

**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**

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**FIRST REPORT OF IRA SMITH TRUSTEE & RECEIVER INC.  
IN ITS CAPACITY AS PROPOSED COURT-APPOINTED MONITOR OF  
KOREX DON VALLEY ULC  
DATED JANUARY 9, 2009**

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**IRA SMITH TRUSTEE & RECEIVER INC.  
Suite 6-167 Applewood Crescent  
Concord, ON L4J 7N8**

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

**DATED JANUARY 9, 2009**

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

**DATED JANUARY 9, 2009**

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**IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT  
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**FIRST REPORT OF IRA SMITH TRUSTEE & RECEIVER INC.**

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

**DATED JANUARY 9, 2009**

**1.0 INTRODUCTION**

This report (the "**First Report**") is filed by Ira Smith Trustee & Receiver Inc. ("**ISI**") in its capacity as proposed 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, the Monitor was directed to perform certain work as part of an adjournment on a consent basis of the within application. Attached as **Exhibit "A"** is a copy of the Endorsement and Consent.

## **Purpose of this Report**

Paragraph 5 of the Consent states:

“5 / The proposed Monitor, Ira Smith Trustee & Receiver Inc. shall proceed to verify the financial information as referred to in paragraphs 34, 35 and 38 and the Balance Sheet that is part of Exhibit G and the cash flow that is Exhibit J to the affidavit of John Bojkovski sworn December 31, 2008”

The Monitor was not party to the detailed discussions leading to the wording of the Consent and specifically, this paragraph 5. The Monitor’s work is qualified by the disclaimer contained in this First Report and specifically **Section 2.0** below.

The Monitor’s work consisted of:

1. reviewing the Affidavit of Mr. J. Bojkovski sworn December 31, 2008 (the “**Affidavit**”) and Exhibits thereto (the “**Motion Record**”);
2. reviewing the Korex audited financial statements for the fiscal year ending July 31, 2007, being the last fiscal year for which an audit was performed (the “**audited financial statements**”);
3. discussions on site at the Korex facility with Mr. Bojkovski, Chief Financial Officer and Mr. S. Pensler, President of Korex;
4. a review of certain Korex internal unaudited financial information and accounting records as provided to the Monitor by Mr. Bojkovski; and
5. the Monitor’s independent analysis of the Motion Record.

As indicated in the Motion Record, the sole secured creditor is Comerica Bank (“Comerica”). The Monitor has been communicating on a regular basis with representatives of Comerica. Both Comerica and Korex, and their respective legal counsel, have received a copy of this First Report.

## **2.0 Disclaimer**

The Monitor has relied upon the financial records and financial statements of Korex, as well as other information supplied by Messrs. Pensler and Bojkovski. 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 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 First Report, or any of the attached Appendices or Exhibits forming part of this First Report. We reserve the right to review all calculations included or referred to in this First 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 AFFIDAVIT PARAGRAPH 34

In this paragraph, Mr. Bojkovski attests that:

1. Korex's operations, which suffered substantial losses as a result of the strike, were improving.
2. As at November 30, 2008, Korex had inventories totalling \$4,843,000, accounts receivable totalling \$5,979,000, of which only \$300,000 were classified as doubtful and retained earnings of \$3,735,000.

#### *Retained earnings –*

In order to test the calculation of retained earnings as at November 30, 2008, the Monitor reviewed the audited financial statements, the internal unaudited financial statements for the fiscal year ending July 31, 2008 (included in the Motion Record in Exhibit "G") and the internal unaudited financial statements for the four month fiscal period ending November 30, 2008, in order to prepare a roll forward test calculation of retained earnings.

According to the audited financial statements, the closing retained earnings on July 31, 2007 was \$6,008,000. Further, the unaudited financial information indicates that in the 2008 fiscal year, Korex suffered a loss in the amount of \$1,168,000 and for the four month fiscal period ending November 30, 2008, Korex suffered a loss in the amount of \$1,107,000.

Accordingly, the Monitor's test roll forward calculation of retained earnings produces calculated estimated retained earnings in the amount of \$3,733,000, calculated as follows:

|   |  |  |  |  |  |                  |                     |
|---|--|--|--|--|--|------------------|---------------------|
| Closing retained earnings, July 31, 2007        |  |  |  |  |  |                  | \$ 6,008,000        |
| Less:   |  |  |  |  |  |                  |                     |
|   | Fiscal 2008 loss   |  |  |  |  | \$ 1,168,000     |                     |
|   | Loss for the fiscal period August 1 to November 30, 2008 |  |  |  |  | <u>1,107,000</u> |                     |
|   |  |  |  |  |  |                  | <u>2,275,000</u>    |
| Calculated retained earnings, November 30, 2008 |  |  |  |  |  |                  | <u>\$ 3,733,000</u> |

The difference between the calculated amount above and the amount recorded in the internal unaudited financial information, being a difference of \$2,000, is in the Monitor's view, not material.

