RSM Richter Inc.

2, Place Alexis Nihon
Montréal (Québec) H3Z 3C2
Téléphone / Telephone : (514) 934 -3497
Télécopieur / Facsimile : (514) 934 -3504
www.rsmrichter.com

CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
DIVISION NO.: 01-MONTRÉAL
COURT NO.: 500-11-039364-100
ESTATE NO.: 41-1386538

SUPERIOR COURT
(Commercial Division)

IN THE MATTER OF THE PROPOSAL OF:

Multina Inc.

a body politic and corporate, duly incorporated according to law and having its head office and its principal place of business at :

1275 Janelle Street
Drummondville, Quebec J2C 3E4

Debtor

REPORT OF THE TRUSTEE ON THE FINANCIAL SITUATION OF THE DEBTOR AND ON THE PROPOSAL
(Sections 50(10) (b) and 50(5) of the *Bankruptcy and Insolvency Act*)

The purpose of the First Meeting of Creditors is to consider the Proposal filed on January 21, 2011 (hereinafter referred to as the "Proposal") by Multina Inc. (hereinafter referred to as the "Debtor", "Multina" or the "Company").

Pursuant to Sections 50(10)(b) and 50(5) of the *Bankruptcy and Insolvency Act* (hereinafter referred to as the "Act" or "BIA") and to assist the creditors in considering the Proposal, the Trustee is submitting its report on the financial situation of the Debtor and on the Proposal.

We caution the reader that we have neither conducted an audit nor a verification of the books and records of the Debtor. Consequently, we cannot render an opinion as to the accuracy of the information contained therein. The information discussed herein emanates from the books and records of the Debtor.

(français – au recto)

I. INTRODUCTION

On July 23, 2010, the Debtor filed a Notice of Intention to Make a Proposal ("NOI") in accordance with the BIA and RSM Richter Inc. ("Richter") was named Trustee. The Court issued Orders extending the deadline to file a Proposal as follows:

- On August 20, 2010, the Court granted an Order extending the deadline to file a Proposal to October 4, 2010;
- On October 4, 2010, the Court granted an Order extending the deadline to file a Proposal to November 18, 2010;
- On November 17, 2010, the Court granted an Order extending the deadline to file a Proposal to December 30, 2010;
- On December 22, 2010, the the Court granted an Order extending the deadline to file a Proposal to January 21, 2011.

In addition, on July 23, 2010, pursuant to the Motion filed by Royal Bank of Canada ("RBC") and Roynat Inc. ("Roynat'), Richter was appointed Receiver to the assets of Multina and, in this capacity, Richter was authorized to accept various offers and complete the sale of Multina's assets (refer to section IV).

On January 21, 2011, the Debtor filed with the Trustee and the Official Receiver a Proposal to its creditors. On February 1, 2011, we proceeded to do a mailing to all known creditors wherein, we have enclosed the Proposal, a proof of claim form, a voting form, a proxy and a notice indicating the place and time of the First Meeting of the Creditors to consider the Proposal.

The following summarizes the relevant information and key elements that may assist the creditors in analyzing the Debtor's affairs and the terms of the Proposal.

II. BACKGROUND OF THE DEBTOR

Multina was a privately-held specialized manufacturer primarily serving customers in the transportation industry. The Company manufactured seating products for railway cars, public transit and recreational vehicles. The Company operated five production plants in North America (including through it's subsidiaries), namely:

- A facility located in the City of Drummondville, Quebec, which also served as the headquarters of the Company;
- A facility located in the City of St-Nicephore, Quebec;
- A facility located in the City of Sainte-Clotilde, Quebec;
- A facility, operated by a subsidiary, located in the City of Plattsburgh, New York, United States; and,
- A facility, operated by a subsidiary, located in the City of Tultitlan, Mexico.

Since 2007, the Debtor has suffered significant financial losses. These losses can be mainly attributed to:

i) The poor results of the "New Jersey" contract;

ii) The substantial costs and losses resulting from the Company in an attempt to enter into the railcar interior development and manufacturing market without the necessary experience in this type of project, which required an important investment in the research centre as well as a substantial investment in personnel and systems.

