

**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**

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

APPLICANT

MOTION RECORD

(Returnable: May 15, 2009)

May 11, 2009

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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

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

APPLICANT

MOTION RECORD
INDEX

<u>Tab</u>	<u>Document</u>
1.	Notice of Motion
A.	Draft Order
2.	Fifth Report of Ira Smith Trustee & Receiver Inc., sworn May 11, 2009
	<i>Exhibits to the Fifth Report</i>
A.	Third Report of Ira Smith Trustee & Receiver Inc. (with Exhibits)
B.	Fourth Report of Ira Smith Trustee & Receiver Inc. (with Exhibits)
C.	Order of Mr. Justice Wilton-Seigel dated April 30, 2009
D.	Monitoring Report for the week ended April 25, 2009
E.	Monitors memo to file re Chicago Inventory Court May 8, 2009
F.	Affidavit of Fees, sworn by Ira Smith, Ira Smith Trustee & Receiver Inc.
G.	Affidavit of Fees, sworn by Richard Epstein, Aird & Berlis LLP

**ONTARIO
SUPERIOR COURT OF JUSTICE
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**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

**NOTICE OF MOTION
(Returnable: May 15, 2009)**

Ira Smith Trustee & Receiver Inc., the Court-appointed Monitor (“**Monitor**”) in proceedings commenced by Korex Don Valley ULC (the “**Applicant**”) and appointed pursuant to an order of the Honourable Justice Mr. Cumming dated February 6, 2009 (the “**Initial Order**”), will make a motion to a judge of the Commercial List on Friday, the 15th day of May, 2009 at 10:00a.m., or as soon after that time as the motion can be heard at 330 University Avenue, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

1. **THE MOTION IS FOR** an Order substantially in the form of the Order attached hereto as Schedule “A”, including without limitation, an Order,

- (a) Abridging the time for service and filing of this Notice of Motion and the Motion Record, if necessary;
- (b) Approving the following reports of the Monitor and the activities described therein:
 - (i) The Monitor’s Third Report to Court dated April 27, 2009;

- (ii) The Monitor's Fourth Report to Court dated April 29, 2009; and
 - (iii) The Monitor's Fifth Report to Court dated May 11, 2009.
- (c) Approving the Monitor's Fees and Disbursements for the period from March 21, 2009 through to April 30, 2009 as set out in **Exhibit "A"** to the Affidavit of Ira Smith in the amount of \$93,015.88.
 - (d) Approving the fees and disbursements of the Monitor's legal counsel, Aird & Berlis LLP, for the period from March 17, 2009 through to April 30, 2009, inclusive, as set out in **Exhibit "A"** to the Affidavit of Richard Epstein in the amount of \$32,661.46.
 - (e) Such further and other relief as this Honourable Court deems just.

2. THE GROUNDS FOR THE MOTION ARE:

- (a) The Initial Order directs and empowers the Monitor to report to the Court in respect of these proceedings at such times and intervals as the Monitor may deem appropriate;
- (b) The Initial Order directs and empowers the Monitor to pass its accounts from time to time, and to include any necessary fees and disbursements of its legal counsel in the passing of its accounts;
- (c) The *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended; and
- (d) Such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

- (a) The Third Report of the Monitor dated April 27, 2009, filed;
- (b) The Fourth Report of the Monitor dated April 29, 2009, filed;

- (c) The Fifth Report of the Monitor dated May 11, 2009, filed.
- (d) The Affidavit of Ira Smith sworn May 11, 2009, filed;
- (e) The Affidavit of Richard Epstein sworn May 7, 2009, filed; and
- (f) Such further and other material as counsel may advise and this Honorable Court May permit.

May 11, 2009

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Solicitors for the Monitor

TO: SERVICE LIST

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.) FRIDAY, THE 15th DAY
)
JUSTICE WILTON-SIEGEL) OF MAY, 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 Friday, the 15th day of May, 2009, at 330 University Avenue, Toronto, Ontario.

ON READING the Third Report of the Monitor dated April 27, 2009, the Fourth Report of the Monitor dated April 29, 2009 and the Fifth Report of the Monitor dated May 11, 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 Service of Christine Doyle, sworn May 11, 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 Monitor's Third Report to Court dated April 27, 2009, the Monitor's Fourth Report to Court dated April 29, 2009 and the Monitor's Fifth Report to Court dated May 11, 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 March 21, 2009 to April 30, 2009 in the amount of \$93,015.88 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 March 17, 2009 to April 30, 2009, in the amount of \$32,661.46, be and are hereby approved and allowed.

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

APPLICA

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

PROCEEDINGS COMMENCED AT TORONTO

NOTICE OF MOTION

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**ONTARIO
SUPERIOR COURT OF JUSTICE
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**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT
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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

**FIFTH REPORT OF IRA SMITH TRUSTEE & RECEIVER INC.
IN ITS CAPACITY AS COURT-APPOINTED MONITOR OF
KOREX DON VALLEY ULC**

DATED MAY 11, 2009

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**FIFTH REPORT OF
IRA SMITH TRUSTEE & RECEIVER INC.**

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

DATED MAY 11, 2009

INDEX

REPORT	<u>Page</u>
1.0 Introduction	1
2.0 Disclaimer	3
3.0 Monitoring	3
4.0 Chicago Inventory Count May 8, 2009	5
5.0 Fee and disbursements of the Monitor	5
6.0 Fee and disbursements of Aird & Berlis LLP	5
7.0 Summary	6
 EXHIBITS	
Monitor's Third Report to Court dated April 27, 2009	"A"
Monitor's Fourth Report to Court dated April 29, 2009	"B"
Order of Mr. Justice Wilton-Seigel dated April 30, 2009	"C"
Monitoring Report for the week ended April 25, 2009	"D"

**FIFTH REPORT OF
IRA SMITH TRUSTEE & RECEIVER INC.**

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

DATED MAY 11, 2009

EXHIBITS (cont'd)

Monitor's memo to file re Chicago inventory count May 8, 2009	"E"
Affidavit of Ira Smith on account of the Monitor's fee and disbursements for the period from March 21 to April 30, 2009	"F"
Affidavit of Mr. Richard Epstein, Partner of Aird & Berlis LLP, in support of the fee and disbursements of Aird & Berlis LLP for the period from March 17 to April 30, 2009	"G"

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

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**IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
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APPLICANT

FIFTH REPORT OF IRA SMITH TRUSTEE & RECEIVER INC.

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

DATED MAY 11, 2009

1.0 INTRODUCTION

This Fifth Report (the "**Fifth 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**").

The Monitor previously filed with this Honourable Court certain reports that have not yet been approved by this Honourable Court being: (i) the Monitor's Third Report to Court dated April 27, 2009 (the "**Third Report**"); and (ii) the Monitor's Fourth Report to Court dated April 29, 2009 (the "**Fourth Report**") (collectively, the "**Reports**"). All background information regarding this administration and prior Court attendances and Orders was contained in the

Reports. Attached hereto as **Exhibits “A” and “B”** is a copy of the Third and Fourth Reports, respectively.

As further described in the Reports, Korex had been involved in litigation with U L Canada Inc. (“**Unilever Canada**”) concerning the validity of certain set-offs claimed by Unilever Canada.

Purpose of this Report

The purpose of this Fifth Report is:

1. to assist this Honourable Court by reporting on the Monitor’s review of Korex’s operations since the last monitoring report included in the Monitor’s Fourth Report;
2. to provide information concerning the count of Korex inventory located in Chicago, Illinois, USA on May 8, 2009 as directed by this Honourable Court in connection with the set-offs claimed by U L Canada Inc. (“Unilever Canada”);
3. to obtain approval of actions and activities of the Monitor as disclosed in the Reports and this Fifth Report and approval of the fees and disbursements of the Monitor in respect of the period from March 21, 2009 to April 30, 2009 in the amount of \$93,015.88 (inclusive of GST); and
4. approval of the fees and disbursements of counsel to the Monitor, Aird & Berlis LLP, in respect of the period from March 17 to April 30, 2009, in the amount of \$32,661.46 (inclusive of GST).

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, we have assumed that Korex will have sufficient cash injections in order to continue 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 Fifth Report, or any of the attached Appendices or Exhibits forming part of this Fifth Report. We reserve the right to review all calculations included or referred to in this Fifth 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 (as defined in the Reports), 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.

The last Monitor's report contained in the Fourth Report was for the week ended April 18, 2009. The Order of Mr. Justice Wilton-Seigel dated April 30, 2009 relieved the Monitor from reporting to Comerica Bank as its funding relationship with Korex ceased on April 30, 2009. At that time, the Monitor was in the process of finalizing its report for the week ended April 25, 2009. Accordingly, that report was never issued. Attached hereto as **Exhibits "C" and "D"** is the Order of Mr. Justice Wilton-Seigel dated April 30, 2009 and the report not issued by the Monitor for the week ended April 25, 2009, respectively.

The Monitor advises this Honourable Court that as a result of the termination of the forbearance agreement (as amended and extended) between Comerica Bank and Korex on April 30, 2009, Comerica Bank discontinued its funding of Korex. On May 5, 2009, Comerica Bank appointed S. Funtig & Associates Inc. as Receiver (the "**Receiver**") of the assets, property and undertaking of Korex subject to Comerica Bank's security. The Monitor has been advised that this is a receivership primarily over the accounts receivable, inventory, choses in action and other miscellaneous assets of Korex, but not its fixed assets.

As a result of the appointment of the Receiver, the Monitor has been advised that Korex ceased operations and laid off most of its employees. The Monitor has been advised that other than their continuing attempts to seek an investor and negotiate with specific stakeholder groups, Korex senior management, being Messrs. Pensler and Bojkovski, are focussing their efforts on other businesses of the other companies in the group that Korex is a member of.

The Monitor's current understanding is that in connection with Korex, Messrs Pensler and Bojkovski are primarily focussing their efforts on attempting to recapitalize the Company for the restructuring effort. The Monitor has been advised that the outcome of those discussions will largely determine whether or not Korex is able to formulate a realistic Plan of Arrangement during the current Stay period.

4.0 CHICAGO INVENTORY COUNT MAY 8, 2009

As indicated above, the Monitor was directed to supervise and report on the counting of the Korex inventory located at in Chicago. The count took place on May 8, 2009 and was supervised by the Monitor. Attached as **Exhibit "E"** is the Monitor's memo to file regarding this inventory count.

The result of the inventory count confirmed that the surplus powders inventory on hand at Korex Chicago valued at \$132,480 included in the global Korex invoice number 13657 dated February 4, 2009 billed to Unilever Canada was identified and counted.

5.0 FEE AND DISBURSEMENTS OF THE MONITOR

Attached hereto as **Exhibit "F"** is the sworn Affidavit of Mr. Ira Smith, President of ISI, in support of the fee and disbursements of ISI for the period from March 21 to April 30, 2009, inclusive.

6.0 FEE AND DISBURSMENTS OF AIRD & BERLIS LLP

Attached hereto as **Exhibit "G"** is the sworn Affidavit of Mr. Richard Epstein, Partner of Aird & Berlis LLP, in support of the fee and disbursements of Aird & Berlis LLP for the period from March 17 to April 30, 2009, inclusive.

7.0 SUMMARY

The Monitor respectfully requests that this Honourable Court:

1. Approve the following reports of the Monitor and the activities described therein:
 - (i) the Third Report;
 - (ii) the Fourth Report; and
 - (iii) this Fifth Report.
2. Approve the Monitor's Fees and Disbursements for the period from March 21, 2009 through to April 30, 2009 as set out in Exhibit "A" to the Affidavit of Ira Smith in the amount of \$93,015.88 (inclusive of GST).
3. Approve the fees and disbursements of the Monitor's legal counsel, Aird & Berlis LLP, for the period from March 17, 2009 through to April 30, 2009, inclusive, as set out in Exhibit "A" to the Affidavit of Richard Epstein in the amount of \$32,661.46 (inclusive of GST).
4. Provide such further and other relief as this Honourable Court deems just.


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All of which is respectfully submitted at Toronto, Ontario this 11th day of May, 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

FIFTH REPORT
of Ira Smith Trustee & Receiver Inc.

**ONTARIO
SUPERIOR COURT OF JUSTICE
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**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT
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**IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF
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THIRD REPORT OF IRA SMITH TRUSTEE & RECEIVER INC.

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

DATED APRIL 27, 2009

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**THIRD REPORT OF
IRA SMITH TRUSTEE & RECEIVER INC.**

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

DATED APRIL 27, 2009

INDEX

REPORT	<u>Page</u>
1.0 Introduction	1
2.0 Disclaimer	5
3.0 The Section 7.03 Invoice	6
<i>3.1 Inventory locations</i>	6
<i>3.2 Toronto inventory count results</i>	6
<i>3.3 The Manufacturing Agreement</i>	7
4.0 Summary	8
 EXHIBITS	
CCAA Initial Order dated February 6, 2009	“A”
Korex invoice to Unilever Canada dated February 4, 2009	“B”
Monitor’s Toronto inventory count results memo dated April 24, 2009	“C”
Finished goods inventory relating to Unilever Canada Demand Purchase Order schedule	“D”
Monitor’s memo to file re forecasts dated April 26, 2009	“E”

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

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT
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**IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
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**THIRD REPORT OF
IRA SMITH TRUSTEE & RECEIVER INC.**

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

DATED APRIL 27, 2009

1.0 INTRODUCTION

This Third Report (the "**Third 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 Order**"). Attached hereto as **Exhibit "A"** is a copy of the Initial 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 31, 2009.

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**").

Purpose of this Report

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.

The 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 described in Korex invoice no. 13657 dated February 4, 2009 in the amount of \$677,221.21 (inclusive of GST) billed to Unilever Canada (the “**Section 7.03 Invoice**”). The invoice was for inventory and raw materials in connection with product produced for Uniliver initially in connection with an agreement between Unilever Canada and Korex made as of August 18, 2002 (the “**Manufacturing Agreement**”).

The Monitor’s understanding of Korex’s position is that notwithstanding the Manufacturing Agreement had expired effective August 18, 2008, there was continued production by Korex. The terms of the arrangement with the parties are in dispute. Korex has put forth an email from an employee of Unilever confirming that the payment for inventory and raw materials on the terms confined to the email. Unilever has taken the position that the email has to be interpreted in the context of the overall business relationship and that the termination provisions contained in the original Manufacturing Agreement continue to govern the obligation of Unilever to make payment for unused inventories on hand in February 2009.