*Accounts receivable –*

As indicated above, the Affidavit evidence is that accounts receivable as at November 30, 2008 totals the amount of \$5,979,000, of which \$300,000 is classified as doubtful. The Monitor obtained from Korex a copy of the aged trade accounts receivable listing as at November 30, 2008. Attached as **Exhibit "B"** is a copy of such listing totalling CDN\$4,232,111 and US\$1,347,725. Korex is using a US dollar exchange rate of \$1.2372 to translate the US\$ receivables into a CDN dollar balance of \$1,667,357. These two CDN dollar amounts totals \$5,899,468, for a difference of CDN\$79,532. Mr. Bojkovski advised the Monitor that this difference represents various non-trade receivable amounts. Given that the trade accounts receivable represents the majority of the amounts receivable, the Monitor, in the allotted time, only concentrated on trade accounts receivable.



The Monitor performed a test check of twenty invoices picked at random, contained in the accounts receivable balance, and reviewed the invoices to satisfy itself that the sales terms were reasonable and consistent. Nothing untoward was identified from this review.

The Monitor traced ten of these invoices from the sales and bill of lading documents, to the accounts receivable subledger. The Monitor traced the remaining ten invoices from the accounts receivable subledger back to original sales and bill of lading documents. Nothing untoward was identified from this review, so the Monitor concluded that it could rely on the internal unaudited aged accounts receivable trial balance as being accurate.

The Monitor also reviewed the accounts receivable from the perspective of concentration of customers and to also determine which customers, if any, could potentially invoke a right of set-off and accordingly, refuse to pay the amount owing to Korex. The Monitor notes that it has not reviewed any sales contracts with customers, and such contracts may contain other remedies for set-off. Accordingly, this analysis does not take into consideration any special set-off terms specific customers may be entitled to in addition to those noted herein.

The Monitor notes in the CDN dollar receivables, that Unilever Canada comprises 62.8% of Korex's outstanding CDN dollar accounts receivable outstanding as at November 30, 2008. Unilever Canada is also a creditor of Korex. The Korex internal unaudited financial information indicates a balance owing by Korex to Unilever as at November 30, 2008 in the amount of \$1,243,145.

The Monitor also notes that another customer, Phoenix Brands LLC comprises 32.0% of Korex's CDN dollar accounts receivable outstanding as at November 30, 2008. The Monitor anticipates

that such concentration and potential for offset could lead to collection problems in the event Korex ceased operations.

The Monitor also notes in the CDN dollar receivables that two apparently related parties are listed as Korex Canada and Korex Corporation. The listing indicates that they owe Korex \$27,348 and \$2,856, respectively.

The Monitor also notes that the total balance of accounts receivable outstanding in excess of ninety days totals \$1,444,044 as at November 30, 2008. For Comerica borrowing base calculations, this amount must be excluded. In the normal course of operations, these customers do pay the amount owing by them respectively.

The Monitor also notes that the Affidavit is silent on the appropriateness of the amount of \$300,000 indicated in the Affidavit as doubtful. Mr. Bojkovski advised the Monitor that in addition to this amount, there is an additional provision of \$472,000 included in the net accounts receivable figure of \$5,979,000. The Monitor is of the view that the amount excluded from the borrowing base calculation is a more appropriate proxy for potential collection problems, assuming Korex remains a going-concern.

The Monitor was not requested to assess the estimated accounts receivable collections on a liquidation basis, and accordingly, that work was not performed in order for such opinion to be rendered herein. The Monitor would be pleased to perform that work should this Honourable Court so direct.

With respect to the US dollar accounts receivable, there are three customers which comprise 36.7% of the total US dollar accounts receivable as at November 30, 2008, as follows:

|                         |              |
|-------------------------|--------------|
| Phoenix Brands, LLC     | 16.2%        |
| Johnson Diversey Inc.   | 8.7%         |
| Ecolab-Kay Chemical Co. | <u>11.8%</u> |
|                         | <u>36.7%</u> |

Concentration does not appear to be an issue with respect to the US dollar accounts receivable. With respect to apparently related parties, the Monitor notes the existence of three entities listed as owing funds to Korex: (i) Korex Canada (US\$139); (ii) Korex Corporation (US\$21,767); and (iii) Korex Chicago (US\$401,971).

*Inventory –*

The Monitor's review of the Korex unaudited balance sheet as at November 30, 2008 indicates that inventory is comprised of:

|   |                    |
|---|--------------------|
| Raw material, packaging and work-in-process | \$4,546,000        |
| Finished goods                              | <u>297,000</u>     |
| Total as per Affidavit                      | <u>\$4,843,000</u> |

The Monitor did not perform an inventory count and therefore cannot conclude that the inventory as indicated in Korex's books and records physically exists and should be valued as indicated above. The Monitor has no reason to question these balances, but has not done any work to confirm them.