In the fall of 2008, the Debtor began the restructuring of its operations and finances based on the following principles:

i) Ceasing production of contracts for integration of railway car interiors;

ii) Implementation of continuous improvement projects;

iii) Material cost reduction initiatives;

iv) Productivity improvement measures; and

v) Focus on profitability.

Nothwithstanding the steps taken to return to profitability, the economic market conditions had a serious impact on maintaining a positive business level. Consequently, the Company could not generate the contract margin contributions and cash flows required to support its business model.

In early 2010, the firm PricewaterhouseCoopers ("PwC") was given a mandate to find a buyer or an investor to take control of Multina. Unfortunately, PwC's marketing process did not identify or bring forward any candidate willing to take over Multina. However, certain parties were interested in acquiring some of Multina's manufacturing plants on an operating basis. Under the circumstances, the representatives of Multina chose to negotiate with these parties to sell each of its plants separately and, as such, preserve the jobs and expertise developed over the years.

III. WIND DOWN OF AFFAIRS

Multina's financial situation was such that, in July 2010, it no longer could operate on a going concern basis and meet its obligations as they came due. Under the circumstances, in order to protect asset values and give it time to complete the various sale transactions that were being negotiated, Multina, in consultation with its advisors, decided to file an NOI on July 23, 2010. Since then, it has not conducted any manufacturing activities. In fact, due to the annual vacation period, Multina was in its annual shutdown mode until August 9, 2010 and never restarted its operations.

Nevertheless, pursuant to arrangements made with RBC, its operating lender, Multina funded its important payroll and vacation pay obligations to its employees and has also covered all of its post-filing obligations, as they became due.

Unable to find an investor nor to refinance its affairs, Multina chose to negotiate and sell its various business/manufacturing units on an individual basis.

Thus, since the filing of the NOI, Multina's main efforts were to wind down its affairs and finalize matters relating to the sale of its assets (refer to section IV) and to deal with parties who had expressed an interest in purchasing some of its remaining operating assets.

IV. SALE OF ASSETS

As previously mentioned, the filing of the NOI gave Multina the opportunity to wind down its affairs in an orderly manner. The majority of its operating assets have since been sold. The various transactions relating to the sale of its manufacturing plants were submitted to the Court for approval. The sale transactions approved by the Court are summarized as follows:

- On July 23, 2010, the Court rendered an Order authorizing Richter, as Receiver, to accept an offer from Dimension Composite Inc. for the purchase of the Ste-Clotilde plant and equipment and certain inventory (the "Ste-Clotilde Transaction"). Richter, as authorized by the Court, completed the Ste-Clotilde Transaction on August 9, 2010;

- On August 5, 2010, the Court rendered an Order authorizing Richter, as Receiver, to accept an offer from 9107-9483 Québec Inc. for the purchase of the majority of the plant equipment and machinery and certain inventory located at 1275 rue Janelle in Drummondville (the "Janelle Transaction"). Richter, as authorized by the Court, completed the Janelle Transaction on August 6, 2010;

- On September 17, 2010, the Court rendered an Order authorizing Richter, as Receiver, to accept an offer from Kawasaki Rail Car Inc. for the purchase of all the inventory, as well as the intellectual property and drawings, working instructions, list of suppliers, purchase orders, information relating to contractual deliverables and manual part catalogues, relating to the Kawasaki contracts ("Kawasaki Transaction"). Richter, as authorized by the Court, completed the Kawasaki Transaction on September 24, 2010;

- On September 17, 2010, the Court rendered an Order authorizing Richter, as Receiver, to accept an offer from 9068-6767 Quebec Inc. ("CROI") for the purchase of the St-Nicephore facilities which comprise land, building, production equipment ("CROI Transaction"). Subject to the terms and conditions of the offer and an amendment dated November 15, 2010, the CROI Transaction is now scheduled to be completed no later than January 31, 2011. In the interim, CROI has leased the St-Nicephore facility from the Debtor and is operating it for its account;

- On December 22, 2010, the Court rendered an Order authorizing Richter, as Receiver, to accept an offer from Volvo Industrial de Mexico, S.A. for the purchase of the shares of Multina's Mexican subsidiary, Multina Mexico, S.A. de. C.V. ("Mexico Transaction"). Richter, as authorized by the Court, completed the Mexico Transaction on December 23, 2010.