The purpose of this Third Report is in connection with the Set-Off Motion, to provide this Honourable Court with the result of the inventory taken as to the actual quantity of product on hand being the subject of the Section 7.03 invoice.

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.

Only the Korex inventory physically located in Toronto subject to the Section 7.03 Invoice was counted (see further discussion below). Further, no party has taken issue with the pricing used by Korex in the Section 7.03 Invoice, and the Monitor was not directed by this Honourable Court to review such pricing. Accordingly, the Monitor does not express any opinion on the reasonableness of the costing of the inventory as contained in the Section 7.03 Invoice.

Therefore, the Monitor is unable to and does not express an opinion on any financial statements, or elements of accounts referred to in this Third Report, or any of the attached Appendices or Exhibits forming part of this Third Report. We reserve the right to review all calculations included or referred to in this Third 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 THE SECTION 7.03 INVOICE

3.1 Inventory locations

Attached as **Exhibit “B”** is a copy of the Section 7.03 Invoice for \$644,972.58 plus GST of \$32,248.63 totalling \$677,221.21. The Monitor wishes to bring to the Court’s attention that backup attached to this invoice indicates that the inventory is located in three physical locations: (i) Korex – Toronto - \$488,260.58; Korex Chicago – Chicago - \$132,480; and (iii) Korex Wixom – Detroit - \$24,232. The Monitor was able to have its representatives available to count in all locations on April 24 to complete the count. Unilever was not able to have any representatives in the US locations. Ms. C. Tate, Assistant General Counsel, Intellectual Property of Unilever Canada Inc. advised all parties:

“The Unilever representatives attending at Korex Don Valley will be Jim Moses and Duncan Gray. No Unilever representative will attend in Chicago since we had no idea relevant material was located there. This comes as a complete surprise and we cannot provide a representative on this short notice.”

Accordingly, only the inventory located in Toronto was counted.

3.2 Toronto inventory count results

Attached as **Exhibit “C”** is the Monitor’s memo prepared immediately after the inventory count. As indicated in the memo, the count was well organized and no problems were encountered. The results of the physical count in Toronto indicated only minor discrepancies. The value of the inventory counted, based on the pricing contained in the Section 7.03 Invoice, is calculated to be

\$465,463.12 as compared to the invoiced amount expected of \$478,021.24¹, for a difference of \$12,558.12 or -2.6%.

3.3 The Manufacturing Agreement –

As indicated above, the Monitor's understanding of Korex's position is that notwithstanding the Manufacturing Agreement had expired effective August 18, 2008, there was continue production by Korex. The terms of the arrangement with the parties are in dispute. Korex has put forth an email from an employee of Unilever Canada confirming that the payment for inventory and raw materials on the terms confined to the email. Unilever has taken the position that the email has to be interpreted in the context of the overall business relationship and that the termination provisions contained in the original Manufacturing Agreement continue to govern the obligation of Unilever to make payment for unused inventories on hand in February 2009.

The finished goods inventory totaling \$106,229.48 was supported by Demand Purchase orders supplied by Unilever Canada. Upon reviewing several forecasts and discussions with Korex management, a "Demand Purchase order" is created subsequent to the forecast. Attached as **Exhibit "D"** is a listing of such finished goods inventory on hand related to the respective Demand Purchase Order.

With respect to raw materials, the analysis is much more difficult, due to the nature of the business. The Monitor reviewed various forecasts and held a discussion with Korex

¹ The difference between the invoiced amount of \$488,260.58 and the expected amount of \$478,021.24, being \$10,239.34 is made up of \$4,848.27 maintained in the Toronto inventory and not shipped to either Chicago or Detroit as per the Korex records less the amount of \$15,087.61 related to materials shipped to Jempak as requested by Sun Products. That request is a matter between Sun Products and Unilever and excludes Korex's involvement. Also see Exhibit "C" attached to this Third Report.

management. It appears that while the Manufacturing Agreement was in effect, the parties were acting in accordance with it. Subsequent to the expiration of the Manufacturing Agreement, Korex and Unilever Canada continued to trade.

Attached hereto as **Exhibit "E"** is the Monitor's memo to file concerning forecasts reviewed and discussions with Korex management regarding the practical implications of the winding-up of the Korex manufacturing for Unilever Canada. In the time allotted, the Monitor cannot make any other comments.

4.0 SUMMARY

The Monitor advises that:

1. The Korex Toronto physical inventory which is the subject of the Section 7.03 Invoice, utilizing the costing contained in that invoice, had a value of \$465,463.12 as compared to the invoiced amount expected of \$478,021.24, for a difference of \$12,558.12 or -2.6%; and
2. through a review of various forecasts and discussions with Korex management, it appears that while the Manufacturing Agreement was in effect, the parties were acting in accordance with it. Subsequent to the expiration of the Manufacturing Agreement, Korex and Unilever Canada continued to trade.

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All of which is respectfully submitted at Toronto, Ontario this 27th 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

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
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

INITIAL ORDER

DAVIS LLP
Barristers & Solicitors
1 First Canadian Place, Suite 5600
100 King Street West
Toronto, ON M5X 1E2

Susan E. Friedman (LSUC #24991U)
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Lawyers for the Applicant

SE REMIT TO:
LLEZ EFFECTUER
LE VERSEMENT:

KOREX DON VALLEY
21 DON VALLEY PARKWAY
TORONTO, ONTARIO
CANADA
M4M 3P2

CUSTOMER NO. N° DU CLIENT 5100000	INVOICE DATE FACTURE LEV. 04 Feb/200	INVOICE NO. FACTURE N° 13657
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DU Unilever Canada
160 Bloor Street East
Suite 300
Toronto, ON
M4W3R2

SHIP
TO
EXPÉDIER
A

ODUCT ODUIT	DESCRIPTION	UNITS UNITÉS	UNIT PRICE PRIX UNITAIRE	AMOUNT MONTANT
		Net Amount		\$677,221.21
	Powders Inventory Write-Off Please see attached for details Amount: C\$644,972.58 GST: C\$ 32,248.63 ----- Total: C\$677,221.21 ----- Attn: Erik Weingartner Note: Excludes Dispositions Cost to be Billed Separately.			

GST Reg. #: R85252 6136

TERMS NET 10 DAYS
CONDITIONS NET
10 JOURS

AMOUNT DUE MONTANT A PAYER	\$677,221.21
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RETURNED MERCHANDISE WILL BE ACCEPTED UNLESS WE FIRST ISSUE SIGNED AUTHORIZATION FOR RETURNED
MERCHANDISE. ALL GOODS SHIPPED AT PURCHASER'S RISK. CLAIMS MUST BE MADE ON RECEIPT OF GOODS. ALL DELIVERIES
ARE SUBJECT TO STRIKES, ACCIDENTS AND OTHER CAUSES BEYOND OUR CONTROL.
J'EST ACCEPTÉ AUCUN RENVOI DE MARCHANDISES SANS UNE AUTORISATION PRÉALABLE SIGNÉE À CET EFFET. TOUTES
LES MARCHANDISES SONT EXPÉDIÉES AUX RISQUES DE L'ACHETEUR. LES RÉCLAMATIONS DOIVENT ÊTRE EFFECTUÉES À LA
RECEPTION. TOUTS LES DELAIS DE LIVRAISON DÉPENDENT, ÉVENTUELLEMENT DES GRÈVES, ACCIDENTS ET AUTRES RAISONS
OPÉRATIQUES DE NOTRE VOLONTÉ.

Part #	Description	UM	Current Cost	Total Qty	Total Inventory Value
11080687	SUNLIGHT LEMON CARTON 34W - PR	EA	\$ 0.5840	7,854	4,586.34
11080688	SUNLIGHT MF CARTON 34W - PROJE	EA	\$ 0.5840	3,597	2,100.47
11080689	SUNLIGHT W/BL CARTON 40W RDP -	EA	\$ 1.2843	288	369.89
11080690	SUNLIGHT LEMON CARTON 52W RDP	EA	\$ 1.2843	8,351	10,725.44
11080691	SUNLIGHT MF CARTON 52W RDP - P	EA	\$ 1.2843	884	1,109.66
11080692	SUNLIGHT LEMON CARTON 70W RDP	EA	\$ 1.6375	6,534	10,699.62
11080693	SUNLIGHT LEMON CARTON 90W RDP	EA	\$ 1.7995	1,802	3,242.63
11080697	ULT SUNLIGHT HE 31W CARTON - P	EA	\$ 0.3018	53,270	16,078.48
11080702	SUNLIGHT LEMON, MF CUP - PROJE	EA	\$ 0.0432	1,248	53.90
11080703	SUNLIGHT W/BL CUP - PROJECT MA	EA	\$ 0.0432	140,544	6,070.10
11080705	SUNLIGHT W/BL 13W CASE - PROJE	EA	\$ 0.9405	188	176.81
11080707	SUNLIGHT W/BL CASE 26W - PROJE	EA	\$ 0.9888	2,666	2,636.14
11080708	SUNLIGHT LEMON CASE 34W - PROJ	EA	\$ 0.9888	3,379	3,341.16
11080713	UL SUNLIGHT HE 31W CASE - PROJ	EA	\$ 0.9019	8,588	7,745.52
11081200	ULTRA SUNLIGHT W/BL, HE CUP -	EA	\$ 0.0455	62,850	2,859.68
9534-0097	CS 6x23W MORNING FRESH	EA	\$ 1.0466	2,580	2,700.23
9534-0098	CS 6x23W LEMON	EA	\$ 1.0465	3,220	3,370.05
9534-0119	CS 5 X 28 W SENSITIVE SKIN	EA	\$ 0.8293	700	580.51
9534-0120	CASE 4 x 44 W SENSITIVE SKIN	EA	\$ 0.9415	4,956	4,666.07
9534-0121	CASE 5x28W SURF WATERFRESH BRE	EA	\$ 0.8293	3,666	3,040.21
9534-0127	CASE 5 x 34W WILD AND FRESH	EA	\$ 0.7966	8,835	7,037.96
9545-0007	11081890 CARTON - AMAZE BY SUN	EA	\$ 0.2362	52,640	12,434.09
9545-0008	CARTON 6X23W MORNING FRESH	EA	\$ 0.4029	1,200	483.52
9545-0009	CARTON 6X23W LEMON	EA	\$ 0.4029	31,200	12,571.42
9545-0010	CARTON 28 WASH SENSITIVE SKIN	EA	\$ 0.4909	3,120	1,531.70
9545-0012	CARTON 28 W SURF	EA	\$ 0.3796	30,160	11,448.43
9545-0014	CARTON SUN WILD & FRESH 34W	EA	\$ 0.3708	46,080	17,084.16
9901-0001	SCOOP 240 ML PET 28W SS	EA	\$ 0.0777	15,708	1,220.04
9901-0002	SUN SCOOP 207/240 ML PLASTIC 34W W&F	EA	\$ 0.0777	134,840	10,457.49
9901-0003	324ML SCOOP	EA	\$ 0.1514	40,040	6,061.26
90029	PDRS CTN HOT MELT (34-269C)	KG	\$ 3.9104	1,360	5,318.14
95000	LINEAR ALKYL BENZENE, HMW	KG	\$ 2.1123	10,589	22,367.46
Note:1 95008	NTA MONOHYDRATE, 92.5%, BULK	KG	\$ 1.5262	22,952	35,029.11
Note:1 95008	NTA MONOHYDRATE, 92.5%, BULK	KG	\$ -	5,321	-
95012	SODIUM PERCARBONATE	KG	\$ 0.9626	8,500	6,256.58
95023	DENSE SODA ASH, BULK, S/S	KG	\$ 0.2856	2,720	776.89
95027	SOD SULPHATE DET GR BULK	KG	\$ 0.2065	42,543	8,784.70
95035	ACUSOL 410N- POLYMER	KG	\$ 1.3582	5,717	7,765.06
95049	HUBERSORB 600, FLOW AID	KG	\$ 4.5588	816	3,719.96
95053	SOD. SILICATE 2.4 RATIO, 44%	KG	\$ 0.2378	11,049	2,627.56
95055	FL DYE BRY-10 D'OR	KG	\$ 9.2173	3,368	31,043.80
95058	ANTIFOAM PDR GRANULE 2-4248S	KG	\$ 3.4565	3,300	11,406.38
95061	SCMC-POWDERS GRADE CARBOSE D72	KG	\$ 2.2766	1,635	3,722.16
95082	ACUSOL 425 N POLYMER	KG	\$ 2.1310	15,708	33,473.12
98443	PERFUME LP995/ALL LNDY PDR	KG	\$ 14.1144	188	2,653.51
98469	SUNLIGHT LNDY BL PERF BULK PDR	KG	\$ 0.4809	10,911	5,247.43
9100-0002	ALCOHOL ETHOXYLATE 9 EO	KG	\$ 2.9024	21,814	63,311.86
9100-0025	SODIUM CARBONATE	KG	\$ 0.2803	59,000	16,537.70
8101-0001	SAVINASE 12.0 TXT ENZYME	KG	\$ 7.6050	1,280	9,734.40
9200-0026	FRAG GR CLOVER UO174277/00 wild and fresh	KG	\$ 22.1403	449	9,941.00
9200-0034	FRAGRANCE UO117325/00 NEMO	KG	\$ 23.0285	1,437	33,091.94
9200-0035	FRAGRANCE LEMONPERLE UN15995DB	KG	\$ 13.7164	4,292	58,870.79
9200-0036	FRAG UN475651 G DALI SPLATSCEN sunlight with bl	KG	\$ 18.7273	31	580.55
					538,743.08
12131	SUN LDYPDR MF 1X80X52WASH	PL	\$ 471.7600	1	471.76
12132	SUN LDYPDR W/BL 1X80X40WASH	PL	\$ 489.0797	1	489.08
12141	SUNLIGHT LAUNDRY POWDER 1x60x70W	PL	\$ 469.6642	1	469.68
12193	UL SUN MF 6 x 40 WASH - PROJEC	CS	\$ 16.9707	1,067	18,107.72
12194	UL SUN LEMON 6 x 40 WASH - PRO	CS	\$ 17.0123	13	221.16
12195	SUNLIGHT W/BL 26W - MORPHEUS	CS	\$ 15.1287	2,898	43,842.83
1102-0002	11083685 SUN SENS SKIN 4 X 44	CS	\$ 18.0353	21	378.74
1120-0001	SUNLIGHT LEMON 6 x 23W	CS	\$ 15.7292	2,886	42,248.55
					106,229.50

Grand Total

644,972.58

Note: 1 Unilever became buyer of record of NTA on Nov 17, 2008. At that time, Unilever was invoiced for Korex owned inventory in Chicago at that time. However, there was also 22,952 kg's of NTA at Korex Don Valley that was not invoiced and hence is being included as part of this write-off.

