(939) 8
Cost of Sales - Plant Spend (excludes Admin)	(65)	(71)	6		(259)	(265) 6
Total Cost of Goods Sold	(281)	(366)	85		(1,190)	(1,204) 14
Gross Profit	(96)	33	(129)		(22)	44 (66)
Total SG&A	(25)	(36)	11		(119)	(130) 11
Depreciation Expense	(25)	(19)	(6)		(63)	(57) (6)
Operating Income	(146)	(22)	(124)		(204)	(143) (61)
Other Income/ (Expenses)						
Interest Income/ (Expense)	(4)	(4)	-		(12)	(12) -
Other Income/ (Expenses)	1	1	-		2	2 -
Restructuring Costs	(139)	(30)	(109)		(199)	(90) (109)
Total Other Income/(Expenses)	(142)	(33)	(109)		(209)	(100) (109)
Net Income, (Loss) Before Tax	(288)	(55)	(233)		(413)	(243) (170)
Income Tax	-	-	-		-	- -
Net Loss	(288)	(55)	(233)		(413)	(243) (170)

*Note: The Company has revised it's forecast for what is now wk3

Korex Don Valley ULC
Cash Flow
(000s Canadian Dollars)

	wk3		wk3		Cumulative to date	
	Actual	Forecast	Actual	Forecast	Actual	Forecast
	28-Mar-09	28-Mar-09	28-Mar-09	28-Mar-09	net change	net change
Cash From Operations						
Net Income	(288)	(55)	(233)		(413)	(243)
Depreciation	25	19	6		63	57
Total Cash from Income	(263)	(36)	(227)		(350)	(186)
Receivables	(5)	176	(181)		(622)	183
Inventories	106	175	(69)		467	338
<i>Accounts Payable/Accruals</i>						
Accounts Payable	193	-	193		1,741	(1)
GRNI (Goods Received not Invoiced)	(90)	-	(90)		(1,398)	-
Unlever Payables	(93)	13	-		(67)	39
Intercompany Payables	-	-	-		-	-
Unearned Revenue	-	(1)	1		(2)	(3)
Bank Loan Payable	-	-	-		-	-
Wages Payable	(55)	(60)	5		(55)	(60)
Other Accruals	258	42	216		358	46
Other Taxes Payable	(63)	-	(63)		(30)	-
Other Working Capital	4	6	(2)		8	17
Total Cash from Working Capital	255	351	(96)		400	559
TOTAL CASH FROM OPERATIONS	(8)	315	(323)		50	373
Investments						
Fixed Asset Additions	(6)	-	(6)		(6)	-
TOTAL CASH USED FOR INVESTMENT	(6)	-	(6)		(6)	(6)
Cash from Financing						
Payments on Long - Term Loans	(1)	(1)	-		(2)	(2)
Other Loans / Interest (Revolver)	(396)	(314)	(82)		(396)	(396)
TOTAL CASH FROM FINANCING	(397)	(315)	(82)		(398)	(398)
NET CASH FLOW	(411)	-	(411)		(354)	(25)
Cash - Beginning of Period	452	2	450		395	27
Cash - End of Period	41	2	39		41	2

*Note: The Company has revised it's forecast for what is now wk3

**Korex Don Valley ULC
Bank Accounts - (in CDN\$)
Week 3 ending March 28th 2009**

	\$	Previous to date	Total Cumulative
Cash in Bank - March 21st 2009	452,416	94,568	94,568
Receivable collections	<u>245,837</u>	1,341,594	1,587,431
Disbursements:			
Supplier payments	142,375	1,269,339	1,411,714
Payroll	118,697	364,407	483,104
	<u>261,072</u>	<u>1,633,746</u>	<u>1,894,818</u>
Net cash increase / (decrease)	(15,235)	(292,152)	(307,387)
Increase, (decrease) in Bank Loan	(396,618)	650,000	253,382
Cash in Bank - March 28th, 2009	<u><u>40,563</u></u>	<u><u>452,416</u></u>	<u><u>40,563</u></u>

Cash in Bank CDN

TD - CDN	1,703		
TD - US	212		
Comerica - CDN	18,467		
Comerica - US	44,616		
Due to Travelex - funds rec'd in error	<u>(24,435)</u>		
	<u><u>40,563</u></u>		

Cheque Disbursements

Petresa Canada Inc.	132,100
Intelligarde International Inc.	4,234
Great West Life Ins. (returned chq)	(1,851)
USD fx exchange	7,892
	<u><u>142,375</u></u>

Receivable Collections

Unilever Canada	154,089
Rhodia Inc.	47,131
Johnson Diversey Inc.	<u>44,617</u>
	<u><u>245,837</u></u>

Comerica Bank Loan Position
Loan Balance as at March 28th 2009

2,568,751

Korex Don Valley ULC
Bank Borrowing Base Report
(000s Canadian Dollars)

	wk3		wk2	
	Actual	Forecast	Actual	Forecast
	28-Mar-09	28-Mar-09	21-Mar-09	21-Mar-09
		net change		net change
Gross A/R	7,747	7,072	7,750	7,253
Ineligibles	(4,213)	(3,812)	(4,109)	(3,799)
Eligible A/R	3,534	3,260	3,641	3,454
Collateral @ 85%				
A/R Collateral	3,004	2,771	3,095	2,936
		233		159
Gross Inventory	3,591	3,769	3,571	3,944
Ineligibles	(2,252)	(2,125)	(2,139)	(2,125)
Eligible A/R	1,339	1,644	1,432	1,819
Collateral @ 55%				
Inventory Collateral	736	904	787	1,000
		(168)		(213)
Total Collateral (Per Formula)	3,740	3,675	3,882	3,936
		65		(54)
Borrowing	2,569	2,570	2,965	2,884
<i>(maximum Borrowing Line \$3,750)</i>		(1)		81
Excess Availability	1,171	1,105	785	866
		66		(81)

*Note: The Company has revised it's forecast for what is now wk3

Attached is Exhibit "G"

as referred to in the

FOURTH REPORT
of Ira Smith Trustee & Receiver Inc.

Memo

To: Korex Monitoring File
From: Stanley Sugar
CC: Ira Smith
Date: April 9th, 2009
Re: **Korex Don Valley ULC – Forbearance Agreement dated February 6th 2009
and Amended April 1st 2009**

As instructed, I attended at Korex on April 7th, 8th and 9th as part of our monitoring engagement. I met with John Bojkovski, CFO and various members of his staff in order to perform various aspects of our mandate.