Pursuant to the completion of the above-mentioned transactions, the manufacturing activities previously conducted by Multina at these plants are now being conducted by and for the account of the various purchasers.

Through Multina's and Richter's efforts, the sale transactions have generated fair values for the assets, preserved jobs, maintained and continued the industry expertise as well as minimized the impact, if any, to clients who were relying on Multina for the supply of the products designed for their own manufacturing needs.

(français – au recto)

The values (in $000's) generated to date are summarized as follows:

Assets	Values
Inventory	$ 2,229
Collection of interco receivable - Mexico	1,003
Plant and equipment	3,101
	6,333
Less:	
Funds remitted to Secured Lenders	(5,075)
Costs of realization including professional fees	(1,022)
Net realization held in Receiver's account to be remitted to secured lenders	$ 236

Note: At the present time the sale transaction of the St-Nicephore plant has not been completed.

At the present time, Multina's remaining principal assets are comprised of a manufacturing plant located in Plattsburgh, USA and inventory relating mainly to railcar contracts as well as some residual manufacturing equipment.

V. FINANCIAL INFORMATION

The following financial data was extracted either from the internal books and records of the Debtor, the audited financial statements or from discussions held with Management. This information is submitted solely to assist the reader in assessing the current financial situtation of the Debtor.

The Trustee makes no representations or warranty as to the accuracy of the said financial information.

(français – au recto)

A) Historical Operating Results

The Company's operating results are summarized below:

Operating Results (in 000's - Unaudited)								
For the year / period ended	July 3, 2010 (Preliminary)		Dec. 31, 2009 F/S		Dec. 31, 2008 F/S		Dec. 31, 2007 F/S	
Sales	$	31,775	$	70,354	$	92,383	$	78,185
Gross Margin	$	4,140	$	4,792	$	4,312	$	3,957
% Gross Margin		13%		7%		5%		5%
Net operating loss	**$**	**(866)**	**$**	**(4,991)**	**$**	**(6,464)**	**$**	**(9,202)**

B) Operations since the filing of the NOI

As previously mentioned, the Company did not restart its operations subsequent to the filing of the NOI. Since July 23, 2010, the Company's cash flow results can be summarized as follows:

Cash Flow Results For the period from July 23, 2010 to January 17, 2011 (in 000's - Unaudited)		
Cash Receipts		
Net proceeds from sale of assets	$	5,311
Collection of accounts receivables		4,522
Total Cash Receipts		**9,833**
Cash Disbursements		**2,335**
Net Amount Realized	**$**	**7,498**

The only ongoing limited activities of Multina related to the safeguarding of its assets, the collection of accounts receivable and realization of the operating assets as well as the payment of the post filing obligations, including the current employees' payroll and vacation pay.

(français – au recto)

C) Assets

The Company's Statement of Affairs indicated that, as at January 21, 2011 its assets were:

Assets As at January 21, 2011 (Unaudited)	
Inventory	$ 1,726,627
Fixed Assets	3,246,200
Total Assets	**$ 4,972,827**

These assets are pledged to RBC and Roynat.

Inventory ($1,726,627)

The remaining inventory consists of raw material, WIP and finished goods relating to the manufacturing contract of the railcar business.

Fixed Assets ($3,246,200)

The breakdown of fixed assets is as follows:

Fixed Assets As at January 21, 2011 (Unaudited)	
Vehicles	$ 15,000
Machinery and Equipment	31,200
Land, Building and Equipment - St-Nicephore	3,200,000
Total Fixed Assets	**$ 3,246,200**

The plant located in St-Nicéphore is subject to a Court-approved sale. This sale transaction is to close shortly.