Note: Excludes Dispositions cost to be billed separately.

Part #	Description	UM	Current Cost	Total Qty	Total Inventory Value
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Note: Included in the above amounts are the following inventories at off site locations.

Korex Chicago

Part #	Description	UM	Current Cost	Quantity	
9545-0010	28W carton	EA	\$ 0.4909	3120	\$ 1,532
11080690	52 W cartons	EA	\$ 1.2843	8352	\$ 10,726
9534-0119	28W shippers	EA	\$ 0.8293	3470	\$ 2,878
9901-0003	324ML scoops	EA	\$ 0.1514	14500	\$ 2,195
9901-0001	240ML scoops	EA	\$ 0.0777	15708	\$ 1,221
95055	FL Dye	KG	\$ 9.2173	3368	\$ 31,043
9200-0035	Lemonpearle perfume	KG	\$ 13.7164	4292	\$ 58,871
9200-0034	Morning Fresh perfume	KG	\$ 23.0285	873	\$ 20,104
95008	NTA	KG	\$ -	5321	\$ -
95082	Acusol 425	KG	\$ 2.1310	911	\$ 1,941
	Salt	KG	\$ 0.1590	4110	\$ 653
96612	Caustic	KG	\$ 0.7029	1872	\$ 1,316
					\$ 132,480

Korex Wixom

Part #	Description	UM	Current Cost	Quantity	
11080897	ULT SUNLIGHT HE 31W CARTON - P	EA	\$ 0.3018	52178	\$ 15,749
11080713	UL SUNLIGHT HE 31W CASE - PROJ	EA	\$ 0.9019	6588	\$ 5,942
11081200	ULTRA SUNLIGHT W/BL, HE CUP -	EA	\$ 0.0455	55850	\$ 2,541
					\$ 24,232



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 24th, 2009
Re: **Korex Don Valley ULC**

As instructed, I attended at Korex Don Valley ULC on April 24th 2009 to observe a complete full physical inventory count to verify just the quantities of inventory as indicated in invoice number 13657 dated February 4th 2009 rendered to Unilver Canada as it related to surplus powders inventory on hand by Korex.

Both myself and Marty Wolfe from our office were in attendance to observe the counting of the inventory.

The count was jointly physically performed by two staff members from Korex Don Valley ULC as well as two staff members from Unilver Canada Inc.

Attached to this memo are signed off copies by all parties that participated in this inventory count.

Only the inventory at the Korex Don Valley location was counted.

The inventory on hand located in both Chicago and in Detroit were not part of this count.

The physical count went very well and with only one small variance – 2.6% in value.

We were not asked nor do we opine on the extrapolation of the quantities times Korex's inventory values to arrive at the total invoice dollar value.

Subject to this disclaimer the dollars work out as follows.

In summary:

The invoice rendered to Unilever (pre GST) was for \$644,972.58

Deducted from the invoice for both quantity and value was the sum of \$15,087.61 related to materials shipped to Jempak as requested by Sun Products.

That request is a matter between Sun Products and Unilver and excludes Korex's involvement.

Dollars remaining thereafter = \$629,884.97

The inventory not counted in Chicago and Detroit has a value of \$151,863.73
(there is a small difference of \$4,858.27 kept by Toronto not sent to the US.)

Thereafter the total value that should be in Toronto is \$478,021.24

Deduct the sum of \$12,558.11 (inventory shortfall to-day based on actual inventory count
having 2.6% error factor)

The extrapolated inventory value as calculated based upon the agreed upon inventory
count today at Korex Don Valley is **\$465,463.12**

Stan

Appendix Q

Part #	Description	UM	Current Cost	Total Qty	Total Inventory Value	Production Date	Demand PO	Location	Note
12131	SUN LDYDPR MF 1X80X52WASH	PL	\$ 471.7600	1	471.76	feb 27 2004	4500026804	L42	Ordered 735, produced 739.
12132	SUN LDYDPR W/BL 1X80X40WASH	PL	\$ 489.0797	1	489.08	feb 4 2004	4500024631	L43	Ordered 50, produced 57
12141	SUNLIGHT LAUNDRY POWDER 1x6	PL	\$ 469.6642	1	469.66	oct 31 2003	4500020990	L40	Ordered 1164, Produced 1120.
12193	UL SUN MF 6 x 40 WASH - PROJEC	CS	\$ 16.9707	1,067	18,107.72	oct 20 2006	4500062047	1055 B10	Ordered 15000, produced 16190. 1055 is current inventory - adjusted jan 20 2009 by dave armstrong
12194	UL SUN LEMON 6 x 40 WASH - PRO	CS	\$ 17.0123	13	221.16	sept 10 2007	4500063337	2 h08, 11L39	Ordered 15000 then reduced to 7500, Produced 9637. produced in 4904 feb 07 and 4733 sept 07.
12195	SUNLIGHT W/BL 26W - MORPHEUS	CS	\$ 15.1287	2,898	43,842.83	aug 10 2007	4500107288	966 h21	Ordered 15000, Produced 13200
1102-0002	11083685 SUN SENS SKIN 4 X 44	CS	\$ 18.0353	21	378.74	aug 6 2006	4500079768	j23	Ordered 19000, Produced 14720
1120-0001	SUNLIGHT LEMON 6 x 23W	CS	\$ 15.7292	2,666	42,248.55	nov 13 2007	4500114731	1008 b18, 108 c20, 1548 c21, 22 L31	Ordered 5000, Produced 4907

*** Assumption : the remaining finished goods are from the last production run of any given sku

Ira Smith

TRUSTEE & RECEIVER INC.

Lyndon Rollit
Tel. (905) 738-4167
Fax (905) 738-9848

Memo

To: Korex Monitoring File
From: Lyndon Rollit
CC: Ira Smith
Date: April 25th, 2009
Re: **Korex Don Valley ULC**

Finished Goods

- The finished goods inventory has been supported by Demand Purchase orders supplied by Unilever. Upon reviewing several forecasts and discussions with Korex Don Valley ("KDV") management, a "Demand Purchase order" is created subsequent to the forecast. The first several weeks of production in forecast is supported by a demand purchase order due to immediacy of the requirement for this product. This product is to be expected and required to be produced to support immediate customer demand. The finished goods product remaining in inventory has been produced for Unilever based on forecasts and purchase orders but not delivered.

Raw Material Inventory

- Several forecasts were reviewed while at the KDV premises. Forecasts were generally for a 12 week period with the first several weeks being for product where the above noted "Demand Purchase Order" was evident.
- When asked of KDV management to support the raw material in hand by the forecast, it became evident that given the changing nature of these forecasts in the final weeks of KDV production this would be very difficult task. The Forecasts reviewed clearly showed a significant decrease in expected volumes to be produced by KDV. In the final weeks, the forecasts even indicated the amounts that were to be produced by the replacement manufacturer to KDV and not KDV.
- In light of the above, it became very unclear what forecast should be used to support the raw material inventory on hand. The final forecast where very little product was to be produced by KDV or a forecast produced several months or weeks previous where much greater volumes were expected to be produced by KDV.

- The original Annual Estimated Forecast for 2009 provided and agreed to (Appendix F per April 24, memo to file report), indicated over \$20,000,000 million in product was to be produced. A raw material inventory in order of \$3.2 million (12 weeks * 7 days * 37,991 Raw Material per day) would be deemed acceptable. Final Raw material per the disputed invoice is \$538,743, or 17% of what would have been acceptable under the original annual forecast.
- A significant number of raw material items are ordered based on practical and standard ordering quantities. In all cases it may not be practical, cost efficient or even possible to only order enough raw materials for the 12 week production schedule. For example, certain minimum quantities may be required to receive delivery of printed packaging or several raw material components are delivered by railway car to the plant where quantities are dictated by the supplier.
- As the forecasted production volumes decreased or were shifted to the replacement manufacturer, it would be impractical and in many cases impossible for KDV to return unwanted and unused inventory to the original supplier.

Lyndon Rollit

**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

Court File No. 08-CL-7925

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

**THIRD REPORT OF
IRA SMITH TRUSTEE & RECEIVER INC.
IN ITS CAPACITY AS COURT-APPOINTED MONITOR OF
KOREX DON VALLEY ULC
DATED APRIL 27, 2009**

**IRA SMITH TRUSTEE & RECEIVER INC.
Suite 6-167 Applewood Crescent
Concord, Ontario L4K 4K7**

**Ira Smith, MBA CA•CIRP
Tel: 905.738.4167
Fax: 905.738.9848**

Exhibit "B"

as referred to in the

FIFTH REPORT

of Ira Smith Trustee & Receiver Inc.

**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.

**

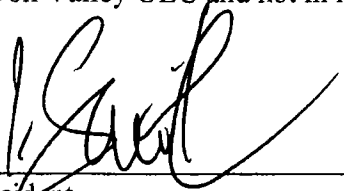
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All of which is respectfully submitted at Toronto, Ontario this 29th day of April, 2009.

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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PER / PAR *TV*

**IN THE MATTER OF THE COMPANIES' CREDITORS'
ARRANGEMENT ACT, 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

INITIAL ORDER

DAVIS LLP

Barristers & Solicitors
1 First Canadian Place, Suite 5600
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)
JUSTICE HOY)
) MONDAY, THE 9TH DAY OF
)
) 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

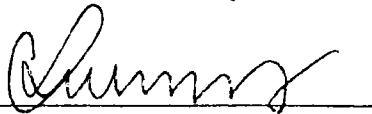
ORDER

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

O R D E R

DAVIS LLP
Barristers & Solicitors
1 First Canadian Place, Suite 5600
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

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**

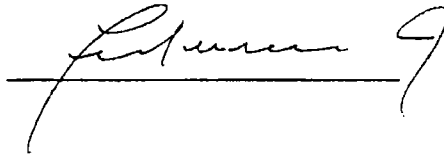
APPLICANT

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.

A handwritten signature in black ink, appearing to read 'Cumming', is written over a horizontal line. The signature is cursive and includes a large, stylized flourish at the end.

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

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

O R D E R

DAVIS LLP
Barristers & Solicitors
1 First Canadian Place, Suite 5600
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.

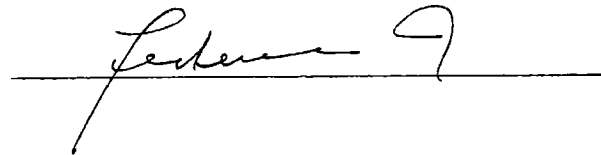
ON READING the First Report of the Monitor dated March 6, 2009, the Second Report of the Monitor dated March 25, 2009, the affidavits of the Monitor and its counsel as to fees, and on hearing the submissions of counsel for the Monitor, UL Canada Inc., Comerica Bank and the Applicant, no one else appearing 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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ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

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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Tel: 416.863.1500
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.

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		wk1		For the
	Actual	Forecast	Actual	Actual	Week
	21-Mar-09	21-Mar-09	14-Mar-09		net change
		net change			
Current Assets					
Cash / Short Term Investments	452	2	155		297
Accounts Receivable	7,243	6,717	6,922		321
Inventory	2,581	2,854	2,812		(231)
Prepaid Expenses	619	612	620		(1)
Total Current Assets	10,895	10,185	10,509		386
Fixed Assets (NBV)	5,134	5,134	5,153		(19)
Total Assets	16,029	15,319	15,662		367
LIABILITIES					
Current Liabilities					
Bank - Revolving Loan	2,965	2,884	2,965		-
Accounts Payable & Accrued Liabilities	10,515	9,934	10,169		346
Wages Payable	1,325	1,325	1,265		60
Unearned Revenue	9	9	9		-
Taxes Payable	(1,535)	(1,535)	(1,535)		-
Total Current Liabilities	13,279	12,617	12,873		406
Long Term Debt	25	25	26		(1)
Deferred Income Taxes	810	810	810		-
Total Liabilities	14,114	13,452	13,709		405
SHAREHOLDER'S EQUITY					
Capital Stock	0	0	0		-
Retained Earnings	1,915	1,867	1,953		(38)
Total Shareholder's Equity	1,915	1,867	1,953		(38)
Total Liabilities and Equity	16,029	15,319	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 Actual		wk2 Forecast		Cumulative to date		
	21-Mar-09	21-Mar-09	21-Mar-09	21-Mar-09	Actual	Forecast	net change
Cash From Operations							
Net Income	(38)	(102)	64		(125)	(188)	63
Depreciation	19	19	-		38	38	-
Total Cash from Income	(19)	(83)	64		(87)	(150)	63
Receivables	(321)	81	(402)		(617)	7	(624)
Inventories	231	76	155		361	163	198
<i>Accounts Payable/Accruals</i>							
Accounts Payable	720	-	720		1,548	(1)	1,549
GRNI (Goods Received not Invoiced)	(438)	-	(438)		(1,308)	-	(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)	36		100	4	96
Other Taxes Payable	51	-	51		33	-	33
Other Working Capital	4	6	(2)		4	11	(7)
Total Cash from Working Capital	317	197	120		145	208	(63)
TOTAL CASH FROM OPERATIONS	298	114	184		58	58	-
Cash from Financing							
Payments on Long - Term Loans	(1)	(1)	-		(1)	(1)	-
Other Loans / Interest (Revolver)	-	(113)	113		-	(82)	82
TOTAL CASH FROM FINANCING	(1)	(114)	113		(1)	(83)	82
NET CASH FLOW	297	-	297		57	(25)	82
Cash - Beginning of Period	155	2	153		395	27	368
Cash - End of Period	452	2	450		452	2	450

*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**

	\$	Previous to date	Total Cumulative
Cash in Bank - March 14th 2009	<u>153,523</u>	<u>94,568</u>	<u>94,568</u>
Receivable collections	<u>335,687</u>	<u>1,005,907</u>	<u>1,341,594</u>
<u>Disbursements</u>			
Supplier payments	<u>36,794</u>	<u>1,232,545</u>	<u>1,269,339</u>
Payroll	<u>-</u>	<u>364,407</u>	<u>364,407</u>
	<u>36,794</u>	<u>1,596,952</u>	<u>1,633,746</u>
Net cash increase / (decrease)	<u>298,893</u>	<u>(591,046)</u>	<u>(292,152)</u>
Increase in Bank Loan	<u>-</u>	<u>650,000</u>	<u>650,000</u>
Cash in Bank - March 21st, 2009	<u>452,416</u>	<u>153,522</u>	<u>452,416</u>

	Cash in Bank CDN	Cheque Disbursements
TD - CDN	1,703	
TD - US	212	
Comerica - CDN	240,525	16,144
Comerica - US	234,411	4,910
Due to Travellex - funds rec'd in error	<u>(24,435)</u>	4,233
	<u>452,416</u>	4,093
		2,433
		2,305
		1,536
		<u>1,140</u>
		<u>36,794</u>

	Receivable Collections
Phoenix Brands LLC	289,436
Johnson Diversey	<u>46,251</u>
	<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>		81		(32)
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.