This report covers the week ending April 4th, 2009 and includes cash receipts and disbursements updated to April 8th which is for the week of April 11th.

I obtained from Korex their borrowing base report executed April 7th 2009 for the new revised week one being the period March 29th to April 4th 2009. I reviewed on a random basis the documents backing up the information as contained therein to satisfy myself that the report was appropriate. I also reviewed the Company's cash receipts and disbursements for that week and as well up to and including April 8th.

I prepared the attached financial cash flow statement summaries from information that I obtained from the Company. I compared the cash receipts and disbursements to the Company's books and records as well as to other documentation that I considered relevant.

As previously stated the information presented herein is based on Company revised financial forecasts wherein this represents what is now new revised week one.

Sales for the week were \$178K. This is well below the budgeted sales of \$337K, however, this negative variance is essentially attributable to the fact that there has been no production for Unilever Canada (see below for further description).

Trade accounts receivable decreased during the week from \$7,747,426 to \$7,525,342 being a net decrease of \$222K for the week. This change is calculated as \$361K of A/R collections received during the week and \$39K of foreign exchange and other adjustments plus sales of \$178K.

As Korex Don Valley has ceased producing product for Unilever Canada and Comerica Bank has deemed Unilever Canada as unacceptable collateral for borrowing purposes the table below indicates Korex's A/R aging position net of the Unilever account.

<u>1-30</u>	<u>31-60</u>	<u>61-90</u>	<u>91+</u>	<u>Total</u>
Total Accounts Receivable				
1,648,626.96	2,465,269.91	1,657,867.65	1,753,577.75	7,525,342.27
<u>21.91%</u>	<u>32.76%</u>	<u>22.03%</u>	<u>23.30%</u>	<u>100.00%</u>
Unilever Canada				
580,774.64	1,701,182.77	1,376,138.64	887,595.75	4,545,691.80
<u>12.78%</u>	<u>37.42%</u>	<u>30.27%</u>	<u>19.53%</u>	<u>100.00%</u>
Total Accounts Receivable - net of Unilever Canada				
1,067,852.32	764,087.14	281,729.01	865,982.00	2,979,650.47
<u>35.84%</u>	<u>25.64%</u>	<u>9.46%</u>	<u>29.06%</u>	<u>100.00%</u>

During this current week, examinations took place in connection with the Unilever Canada setoff motion being heard April 17th, 2009. The Monitor has provided to Korex's legal counsel any information or documentation received by the Monitor from Unilever Canada or its legal counsel. The information received by the Monitor in support of Unilever's representation that it had guaranteed the obligations to Korex of certain Korex suppliers, and thereby allowing an offset from amounts otherwise payable by Unilever to Korex, was insufficient to allow the Monitor to confirm that in fact such guarantees existed. The Monitor expressed its concerns to Unilever Canada's counsel, as well as to its own legal counsel and Korex's legal counsel.

Although Korex has scaled down its operations due to the Unilever situation, Korex's other customers, to date, are continuing to order product and pay their accounts within trade terms.

In examining the Company's BBR report for this week, if you include margining for Unilever Canada accounts, under the traditional margining formula, Korex is in margin. However, if you eliminate the Unilever Canada account for collateral borrowing purposes, Korex's borrowing base is void by \$1,905,945 @ 85% = \$1,620,054 which

would place Korex in a negative borrowing position if not for the forbearance amendment executed on April 1st 2009.

The Monitor highlighted this issue in the telephone conference call held on April 8, 2009 between Korex, the Monitor, Comerica Bank and respective legal counsel. The Monitor also advised the meeting that in its opinion, this issue made focusing on the BBR report for further advances to Korex inappropriate, but rather, the focus should be on the comparison of actual performance to budget, including the budgeted Comerica Bank loan figure, which was budgeted to be reduced during April, 2009.

The Company's indebtedness to Comerica Bank reduced during the week net of advances from \$2,568,751 to \$2,372,884.

The new attached cash flow statement for the week indicates that Korex achieved its A/R collection forecast. Disbursements were less than forecast by \$292,484 due to timing differences. The Monitor believes that this timing difference will reverse with Korex issuing those payments totalling \$292,484 once the Company is in funds.

Korex has advised Comerica Bank that such funding is made up of:

Inventory suppliers	\$ 5,467
Freight	6,000
Medical insurance expense	3,231
Pension and Profit Sharing	6,081
Repairs and maintenance	971
Utilities	22,606
Bank charges	17,000
Rent	9,995
Repayment of duplicate cash receipt	17,899
Restructuring	186,243
Critical vendor payments (security)	500
Government remittances	<u>37,057</u>
	<u>\$ 292,484</u>

The Monitor at time of this reporting has not seen nor determined any negative or material variances or issues to which it would be most appropriate to comment on.

The forecast for week 2 (April 5th to April 11th) has been updated with cash receipts received and cheques disbursed up to April 8th in order to provide an actual closer report dating and real time information in order to assist Comerica Bank with its funding decisions.

Given that Mr. Bojkovski was fully engaged in both the Unilever Canada litigation and operating the business, the information normally prepared by Korex to allow the Monitor to perform the balance sheet and income statement variance to budget review was not available this week for the week ending April 4, 2009. Further, as a result of the amended information agreed to be presented to Comerica Bank, Mr. Bojkovski did not have sufficient time to prepare that information and to prepare the normal information for the Monitor to review. As it was imperative for Comerica Bank to have as close to real time information as possible, the balance sheet and income statement analysis, and related schedules, could not be performed this week. I will speak to Mr. Bojkovski regarding this so that the normal analysis, in addition to the revised cash flow information, can be provided to Comerica Bank.