At the time of the drafting of this report, a portion of the machinery and equipment along with the entire fleet of vehicles were sold. Only minimal machinery and equipment remains unsold.

(français – au recto)

D) LIABILITIES

As at January 21, 2011, the Company's Statement of Affairs indicate the following:

Liabilities As at January 21, 2011 (Unaudited)	
Secured creditors	$ 6,154,206
Preferred creditors	NIL
Unsecured creditors	5,542,686
Total Liabilities	**$11,696,892**

(i) Secured Creditors ($6,154,206)

Multina's secured lenders are the RBC (short-term operating credit) and Roynat.

The RBC holds security over the inventory and accounts receivable. At the time of the NOI, the Company was indebted to RBC in the amount of $6,527,000. As at January 21, 2011, the RBC's indebtedness has been reduced to $1,828,806.

Roynat holds security over real estate property and machinery and equipment. At the time of the filing of the NOI, the Company was indebted to Roynat in the amount of $7,125,400. As at January 21, 2011, Roynat indebtedness has been reduced to $4,325,400.

The Proposal provides that the secured claims will be paid in accordance with the existing or future agreements between the Debtor and the Secured Creditors or pursuant to the rights which the BIA grants to such creditors.

(ii) Preferred Creditors (Nil)

Based upon the terms and conditions of the Proposal, all employee claims shall be paid in the normal course of business while all preferred claims will be paid in full priority of all unsecured claims.

The Company has paid the majority of the amounts owing to its employees. Nevertheless, an amount of $103,000 is presently held in escrow in the Receiver's Trust account, in order to cover any priority claims that could be made under the Wage Earner Protection Program ("WEPPA") by Service Canada.

(iii) <u>Unsecured Creditors ($5,542,686)</u>

The Debtor has not necessarily completed its updating of its records which indicate, as at January 21, 2011, that the amount owed to unsecured creditors is approximately $5,600,000. The amount due to the unsecured creditors will be validated upon filing by creditors of their proofs of claim.

VI. PROPOSAL TO UNSECURED CREDITORS

As previously mentioned, on January 21, 2011, the Company filed a Proposal to its creditors.

Creditors are advised to read the text of the Proposal as well as associated definitions.

In summary, the salient facts are:

With the assistance and intervention of the Trustee, both in his capacity as Trustee and Receiver, the Debtor shall orderly dispose of its remaining assets and remit to the Trustee all proceeds arising from such sale(s). The Trustee shall pay the dividends in accordance with the terms of the Proposal.

- The Secured Creditors shall be paid in accordance with existing contracts or as may be otherwise arranged with the Secured Creditors. For greater certainty, the Proposal is not addressed to the Secured Creditors and it shall not be bound by the Proposal in respect of its Secured Claim;

- The Employee Claims that would be qualified to receive under section 60(1.3)(a) of the BIA shall be paid in full in the normal course of business;

- The Proposal expenses will be paid in full in priority to all Preferred Claims, Crown Claims and Unsecured claims;

- The Crown's Claims shall be paid in full, without interest, within six months of the approval as defined in the Proposal;

- The Preferred Claims shall be paid, without interest in full, in priority to all unsecured claims;

- In complete satisfaction and discharge of all unsecured claims, the unsecured creditors shall receive a pro rata share of the net proceeds of all sale(s) of the remaining assets of the Debtor, after payment of the Proposal expenses, the Secured Claims, the Employee Claims, the Preferred Claims and the Crown Claims, if any. Remittance to the unsecured creditors shall be effected by Trustee through a single distribution to be made no later than June 15, 2011.

VII. CONCLUSION

Multina filed the Proposal to allow it the opportunity to continue the wind down of its affairs and to give it the opportunity to sell its remaining assets at a fair and reasonable value.

In the event the Proposal is not accepted and a Bankruptcy ensues, it is highly unlikely that the value of the Company's remaining assets will generate sufficient funds to make a dividend distribution to the unsecured creditors.

Dated at Montréal, Province of Quebec, this 31st day of January 2011.

RSM Richter Inc.
Trustee

Yves Vincent, FCA, CIRP
Administrator

(français – au recto)