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 Actual 28-Mar-09	wk3 Forecast 28-Mar-09	net change	wk2 Actual 21-Mar-09	For the Week net change
Current Assets					
Cash / Short Term Investments	41	2	39	452	(411)
Accounts Receivable	7,248	6,540	708	7,243	5
Inventory	2,475	2,680	(205)	2,581	(106)
Prepaid Expenses	612	608	4	619	(7)
Total Current Assets	10,376	9,830	546	10,895	(519)
Fixed Assets (NBV)	5,114	5,114	-	5,134	(20)
Total Assets	15,490	14,944	546	16,029	(539)
LIABILITIES					
Current Liabilities					
Bank - Revolving Loan	2,569	2,570	(1)	2,965	(396)
Accounts Payable & Accrued Liabilities	10,716	9,989	727	10,515	201
Wages Payable	1,270	1,265	5	1,325	(55)
Unearned Revenue	9	8	1	9	-
Taxes Payable	(1,535)	(1,535)	-	(1,535)	-
Total Current Liabilities	13,029	12,297	732	13,279	(250)
Long Term Debt	24	24	-	25	(1)
Deferred Income Taxes	810	810	-	810	-
Total Liabilities	13,863	13,131	732	14,114	(251)
SHAREHOLDER'S EQUITY					
Capital Stock	0	0	-	0	-
Retained Earnings	1,627	1,813	(186)	1,915	(288)
Total Shareholder's Equity	1,627	1,813	(186)	1,915	(288)
Total Liabilities and Equity	15,490	14,944	546	16,029	(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	net change	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		Cumulative to date	
	Actual	Forecast	Actual	Forecast
	28-Mar-09	28-Mar-09	Forecast	net change
Cash From Operations				
Net Income	(288)	(55)	(413)	(170)
Depreciation	25	19	63	6
Total Cash from Income	(263)	(36)	(350)	(164)
Receivables				
Inventories	(5)	176	(622)	183
	106	175	467	338
<i>Accounts Payable/Accruals</i>				
Accounts Payable	193	-	1,741	1,742
GRNI (Goods Received not Invoiced)	(90)	-	(1,398)	(1,398)
Unlever Payables	(93)	13	(67)	39
Intercompany Payables	-	-	-	-
Unearned Revenue	-	(1)	(2)	(3)
Bank Loan Payable	-	-	-	-
Wages Payable	(55)	(60)	(55)	(60)
Other Accruals	258	42	358	46
Other Taxes Payable	(63)	-	(30)	(30)
Other Working Capital	4	6	8	17
Total Cash from Working Capital	255	351	400	(159)
TOTAL CASH FROM OPERATIONS	(8)	315	50	(323)
Investments				
Fixed Asset Additions	(6)	-	(6)	(6)
TOTAL CASH USED FOR INVESTMENT	(6)	-	(6)	(6)
Cash from Financing				
Payments on Long - Term Loans	(1)	(1)	(2)	(2)
Other Loans / Interest (Revolver)	(396)	(314)	(396)	(396)
TOTAL CASH FROM FINANCING	(397)	(315)	(398)	(398)
NET CASH FLOW	(411)	-	(354)	(329)
Cash - Beginning of Period	452	2	395	27
Cash - End of Period	41	2	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	<u>452,416</u>	<u>94,568</u>	<u>94,568</u>
Receivable collections	<u>245,837</u>	<u>1,341,594</u>	<u>1,587,431</u>
Disbursements			
Supplier payments	<u>142,375</u>	<u>1,269,339</u>	<u>1,411,714</u>
Payroll	<u>118,697</u>	<u>364,407</u>	<u>483,104</u>
	<u>261,072</u>	<u>1,633,746</u>	<u>1,894,818</u>
Net cash increase / (decrease)	<u>(15,235)</u>	<u>(292,152)</u>	<u>(307,387)</u>
Increase, (decrease) in Bank Loan	<u>(396,618)</u>	<u>650,000</u>	<u>253,382</u>
Cash in Bank - March 28th, 2009	<u>40,563</u>	<u>452,416</u>	<u>40,563</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>40,563</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>142,375</u>

Receivable Collections

Unilever Canada	154,089
Rhodia Inc.	47,131
Johnson Diversey Inc.	44,617
	<u>245,837</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		wk2	
	Actual 28-Mar-09	Forecast 28-Mar-09	Actual 21-Mar-09	Forecast 21-Mar-09	Actual 21-Mar-09	Forecast 21-Mar-09
		net change			net change	
Gross A/R	7,747	7,072	7,750	7,253	497	
Ineligibles	(4,213)	(3,812)	(4,109)	(3,799)	(310)	
Eligible A/R	3,534	3,260	3,641	3,454	187	
Collateral @ 85%						
A/R Collateral	3,004	2,771	3,095	2,936	159	
Gross Inventory	3,591	3,769	3,571	3,944	(373)	
Ineligibles	(2,252)	(2,125)	(2,139)	(2,125)	(14)	
Eligible A/R	1,339	1,644	1,432	1,819	(387)	
Collateral @ 55%						
Inventory Collateral	736	904	787	1,000	(213)	
Total Collateral (Per Formula)	3,740	3,675	3,882	3,936	(54)	
Borrowing	2,569	2,570	2,965	2,884	81	
<i>(maximum Borrowing Line \$3,750)</i>						
Excess Availability	1,171	1,105	785	866	(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.



Stanley Sugar CA
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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 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	<u>40,563</u>	<u>94,568</u>	<u>94,568</u>
Receivable collections	<u>361,225</u>	<u>1,587,431</u>	<u>1,948,656</u>
<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>(194,624)</u>	<u>253,382</u>	<u>58,758</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 Traveler - 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
	<u>253,453</u>

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>

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.

Ira Smith

TRUSTEE & RECEIVER INC.

Stanley Sugar CA
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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)	(995)
	<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 Actual 11-Apr-09	wk2 Forecast 11-Apr-09	net change	wk1 Actual 4-Apr-09	For the Week net change
Current Assets					
Cash / Short Term Investments	348	2	346	(46)	394
Accounts Receivable	6,806	7,363	(557)	7,011	(205)
Inventory	2,318	2,805	(487)	2,360	(42)
Prepaid Expenses	604	604	-	608	(4)
Total Current Assets	10,076	10,774	(698)	9,933	143
Fixed Assets (NBV)	5,076	5,076	-	5,095	(19)
Total Assets	15,152	15,850	(698)	15,028	124
LIABILITIES					
Current Liabilities					
Bank - Revolving Loan	2,490	2,798	(308)	2,373	117
Accounts Payable & Accrued Liabilities	10,737	10,662	55	10,606	131
Wages Payable	1,259	1,264	(5)	1,278	(19)
Unearned Revenue	8	7	1	8	-
Taxes Payable	(1,535)	(1,535)	-	(1,535)	-
Total Current Liabilities	12,959	13,216	(257)	12,730	229
Long Term Debt	23	23	-	24	(1)
Deferred Income Taxes	810	810	-	810	-
Total Liabilities	13,792	14,049	(257)	13,564	228
SHAREHOLDER'S EQUITY					
Capital Stock	0	0	-	0	-
Retained Earnings	1,360	1,801	(441)	1,464	(104)
Total Shareholder's Equity	1,360	1,801	(441)	1,464	(104)
Total Liabilities and Equity	15,152	15,850	(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	April 4th and April 11th	net change	
		net change		net change			
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
Cash Flow
(000s Canadian Dollars)

	wk2		wk2		Cumulative to date	
	Actual		Forecast		for the weeks ending	
	11-Apr-09	11-Apr-09	11-Apr-09	11-Apr-09	April 4th and April 11th	net change
Cash From Operations						
Net Income	(104)	(58)	(46)	(267)	(116)	(151)
Depreciation	19	19	-	38	38	-
Total Cash from Income	(85)	(39)	(46)	(229)	(78)	(151)
Receivables	205	234	(29)	441	462	(21)
Inventories	41	(263)	304	157	(307)	464
<u>Accounts Payable/Accruals</u>						
Accounts Payable	131	35	96	74	(234)	308
GRNI (Goods Received not Invoiced)	-	-	-	(30)	-	(30)
Unlever Payables	-	-	-	56	-	-
Intercompany Payables	-	-	-	-	-	-
Unearned Revenue	(1)	(1)	-	(2)	(2)	-
Bank Loan Payable	-	-	-	-	-	-
Wages Payable	(18)	(18)	-	(10)	(1)	(9)
Other Accruals	-	2	(2)	-	4	(4)
Other Taxes Payable	-	-	-	(40)	(37)	(3)
Other Working Capital	5	5	-	10	12	(2)
Total Cash from Working Capital	363	(6)	369	656	(103)	759
TOTAL CASH FROM OPERATIONS	278	(45)	323	427	(181)	608
Cash from Financing						
Payments on Long - Term Loans	(1)	(1)	-	(2)	(2)	-
Other Loans / Interest (Revolver)	117	46	71	(79)	183	(262)
TOTAL CASH FROM FINANCING	116	45	71	(81)	181	(262)
NET CASH FLOW	394	-	394	346	-	346
Cash - Beginning of Period	(46)	2	(48)	2	2	-
Cash - End of Period	348	2	346	348	2	346

**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	(46,289)	40,563	40,563
Receivable collections	404,514	361,225	765,739
<u>Disbursements</u>			
Supplier payments	126,042	253,453	379,495
Payroll	-	-	-
	126,042	253,453	379,495
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)
Cash in Bank - April 11th, 2009	<u>347,751</u>	<u>(46,289)</u>	<u>347,751</u>

Cash in Bank CDN

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

Cheque Disbursements

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	756
	<u>126,042</u>

Accts. Receivable Collections

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

Comerica Bank Loan Position

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

KOREX DON VALLEY, ULC
Weekly Cash Flow Requirements

	wk2		wk2		Cumulative to date	
	Actual 11-Apr-09	Forecast 11-Apr-09	Actual 11-Apr-09	Forecast 11-Apr-09	Actual Forecast	net change net change
A/R Collections	404,514	367,465	37,049	728,909	36,829	
Other Receipts						
Disbursements						
Inventory suppliers	112,404	353,565	(241,161)	488,185	(246,628)	
Freight	-	7,850	(7,850)	13,850	(13,850)	
Medical insurance expense	924	1,000	(76)	4,000	3,155	
Pension and Profit Sharing	-	-	-	6,081	6,081	
Repairs and maintenance	4,839	8,844	(4,005)	18,588	(3,034)	
Utilities	-	-	-	97,039	(22,607)	
Bank charges	756	-	756	17,000	(16,244)	
Rent	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	8,968	495	
Government remittances	-	-	-	37,056	(37,056)	
Total Disbursements	126,042	413,617	(287,575)	379,495	(580,060)	
Net Cash Flow	278,472	(46,152)	324,624	(230,645)	616,888	
Cumulative Net Cash Flow				(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 accts)	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		net change	
	Actual	Forecast	Actual	Forecast	04-Apr-09	net change
	11-Apr-09	11-Apr-09	04-Apr-09	04-Apr-09		
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
<u>926,184.66</u>	<u>1,932,723.51</u>	<u>1,841,653.88</u>	<u>2,758,727.48</u>	<u>7,459,289.54</u>
<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>				
<u>795,728.16</u>	<u>911,821.96</u>	<u>237,658.52</u>	<u>968,389.09</u>	<u>2,913,597.74</u>
<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		Cumulative to date		
	Actual		Forecast		for the weeks ending		
	18-Apr-09	18-Apr-09	18-Apr-09	18-Apr-09	Actual	Forecast	
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	Actual	Forecast
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)
Unlever 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	347,751	40,563	40,563
Receivable collections	-	765,739	765,739
<u>Disbursements</u>			
Supplier payments	238,595	379,495	618,090
Payroll	51,269	-	51,269
	289,864	379,495	669,359
Net cash increase / (decrease)	(289,864)	386,244	96,380
Increase, (decrease) in Bank Loan	-	(79,056)	(79,056)
Cash in Bank - April 18th, 2009	57,887	347,751	57,887

<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	(24,435)
	57,887

<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>238,595</u>
-	
-	

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

KOREX DON VALLEY, ULC
Weekly Cash Flow Requirements

	wk3		Cumulative to date for the weeks ending	
	Actual 18-Apr-09	Forecast 18-Apr-09	Actual April 4th, 11th and 18th	Forecast net change
A/R Collections	-	355,080	765,739	1,083,989
				(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)