Stan

Attachments

KOREX DON VALLEY, ULC
Weekly Cash Flow Requirements

	wk1 Actual 04-Apr-09	wk1 Forecast 04-Apr-09	net change	wk2 Actual 11-Apr-09	wk2 Forecast 11-Apr-09	net change
A/R Collections	361,224	361,444	(220)	209,297	367,465	(158,168)
Disbursements						
Inventory suppliers	129,153	134,620	(5,467)	-	353,565	(353,565)
Freight	-	6,000	(6,000)	-	7,850	(7,850)
Medical insurance expense	6,231	3,000	3,231	-	1,000	(1,000)
Pension and Profit Sharing	6,081	-	6,081	-	-	-
Repairs and maintenance	10,715	9,744	971	-	8,844	(8,844)
Utilities	97,039	119,646	(22,606)	-	-	-
Bank charges	-	17,000	(17,000)	539	-	539
Rent	-	9,995	(9,995)	1,890	-	1,890
Repayment of duplicate cash receipt	-	17,899	(17,899)	-	-	-
Salaries	-	-	-	-	-	-
Restructuring	-	186,243	(186,243)	-	38,125	(38,125)
Critical vendor payments (security)	4,234	4,734	(500)	5,229	4,234	995
Government remittances	-	37,057	(37,057)	-	-	-
Total Disbursements	253,453	545,937	(292,484)	7,658	413,617	(405,959)
Net Cash Flow	107,771	(184,493)	292,264	201,639	(46,152)	247,791
Cumulative Net Cash Flow	107,771	(184,493)	292,264	309,410	(230,645)	540,055
Bank Loan - Beginning Balance	2,568,751	2,566,989	1,762	2,372,884	2,751,482	(378,598)
Less Repayments	(245,891)	-	(245,891)	-	-	-
Advances	50,024	184,493	(134,469)	14,363	46,152	(31,789)
Bank Loan - Ending Balance	2,372,884	2,751,482	(378,598)	2,387,247	2,797,634	(410,387)
In-Transit Items	-	-	-	-	-	-
Bank Loan - Ending Balance per BBR	2,372,884	2,751,482	(378,598)	2,387,247	2,797,634	(410,387)
Book Cash - Bank Balance	(46,289)	-	(46,289)	194,149	-	194,149
<u>Borrowing Base Calculation</u>						
Beginning A/R	7,747,427	7,747,172	255			
Add: Sales	139,140	128,760	10,380			
Less: Cash Receipts	(361,225)	361,444	(722,669)			
Total A/R	7,525,342	7,514,488	10,854			
Less: Ineligible Accounts (per Aging Summary)	(4,290,062)	(4,109,000)	(181,062)			
Total Eligible A/R	3,235,280	3,405,488	(170,208)			
Collateral Value Advance Rate	85%	85%	85%			
Net Accounts Receivable Collateral	2,749,988	2,894,665	(144,677)			
Beginning Inventory	3,591,017	3,487,053	103,964			
Add: Purchases	269,329	134,620	134,709			
Less: Cost of Sales of Inventory	(384,858)	(90,640)	(294,218)			
Ending Inventory	3,475,488	3,531,033	(55,545)			
Less: Ineligible Inventory	(2,267,600)	(2,139,000)	(128,600)			
Total Eligible Inventory	1,207,888	1,392,033	(184,145)			
Less: Inventory Reserve Adjustment	-	-	-			
Adjusted Total Eligible Inventory	1,207,888	1,392,033	(184,145)			
Collateral Value Advance Rate	55%	55%	55%			
Net Inventory Collateral	664,338	765,618	(101,280)			
Total Loanable Collateral	3,414,326	3,660,283	(245,956)			
Bank Loan Ending Balance	2,372,884	2,751,482	(378,598)			
Excess / (Shortage) of Borrowing Availability	1,041,442	908,801	132,641			

Korex Don Valley ULC
Bank Accounts - (in CDN\$)
Week 1 ending April 4th 2009

	\$	Previous to date	Total Cumulative
Cash in Bank - March 28th 2009	40,563	94,568	94,568
Receivable collections	361,225	1,587,431	1,948,656
<u>Disbursements</u>			
Supplier payments	253,453	1,411,714	1,665,167
Payroll	-	483,104	483,104
	<u>253,453</u>	<u>1,894,818</u>	<u>2,148,271</u>
Net cash increase / (decrease)	107,772	(307,387)	(199,615)
Increase, (decrease) in Bank Loan	(194,624)	253,382	58,758
	<u> </u>	<u> </u>	<u> </u>
Cash in Bank - April 4th, 2009	<u>(46,289)</u>	<u>40,563</u>	<u>(46,289)</u>

Cash in Bank CDN

TD - CDN	1,703
TD - US	210
Comerica - CDN	(54,617)
Comerica - US	30,851
Due to Travelex - funds rec'd in error	<u>(24,435)</u>
	<u>(46,289)</u>

Cheque Disbursements

Intelligarde International Inc.	4,234
Great West Life Ins.	6,231
Standard Life	6,081
Petressa Canada	129,153
Shell Energy	50,024
Toronto Hydro	47,015
Specialized Boiler Services Inc.	5,488
Misc	5,228

Receivable Collections

Phoenix Brands LLC	106,170
Phoenix Brands LLC	90,235
Young Chemical	46,257
Johnson Diversey Inc.	115,755
Misc.	<u>2,808</u>
	<u>361,225</u>

253,453

Comerica Bank Loan Position

Loan Balance as at April 04th 2009	<u>2,372,884</u>
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Attached is Exhibit "H"

as referred to in the

FOURTH REPORT
of Ira Smith Trustee & Receiver Inc.



Stanley Sugar CA
Tel. (905) 738-4167
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Email: stan@irasmithinc.com
Website: www.irasmithinc.com

Memo

To: Korex Monitoring File
From: Stanley Sugar
CC: Ira Smith
Date: April 15th, 2009
Re: **Korex Don Valley ULC – Forbearance Agreement dated February 6th 2009 and Amended April 1st 2009**

As instructed, I attended at Korex on April 13th, and 14th as part of our monitoring engagement. I met with John Bojkovski, CFO and various members of his staff in order to perform various aspects of our mandate.

This report covers revised week two being the week ending April 11th, 2009.

I obtained from Korex their borrowing base report executed April 14th 2009 representing the period April 5th to April 11th 2009. I reviewed on a random basis the documents backing up the information as contained therein to satisfy myself that the report was appropriate. I also reviewed the Company's cash receipts and disbursements for the week 2 period as well.

I prepared the attached financial cash flow statement summaries from information that I obtained from the Company. I compared the cash receipts and disbursements to the Company's books and records as well as other documentation that I considered relevant.

As previously stated the information presented herein is based on Company revised financial forecasts wherein this represents what is now new revised week two.

Sales for the week were \$191K vs forecasted sales of \$129K, an increase of \$62K. However the Monitor is concerned that the cost of sales for the week was \$179K vs forecasted cost of sales of \$91K being an unfavourable variance of \$88K which represents a most significant portion of the loss for this week as well as the loss sustained in the previous week.

If the Company had no sales, then Korex's fixed costs would approximate \$82K per week. The manufacturing overheads of Korex are fixed as opposed to variable in nature, so these losses would still be incurred. At the current sales level, there is a minimal contribution to fixed overheads.

Korex's extension to continue under CCAA protection revolves largely around the need to advance the claim against Unilever Canada. If not for this significant issue, the Monitor would not be able to support Korex's continuation of losses.