Mr. Bojkovski has advised the Monitor that there are third party owned inventory and fixed assets at the Korex premises. He also advised that Korex has inventory at third party locations totalling \$972,000 as at November 30, 2008. Mr. Bojkovski also advised the Monitor that the third party property on the Korex premises is not included in Korex's asset values.

*Improving operations –*

With respect to this comment, please see **Section 7.0 – Cash flow – Affidavit Exhibit “G”** below.

**4.0 AFFIDAVIT PARAGRAPH 35**

In this paragraph, Mr. Bojkovski attests that Korex established a bank account outside of Comerica's control and as of November 30, 2008, the balance was \$1,759,000. The Monitor determined that in fact there are three bank accounts maintained at The Toronto-Dominion Bank representing the "...account outside of Comerica's control...". Pursuant to the Monitor's request, Mr. Bojkovski provided the online printouts from the accounts as at November 30, 2008, December 31, 2008 and January 6, 2009.

**BALANCE OF PAGE INTENTIONALLY LEFT BLANK**

A summary of these accounts are:

|                                      |  |  |  |  |  |                  | <b>\$</b>        |                 |
|--------------------------------------|--|--|--|--|--|------------------|------------------|-----------------|
|                                      |  |  |  |  |  |                  | <b>BALANCE</b>   |                 |
|                                      |  |  |  |  |  | <b>30-Nov-08</b> | <b>31-Dec-08</b> | <b>6-Jan-09</b> |
| CDN CHEQUING ACCOUNT ENDING IN 229   |  |  |  |  |  | 525,876          | 482,291          | 451,786         |
| CDN INVESTMENT ACCOUNT ENDING IN 237 |  |  |  |  |  | 302,958          | 303,240          | 303,240         |
|                                      |  |  |  |  |  | <u>828,834</u>   | <u>785,531</u>   | <u>755,026</u>  |
| US CHEQUING ACCOUNT ENDING IN 052    |  |  |  |  |  | <u>174,435</u>   | <u>650,599</u>   | <u>596,693</u>  |

The Monitor believes (subject to the qualifications set out in this First Report) that using Korex's US\$ exchange rate of \$1.2372, the US dollar balance as at November 30, 2008 translates to CDN\$222,091 for a total of all three accounts of CDN\$1,050,925, or \$708,075 less than the amount contained in the Affidavit.

The Monitor has determined that this difference is primarily a result of Mr. Bojkovski obtaining the amount indicated in the Affidavit from the Korex general ledger, while the amounts indicated above are from the printouts from the Bank. Also, in the Affidavit, Mr. Bojkovski included, in error, the amount of \$804,071 contained in the accounts controlled by Comerica.

Based on the Monitor's review of bank reconciliations for these three accounts prepared at the request of the Monitor, the Monitor believes that the proper reconciled CDN dollar equivalent balance in accounts not controlled by Comerica is \$1,050,925, as stated above.

## **5.0 AFFIDAVIT PARAGRAPH 38**

The Monitor has reviewed this paragraph and has nothing of significance to report. This paragraph relates to the accounts payable listing, and other than for potential set-off issues as against the accounts receivable as described above, the Monitor does not believe any further value would have been obtained by further analyzing these amounts of unsecured claims against Korex.

## **6.0 BALANCE SHEET – AFFIDAVIT EXHIBIT “G”**

The Monitor has reviewed the unaudited internal balance sheet of Korex as at July 31, 2008 attached to the Affidavit as Exhibit “G”. Attached hereto as **Exhibit “C”** is a copy of that balance sheet.

By its nature, that balance sheet is a historical document in that it shows the financial position of Korex as at July 31, 2008. Further, Comerica has had the benefit of collateral reports from Korex and the ability to conduct field audits subsequent to July 31, 2008.

The Monitor’s review did not reveal any information that would cause us concern on relying on those numbers, as appropriate, to carry out this limited mandate. Accordingly, the Monitor has not focussed on this information, except as it may be relevant to understanding Korex’s current financial position as indicated in this First Report.

## **7.0 CASH FLOW – AFFIDAVIT EXHIBIT “J”**

In the available time, the Monitor has performed an initial review of Korex’s cash flow statement attached to the Affidavit as Exhibit G. Attached hereto as **Exhibit “D”** is a copy of that cash flow statement.

The most significant observation initially made by the Monitor in reviewing the cash flow statement is that Korex anticipates during the period January 1 through the week ending April 4, 2009, approximately \$1 million will be utilized in operations, or alternatively, there will be a cash burn of that amount over this time period (\$1.572 million estimated on hand December 31, 2008 and \$566K estimated on hand at end of the week of April 4, 2009).