Net Cash Flow

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

Cumulative Net Cash Flow

			96,380	(19,025)	115,405
Cumulative Net Cash Flow			96,380	(19,025)	115,405

Bank Loan - Beginning Balance

Less Repayments	-	(211,622)	(289,864)	(49,942)	(339,806)
Advances	1,980	-	1,980	1,980	-
Bank Loan - Ending Balance	2,488,451	2,797,634	(289,864)	(287,882)	(49,942)
In-Transit Items (sweep acc'ts)	-	-	-	-	-
Bank Loan - Ending Balance per BBR	2,490,431	2,586,012	(289,864)	(287,882)	(49,942)
Book Cash - Bank Balance	57,887	-	57,887	-	57,887

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

	wk3		wk3		wk2		wk2	
	Actual	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast
	18-Apr-09	18-Apr-09	11-Apr-09	11-Apr-09	11-Apr-09	11-Apr-09	11-Apr-09	11-Apr-09
	net change		net change		net change		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	10,854
Add: Sales	144,391	128,760	194,419	128,760	194,419	128,760	65,659	65,659
Less: Cash Receipts	-	355,080	404,863	367,465	404,863	367,465	37,398	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	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)	(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)	(731,425)
Collateral Value Advance Rate	85%	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)	(621,711)
Beginning Inventory	3,442,702	3,793,958	3,475,488	3,531,033	3,475,488	3,531,033	(55,545)	(55,545)
Add: Purchases	387,892	35,000	362,194	353,565	362,194	353,565	8,629	8,629
Less: Cost of Sales of Inventory	(372,241)	(90,640)	(394,980)	(90,640)	(394,980)	(90,640)	(304,340)	(304,340)
Ending Inventory	3,458,353	3,738,318	3,442,702	3,793,958	3,442,702	3,793,958	(351,256)	(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)	(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)	(449,659)
Less: Inventory Reserve Adjustment	1,169,162	1,599,318	1,205,299	1,654,958	1,205,299	1,654,958	(449,659)	(449,659)
Adjusted Total Eligible Inventory	55%	55%	55%	55%	55%	55%	55%	55%
Collateral Value Advance Rate	55%	55%	55%	55%	55%	55%	55%	55%
Net Inventory Collateral	643,039	879,625	662,914	910,227	662,914	910,227	(247,312)	(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)	(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)	(309,182)
Excess / (Shortage) of Borrowing Availability	(7,072)	793,007	244,517	804,358	244,517	804,358	(559,842)	(559,842)

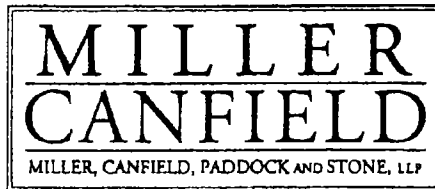
*Note: The Company has revised it's forecast for what is now wk3

Attached is Exhibit "J"

as referred to in the

FOURTH REPORT
of Ira Smith Trustee & Receiver Inc.

Founded in 1852
by Sidney Davy Miller



MICHIGAN: Ann Arbor
Detroit • Grand Rapids
Howell • Kalamazoo
Lansing • Monroe
Saginaw • Troy

New York, NY
Pensacola, FL
Washington, DC

CANADA: Toronto • Windsor
POLAND: Gdynia
Warsaw • Wrocław

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443 Ouellette Avenue, Suite 300, P.O. Box 1390
Windsor, Ontario, Canada N9A 6R4
TEL: (519) 977-1555/(313) 962-1990
www.millercanfield.com

April 28, 2009

Bruce Darlington and Susan Friedman
Email: bdarlington@davis.ca, sfriedman@davis.ca
Solicitors for Korex Don Valley ULC

Sanj Mitra
Email: smitra@airdberlis.com
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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Tel: 416.863.1500
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Solicitors for the Trustee

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

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

THE HONOURABLE)
JUSTICE WILTON-SIEGEL) THURSDAY, THE 30TH DAY OF
)
) APRIL, 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") made 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 Supplementary Motion Record of the Applicant, and on reading the Fourth Report of the Monitor and the Responding Record of the Respondent Comerica Bank and upon being advised that Comerica Bank, the Communications, Energy and Paperworkers Union of Canada, Local 132-0, Unilever Canada Inc. and Shell Energy North America (Canada) Inc. do not oppose the order, and on hearing submissions of counsel

1. THIS COURT ORDERS that the Initial Order of Justice Cumming dated February 6, 2009 (the "Initial Order"), as extended by the Order of Justice Hoy dated March 4, 2009 and the Order of Justice Lederman dated March 31, 2009, is hereby further extended to June 1, 2009, save and except as hereinafter set out.
2. THIS COURT ORDERS that paragraph 4 of the Initial Order shall be subject to the taking of possession by a Receiver appointed by Comerica Bank of the current inventory and accounts receivable of the Applicant and that the definition of Property, subsequent to April 30, 2009 shall exclude the inventory, accounts receivable, work in progress and any proceeds thereof, in accordance with the terms of the Comerica Bank security, of the Applicant, existing as of April 30, 2009.
3. THIS COURT ORDERS that the following portions of the Initial Order shall not be extended: paragraphs 21(d), the words "assist the Applicant in its dissemination to Comerica and its counsel of financial and other information requested by Comerica and in paragraph 21(e), together with paragraphs 28 and 29.
4. THIS COURT ORDERS that the Directors Charge and its priority over the security held by the Comerica Bank as set out in paragraphs 18 and 31 of the Initial Order is hereby set aside as against the Comerica Bank save and except for Directors' Charges, if any, which have arisen prior to April 30, 2009 and which would not be paid by the Applicant in the normal course of business during any extension period granted in these proceedings.

5. THIS COURT ORDERS that the Administration Charge and its priority over the security held by the Comerica Bank as set out in paragraphs 27 and 31 of the Initial Order is hereby set aside as against the Comerica Bank save and except for those Administration Charges incurred prior to April 30, 2009.
6. THIS COURT ORDERS that the Stay Period as described in paragraph 11 of the Initial Order is hereby extended until June 1, 2009.

DIP FINANCING

7. THIS COURT ORDERS that the Applicant is hereby authorized and empowered to obtain and borrow under a credit facility from Pensler Capital Corporation or related company (the "DIP Lender") in order to finance the Applicant's working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$500,000 unless permitted by further Order of this Court.
8. THIS COURT ORDERS THAT such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Applicant and the DIP Lender dated as of April 28, 2009 (the "Commitment Letter"), filed.
9. THIS COURT ORDERS that the Applicant is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "Definitive Documents"), as are contemplated by the Commitment Letter or as may

be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicant is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Commitment Letter and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

10. THIS COURT ORDERS that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "DIP Lender's Charge") on all of the Debtor's property, assets and undertaking save and except the Debtor's accounts receivable, work in progress, inventory and the proceeds thereof owned by the Debtor as of the date hereof (the Debtor's accounts receivable, work in progress, inventory and the proceeds thereof, in accordance with the terms of the Comerica Bank Security, owned by the Debtor as of the close of business on April 30, 2009, shall be hereinafter referred to as the "Comerica Property" and all of the Debtor's property, assets and undertaking save and except the Debtor's accounts receivable, work in progress, inventory and proceeds thereof owned by the Debtor as of the date hereof shall be hereinafter referred to as the "Charged Property"), which charge shall not exceed the aggregate amount owed to the DIP Lender under the Definitive Documents. The DIP Lender's Charge shall have the priority set out in paragraphs 14 and 16 hereof.
11. THIS COURT ORDERS that, notwithstanding any other provision of this Order:

- a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;

- b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon 2 days notice to the Applicant and the Monitor, may exercise any and all of its rights and remedies against the Applicant or the Charged Property under or pursuant to the Commitment Letter, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicant and set off and/or consolidate any amounts owing by the DIP Lender to the Applicant against the obligations of the Applicant to the DIP Lender under the Commitment Letter, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant and for the appointment of a trustee in bankruptcy of the Applicant, and upon the occurrence of an event of default under the terms of the Definitive Documents, the DIP Lender shall be entitled to seize and retain proceeds from the sale of the Charged Property and the cash flow of the Applicant to repay amounts owing to the DIP Lender in accordance with the Definitive Documents and the DIP Lender's Charge, but subject to the priorities as set out in paragraphs 14 and 16 of this Order; and

- c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant or the Charged Property.
12. THIS COURT ORDERS AND DECLARES that the DIP Lender 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 Definitive Documents.
13. THIS COURT ORDERS that in addition to and not in substitution for the Administrative Charge granted in the Initial Order and as subsequently amended, 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 "Second Administration Charge") on the Charged Property, which charge shall not exceed an aggregate amount of \$100,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, after the making of this Order in respect of these proceedings. The Second Administration Charge shall have the priority set out in paragraphs 14 and 16 hereof.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

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

a) in respect of the Comerica Property:

First – Administration Charge (to the maximum amount of \$350,000);

Second – Directors' Charge (to the maximum amount of \$250,000);

Third – Comerica's security interest;

Fourth – DIP Lender's Charge; and

b) in respect of the Charged Property:

First – Second Administration Charge (to the maximum amount of \$100,000);

Second – Directors' Charge (to the maximum amount of \$250,000); and

Third – DIP Lender's Charge.

15. THIS COURT ORDERS that the filing, registration or perfection of the Directors' Charge, the Administration Charge the Second Administration Charge or the DIP Lender's 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.

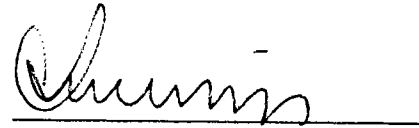
16. THIS COURT ORDERS that each of the Directors' Charge, the Administration Charge, the Second Administration Charge and the DIP Lender's Charge (all as constituted and defined herein) shall constitute a charge on the Charged Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, statutory or otherwise (collectively, "Encumbrances") in favour of any Person.
17. 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 Charged Property that rank in priority to, or *pari passu* with, any of the Directors' Charge, the Administration Charge, the Second Administration Charge or the DIP Lender's Charge, unless the Applicant also obtains the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Directors' Charge and the Administration Charge, the Second Administration Charge, or further Order of this Court.
18. THIS COURT ORDERS that the Directors' Charge, the Administration Charge, the Second Administration Charge, the Commitment Letter, the Definitive Documents and the DIP Lender's Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively,

the "Chargees") and/or the DIP Lender 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) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the Definitive Documents shall 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 Applicant entering into the Commitment Letter, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- c) the payments made by the Applicant pursuant to this Order, the Commitment Letter or the Definitive Documents, and the granting of the Charges, do not and will not constitute fraudulent preferences, fraudulent conveyances, oppressive conduct, settlements or other challengeable, voidable or reviewable transactions under any applicable law.

RENT

19. THIS COURT ORDERS that the Applicant shall pay all amounts constituting rent or payable as rent under the Factory Lands lease made the 18th day of August, 2002, between the Applicant and Unilever Canada, a Division of UL Canada Inc. (the "Lease") (including, for greater certainty, Additional Rent, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the Lease) or as otherwise may be negotiated between the Applicant and the landlord from time to time, for the period commencing from and including May 1, 2009, until the earlier of the termination of the Lease or the day on which the within CCAA proceedings terminate, as those amounts become due and payable.



Christina Irwin
Registrar, Superior Court of Justice

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

APR 30 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

DAVIS LLP
Barristers & Solicitors
1 First Canadian Place, Suite 5600
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

Attached is Exhibit "D"

as referred to in the

FIFTH 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 29th, 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 27th, 28th and 29th 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 four being the week ending April 25th, 2009.

I obtained from Korex their borrowing base report executed April 28th 2009 representing the period April 19th to April 25th 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 four.

Sales for the week were \$106K vs forecasted sales of \$129K a decrease of \$23K for the week.

The loss for the week was \$84K vs a forecasted loss of \$56K. The increase in the loss for the week of \$28K was attributable mainly to an increase of \$20K in amortization of restructuring costs.

Trade accounts receivables increased during the week from \$7,459,290 to \$7,862,949 being a net increase of \$403,659.

The net change of \$403,659 in A/R for the week is a result of the following changes – collections for the week (\$276,402), contra and charges to affiliates - net (\$162,996), sales for the week \$106,002 other charges non sales \$23,285, and invoices to Unilever Canada for product discontinuance \$713,770.

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>				
972,791.63	1,699,087.50	1,435,680.69	2,181,940.32	6,289,500.14
391,988.76	321,644.93	164,808.05	695,007.56	1,573,449.30
<u>1,364,780.39</u>	<u>2,020,732.43</u>	<u>1,600,488.74</u>	<u>2,876,947.88</u>	<u>7,862,949.44</u>
<u>17.36%</u>	<u>25.70%</u>	<u>20.35%</u>	<u>36.59%</u>	<u>100.00%</u>
<u>Unilever Canada</u>				
713,770.06	1,127,845.54	1,435,680.69	1,982,165.57	5,259,461.86
<u>13.57%</u>	<u>21.44%</u>	<u>27.30%</u>	<u>37.69%</u>	<u>100.00%</u>
<u>Total Accounts Receivable - net of Unilever Canada</u>				
651,010.33	892,886.89	164,808.05	894,782.31	2,603,487.58
<u>25.00%</u>	<u>34.30%</u>	<u>6.33%</u>	<u>34.37%</u>	<u>100.00%</u>

Unilever's dollars outstanding (A/R) has changed since last week with no payments having been received in that the account aging has shifted once again with an additional \$191,827 now falling into the over 90 day classification.

Korex has invoiced Unilever \$713,770 this week for additional product line discontinuance.

As a result of this invoice along with sales for the week inventory has decreased by \$739K.

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 \$53,432.

However, if you eliminate the Unilever Canada account for collateral borrowing purposes Korex's borrowing base is deficient by \$1,296,374 (\$1,525,146 @ 85%) which would place Korex in a negative borrowing position if not for the forbearance amendment executed on April 1st 2009 which is expiring on April 30th 2009.

The Company's indebtedness to Comerica Bank decreased slightly during the week from \$2,490,431 to \$2,474,029 .

The new attached cash flow statement indicates that Korex under collected on it's collections for the week by \$9,277 and had increased disbursements for the week of \$225,734 due to the payment of it's restructuring costs. Once again this was a timing difference for this week in that on a cumulative overall basis receipts have been under collected by \$327,527 and expenditures have been underpaid by \$207,921. The net overall effect being a cumulative net cash projection shortfall of \$119,606.

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

	\$
Inventory suppliers	(5,520)
Freight	3,272
Medical insurance expense	(142)
Repairs and maintenance	2,600
Restructuring	<u>(225,944)</u>
	<u>(225,734)</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 period, plus the current commentary.