Trade accounts receivable decreased during the week from \$7,525,342 to \$7,314,898 being a net decrease of \$210K for the week. This change is represented by \$404K of A/R collections received during the week plus sales, as recorded by Korex in its BBR, of \$194K. This difference is a result of rounding and foreign exchange adjustments as the BBR and the weekly income statement are produced at two different periods of time. The difference is not material.

As previously stated, Korex has ceased producing product for Unilever Canada and Comerica Bank has deemed Unilever Canada as unacceptable collateral for borrowing purposes. The table below indicates Korex's A/R aging position net of the Unilever account.

The aging of the outstanding accounts receivable are as follows:

<u>1-30</u>	<u>31-60</u>	<u>61-90</u>	<u>91+</u>	<u>Total</u>
Total Accounts Receivable				
1,005,160.69	1,295,723.81	1,848,352.31	1,756,867.00	5,906,103.81
332,441.28	357,598.42	113,976.51	604,778.23	1,408,794.44
<u>1,337,601.97</u>	<u>1,653,322.23</u>	<u>1,962,328.82</u>	<u>2,361,645.23</u>	<u>7,314,898.25</u>
<u>18.29%</u>	<u>22.60%</u>	<u>26.82%</u>	<u>32.29%</u>	<u>100.00%</u>
Unilever Canada				
267,715.18	1,105,197.71	1,724,663.79	1,448,115.12	4,545,691.80
<u>5.89%</u>	<u>24.31%</u>	<u>37.94%</u>	<u>31.86%</u>	<u>100.00%</u>
Total Accounts Receivable - net of Unilever Canada				
1,069,886.79	548,124.52	237,665.03	913,530.11	2,769,206.45
<u>38.64%</u>	<u>19.79%</u>	<u>8.58%</u>	<u>32.99%</u>	<u>100.00%</u>

Unilever's dollars outstanding (A/R) has not changed since last week in that no payments have been received, but the account aging has shifted in that \$582,133 now falls into the over 90 day classification.

In examining the Company's BBR report for this week, if you include margining for Unilever Canada account, under the traditional margining formula, Korex is in margin. However, if you eliminate the Unilever Canada account for collateral borrowing purposes Korex's borrowing base is deficient by \$1,143,612 (\$1,345,426 @ 85%) which would place Korex in a negative borrowing position if not for the forbearance amendment executed on April 1st 2009.

The Company's indebtedness to Comerica Bank increased during the week net of advances by \$115,567 going from \$2,372,884 to \$2,488,451 (as compared to a budgeted level of \$2,798K).

The new attached cash flow statement for the week indicates that Korex achieved its A/R collection forecast. Disbursements were less than forecasted by \$287,575 for wk2 due to timing differences. As previously stated the Monitor believes that this timing difference will substantially reverse with the payment of forecasted restructuring costs, government remittances and payments to inventory suppliers.

The attached schedule indicates that this funding is made up of:

	\$
Inventory suppliers	241,161
Freight	7,850
Medical insurance expense	76
Repairs and maintenance	4,005
Bank charges	(756)
Rent	(1,890)
Restructuring	38,125
Critical vendor payments (security)	<u>(995)</u>
	<u>287,575</u>

The Monitor refers the reader to the cumulative variance calculations also attached in the attached schedules. The Monitor has not included the cumulative results in this commentary, as the cumulative results are made up of commentary already provided for in the prior period, plus the current commentary.

Stan

Attachments

Korex Don Valley ULC
Balance Sheet
(000s Canadian Dollars)

	wk2		wk2		wk1		For the
	Actual	Forecast	Actual	Forecast	Actual	Forecast	Week
	11-Apr-09	11-Apr-09	4-Apr-09	11-Apr-09	4-Apr-09	11-Apr-09	net change
Current Assets							
Cash / Short Term Investments	348	2	(46)	346	(46)	394	
Accounts Receivable	6,806	7,363	7,011	(557)	7,011	(205)	
Inventory	2,318	2,805	2,360	(487)	2,360	(42)	
Prepaid Expenses	604	604	608	-	608	(4)	
Total Current Assets	10,076	10,774	9,933	(698)	9,933	143	
Fixed Assets (NBV)	5,076	5,076	5,095	-	5,095	(19)	
Total Assets	15,152	15,850	15,028	(698)	15,028	124	
LIABILITIES							
Current Liabilities							
Bank - Revolving Loan	2,490	2,798	2,373	(308)	2,373	117	
Accounts Payable & Accrued Liabilities	10,737	10,682	10,606	55	10,606	131	
Wages Payable	1,259	1,264	1,278	(5)	1,278	(19)	
Unearned Revenue	8	7	8	1	8	-	
Taxes Payable	(1,535)	(1,535)	(1,535)	-	(1,535)	-	
Total Current Liabilities	12,959	13,216	12,730	(257)	12,730	229	
Long Term Debt	23	23	24	-	24	(1)	
Deferred Income Taxes	810	810	810	-	810	-	
Total Liabilities	13,792	14,049	13,564	(257)	13,564	228	
SHAREHOLDER'S EQUITY							
Capital Stock	0	0	0	-	0	-	
Retained Earnings	1,360	1,801	1,464	(441)	1,464	(104)	
Total Shareholder's Equity	1,360	1,801	1,464	(441)	1,464	(104)	
Total Liabilities and Equity	15,152	15,850	15,028	(698)	15,028	124	

*Note: The Company has revised it's forecast for what is now wk2

Korex Don Valley ULC
Income Statement
(000s Canadian Dollars)

	wk2		wk2		Cumulative to date		
	Actual	Forecast	Actual	Forecast	Actual	Forecast	
	11-Apr-09	11-Apr-09	11-Apr-09	11-Apr-09	for the weeks ending	net change	
					April 4th and April 11th		
Total Sales	191	129	62		334	258	76
Cost of Sales - Materials	(179)	(91)	(88)		(370)	(182)	(188)
Cost of Sales - Plant Spend (excludes Admin)	(42)	(45)	3		(84)	(90)	6
Total Cost of Goods Sold	(221)	(136)	(85)		(454)	(272)	(182)
Gross Profit	(30)	(7)	(23)		(120)	(14)	(106)
Total SG&A	(21)	(23)	2		(42)	(46)	4
Depreciation Expense	(19)	(19)	-		(38)	(38)	-
Operating Income	(70)	(49)	(21)		(200)	(98)	(102)
Other Income/ (Expenses)							
Interest Income/ (Expense)	(5)		(5)		(9)		(9)
Other Income/ (Expenses)	1	1	-		2	2	-
Restructuring Costs	(30)	(10)	(20)		(60)	(20)	(40)
Total Other Income/(Expenses)	(34)	(9)	(25)		(67)	(18)	(49)
Net Income, (Loss) Before Tax	(104)	(58)	(46)		(267)	(116)	(151)
Income Tax	-	-	-		-	-	-
Net Loss	(104)	(58)	(46)		(267)	(116)	(151)