The Monitor was obviously concerned with this anticipated cash burn. Also, Korex's projections, of which this cash flow statement is one aspect, estimates that Korex's projected loss from operations for the fiscal period August 1, 2008 through March 31, 2009 will be the amount of \$2.756 million. With this information, the Monitor was concerned on what basis Mr. Bojkovski could state that operations were improving.

From discussions with Mr. Bojkovski, Korex's view is that the improvement referred to in the Affidavit is indicated by:

1. the amount of Korex's monthly loss from operations is diminishing as it gains from further efficiencies;
2. Korex recently resumed producing Dove soap which it believes will be a profitable line; and
3. notwithstanding losses from operations and the cash burn, Comerica's security position is improving through this period.

The Monitor reviewed Korex's borrowing base projections, which show that during the period January 1 through the week ending April 4, 2009, Korex calculates that Comerica's borrowing base position increases from \$4.284 million to \$5.650 million. During the same period, the amount owing to Korex's unsecured creditors is projected to remain flat.

The Monitor has not had sufficient time to further investigate the correctness of this result on both the Comerica borrowing base and the unsecured creditor position. The Monitor understands that approximately \$1 million of the cash portion of the projected loss from operations can be funded from funds currently held by Korex; however, the Monitor would require more time to properly study the projections to determine if this projected result is accurate.

## **8.0 OTHER**

The Monitor notes that during the course of this limited mandate, it observed the Korex accounts contain a large and regular amount of related party transactions. The Monitor was not directed to review or otherwise assess these transactions. The Monitor advises this Honourable Court that this analysis and the findings of the Monitor as contained in this First Report would be subject to change, in the event it was found that Korex accounting estimates or entries might otherwise need to be adjusted once all related party transactions, and any potential effect on the balance sheet and income statement accounts, were eliminated.

## **9.0 SUMMARY**

The Monitor advises this Honourable Court that Korex is of the view that it should be allowed to attempt to restructure under these proposed proceedings and that no stakeholder will suffer any prejudice, as outlined in this First Report.

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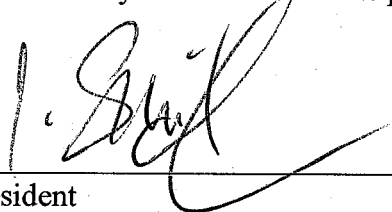
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All of which is respectfully submitted at Toronto, Ontario this 9<sup>th</sup> day of January, 2009.

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

Per:

  
\_\_\_\_\_  
President

Court File No. P 1062  
08-CL-7925

Ontario  
Superior Court of Justice  
(Commercial List)

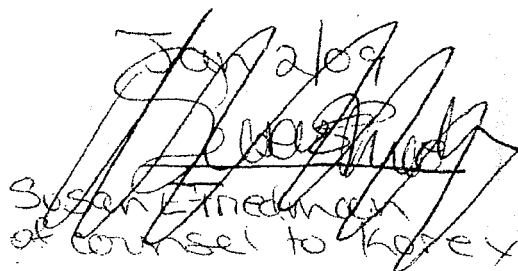
In the matter of the CCAA  
and

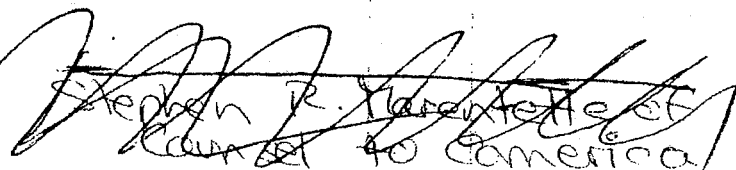
In the matter of a plan of compromise or arrangement of  
Korex Don Valley ULC Applicant

Consent

The Applicant Korex Don Valley ULC ("Korex") and the Respondent <sup>of this Application</sup> Comerica Bank ("Comerica") consent to an adjournment on the following terms:

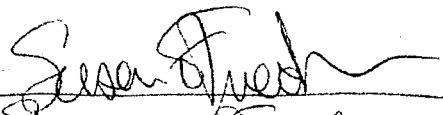
- 1/ This Application is to be adjourned to January 12, 2009;
- 2/ Until this Application is returned, Comerica agrees to ~~abstain~~ bear in realizing on or enforcing its security and will not seek to appoint a receiver;
- 3/ Paragraph 2 is subject to there not being a material adverse change in the operations of the business of Korex. Should there be such a material adverse change, Comerica may bring this matter back before the court on two days notice;
- 4/ Korex ~~will not~~ agrees that until the return of the Application it will not use the funds referred to in paragraph 35 of the Affidavit of Schn Boykowski sworn December 31, 2008, other than in the ordinary course of business and will report once daily to Comerica as to the balance in the account.