Stan

Attachments

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

	wk4		wk4		wk3		For the	
	Actual	Forecast	Actual	net change	Actual	net change	Week	net change
	25-Apr-09	25-Apr-09	18-Apr-09		18-Apr-09			
Current Assets								
Cash / Short Term Investments	41	2	58	39		(17)		
Accounts Receivable	7,383	6,990	6,974	393		409		
Inventory	1,595	2,660	2,329	(1,065)		(734)		
Prepaid Expenses	596	595	600	1		(4)		
Total Current Assets	9,615	10,247	9,961	(632)		(346)		
Fixed Assets (NBV)	5,037	5,037	5,056	-		(19)		
Total Assets	14,652	15,284	15,017	(632)		(365)		
LIABILITIES								
Current Liabilities								
Bank - Revolving Loan	2,474	2,352	2,490	122		(16)		
Accounts Payable & Accrued Liabilities	10,441	10,680	10,705	(239)		(264)		
Wages Payable	1,259	1,263	1,259	(4)		-		
Unearned Revenue	6	5	7	1		(1)		
Taxes Payable	(1,535)	(1,535)	(1,535)	-		-		
Total Current Liabilities	12,645	12,765	12,926	(120)		(281)		
Long Term Debt	22	22	22	-		-		
Deferred Income Taxes	810	810	810	-		-		
Total Liabilities	13,477	13,597	13,758	(120)		(281)		
SHAREHOLDER'S EQUITY								
Capital Stock	0	0	0	-		-		
Retained Earnings	1,175	1,687	1,259	(512)		(84)		
Total Shareholder's Equity	1,175	1,687	1,259	(512)		(84)		
Total Liabilities and Equity	14,652	15,284	15,017	(632)		(365)		

*Note: The Company has revised it's forecast for what is now wk4

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

	wk4		wk4		Cumulative to date	
	Actual		Forecast		for the weeks ending	
	25-Apr-09	25-Apr-09	25-Apr-09	Forecast	April 4th, 11th, 18th and 25th	Forecast
				Actual	Forecast	net change
Total Sales	106	129	(23)	584	516	68
Cost of Sales - Materials	(79)	(91)	12	(578)	(364)	(214)
Cost of Sales - Plant Spend (excludes Admin)	(39)	(44)	5	(165)	(179)	14
Total Cost of Goods Sold	(118)	(135)	17	(743)	(543)	(200)
Gross Profit	(12)	(6)	(6)	(159)	(27)	(132)
Total SG&A	(20)	(22)	2	(83)	(91)	8
Depreciation Expense	(19)	(19)	-	(76)	(76)	-
Operating Income	(51)	(47)	(4)	(318)	(194)	(124)
Other Income/ (Expenses)						
Interest Income/ (Expense)	(4)		(4)	(18)		(18)
Other Income/ (Expenses)	1	1	-	4	4	-
Restructuring Costs	(30)	(10)	(20)	(120)	(40)	(80)
Total Other Income/(Expenses)	(33)	(9)	(24)	(134)	(36)	(98)
Net Income, (Loss) Before Tax	(84)	(56)	(28)	(452)	(230)	(222)
Income Tax	-	-	-	-	-	-
Net Loss	(84)	(56)	(28)	(452)	(230)	(222)

*Note: The Company has revised it's forecast for what is now wk4

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

	wk4		wk4		Cumulative to date	
	Actual		Forecast		for the weeks ending	
	25-Apr-09	25-Apr-09	25-Apr-09	25-Apr-09	Actual	Forecast
						net change
Cash From Operations						
Net Income	(84)	(56)	(28)	(452)	(230)	(222)
Depreciation	19	19	-	76	76	-
Total Cash from Income	(65)	(37)	(28)	(376)	(154)	(222)
Receivables	(409)	152	(561)	(136)	835	(971)
Inventories	734	91	643	880	(160)	1,040
<i>Accounts Payable/Accruals</i>						
Accounts Payable	(284)	41	(325)	(189)	(242)	53
GRNI (Goods Received not Invoiced)	(60)	-	(60)	(119)	-	(119)
Unlever Payables	-	-	-	56	-	-
Intercompany Payables	-	-	-	-	-	-
Unearned Revenue	(1)	(1)	-	(4)	(4)	-
Bank Loan Payable	-	-	-	-	-	-
Wages Payable	-	(18)	18	(10)	(2)	(8)
Other Accruals	2	2	-	4	8	(4)
Other Taxes Payable	78	-	78	12	(37)	49
Other Working Capital	4	5	(1)	18	22	(4)
Total Cash from Working Capital	64	272	(208)	512	420	92
TOTAL CASH FROM OPERATIONS	(1)	235	(236)	136	266	(130)
Cash from Financing						
Payments on Long - Term Loans	(1)	(1)	-	(3)	(3)	-
Other Loans / Interest (Revolver)	(16)	(234)	218	(95)	(263)	168
TOTAL CASH FROM FINANCING	(17)	(235)	218	(98)	(266)	168
NET CASH FLOW	(18)	-	(18)	38	-	38
Cash - Beginning of Period	58	2	56	2	2	-
Cash - End of Period	40	2	38	40	2	38

*Note: The Company has revised it's forecast for what is now wk4

Korex Don Valley ULC
Bank Accounts - (in CDN\$)
Week 4 ending April 25th 2009

	WE April 25th \$	Previous to date WE April 4th, 11th & 18th	Total Cumulative
Cash in Bank - April 18th 2009	<u>57,887</u>	<u>40,563</u>	<u>40,563</u>
Receivable collections	<u>276,402</u>	<u>765,739</u>	<u>1,042,141</u>
<u>Disbursements</u>			
Supplier payments	<u>277,287</u>	618,090	895,377
Payroll	<u>-</u>	<u>51,269</u>	<u>51,269</u>
	<u>277,287</u>	<u>669,359</u>	<u>946,646</u>
Net cash increase / (decrease)	(885)	96,380	95,495
Increase, (decrease) in Bank Loan	(16,402)	(79,056)	(95,458)
Cash in Bank - April 25th, 2009	<u><u>40,600</u></u>	<u><u>57,887</u></u>	<u><u>40,600</u></u>

Cash in Bank CDN

TD - CDN	1,274
TD - US	195
Comerica - CDN	11,308
Comerica - US	52,258
Due to Travelex - funds rec'd in error	<u>(24,435)</u>
	<u><u>40,600</u></u>

Cheque Disbursements

Ira Smith Trustee & Receiver Inc.	132,473
Davis LLP	106,245
Aird & Berlis LLP	20,351
Sulco Chemicals Ltd.	5,520
Intelligarde International Inc.	4,233
Canada Revenue Agency	3,472
Specialized Boiler Services Inc.	2,744
Great West Life	1,142
Livingston International Inc.	1,107

Accts. Receivable Collections

Korex Canada	104,941
Johnson Diversey Inc.	80,366
Toronto Hydro	14,327
Young Chemical	40,913
Theochem Laboratories, Inc.	35,817
Phoenix Brands LLC	<u>38</u>
	<u><u>276,402</u></u>

277,287

Comerica Bank Loan Position

Loan Balance o/s as at April 25th 2009	<u><u>2,474,029</u></u>
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Korex Don Valley ULC
Bank Borrowing Base Report
(000s Canadian Dollars)

	wk4		wk4		wk3		wk3	
	Actual	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast
	25-Apr-09	25-Apr-09	18-Apr-09	18-Apr-09	18-Apr-09	18-Apr-09	18-Apr-09	18-Apr-09
	net change		net change		net change		net change	
Beginning A/R	7,459,289	7,049,462	7,314,898	7,275,783	7,314,898	7,275,783	39,115	39,115
Add: Sales	107,002	128,760	144,391	128,760	144,391	128,760	15,631	15,631
Less: Cash Receipts	276,402	285,679	-	355,080	-	355,080	(355,080)	(355,080)
Total A/R	7,289,889	6,892,543	7,459,289	7,049,463	7,459,289	7,049,463	409,826	409,826
Add: A/R Adjustments	573,060	-	-	-	-	-	-	-
Less: Ineligible Accounts (per Aging Summary)	(5,293,249)	(4,109,000)	(5,294,207)	(4,109,000)	(5,294,207)	(4,109,000)	(1,185,207)	(1,185,207)
Total Eligible A/R	2,569,700	2,783,543	2,165,082	2,940,463	2,165,082	2,940,463	(775,381)	(775,381)
Collateral Value Advance Rate	85%	85%	85%	85%	85%	85%	85%	85%
Net Accounts Receivable Collateral	2,184,245	2,366,012	1,840,320	2,499,393	1,840,320	2,499,393	(659,073)	(659,073)
Beginning Inventory	3,458,353	3,738,318	3,442,702	3,793,958	3,442,702	3,793,958	(351,256)	(351,256)
Add: Purchases	91,654	-	387,892	35,000	387,892	35,000	352,892	352,892
Less: Cost of Sales of Inventory	(156,787)	(90,640)	(372,241)	(90,640)	(372,241)	(90,640)	(281,601)	(281,601)
Ending Inventory	3,393,220	3,647,678	3,458,353	3,738,318	3,458,353	3,738,318	(279,965)	(279,965)
Less: Ineligible Inventory	(2,963,489)	(2,139,000)	(2,289,191)	(2,139,000)	(2,289,191)	(2,139,000)	(150,191)	(150,191)
Total Eligible Inventory	429,731	1,508,678	1,169,162	1,599,318	1,169,162	1,599,318	(430,156)	(430,156)
Less: Inventory Reserve Adjustment								
Adjusted Total Eligible Inventory	429,731	1,508,678	1,169,162	1,599,318	1,169,162	1,599,318	(430,156)	(430,156)
Collateral Value Advance Rate	55%	55%	55%	55%	55%	55%	55%	55%
Net Inventory Collateral	236,352	829,773	643,039	879,625	643,039	879,625	(236,586)	(236,586)
Total Loanable Collateral	2,420,597	3,195,785	2,483,359	3,379,018	2,483,359	3,379,018	(895,660)	(895,660)
Bank Loan Ending Balance	2,474,029	2,351,885	2,490,431	2,586,011	2,490,431	2,586,011	(95,580)	(95,580)
Excess / (Shortage) of Borrowing Availability	(53,432)	843,900	(7,072)	793,007	(7,072)	793,007	(800,080)	(800,080)

*Note: The Company has revised it's forecast for what is now wk4

KOREX DON VALLEY, ULC
Weekly Cash Flow Requirements

	wk4		wk4		Cumulative to date	
	Actual	Forecast	Actual	Forecast	for the weeks ending	net change
	25-Apr-09	25-Apr-09	Actual	Forecast	April 4th, 11th, 18th and 25th	

A/R Collections	276,402	285,679	1,042,141	1,369,668	(327,527)
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Disbursements	wk4		wk4		Cumulative to date	
	Actual	Forecast	Actual	Forecast	for the weeks ending	net change
	25-Apr-09	25-Apr-09	Actual	Forecast	April 4th, 11th, 18th and 25th	
Inventories suppliers	5,520	-	423,607	523,185	(99,578)	
Freight	4,578	7,850	4,578	28,200	(23,622)	
Medical insurance expense	1,142	1,000	8,297	6,000	2,297	
Pension and Profit Sharing	-	-	10,098	991	9,107	
Repairs and maintenance	2,744	5,344	22,796	31,826	(9,030)	
Utilities	-	-	100,913	136,342	(35,429)	
Bank charges	-	-	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	18,250	
Restructuring	259,069	33,125	269,762	295,618	(25,856)	
Critical vendor payments (security)	4,234	4,234	17,931	17,436	495	
Government remittances	-	-	34,718	37,056	(2,338)	

Total Disbursements	277,287	51,553	946,646	1,154,567	(207,921)
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Net Cash Flow	(885)	234,126	95,495	215,101	(119,606)
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Cumulative Net Cash Flow			95,495	215,101	(119,606)
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Bank Loan - Beginning Balance	2,490,431	2,586,011			
Less Repayments	(276,402)	(234,126)		(95,580)	
Advances	260,000	-		(42,276)	
Bank Loan - Ending Balance	2,474,029	2,351,885		260,000	
In-Transit Items (sweep accts)	-	-		122,144	
Bank Loan - Ending Balance per BBR	2,474,029	2,351,885		122,144	
Book Cash - Bank Balance	40,600	-		40,600	

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

Memo

To: Korex Monitoring File
From: Martin Wolfe
CC: Ira Smith
Date: May 8, 2009
Re: **Korex Chicago Inventory**

As instructed, I attended at Korex Chicago on May 8, 2009 to observe a complete full physical inventory count to verify just the quantities of inventory as indicated in invoice number 13657 dated February 4th 2009 rendered to Unilever Canada as it related to surplus powders inventory on hand at Korex Chicago.

Prior to attending, I was advised by Carol Ellis, logistics manager that the inventory was segregated.

I meet with James Barca, General Manager and Carol prior to verifying the inventory. It was explained that the following items were mixed with Korex Chicago inventory and as a result could not be specifically identified:

910 Kg Accusol 425 Invoice amount	\$1,941
4110 Kg Salt	653
1872 Kg Caustic	<u>1,316</u>
	\$3,910

I counted the inventory with Bob Wapinnik, lead warehouseman. As previously advised Unilever was not in attendance. All other inventory items were verified and the quantities are as stated on the above noted invoice. Attached is the certificate from the count.

Pricing was previously reviewed during the Don Valley count, and as the items in Chicago are also in inventory at Don Valley, I confirmed that the pricing on the invoice was the same.

In summary, the invoiced amount of the Chicago portion of the invoice was \$132,480 and \$3,910 (2.95%) was not identified.

May 8, 2009

Re: Korex Don Valley invoice 13657 to Unilever

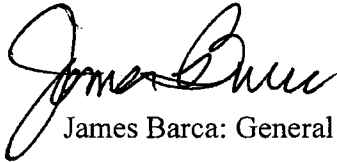
Contained within the above noted invoice is the value of goods in the amount of \$132,480 Cdn which is stored at the premises of Korex Chicago.