*Note: The Company has revised it's forecast for what is now wk2

Korex Don Valley ULC
Bank Accounts - (in CDN\$)
Week 2 ending April 11th 2009

	WE April 11th \$	Previous to date WE April 4th	Total Cumulative
Cash in Bank - April 4th 2009	<u>(46,289)</u>	<u>40,563</u>	<u>40,563</u>
Receivable collections	<u>404,514</u>	<u>361,225</u>	<u>765,739</u>
<u>Disbursements</u>			
Supplier payments	126,042	253,453	379,495
Payroll	-	-	-
	<u>126,042</u>	<u>253,453</u>	<u>379,495</u>
Net cash increase / (decrease)	278,472	107,772	386,244
Increase, (decrease) in Bank Loan	439,581	(194,624)	244,957
In-Transit Items (sweep accts)	(324,013)	-	(324,013)
	<u>439,581</u>	<u>(194,624)</u>	<u>244,957</u>
Cash in Bank - April 11th, 2009	<u>347,751</u>	<u>(46,289)</u>	<u>347,751</u>

<u>Cash in Bank CDN</u>	
TD - CDN	1,703
TD - US	210
Comerica - CDN	371,459
Comerica - US	(1,186)
Due to Travelex - funds rec'd in error	<u>(24,435)</u>
	<u>347,751</u>

<u>Cheque Disbursements</u>	
Petressa Canada Inc.	64,626
Greenfield Ethanol Inc.	24,216
Brenntag Canada	23,562
Intelligarde International Inc.	5,229
Nalco Canada	3,287
Sanford Pensler	1,890
Misc	1,552
Great West Life Ins.	924
Bank charges	<u>756</u>

126,042

<u>Accts. Receivable Collections</u>	
Johnson Diversey Inc.	45,632
Johnson Diversey Inc.	128,796
Johnson Diversey Inc.	34,869
Oil Chem. Inc	45,448
Phoenix Brands, LLC	<u>149,769</u>
	<u>404,514</u>

<u>Comerica Bank Loan Position</u>	
Loan Balance o/s as at April 11th 2009 <i>(as per Comerica Bank records)</i>	2,812,465
In-Transit Items (sweep accts)	<u>324,013</u>
Loan Balance o/s as at April 11th 2009 <i>(as per Korex Don Valley records)</i>	<u>2,488,451</u>

KOREX DON VALLEY, ULC
Weekly Cash Flow Requirements

	wk2		wk2 Forecast 11-Apr-09	net change	Cumulative to date for the weeks ending April 4th and April 11th		
	Actual	Forecast			Actual	Forecast	net change
	11-Apr-09	11-Apr-09			Actual	Forecast	net change
A/R Collections	404,514	367,465	37,049	765,738	728,909	36,829	
Other Receipts							
Disbursements							
Inventory suppliers	112,404	353,565	(241,161)	241,557	488,185	(246,628)	
Freight	-	7,850	(7,850)	-	13,850	(13,850)	
Medical insurance expense	924	1,000	(76)	7,155	4,000	3,155	
Pension and Profit Sharing	-	-	-	6,081	-	6,081	
Repairs and maintenance	4,839	8,844	(4,005)	15,554	18,588	(3,034)	
Utilities	-	-	-	97,039	119,646	(22,607)	
Bank charges	756	-	756	756	17,000	(16,244)	
Rent	1,890	-	1,890	1,890	9,995	(8,105)	
Repayment of duplicate cash receipt	-	-	-	-	17,899	(17,899)	
Salaries	-	-	-	-	-	-	
Restructuring	-	38,125	(38,125)	-	224,368	(224,368)	
Critical vendor payments (security)	5,229	4,234	995	9,463	8,968	495	
Government remittances	-	-	-	-	37,056	(37,056)	
Total Disbursements	126,042	413,617	(287,575)	379,495	959,555	(580,060)	
Net Cash Flow	278,472	(46,152)	324,624	386,243	(230,645)	616,888	
Cumulative Net Cash Flow				386,243	(230,645)	616,888	
Bank Loan - Beginning Balance	2,372,884	2,751,482	(378,598)				
Less Repayments	-	-	-				
Advances	439,581	46,152	393,429				
Bank Loan - Ending Balance	2,812,465	2,797,634	14,831				
In-Transit items (sweep accis)	324,013	-	324,013				
Bank Loan - Ending Balance per BBR	2,488,452	2,797,634	(309,182)				
Book Cash - Bank Balance	347,751	-	347,751				

Korex Don Valley ULC
Bank Borrowing Base Report
(000s Canadian Dollars)

	wk2		wk1		wk1		
	Actual	Forecast	Actual	Forecast	Actual	Forecast	net change
	11-Apr-09	11-Apr-09	04-Apr-09	04-Apr-09	04-Apr-09	04-Apr-09	net change
Beginning A/R	7,525,342	7,514,488	7,747,427	7,747,172			255
Add: Sales	194,419	128,760	139,140	128,760			10,380
Less: Cash Receipts	404,863	367,465	(361,225)	361,444			(722,669)
Total A/R	7,314,898	7,275,783	7,525,342	7,514,488			10,854
Less: Ineligible Accounts (per Aging Summary)	(4,879,540)	(4,109,000)	(4,290,062)	(4,109,000)			(181,062)
Total Eligible A/R	2,435,358	3,166,783	3,235,280	3,405,488			(170,208)
Collateral Value Advance Rate	85%	85%	85%	85%			85%
Net Accounts Receivable Collateral	2,070,054	2,691,765	2,749,988	2,894,665			(144,677)
Beginning Inventory	3,475,488	3,531,033	3,591,017	3,487,053			103,964
Add: Purchases	362,194	353,565	269,329	134,620			134,709
Less: Cost of Sales of Inventory	(394,980)	(90,640)	(384,858)	(90,640)			(294,218)
Ending Inventory	3,442,702	3,793,958	3,475,488	3,531,033			(55,545)
Less: Ineligible Inventory	(2,237,403)	(2,139,000)	(2,267,600)	(2,139,000)			(128,600)
Total Eligible Inventory	1,205,299	1,654,958	1,207,888	1,392,033			(184,145)
Less: Inventory Reserve Adjustment							
Adjusted Total Eligible Inventory	1,205,299	1,654,958	1,207,888	1,392,033			(184,145)
Collateral Value Advance Rate	55%	55%	55%	55%			55%
Net Inventory Collateral	662,914	910,227	664,338	765,618			(101,280)
Total Loanable Collateral	2,732,969	3,601,992	3,414,326	3,660,283			(245,956)
Bank Loan Ending Balance	2,488,452	2,797,634	2,372,884	2,751,482			(378,598)
Excess / (Shortage) of Borrowing Availability	244,517	804,358	1,041,442	908,801			132,641

*Note: The Company has revised it's forecast for what is now wk2

Attached is Exhibit "I"
as referred to in the
FOURTH REPORT
of Ira Smith Trustee & Receiver Inc.