Jan 2/09  
  
Susan E. Friedman  
of counsel to Korex

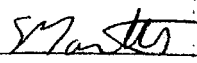
  
Stephen R. Marcotte  
of counsel to Comerica

5/ The proposed Monitor, Ira Smith Trustee & Receiver Inc. shall proceed to verify the financial information as referred to in paragraphs 34, 35 and 38 and the Balance sheet that is part of Exhibit G and the cash flow that is Exhibit J to the affidavit of John Bojkowski sworn December 31, 2008

Jan 2/09



Susan Friedman  
of counsel to Korex



Stephen R. Marentette  
of counsel to Ameriaca

2 Jan 2009

**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**

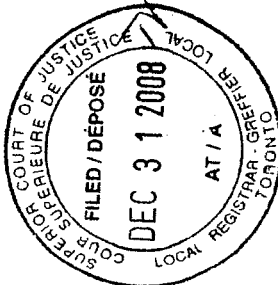
Court File No. 08-CL-7925

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

**PROCEEDING COMMENCED AT TORONTO**

**LATE FILING**

**APPLICATION RECORD OF THE APPLICANT**  
**(Returnable January 2, 2009)**



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Barristers & Solicitors  
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Lawyers for the Applicant

*Jan. 2/09.  
Ken Carver - adj. in rem granted  
to Jan. 12/09 for 1 m. in terms  
esp set out in consent signed  
by parties & attached hereto.  
RACampbell*

# EXHIBIT "B"

06 Jan/2009                      Korex Don Valley  
 14:01                                A/R Aged Trial Balance  
 As of: Nov 30, 2008    Aged by: Invoice Date