Martin Wolfe of Ira Smith Trustee and Receiver Inc. attended at the premises of Korex Chicago to verify the physical existence of the goods warehoused at the plant.

All goods noted on the invoice were counted with the exception of the following:

911 KG Acusol 425 invoice amount	\$1941
4110 KG Salt	653
1872 KG Caustic	1316

The above items are comingled with Korex Chicago inventory as they are used in production.



James Barca: General Manager



Martin Wolfe C.A.
Ira Smith Trustee & Receiver Inc.

KOREX
Chicago

James Barca
General Manager

6200 W. 51st Street
Chicago, IL 60638
Phone: (708) 458-4890 Ext. 112 • Fax: (708) 458-1761
E-mail: james.barca@korex-us.com

May 8, 2009

Re: Korex Don Valley invoice 13657 to Unilever

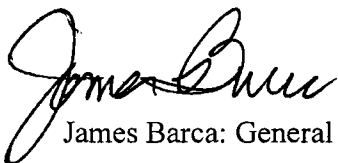
Contained within the above noted invoice is the value of goods in the amount of \$132,480 Cdn which is stored at the premises of Korex Chicago.

Martin Wolfe of Ira Smith Trustee and Receiver Inc. attended at the premises of Korex Chicago to verify the physical existence of the goods warehoused at the plant.

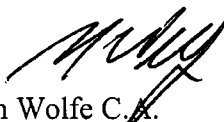
All goods noted on the invoice were counted with the exception of the following:

911 KG Acusol 425 invoice amount	\$1941
4110 KG Salt	653
1872 KG Caustic	1316

The above items are comingled with Korex Chicago inventory as they are used in production.



James Barca: General Manager



Martin Wolfe C.A.
Ira Smith Trustee & Receiver Inc.

KOREX
Chicago

James Barca
General Manager

6200 W. 51st Street
Chicago, IL 60638

Phone: (708) 458-4890 Ext. 112 • Fax: (708) 458-1761
E-mail: james.barca@korex-us.com

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

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

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

APPLICANT

AFFIDAVIT OF IRA SMITH
(Sworn May 11, 2009)

I, **Ira Smith**, of the City of **Vaughan**, in the Province of Ontario, **MAKE OATH AND SAY AS FOLLOWS:**

1. I am the President of Ira Smith Trustee & Receiver Inc. ("**ISI**"). By an Order of the Court dated February 6, 2009 (the "**Initial Stay Order**"), ISI was named, pursuant the provisions of the *Companies' Creditors Arrangement Act*, as the Court-appointed monitor (the "**Monitor**") of Korex Don Valley ULC. As such, I have knowledge of the matters hereinafter deposed to, except where stated to be on information and belief and whereso stated I verily believe it to be true.

2. Pursuant to paragraph 26 of the Initial Stay Order, the Monitor and its legal counsel are required to pass their accounts from time to time.

3. Attached hereto and marked as **Exhibit "A"** to this my Affidavit is a summary of the fees charged and accounts rendered by the Monitor in respect of the proceedings (the "**Accounts Summary**") for the period from March 21 to April 30, 2009 (the "**Monitor Application Period**"). A copy of the invoice rendered by the Monitor and referenced in the Accounts Summary ^{vis} are attached to this my Affidavit as Exhibit "**B**".

4. The Monitor has filed its Fifth Report with this Honourable Court, which outlines, among other things, the Monitor's overall actions and activities since March 21, 2009.

5. A total of 258.5 hours were expended by the Monitor in connection with this matter during the Monitor Application Period, giving rise to fees totalling \$87,400.00 (excluding GST) for an average hourly rate of \$338.10 and allocated approximately as outlined in the Accounts Summary.

6. To the best of my knowledge, the rates charged by the Monitor throughout the course of these proceedings are comparable to the rates charged by other accounting firms in the Greater Toronto Area for the provision of similar services.

7. The average hourly billing rates outlined on the Accounts Summary are the normal average hourly rates charged by the Receiver for services rendered in relation to similar proceedings.

8. I verily believe that the Receiver's accounts are fair and reasonable in the circumstances.

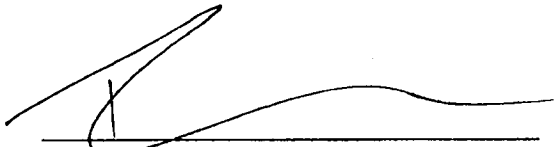
9. Attached as Exhibit "A" to the Affidavit of Richard Epstein sworn May 7, 2009, and filed in support of the within motion are copies of the accounts rendered by Aird & Berlis LLP ("Aird & Berlis"), counsel to the Monitor, for the period from March 17, 2009 through to April 30, 2009, inclusive.

10. Aird & Berlis has rendered services throughout these proceedings consistent with instructions from the Monitor, the Monitor has approved all such accounts and I verily believe that the fees and disbursements of Aird & Berlis are fair and reasonable in the circumstances.

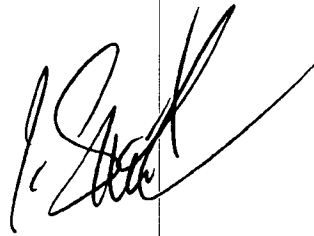
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11. The said Affidavit is sworn in connection with the Monitor's motion to have, among other things, its fees and disbursements approved by this Honourable Court and for no improper purpose.

SWORN BEFORE ME at the City of
Vaughan, in the Province of Ontario,
on May 11, 2009.



A Commissioner for taking affidavits



Ira Smith

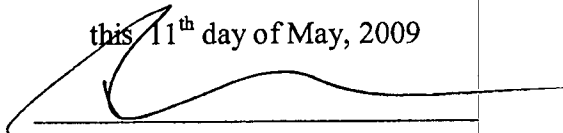
Brandon Smith, a Commissioner, etc.,
Province of Ontario, for Ira Smith Trustee
& Receiver Inc. Trustee in Bankruptcy.
Expires May 2, 2011.

Attached is Exhibit "A"

Referred to in the
AFFIDAVIT OF IRA SMITH

Sworn before me

this 11th day of May, 2009



Commissioner for taking Affidavits, etc

**Brandon Smith, a Commissioner, etc.,
Province of Ontario, for Ira Smith Trustee
& Receiver Inc. Trustee in Bankruptcy.
Expires May 2, 2011.**

**IRA SMITH TRUSTEE & RECEIVER INC.
 MONITOR OF
 KOREX DON VALLEY ULC
 MARCH 21 TO APRIL 30, 2009**

Ira Smith MBA, CA•CIRP, Trustee	President	46.7	400.00	18,680.00
Stanley Sugar CA	Senior Manager	194.8	325.00	63,310.00
Martin Wolfe CA	Senior Manager	6.6	325.00	2,145.00
Lyndon Rollitt CMA	Senior Manager	9.4	325.00	3,055.00
Brandon Smith BA	Estate Manager	0.6	250.00	150.00
Cheryl Meads	Technician	<u>0.4</u>	150.00	<u>60.00</u>
Total		<u>258.5</u>	Average hourly rate of \$338.10	87,400.00
Disbursements (as at March 15, 2009)				<u>1,186.55</u>
Net Fees and Disbursements (excluding GST)				<u>88,586.55</u>

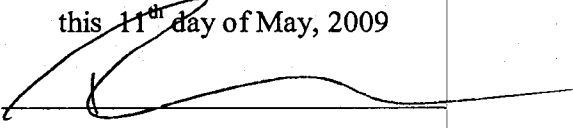
Attached is Exhibit "B"

Referred to in the

AFFIDAVIT OF IRA SMITH

Sworn before me

this 11th day of May, 2009



Commissioner for taking Affidavits, etc

Brandon Smith, a Commissioner, etc.,
Province of Ontario, for Ira Smith Trustee
& Receiver Inc. Trustee in Bankruptcy.
Expires May 2, 2011.

Ira Smith

TRUSTEE & RECEIVER INC.
167 Applewood Cres., Suite 6, Concord, ON L4K 4K7

Tel. (905) 738-4167
Fax (905) 738-9848
Email: ira@irasmithinc.com
Website: www.irasmithinc.com

CCAA-KOREX

GST # 86236 5699

May 8, 2009

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

For professional services rendered for the period from March 21 to April 30, 2009 inclusive, in acting as Court-appointed Monitor of Korex Don Valley ULC in accordance with the Order of the Ontario Superior Court of Justice (Commercial List) dated February 6, 2009 as follows (detail attached):

<u>Staff</u>	<u>Hourly rate</u>	<u>Hours</u>	
I. Smith, MBA, CA-CIRP, President and Trustee	\$400	46.7	
S. Sugar, CA, Estate Manager	\$325	194.8	
M. Wolfe, CA, Estate Manager	\$325	6.6	
L. Rollitt, CMA	\$325	9.4	
B. Smith, BA, Estate Manager	\$250	0.6	
C. Meads, Technician	\$135	0.4	
		<u>258.5</u>	
			\$87,400.00
Disbursements (March 16 to April 30, 2009):			
Printing and photocopy	\$ 512.95		
Phone and fax	34.02		
Travel and courier	<u>639.58</u>		
			1,186.55
			\$88,586.55
			GST
			<u>4,429.33</u>
			<u>\$93,015.88</u>

Account Due When Rendered

Ira Smith Trustee & Receiver Inc.
 Detail Time Sheet
 Period from: 2009-03-21 to 2009-04-30

Keyname	Full Estate Name							
CCAA-Korex	Korex Don Valley ULC							
Korex	Stan Sugar	20/03/2009 *	email & telephone call w/A/P creditor enquiry and response, tele call w John B, review of this weeks emails re Unilever, Korex and Comerica	1.4	325	455.00		
Korex	Ira Smith	21/03/2009	Drafting of 2nd report to court	4.2	400	1,680.00		
Korex	Cheryl Meads	23/03/2009	CREDITOR CALL	0.1	150	15.00		
Korex	Ira Smith	23/03/2009	Travel to and from and attend meeting @ Unilever w. Stan Sugar, Sandy Pensler, John B., John Coyne, Carolyn Tate re set-offs	3.8	400	1,520.00		
Korex	Ira Smith	23/03/2009	Telcon w. Sandy P, John B, Bruce D re Unilever meeting and issues arising out of it	0.7	400	280.00		
Korex	Ira Smith	23/03/2009	Telcon w. R. Epstein re korex report, email w. Sanj Mitra re Korex report	0.3	400	120.00		
Korex	Ira Smith	23/03/2009	Telcon. W. B. Darlington re Comerica call	0.4	400	160.00		
Korex	Ira Smith	23/03/2009	Drafting of 2nd report to court and telcon w. S. Mitra	1.3	400	520.00		
Korex			meeting at Unilever Canada office with IRAS, Sandy P., John B. & John Coyne VP Unilever & Carolyn Tate Gen. Counsel Unilever re the 4 main issues of non payment of Korexs acct, meeting with Sandy P. & John B. thereafter to discuss the issues and further responses, telephone call with IRAS and Bruce Darlington, analysis of Unilever contras and statement provided, preparation of memo to file re review memo with IRAS re Unilever meeting, telephone call with John B.	7.1	325	2,307.50		
Korex	Stan Sugar	23/03/2009	IRAS re Unilever meeting, telephone call with John B.	0.3	250	75.00		
Korex	Brandon Smith	24/03/2009	Commission affidavit of I smith					
Korex	Ira Smith	24/03/2009	Second report to Court rw of Aird & Berlis comments, making amendments, prep of certain Exhibits	3.7	400	1,480.00		
Korex	Ira Smith	24/03/2009	Emails to and from Unilever and voicemail from H. Meredith of McCarthy's and telcon w. H. Meredith	0.6	400	240.00		
Korex	Ira Smith	24/03/2009	Conference call w. Comerica, Korex and respective legal counsel	0.5	400	240.00		
Korex			attendance at Korex for the day, monitoring, analysis for preparation of WK2 (revised) Mar 15th - Mar 21st, meeting re financial strnt package preparation, information testing and verification with Sandy P., conference call, meetings with John B. and F. Deguara Acting Mgr re	8.1	325	2,632.50		
Korex	Stan Sugar	24/03/2009	queries, data & information provided					

Ira Smith Trustee & Receiver Inc.
 Detail Time Sheet
 Period from: 2009-03-21 to 2009-04-30

Keyname Full Estate Name
 CCAA-Korex Korex Don Valley ULC

Keyname	Full Estate Name	Date	Description	Hours	Rate	Amount
Korex	Cheryl Meads	25/03/2009	Assist in finalization and issuance of Second Report to Court, emails fr. I. Smith re: report and email to legal counsel same	0.3	150	45.00
Korex	Ira Smith	25/03/2009	Issuance of Second Report to Court	0.9	400	360.00
Korex	Ira Smith	25/03/2009	Emails re Unilever issues	0.7	400	280.00
Korex			attendance at Korex for the day, continuation of monitoring, verification, information field work testing, compare & analysis of information provided, financial stmt package preparation, information and comments thereto to report re wk2	7.8	325	2,535.00
Korex	Stan Sugar	25/03/2009	and comments thereto to report re wk2			
Korex	Ira Smith	26/03/2009	Amendments to and issuance of Monitoring report for week ending March 21	0.8	400	320.00
Korex	Ira Smith	26/03/2009	Various emails re Unilever and Comerica funding issues	1.2	400	480.00
Korex	Stan Sugar	26/03/2009	meeting with IRAS, completion of financial schedules, preparation of file memo and completion of wk2 report	6.5	325	2,112.50
Korex	Ira Smith	27/03/2009	Emails and telcons re current status of funding	0.7	400	280.00
Korex	Ira Smith	27/03/2009	Calculation of amount o/s under admin charge for monitor and legal counsel and email to all parties	0.6	400	240.00
Korex	Ira Smith	27/03/2009	Email to Korex, Comerica and legal counsel re admin charge issues	0.2	400	80.00
Korex	Ira Smith	27/03/2009	Prep of Supp second Report to Court of Monitor and email to S. Mitra and R. Epstein	2.4	400	960.00
Korex	Stan Sugar	27/03/2009	meeting with IRAS re current status, emails rec'd from John B. re new budget required and responses there to & completion of wk2 report	1.0	325	325.00
Korex			numerous telephone calls with John B., emails vetting of draft and revised cash flow stmt preparation req'd by Comerica B. and based on new Comerica B. template needed in connection with draft amended forbearance agreement for court on March 31, 2009	6.3	325	2,047.50
Korex	Stan Sugar	30/03/2009	Travel to and from Court re Korex extension and Monitor taxation and meeting after Court w. Sanj Mitra	2.4	400	960.00
Korex	Stan Sugar	31/03/2009	attendance at Korex for the day, monitoring, analysis for preparation of wk3 (revised) Mar 22nd - Mar 28th, meetings with John B. and F. Deguara Acting Mgr re queries, data & information provided weekly financial stmt package preparation, information testing and verification	8.2	325	2,665.00