Stanley Sugar CA
Tel. (905) 738-4167
Fax (905) 738-9848
Email: stan@irasmithinc.com
Website: www.irasmithinc.com

Memo

To: Korex Monitoring File
From: Stanley Sugar
CC: Ira Smith
Date: April 23rd, 2009
Re: **Korex Don Valley ULC – Forbearance Agreement dated February 6th 2009 and Amended April 1st 2009**

As instructed, I attended at Korex on April 20th, 22nd and 23rd as part of our monitoring engagement. I met with John Bojkovski, CFO and various members of his staff in order to perform various aspects of our mandate.

This report covers revised week three being the week ending April 18th, 2009.

I obtained from Korex their borrowing base report executed April 21st 2009 representing the period April 12th to April 18th 2009. I reviewed on a random basis the documents backing up the information as contained therein to satisfy myself that the report was appropriate. I also reviewed the Company's cash receipts and disbursements for the week three period as well.

I prepared the attached financial cash flow statement summaries from information that I obtained from the Company. I compared the cash receipts and disbursements to the Company's books and records as well as other documentation that I considered relevant.

As previously stated the information presented herein is based on Company revised financial forecasts wherein this represents what is now new revised week three.

Sales for the week were \$144K vs forecasted sales of \$129K; a nominal increase of \$15K. As previously reported, with sales at this level and the extraordinary expenses being incurred, losses continue and have been budgeted which for this week were \$101K after depreciation of \$19K and restructuring expenses of \$30K.

The current manufacturing overheads of Korex are fixed as opposed to variable in nature, so these losses are largely fixed.

Trade accounts receivable increased during the week from \$7,314,898 to \$7,459,290 being a net increase of \$144K which was the sales for the week. There were no A/R collections received during the week.

As previously stated Korex Don Valley has ceased producing product for Unilever Canada and Comerica Bank has deemed Unilever Canada as unacceptable collateral for borrowing purposes. The table below indicates Korex's A/R aging position net of the Unilever account.

The current aging of the outstanding accounts receivable is as follows:-

<u>1-30</u>	<u>31-60</u>	<u>61-90</u>	<u>91+</u>	<u>Total</u>
<u>Total Accounts Receivable</u>				
573,531.04	1,497,113.58	1,728,891.08	2,106,568.11	5,906,103.81
352,653.62	435,609.93	112,762.80	652,159.37	1,553,185.73
926,184.66	1,932,723.51	1,841,653.88	2,758,727.48	7,459,289.54
<u>12.42%</u>	<u>25.91%</u>	<u>24.69%</u>	<u>36.98%</u>	<u>100.00%</u>
<u>Unilever Canada</u>				
130,456.50	1,020,901.55	1,603,995.36	1,790,338.39	4,545,691.80
<u>2.87%</u>	<u>22.45%</u>	<u>35.29%</u>	<u>39.39%</u>	<u>100.00%</u>
<u>Total Accounts Receivable - net of Unilever Canada</u>				
795,728.16	911,821.96	237,658.52	968,389.09	2,913,597.74
<u>27.30%</u>	<u>31.30%</u>	<u>8.16%</u>	<u>33.24%</u>	<u>100.00%</u>

As Unilever's dollars outstanding (A/R) has not changed since last week in that no payments have been received, the account aging has shifted again with an additional \$342,223 now falling into the over 90 day classification. The Company continues to pursue the current Unilever "setoff" matter in Court.

In examining the Company's BBR report for this week, if you include margining for Unilever Canada account, under the traditional margining formula, Korex is out of margin by \$7,072. However, if you eliminate the Unilever Canada account for collateral borrowing purposes, Korex's borrowing base is deficient by \$ 852,722 (\$1,003,203 @ 85%) which would place Korex in a negative borrowing position if not for the forbearance amendment executed on April 1st 2009.

The Company's indebtedness to Comerica Bank did not change during the week and remained at \$2,490,431.

The new attached cash flow statement indicates that Korex did not achieve its A/R collection forecast for the week (with no A/R collections being received). Disbursements were greater than forecasted by \$146,405 being \$289,864 vs. budget of \$143,459. This was a timing difference for this week in that on a cumulative basis receipts were under collected by \$318,250 and expenditures were underpaid by \$433,655. The net effect being a net cash gain of \$96,380.

The attached schedule indicates that this funding is made up of:

	\$
Inventory suppliers	(141,530)
Freight	6,500
Medical insurance expense	1,000
Repairs and maintenance	3,396
Pension and Profit Sharing	(3,026)
Bank charges	(31)
Utilities	12,822
Salaries	(18,250)
Restructuring	27,432
Government remittances	<u>(34,718)</u>
	<u>(146,405)</u>

The Monitor again refers the reader to the cumulative variance calculations also attached in the attached schedules. The Monitor has not included the cumulative results in this commentary, as the cumulative results are made up of commentary already provided for in the prior periods, plus the current commentary.