| Customer                           | Current   | O/D Und.30      | Over 30         | Over 60       | Over 90         | Total           |
|------------------------------------|-----------|-----------------|-----------------|---------------|-----------------|-----------------|
| <b>Currency CDN</b>                |           |                 |                 |               |                 |                 |
| 5100000 Unilever Canada            | \$ -      | \$ 1,257,882.48 | \$ 626,222.48   | \$ 41,263.76  | \$ 734,170.10   | \$ 2,659,538.82 |
| 5100001 Johnson Diversey           | \$ -      | \$ 52,988.04    | \$ 51,064.65    | \$ -          | \$ 3,132.13     | \$ 107,184.82   |
| 5100008 Swissplas                  | \$ -      | \$ -            | \$ -            | \$ -          | \$ 150.00       | \$ 150.00       |
| 5300000 Korex Canada               | \$ -      | \$ -            | \$ 3,998.60     | \$ -          | \$ 23,349.70    | \$ 27,348.30    |
| 5400003 Queen Bleach Company Ltd.  | \$ -      | \$ -            | \$ -            | \$ -          | \$ 7,374.37     | \$ 7,374.37     |
| 5400020 Pattison Outdoor Advertisi | \$ -      | \$ -            | \$ -            | \$ -          | \$ 2,701.48     | \$ 2,701.48     |
| 5400026 Jempak GK                  | \$ -      | \$ -            | \$ 5,067.92     | \$ 11,081.65  | \$ -            | \$ 16,149.57    |
| 5400028 Ashland Canada             | \$ -      | \$ -            | \$ 54,136.23    | \$ -          | \$ -            | \$ 54,136.23    |
| 6100014 Phoenix Brands LLC         | \$ -      | \$ 1,064,136.53 | \$ 290,535.23   | \$ -          | \$ -            | \$ 1,354,671.76 |
| 6300000 Korex Corporation          | \$ -      | \$ -            | \$ -            | \$ -          | \$ 2,856.00     | \$ 2,856.00     |
| <b>Grand Total CDN Bookeeping</b>  | \$ -      | \$ 2,375,007.05 | \$ 1,031,025.11 | \$ 52,345.41  | \$ 773,733.78   | \$ 4,232,111.35 |
| <b>Currency US</b>                 |           |                 |                 |               |                 |                 |
| 5100006 Stepan Canada Inc.         | \$ -      | \$ 7,140.95     | \$ 3,684.39     | \$ -          | \$ 591.80       | \$ 11,417.14    |
| 5300001 Korex Canada (Ascendia)    | \$ -      | \$ -            | \$ -            | \$ -          | \$ 138.94       | \$ 138.94       |
| 6100005 Rhodia Inc.                | \$ -      | \$ 44,768.93    | \$ -            | \$ -          | \$ -            | \$ 44,768.93    |
| 6100007 Phoenix Brands, LLC        | \$ -      | \$ -            | \$ -            | \$ -          | \$ 218,958.03   | \$ 218,958.03   |
| 6100010 Johnson Diversey Inc.      | \$ -      | \$ 38,980.86    | \$ 38,975.22    | \$ -          | \$ 39,435.74    | \$ 117,391.82   |
| 6100011 Young Chemical             | \$ -      | \$ -            | \$ 56,334.23    | \$ 2,508.75   | \$ 1,283.21     | \$ 60,126.19    |
| 6100012 Church and Dwight          | \$ -      | \$ -            | \$ -            | \$ -          | \$ 5,423.50     | \$ 5,423.50     |
| 6300001 Korex Corporation          | \$ -      | \$ -            | \$ -            | \$ 20,058.85  | \$ 1,708.08     | \$ 21,766.93    |
| 6300020 Korex Chicago              | \$ -      | \$ -            | \$ 95,065.71    | \$ 136,273.85 | \$ 170,631.91   | \$ 401,971.47   |
| 6400002 Oil Chem. Inc.             | \$ -      | \$ 46,201.53    | \$ -            | \$ -          | \$ 5,989.70     | \$ 52,191.23    |
| 6400003 PVS Nolwood Chemicals, INC | \$ -      | \$ -            | \$ 43,008.05    | \$ -          | \$ 17,752.54    | \$ 60,760.59    |
| 6400005 Brenntag Northeast, Inc.   | \$ -      | \$ 45,340.03    | \$ 47,835.73    | \$ -          | \$ 3,655.33     | \$ 96,831.09    |
| 6400007 Ecolab-Kay Chemical Co.    | \$ -      | \$ 28,185.39    | \$ 70,309.99    | \$ -          | \$ 60,188.37    | \$ 158,683.75   |
| 6400009 Ashland Inc.               | \$ -      | \$ 44,564.64    | \$ -            | \$ -          | \$ 1,088.35     | \$ 45,652.99    |
| 6400010 Pride Solvents & Chemical  | \$ -      | \$ 36,675.70    | \$ -            | \$ -          | \$ 4,518.18     | \$ 41,193.88    |
| 6400011 Auto-Chlor System          | \$ -      | \$ -            | \$ -            | \$ -          | \$ (1,111.50)   | \$ (1,111.50)   |
| 6400013 Lincoln Manufacturing      | \$ -      | \$ -            | \$ -            | \$ -          | \$ 1,922.22     | \$ 1,922.22     |
| 6400014 Access Business Group      | \$ -      | \$ -            | \$ -            | \$ -          | \$ 9,637.34     | \$ 9,637.34     |
| <b>Grand Total US Currency</b>     | \$ -      | \$ 291,858.03   | \$ 355,213.32   | \$ 158,841.45 | \$ 541,811.74   | \$ 1,347,724.54 |
| <b>FX Rate:</b>                    | \$ 1.2372 | \$ 1.2372       | \$ 1.2372       | \$ 1.2372     | \$ 1.2372       | \$ 1.2372       |
| <b>Grand Total CDN Bookeeping</b>  | \$ -      | \$ 361,076.37   | \$ 439,457.28   | \$ 196,512.99 | \$ 670,310.21   | \$ 1,667,356.85 |
| <b>Grand Total</b>                 | \$ -      | \$ 2,736,083.42 | \$ 1,470,482.39 | \$ 248,858.40 | \$ 1,444,043.99 | \$ 5,899,468.20 |

**Korex Don Valley ULC**  
**Balance Sheet**  
**For the period ended July 31, 2008**  
**(000s Canadian Dollars)**

|                                     | Jul-08        |
|-------------------------------------|---------------|
| <b>ASSETS</b>                       |               |
| <i>Current Assets</i>               |               |
| Cash / Short Term Investments       | 416           |
| Accounts Receivable                 | 8,444         |
| Inventory                           | 5,558         |
| Prepaid Expenses                    | 639           |
| <b>Total Current Assets</b>         | <b>15,056</b> |
| <b>Fixed Assets (NBV)</b>           | <b>5,781</b>  |
| <b>Total Assets</b>                 | <b>20,837</b> |
| <b>LIABILITIES</b>                  |               |
| <i>Current Liabilities</i>          |               |
| Accounts Payable                    | 9,210         |
| Wages Payable                       | 1,419         |
| Unearned Revenue                    | 9             |
| Taxes Payable                       | (574)         |
| Bank Loan Payable                   | -             |
| Bank Revolving Loan                 | 5,074         |
| <b>Total Current Liabilities</b>    | <b>15,138</b> |
| Long Term Liabilities               | 48            |
| Provision for Income Taxes          | 810           |
| <b>Total Liabilities</b>            | <b>15,996</b> |
| <b>SHAREHOLDER'S EQUITY</b>         |               |
| Capital Stock                       | 0             |
| Retained Earnings                   | 4,840         |
| <b>Total Shareholder's Equity</b>   | <b>4,840</b>  |
| <b>Total Liabilities and Equity</b> | <b>20,837</b> |