Ira Smith Trustee & Receiver Inc.
 Detail Time Sheet
 Period from: 2009-03-21 to 2009-04-30

Keyname Full Estate Name
 CCAA-Korex Korex Don Valley ULC

Keyname	Full Estate Name	Date	Description	Rate	Hours	Amount
Korex			attendance at Korex for the day, further monitoring, analysis of, and for preparation of wk3 (revised) report for the period of March 22nd - March 28th meetings and review with John B.	6.3	325	2,047.50
Korex	Ira Smith	02/04/2009	Rvw of March 28 monitoring report, changes to same and issuance of report.	0.4	400	160.00
Korex			attendance at Korex for the day, monitoring, analysis and completion of wk3(revised) financial stmt package information and comments	8.3	325	2,697.50
Korex	Stan Sugar	02/04/2009	thereto-and to report memo	0.2	400	80.00
Korex	Ira Smith	06/04/2009	Emails re funding	0.2	400	80.00
Korex	Ira Smith	06/04/2009	Telcon w. S. Mitra re current status	0.4	400	160.00
Korex	Ira Smith	06/04/2009	Telcon w. J. Villeneuve re Korex issues	0.8	400	320.00
Korex	Ira Smith	06/04/2009	Telcons and emails w. S. Mitra and B. Darlington, John B. and Stan Sugar re conf call w. Comerica tomorrow	0.4	400	160.00
Korex	Ira Smith	06/04/2009	Email to group re conf call tomorrow and BBR and budget as per forbearance extension	0.9	400	360.00
Korex	Ira Smith	06/04/2009	Rvw of draft memo and schedules, prep of Korex monitoring report	8.2	325	2,665.00
Korex			attendance at Korex for the day, commencement of monitoring, analysis of and preparation for new wk1 (revised) March 29th - April 4th, report meetings with Sandy P. and John B. Emails telephone conference call with Iras, John B. re Comerica Bank issues	9.0	325	2,925.00
Korex	Stan Sugar	07/04/2009	attendance at Korex for the day, continuation of monitoring, verification, information re new wk1 (revised) March 29th - April 4th, report field work testing, compare and analysis of information provided, telephone conf. call with the lawyers etc re Comerica Bank issues/cash flow information	9.3	325	3,022.50
Korex	Stan Sugar	08/04/2009	attendance at Korex for the day, monitoring, further analysis and information needed for completion of wk1 (revised) March 29th - April 4th financial stmt package information and comments there to and to report memo	0.5	325	162.50
Korex	Ira Smith	09/04/2009	telephone call with Iras re wk1 issues and Comerica Bank as well as future reporting information as recently requested by Comerica Bank	0.3	400	120.00
Korex	Ira Smith	13/04/2009	Rvw of Unilever undertakings schedule in email from S. Mitra			

Ira Smith Trustee & Receiver Inc.
 Detail Time Sheet
 Period from: 2009-03-21 to 2009-04-30

Keyname Full Estate Name
 CCA-Korex Korex Don Valley ULC

Korex	Ira Smith	13/04/2009	Telcon w: Stan Sugar and John Bojkovski re info to be sent today to Comerica Bank	0.2	400	80.00
Korex	Stan Sugar	13/04/2009	attendance at Korex for the day, analysis and preparation of new week 2 actual Monday cash flow report comparative to wk1, as requested by Comerica Bank	8.4	325	2,730.00
Korex	Ira Smith	14/04/2009	Rvw of emails re Unilever dispute, telcon w: Sanj Mitra re same, email to respective legal counsel to determine if there are any areas of agreement; response from Korex counsel	0.7	400	280.00
Korex	Stan Sugar	14/04/2009	attendance at Korex for the day, commencement of monitoring, analysis of and preparation for new wk2 (revised) April 5th - April 11th, financial stmt pkg information	8.4	325	2,730.00
Korex	Ira Smith	15/04/2009	telcon w: Sanj Mitra re conf call today and Monitor's position in Court on Friday re Unilever/Korex dispute	0.4	400	160.00
Korex	Ira Smith	15/04/2009	Rvw of Stan Sugar's draft report and schedules, discussion with Stan Sugar, changes to draft, issuance of Monitoring report for wk ended April 11, 2009	0.9	400	360.00
Korex	Stan Sugar	15/04/2009	meeting with Irs re Comerica Bank telephone calls with John B. continuation of and preparation and revision of financial stmt package information for new wk2 (revised) April 5th - April 11th, and report	8.1	325	2,632.50
Korex	Ira Smith	16/04/2009	memo	0.4	400	160.00
Korex	Stan Sugar	16/04/2009	Email from and reply to Sandy Pensler re Monitor's April 11 report	8.0	325	2,600.00
Korex	Ira Smith	17/04/2009	attendance at Korex for the day, "Thursday" Bank cash flow report for Comerica Bank and related issues, A/P listing request and response to Bruce Darlington at Davis & Co. meetings and review with John B. Email from Sandy Pensler, discussion w: Stan Sugar	0.6	400	240.00
Korex	Stan Sugar	17/04/2009	meeting with Irs review of outstanding issues re Comerica Bank and Korex financial performance - intercompany account issue as raised by	0.8	325	260.00
Korex	Brandon Smith	20/04/2009	Comerica Bank review I/C cred corresp; fwd to S. Sugar	0.3	250	75.00
Korex	Ira Smith	20/04/2009	Rvw of emails from Sanj Mitra, Bruce Darlington and Stan Sugar, emails to Sanj Mitra and Stan Sugar	0.4	400	160.00

Ira Smith Trustee & Receiver Inc.
 Detail Time Sheet
 Period from: 2009-03-21 to 2009-04-30

Keyname Full Estate Name
 CCA-Korex Korex Don Valley ULC

Keyname	Full Estate Name	Date	Description	Hours	Rate	Total
Korex	Korex Don Valley ULC	20/04/2009	attendance at Korex for the day, "Monday" Bank cash report for Comerica Bank new wk3 (revised) and cumulative to date, meetings with Sandy P. and John B. - various financial issues memo report re cash to Bruce Darlington and respective counsel and individuals	8.2	325	2,665.00
Korex	Korex Don Valley ULC	21/04/2009	Emails re funding of taxed costs, email w. Stan Sugar re reporting today, telcon w. Sani Mitra re funding of taxed costs	0.7	400	280.00
Korex	Korex Don Valley ULC	21/04/2009	attendance at Korex for the day, as requested by Comerica Bank, preparation, analysis, memo report and emails re Korex Don Valley and Korex affiliates positions re Accounts Receivable - Accounts	8.3	325	2,697.50
Korex	Korex Don Valley ULC	22/04/2009	attendance at Korex for the day, commencement of monitoring, verification, information re new wk3 (revised) April 12th - April 18th inventory verification issue re outstanding invoice February 09 to Unilever Canada conference call Irs, John B. and SS re requirement of a physical inventory at KDV	8.6	325	2,795.00
Korex	Korex Don Valley ULC	23/04/2009	attendance at Korex for the day, preparation & continuation of wk3 (revised) monitoring report further analysis and information needed, preparation of "Thursday" cash flow report for Comerica Bank various telephone calls with John B. re Friday physical inventory count at KDV	8.5	325	2,762.50
Korex	Korex Don Valley ULC	24/04/2009	meet at Korex for inventory count w. Marty Wolfe and Stan Sugar for count supervised by Unilever and Monitor, review of accounting and other available info to write memo to file regarding purchasing of inventory in connection with Manufacturing Agreement and post expiry of Manufacturing Agreement, discuss results w. Stan and Marty	6.6	325	2,145.00
Korex	Korex Don Valley ULC	24/04/2009	attendance at Korex for inventory count w. Stan Sugar and Lyndon Rollit re count supervised by Unilever and Monitor, review of results w. Stan and Lyndon and assist Stan re memo to file for Ira	6.6	325	2,145.00

Ira Smith Trustee & Receiver Inc.
 Detail Time Sheet
 Period from: 2009-03-21 to 2009-04-30

Keyname Full Estate Name
 CCAA-Korex Korex Don Valley ULC

Keyname	Full Estate Name	Date	Description	Hours	Rate	Amount
Korex	Stan Sugar	24/04/2009	various meetings with Marty Wolfe, Lyndon Rollitt, John B. and staff re physical inventory count instructions, attendance and supervision pertaining to Unilever and KDV valuation, memo report to Irs,	10.4	325	3,380.00
Korex	Ira Smith	25/04/2009	Rvw of Stan and Lyndon memos from Toronto inventory count yesterday	0.8	400	320.00
Korex	Ira Smith	25/04/2009	Writing of 3rd report to court, with exhibits, issuance to Sanj and Ritch for comments	3.2	400	1,280.00
Korex	Lyndon Rollitt	25/04/2009	Further discussion with Ira regarding my findings and results, obtain input from Ira re my findings and finalization of memo for Report to Court	2.8	325	910.00
Korex	Ira Smith	27/04/2009	FINALIZATION OF THIRD REPORT TO COURT	1.9	400	760.00
Korex	Stan Sugar	27/04/2009	attendance at Korex for the day, "Monday" Bank cash report for Comerica Bank new revised wk4, review of final Irs5 report to court re telcons w. S. Mitra re monitor's report to court, telcons w. B. Darlington and S. Mitra re additional information required	6.3	325	2,047.50
Korex	Ira Smith	28/04/2009	telcons w. J. Bojkovski and S. Sugar re cash flows	0.9	400	360.00
Korex	Ira Smith	28/04/2009	Fourth Report to Court	0.4	400	160.00
Korex	Ira Smith	28/04/2009	Fourth Report to Court	2.1	400	840.00
Korex	Ira Smith	28/04/2009	Telcon w. Sandy Pensler re our Fourth Report to Court	0.3	400	120.00
Korex	Stan Sugar	28/04/2009	attendance at Korex for the day, commencement of monitoring, analysis of and preparation for new, (revised) wk4 April 19th - April 25th, financial stmt pkg information discussions with John B., conference call with Irs5 re court proceedings this week as well as future docs needed for this week re new court extension application	8.0	325	2,600.00
Korex	Ira Smith	29/04/2009	completion of fourth report to court	0.9	400	360.00
Korex	Ira Smith	29/04/2009	meeting at A&B to complete fourth report and discuss issues w. SM and RE for court tomorrow	1.2	400	480.00
Korex	Ira Smith	29/04/2009	telcon w. S. Mitra re court attendance tomorrow, review of draft order and SM comments	0.4	400	160.00
Korex	Stan Sugar	29/04/2009	continuation of monitoring, verification, analysis and preparation of financial statement package information for new, (revised) wk4 April 19th - April 25th	8.2	325	2,665.00

Ira Smith Trustee & Receiver Inc.
Detail Time Sheet
Period from: 2009-03-21 to 2009-04-30

Keyname Full Estate Name
CCA-Korex Korex Don Valley ULC

Keyname	Full Estate Name	Duration	Hourly Rate	Total
Korex	Ira Smith	30/04/2009 ISI becoming private receiver and Unilever conflict issue, various emails re same attendance at Korex for the day, preparation & completion of wk4 (revised) monitoring report and to report memo; preparation of "Thursday" cash flow report for Comerica Bank, telephone call with Iras	1.2	480.00
Korex	Stan Sugar	30/04/2009 re various matters	6.6	2,145.00
			258.5	87,400.00

Name	Duration	Hourly Rate	Total
IRA SMITH	46.7	400.00	18,680.00
STANLEY SUGAR	194.8	325.00	63,310.00
LYNDON ROLLITT	9.4	325.00	3,055.00
MARTIN WOLFE	6.6	325.00	2,145.00
BRANDON SMITH	0.6	250.00	150.00
CHERYL MEADS	0.4	150.00	60.00
Total:	258.5		87,400.00

Average Hourly Rate: \$ 338.10

* Not included in prior billing

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDINGS COMMENCED AT TORONTO

AFFIDAVIT

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Sanjeev Mitra – LSUC # 37934 U
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Solicitors for the Monitor

Attached is Exhibit "G"

as referred to in the

FIFTH REPORT

of Ira Smith Trustee & Receiver Inc.

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

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

APPLICANT

AFFIDAVIT OF RICHARD EPSTEIN
(Sworn May 7, 2009)

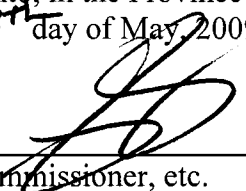
I, Richard Epstein, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY AS FOLLOWS:

1. I am a Partner at Aird & Berlis LLP and, as such, I have knowledge of the matters to which I hereinafter depose.
2. Aird & Berlis LLP has acted as counsel for Ira Smith Trustee & Receiver Inc., in its capacity as Court-appointed monitor (the "**Monitor**") of Korex Don Valley ULC by Order of the Court dated February 6, 2009.
3. Aird & Berlis LLP has prepared a Statement of Account in connection with its mandate as counsel to the Monitor, namely,
 - (a) An account dated April 30, 2009 in respect of the period from March 17, 2009 to April 30, 2009.

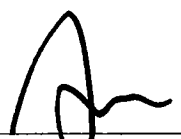
Attached hereto and marked as **Exhibit "A"** to this my affidavit is a copy of the Statement of Account. The average hourly rate of Aird & Berlis LLP is \$427.86.

4. This Affidavit is made in support of a motion to, *inter alia*, approve the attached accounts of Aird & Berlis LLP and the fees and disbursements detailed therein and for no improper purpose.

SWORN before me at the City of)
Toronto, in the Province of Ontario)
this 7th day of May, 2009)


_____)
A Commissioner, etc.)

S. MITRA


_____)
RICHARD ELSTEIN