Stan

Attachments

Korex Don Valley ULC
Balance Sheet
(000s Canadian Dollars)

	wk3 Actual 18-Apr-09	wk3 Forecast 18-Apr-09	net change	wk2 Actual 11-Apr-09	For the Week net change
Current Assets					
Cash / Short Term Investments	58	2	56	348	(290)
Accounts Receivable	6,974	7,141	(167)	6,806	168
Inventory	2,329	2,750	(421)	2,318	11
Prepaid Expenses	600	600	-	604	(4)
Total Current Assets	9,961	10,493	(532)	10,076	(115)
Fixed Assets (NBV)	5,056	5,056	-	5,076	(20)
Total Assets	15,017	15,549	(532)	15,152	(135)
LIABILITIES					
Current Liabilities					
Bank - Revolving Loan	2,490	2,586	(96)	2,490	-
Accounts Payable & Accrued Liabilities	10,705	10,636	69	10,737	(32)
Wages Payable	1,259	1,281	(22)	1,259	-
Unearned Revenue	7	6	1	8	(1)
Taxes Payable	(1,535)	(1,535)	-	(1,535)	-
Total Current Liabilities	12,926	12,974	(48)	12,959	(33)
Long Term Debt	22	22	-	23	(1)
Deferred Income Taxes	810	810	-	810	-
Total Liabilities	13,758	13,806	(48)	13,792	(34)
SHAREHOLDER'S EQUITY					
Capital Stock	0	0	-	0	-
Retained Earnings	1,259	1,743	(484)	1,360	(101)
Total Shareholder's Equity	1,259	1,743	(484)	1,360	(101)
Total Liabilities and Equity	15,017	15,549	(532)	15,152	(135)

*Note: The Company has revised it's forecast for what is now wk3

Korex Don Valley ULC
Income Statement
(000s Canadian Dollars)

	wk3		wk3 Forecast	Cumulative to date for the weeks ending April 4th, 11th and 18th		
	Actual 18-Apr-09	18-Apr-09		Actual	Forecast	net change
Total Sales	144	129	15	478	387	91
Cost of Sales - Materials	(129)	(91)	(38)	(499)	(273)	(226)
Cost of Sales - Plant Spend (excludes Admin)	(42)	(45)	3	(126)	(135)	9
Total Cost of Goods Sold	(171)	(136)	(35)	(625)	(408)	(217)
Gross Profit	(27)	(7)	(20)	(147)	(21)	(126)
Total SG&A	(21)	(23)	2	(63)	(69)	6
Depreciation Expense	(19)	(19)	-	(57)	(57)	-
Operating Income	(67)	(49)	(18)	(267)	(147)	(120)
Other Income/ (Expenses)						
Interest Income/ (Expense)	(5)		(5)	(14)		(14)
Other Income/ (Expenses)	1	1	-	3	3	-
Restructuring Costs	(30)	(10)	(20)	(90)	(30)	(60)
Total Other Income/(Expenses)	(34)	(9)	(25)	(101)	(27)	(74)
Net Income, (Loss) Before Tax	(101)	(58)	(43)	(368)	(174)	(194)
Income Tax	-	-	-	-	-	-
Net Loss	(101)	(58)	(43)	(368)	(174)	(194)

*Note: The Company has revised it's forecast for what is now wk3

Korex Don Valley ULC
Cash Flow
(000s Canadian Dollars)

	wk3		wk3		Cumulative to date	
	Actual		Forecast		for the weeks ending	
	18-Apr-09	18-Apr-09	18-Apr-09	18-Apr-09	April 4th, 11th and 18th	Forecast
				Actual	Forecast	net change
Cash From Operations						
Net Income	(101)	(58)	(43)	(368)	(174)	(194)
Depreciation	19	19	-	57	57	-
Total Cash from Income	(82)	(39)	(43)	(311)	(117)	(194)
Receivables						
Inventories	(168)	221	(389)	273	683	(410)
	(11)	56	(67)	146	(251)	397
Accounts Payable/Accruals						
Accounts Payable	21	(49)	70	95	(283)	378
GRNI (Goods Received not Invoiced)	(29)	-	(29)	(59)	-	(59)
Unilever Payables	-	-	-	56	-	-
Intercompany Payables	-	-	-	-	-	-
Unearned Revenue	(1)	(1)	-	(3)	(3)	-
Bank Loan Payable	-	-	-	-	-	-
Wages Payable	-	17	(17)	(10)	16	(26)
Other Accruals	2	2	-	2	6	(4)
Other Taxes Payable	(26)	-	(26)	(66)	(37)	(29)
Other Working Capital	4	5	(1)	14	17	(3)
Total Cash from Working Capital	(208)	251	(459)	448	148	300
TOTAL CASH FROM OPERATIONS	(290)	212	(502)	137	31	106
Cash from Financing						
Payments on Long - Term Loans	-	-	-	(2)	(2)	-
Other Loans / Interest (Revolver)	-	(212)	212	(79)	(29)	(50)
TOTAL CASH FROM FINANCING	-	(212)	212	(81)	(31)	(50)
NET CASH FLOW	(290)	-	(290)	56	-	56
Cash - Beginning of Period	348	2	346	2	2	-
Cash - End of Period	58	2	56	58	2	56

*Note: The Company has revised it's forecast for what is now wk3

Korex Don Valley ULC
Bank Accounts - (in CDN\$)
Week 3 ending April 18th 2009

	WE April 18th \$	Previous to date WE April 4th & 11th	Total Cumulative
Cash in Bank - April 11th 2009	<u>347,751</u>	<u>40,563</u>	<u>40,563</u>
Receivable collections	<u>-</u>	<u>765,739</u>	<u>765,739</u>
<u>Disbursements</u>			
Supplier payments	238,595	379,495	618,090
Payroll	<u>51,269</u>	<u>-</u>	<u>51,269</u>
	<u>289,864</u>	<u>379,495</u>	<u>669,359</u>
Net cash increase / (decrease)	(289,864)	386,244	96,380
Increase, (decrease) in Bank Loan	-	(79,056)	(79,056)
	<u>57,887</u>	<u>347,751</u>	<u>57,887</u>

<u>Cash in Bank CDN</u>	
TD - CDN	1,274
TD - US	195
Comerica - CDN	28,595
Comerica - US	52,258
Due to Travelex - funds rec'd in error	<u>(24,435)</u>
	<u>57,887</u>

<u>Cheque Disbursements</u>	
Petressa Canada Inc.	179,692
Canada Revenue Agency - GST	34,718
Filion Wakely Thorup Angeletti LLP	10,693
Intelligarde International Inc.	4,234
Standard Life	4,017
360 Energy Inc.	3,874
Specialized Boiler Services Inc.	2,758
Misc.	2,215
Univar Canada Ltd.	1,741
Foreign exch. adj	(5,347)

<u>Accts. Receivable Collections</u>	<u>-</u>	<u>238,595</u>
	<u>-</u>	

<u>Comerica Bank Loan Position</u>	
Loan Balance o/s as at April 18th 2009	<u>2,490,431</u>

KOREX DON VALLEY, ULC
Weekly Cash Flow Requirements

	wk3		Cumulative to date	
	Actual 18-Apr-09	Forecast 18-Apr-09	Actual	Forecast
A/R Collections	-	355,080	765,739	1,083,989
		(355,080)		(318,250)