# EXHIBIT "D"

Korex Don Valley ULC  
 Net Cash Flow  
 13 Week Projection  
 (\$000 Canadian Dollars)

|  | Actuals |         | Actuals |        | Actuals |          | Forecast  |           | Forecast  |           | Forecast |           | Forecast  |           | Forecast |           | Forecast  |           | Forecast |            | Forecast |
|--|---------|---------|---------|--------|---------|----------|-----------|-----------|-----------|-----------|----------|-----------|-----------|-----------|----------|-----------|-----------|-----------|----------|------------|----------|
|  | Aug-08  | Sep-08  | Oct-08  | Nov-08 | Dec-08  | 3-Jan-09 | 10-Jan-09 | 17-Jan-09 | 24-Jan-09 | 31-Jan-09 | 7-Feb-09 | 14-Feb-09 | 21-Feb-09 | 28-Feb-09 | 7-Mar-09 | 14-Mar-09 | 21-Mar-09 | 28-Mar-09 | 4-Apr-09 | Year Total |          |
| <b>Cash From Operations</b>            | 26      | (425)   | (443)   | (264)  | (329)   | (86)     | (33)      | (47)      | (51)      | (61)      | (17)     | (3)       | (28)      | (41)      | (28)     | (8)       | (15)      | (20)      | (34)     | (1,889)    |          |
| Net Income                             | 83      | 83      | 83      | 83     | 83      | 19       | 19        | 19        | 19        | 19        | 19       | 19        | 19        | 19        | 19       | 19        | 19        | 19        | 19       | 885        |          |
| Depreciation                           | -       | -       | -       | -      | -       | -        | -         | -         | -         | -         | -        | -         | -         | -         | -        | -         | -         | -         | -        | -          |          |
| Amortization                           | -       | -       | -       | -      | -       | -        | -         | -         | -         | -         | -        | -         | -         | -         | -        | -         | -         | -         | -        | -          |          |
| Deferred Taxes                         | 13      | (205)   | (214)   | (128)  | (159)   | (17)     | (16)      | (23)      | (25)      | (29)      | (8)      | (1)       | (14)      | (20)      | (14)     | (4)       | (7)       | (10)      | (17)     | (883)      |          |
| <b>Total Cash from Income</b>          | 122     | (548)   | (574)   | (308)  | (409)   | (34)     | (30)      | (51)      | (58)      | (71)      | (8)      | 15        | (22)      | (41)      | (24)     | 8         | (3)       | (11)      | (32)     | (2,073)    |          |
| Receivables                            | (482)   | 4,458   | (2,228) | 717    | (103)   | (50)     | (50)      | (50)      | (50)      | (50)      | (50)     | (50)      | (50)      | (50)      | (50)     | (50)      | (50)      | (50)      | (50)     | 1,661      |          |
| Inventories                            | 500     | 756     | (198)   | (344)  | 35      | 178      | (47)      | (61)      | (74)      | (88)      | -        | -         | -         | -         | -        | -         | -         | -         | (50)     | 659        |          |
| <b>Accounts Payable/Accounts</b>       |         |         |         |        |         |          |           |           |           |           |          |           |           |           |          |           |           |           |          |            |          |
| GRN/ (Goods Received not Invoiced)     | (367)   | (2,889) | 3,751   | (586)  | (551)   | -        | -         | -         | -         | -         | -        | -         | -         | -         | -        | -         | -         | -         | -        | (641)      |          |
| Unlever Payables                       | (244)   | 882     | (640)   | 876    | 721     | 13       | 13        | 13        | 13        | 13        | 13       | 13        | 13        | 13        | 13       | 13        | 13        | 13        | 13       | 1,578      |          |
| Intercompany Payables                  | 56      | 56      | 56      | 56     | 56      | -        | -         | -         | -         | -         | -        | -         | -         | -         | -        | -         | -         | -         | -        | 462        |          |
| Unearned Revenue                       | 28      | 9       | (3)     | 32     | (142)   | (1)      | (1)       | (1)       | (1)       | (1)       | (1)      | (1)       | (1)       | (1)       | (1)      | (1)       | (1)       | (1)       | (1)      | (26)       |          |
| Bank Loan Payable                      | (3)     | (3)     | (3)     | 16     | (4)     | (1)      | (1)       | (1)       | (1)       | (1)       | (1)      | (1)       | (1)       | (1)       | (1)      | (1)       | (1)       | (1)       | (1)      | (7)        |          |
| Wages Payable                          | 5       | 11      | 6       | 6      | (19)    | 38       | 68        | (110)     | 68        | (70)      | 68       | (70)      | 68        | (70)      | 68       | 68        | (139)     | 68        | (70)     | (10)       |          |
| Other Accounts                         | (439)   | (389)   | 196     | (101)  | 167     | (167)    | 8         | 8         | 8         | 8         | 8        | 8         | 8         | 8         | 8        | 8         | 8         | 8         | 8        | (581)      |          |