Disbursements

Inventory suppliers	176,530	35,000	418,087	523,185	(105,098)
Freight	-	6,500	-	20,350	(20,350)
Medical insurance expense	-	1,000	7,155	5,000	2,155
Pension and Profit Sharing	4,017	991	10,098	991	9,107
Repairs and maintenance	4,498	7,894	20,052	26,482	(6,430)
Utilities	3,874	16,696	100,913	136,342	(35,429)
Bank charges	31	-	787	17,000	(16,213)
Rent	-	-	1,890	9,995	(8,105)
Repayment of duplicate cash receipt	-	-	-	17,899	(17,899)
Salaries	51,269	33,019	51,269	33,019	18,250
Restructuring	10,693	38,125	10,693	262,493	(251,800)
Critical vendor payments (security)	4,234	4,234	13,697	13,202	495
Government remittances	34,718	-	34,718	37,056	(2,338)

Total Disbursements

	289,864	143,459	669,359	1,103,014	(433,655)
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Net Cash Flow

	(289,864)	211,621	96,380	(19,025)	115,405
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Cumulative Net Cash Flow

			96,380	(19,025)	115,405
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Bank Loan - Beginning Balance

Less Repayments	2,488,451	2,797,634		(309,183)	
Advances	-	(211,622)		211,622	
	1,980	-		1,980	
Bank Loan - Ending Balance	2,490,431	2,586,012		(95,581)	
In-Transit Items (sweep accts)	-	-		-	
Bank Loan - Ending Balance per BBR	2,490,431	2,586,012		(95,581)	
Book Cash - Bank Balance	57,887	-		57,887	

Korex Don Valley ULC
Bank Borrowing Base Report
(000s Canadian Dollars)

	wk3		wk3		wk2		wk2		net change	
	Actual	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast	11-Apr-09	net change
	18-Apr-09	18-Apr-09	11-Apr-09	11-Apr-09	11-Apr-09	11-Apr-09	11-Apr-09	11-Apr-09	11-Apr-09	net change
Beginning A/R	7,314,898	7,275,783	7,525,342	7,514,488	7,525,342	7,514,488			10,854	
Add: Sales	144,391	128,760	194,419	128,760	194,419	128,760			65,659	
Less: Cash Receipts	-	355,080	404,863	367,465	404,863	367,465			37,398	
Total A/R	7,459,289	7,049,463	7,314,898	7,275,783	7,314,898	7,275,783			39,115	
Less: Ineligible Accounts (per Aging Summary)	(5,294,207)	(4,109,000)	(4,879,540)	(4,109,000)	(4,879,540)	(4,109,000)			(770,540)	
Total Eligible A/R	2,165,082	2,940,463	2,435,358	3,166,783	2,435,358	3,166,783			(731,425)	
Collateral Value Advance Rate	85%	85%	85%	85%	85%	85%			85%	
Net Accounts Receivable Collateral	1,840,320	2,499,393	2,070,054	2,691,765	2,070,054	2,691,765			(621,711)	
Beginning Inventory	3,442,702	3,793,958	3,475,488	3,531,033	3,475,488	3,531,033			(55,545)	
Add: Purchases	387,892	35,000	362,194	353,565	362,194	353,565			8,629	
Less: Cost of Sales of Inventory	(372,241)	(90,640)	(394,980)	(90,640)	(394,980)	(90,640)			(304,340)	
Ending Inventory	3,458,353	3,738,318	3,442,702	3,793,958	3,442,702	3,793,958			(351,256)	
Less: Ineligible Inventory	(2,289,191)	(2,139,000)	(2,237,403)	(2,139,000)	(2,237,403)	(2,139,000)			(98,403)	
Total Eligible Inventory	1,169,162	1,599,318	1,205,299	1,654,958	1,205,299	1,654,958			(449,659)	
Less: Inventory Reserve Adjustment										
Adjusted Total Eligible Inventory	1,169,162	1,599,318	1,205,299	1,654,958	1,205,299	1,654,958			(449,659)	
Collateral Value Advance Rate	55%	55%	55%	55%	55%	55%			55%	
Net Inventory Collateral	643,039	879,625	662,914	910,227	662,914	910,227			(247,312)	
Total Loanable Collateral	2,483,359	3,379,018	2,732,969	3,601,992	2,732,969	3,601,992			(869,023)	
Bank Loan Ending Balance	2,490,431	2,586,011	2,488,452	2,797,634	2,488,452	2,797,634			(309,182)	
Excess / (Shortage) of Borrowing Availability	(7,072)	793,007	244,517	804,358	244,517	804,358			(559,842)	

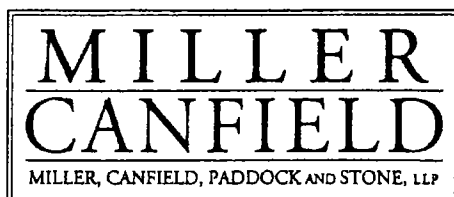
*Note: The Company has revised it's forecast for what is now wk3

Attached is Exhibit "J"

as referred to in the

FOURTH REPORT
of Ira Smith Trustee & Receiver Inc.

Founded in 1852
by Sidney Davy Miller



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April 28, 2009

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Solicitors for Korex Don Valley ULC

Sanj Mitra
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Solicitors for the Monitor

Ira Smith
Email: ira@irasmithinc.com
Ira Smith Trustee & Receiver Inc.

RE: Korex Don Valley ULC ("KDV") and Comerica Bank – Loan Agreement
Our File No.: 138995-00032

The financial position of KDV has materially deteriorated since the Forbearance Agreement was entered into on February 6, 2009 with Comerica. As a result of this and other events of default Comerica will not grant a further extension to the Forbearance Agreement.

As revealed in the Monitor's April 23, 2009 memorandum, KDV is no longer in margin. KDV is in default under the Revolving and Term Loan Agreement between KDV and Comerica, dated April 30, 2003, as amended.

Pursuant to paragraph 29 of the Initial Order of Justice Cumming dated February 6, 2009 we hereby give notice that Comerica intends to exercise all of its rights and remedies against KDV, pursuant to the Forbearance Agreement, the Revolving and Term Loan Agreement and the General Security Agreement, including without limitation, to apply to the Court for the appointment of a receiver.

Yours truly,


for JOHN D. LESLIE

WWLIB:561151.1\138995-00032

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDINGS COMMENCED AT TORONTO

FOURTH REPORT
of Ira Smith Trustee & Receiver Inc.

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