| Other Taxes Payable                    | 370     | (207)   | (82)    | (2)    | 28      | -        | -         | -         | -         | -         | -        | -         | -         | -         | -        | -         | -         | -         | -        | 108        |          |
| Other Working Capital                  | 20      | 12      | (93)    | 22     | 20      | 4        | 4         | 4         | 4         | 4         | 4        | 4         | 4         | 4         | 4        | 4         | 4         | 4         | 4        | 37         |          |
| <b>Total Cash from Working Capital</b> | (937)   | 2,596   | 815     | 695    | 232     | 16       | (4)       | (196)     | (32)      | (183)     | 42       | (96)      | 42        | (96)      | 42       | 42        | 42        | 42        | (96)     | 3,240      |          |
| <b>TOTAL CASH FROM OPERATIONS</b>      | (435)   | 2,148   | 241     | 386    | (173)   | (19)     | (34)      | (247)     | (88)      | (254)     | 36       | (80)      | 20        | (137)     | 18       | 50        | (168)     | 31        | (127)    | 1,187      |          |
| <b>Investments</b>                     |         |         |         |        |         |          |           |           |           |           |          |           |           |           |          |           |           |           |          |            |          |
| Fixed Asset Additions                  | -       | (13)    | (0)     | 10     | (0)     | 0        | 0         | 0         | 0         | 0         | 0        | 0         | 0         | 0         | 0        | 0         | 0         | 0         | 0        | (1)        |          |
| Fixed Asset Retirements                | -       | -       | -       | -      | -       | -        | -         | -         | -         | -         | -        | -         | -         | -         | -        | -         | -         | -         | -        | -          |          |
| Changes in Other Assets                | -       | -       | -       | -      | -       | -        | -         | -         | -         | -         | -        | -         | -         | -         | -        | -         | -         | -         | -        | -          |          |
| Changes in Other Liabilities           | -       | -       | -       | -      | -       | -        | -         | -         | -         | -         | -        | -         | -         | -         | -        | -         | -         | -         | -        | -          |          |
| <b>TOTAL CASH USED FOR INVESTMENT</b>  | -       | (13)    | (0)     | 10     | (0)     | 0        | 0         | 0         | 0         | 0         | 0        | 0         | 0         | 0         | 0        | 0         | 0         | 0         | 0        | (1)        |          |
| <b>Cash from Financing</b>             |         |         |         |        |         |          |           |           |           |           |          |           |           |           |          |           |           |           |          |            |          |
| Payments on Long-Term Loans            | -       | (1,000) | -       | -      | (14)    | (1)      | (1)       | (1)       | (1)       | (1)       | (1)      | (1)       | (1)       | (1)       | (1)      | (1)       | (1)       | (1)       | (1)      | (22)       |          |
| Other Loans / Interest (Revenue)       | -       | (1,000) | -       | -      | (14)    | (1)      | (1)       | (1)       | (1)       | (1)       | (1)      | (1)       | (1)       | (1)       | (1)      | (1)       | (1)       | (1)       | (1)      | (1,000)    |          |
| <b>TOTAL CASH FROM FINANCING</b>       | -       | (1,000) | -       | -      | (14)    | (1)      | (1)       | (1)       | (1)       | (1)       | (1)      | (1)       | (1)       | (1)       | (1)      | (1)       | (1)       | (1)       | (1)      | (1,022)    |          |
| <b>NET CASH FLOW</b>                   | (435)   | 1,135   | 240     | 396    | (187)   | (19)     | (35)      | (247)     | (89)      | (255)     | 36       | (81)      | 19        | (137)     | 18       | 50        | (168)     | 31        | (128)    | 144        |          |
| Cash - Beginning of Period             | 416     | (16)    | 1,122   | 1,363  | 1,799   | 1,572    | 1,553     | 1,518     | 1,271     | 1,182     | 927      | 953       | 882       | 902       | 794      | 782       | 832       | 653       | 694      | 416        |          |
| Cash - End of Period                   | (16)    | 1,122   | 1,363   | 1,759  | 1,572   | 1,553    | 1,518     | 1,271     | 1,182     | 927       | 953      | 882       | 902       | 784       | 782      | 832       | 653       | 694       | 596      | 789        |          |
|  | 3       | 3       | 1       | 1      | 1       |          |           |           |           |           |          |           |           |           |          |           |           |           |          | 7          |          |

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)

FIRST REPORT OF IRA SMITH TRUSTEE & RECEIVER INC.  
IN ITS CAPACITY AS PROPOSED COURT-APPOINTED MONITOR OF  
KOREX DON VALLEY ULC  
DATED JANUARY 9, 2009

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