

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
COURT NO. : 500-11-022700-047

SUPERIOR COURT

(Sitting as Tribunal designated under the
Companies' Creditors Arrangement Act)

IN THE MATTER OF THE PLAN OF ARRANGEMENT OF:

Eaux Vives Harricana Inc., legal person duly constituted under the laws of Québec, having its head office at 11 Chemin des Sablières, Saint-Mathieu-d'Harricana, Province of Québec, District of Abitibi, JOY 1M0;

- and -

EVH U.S.A. Inc., legal person, duly constituted under the laws of Delaware, U.S.A., having a place of business at 17821 East 17th Street, Suite 193, Tustin, California, 92780, U.S.A.;

- and -

Les Sources Périgny Inc., legal person duly constituted under the laws of Québec, having its head office at 11 Chemin des Sablières, Saint-Mathieu-d'Harricana, Province of Québec, District of Abitibi, JOY 1M0;

Debtors

- and -

RSM Richter Inc., a body politic and corporate, duly incorporated according to law, having a place of business at 2 Place Alexis-Nihon, 3500 de Maisonneuve Blvd. West, 22nd Floor, in the City of Montréal, Province of Québec, H3Z 3C2;

Monitor

SEVENTH REPORT OF THE DESIGNATED MONITOR ON THE STATE OF DEBTORS' FINANCIAL AFFAIRS (May 27, 2005)

I. INTRODUCTION

1. On March 19, 2004, Eaux Vives Harricana Inc. ("EVH INC."), EVH U.S.A. Inc. ("EVH USA") and Les Sources Périgny Inc. ("Sources Périgny") (collectively "Debtors" or "EVH") filed with the Québec Superior Court, a "Motion for the Issuance of an Initial Order" pursuant to the *Companies' Creditors Arrangement Act* (the "CCAA"). On that same date, the Honourable Justice François Rolland issued an Initial Order (hereinafter the "Initial Order"), *inter alia* appointing RSM Richter Inc. (formerly known as Richter & Associés Inc.) as monitor (the "Monitor");

2. Debtors have filed to date six (6) motions for the extension of time for the filing of the Plan of Arrangement which have all been granted in the past. The last Order rendered was on February 25, 2005, extending the Initial Order rendered on March 19, 2004, as amended and extended, and the stay of proceedings included therein until Monday May 30, 2005;
3. This seventh report of the Monitor is to report and inform the Court of the following:
 - Activities of the Monitor;
 - Current operations;
 - Current financial situation;
 - Debtor in possession financing;
 - Sale of EVH's assets;
 - Plan of Arrangement to be filed;
 - Motion for the extension of time for the filing of the plan of Arrangement;
4. We hereby inform the Court that the Monitor has not conducted an audit or investigation of the books and records or the receipts and disbursements of Debtors and that, accordingly, it cannot render an opinion regarding the accuracy or completeness of the information contained herein. The present information emanates from the books and records that have been made available to the Monitor, as well as from discussions with the management of Debtors.

II. ACTIVITIES OF THE MONITOR

- **Communication**

5. The Monitor has replied on a timely basis, to all queries from creditors;
6. The Monitor deployed efforts to ensure that any affected parties would have access to the relevant available information on a timely manner. This included amongst others the posting of all relevant documentary information on the Monitor's website (i.e. www.rsmrichter.com);

- **Monitoring**

7. The Monitor has maintained its procedures to insure a proper monitoring of the receipts and disbursements, as provided by the CCAA;
8. The Monitor has assisted the Debtors' Management in dealing with any important issues that have arisen since the rendering of the Initial Order;
9. The Monitor has been reporting weekly to Royal Bank of Canada ("RBC") as required under the DIP Financing Agreement;

- **Marketing Process**

10. The Monitor was involved in the marketing process and assisted EVH in dealing with the offers submitted for the purchase of assets and submitted on February 23, 2005 a report on same which included the Monitor's conclusion and recommendation.

III. **CURRENT OPERATIONS**

- **Activities**

11. Since the issuing of our sixth Monitor's report, the activities have consisted in the safeguard of the facilities located in Saint-Mathieu d'Harricana, the maintenance of the plant in good state and the participation in the marketing process for the sale of its assets. This situation will not change until the sale of assets is completed;

- **Employees**

12. As forecasted, only three (3) employees remain in Saint-Mathieu d'Harricana, including one (1) on a part-time basis. All of the American employees were terminated in May 2004 and since June 2004 the Vice-President and General Manager is on a working severance until June 17, 2005;

- **Facilities**

13. EVH has disclaimed all leases for premises in Canada and in the USA that are no longer required in view of the restructuring of its affairs. The remaining facilities to date are the EVH plant and the Sources Périgny plant, both located in Saint-Mathieu d'Harricana.

IV. **CURRENT FINANCIAL SITUATION**

- **Funding**

14. In view of the fact that EVH is no longer in operation and that the sale of the remaining inventory as well as the collection of the residual accounts receivable are completed, EVH could not cover its current expenses without obtaining DIP financing. The DIP financing is provided by the Royal Bank Asset Based Finance, for up to \$3,578,000 (as authorized by the Court on June 15, 2004), to support the current limited activities. To date, approximately \$2,670,000 has been drawn on the DIP credit facility, including accrued and non-disbursed DIP interests and charges;

• **Cash Flow Projections**

15. Included as **Appendix A** of this report is a summary of Debtors' cash flow forecast for the period May 18, 2005 to July 29, 2005;

The Debtors had filed with the "Motion for the Extension of Time for the Filing of the Plan of Arrangement" on February 25, 2005 a cash-flow statement covering the period from February 23, 2005 to May 31, 2005. We submit below a summary comparison of projected and actual results as at May 17, 2005:

(in \$)	Projected February 23, 2005 to May 31, 2005	Actual February 23, 2005 to May 17, 2005	Variances
Receipts	19,132,484	101,435	(19,031,049) ⁽¹⁾
Disbursements	<u>4,174,392</u>	<u>258,874</u>	<u>(3,915,518) ⁽²⁾</u>
Variances	14,958,092	(157,439)	(15,115,531) ⁽³⁾
Opening bank balance	<u>175,526</u>	<u>175,526</u>	_____
Closing bank balance	<u>15,133,618</u>	<u>18,087</u>	<u>(15,115,531)</u>

Notes:

- 1) *The unfavorable variance of \$19,031,049 in the receipts is mainly due to the failure from Quebec Waters, Inc. to complete the sale transaction ("the Failure"). However, it does not take into consideration the \$1,000,000 deposit received from Quebec Waters, Inc. and presently held by the Monitor. Said deposit was confiscated as a result of the Failure and is deemed to be forfeited to EVH. Furthermore, the actual receipts does not take into consideration an amount of \$143,500 presently held by the Monitor which was advanced by Quebec Waters, Inc. to cover EVH's operational expenses pursuant to their offer;*
- 2) *The overall favorable variance of \$3,915,518 in the disbursements is explained by:*
- a) *Personnel expenses: Unfavorable variance of \$5,091 due to timing issues as a result of the Failure;*
 - b) *Operating expenses: Unfavorable variance of \$46,350 due to timing issues as a result of the Failure;*
 - c) *Professional fees: Favorable variance of \$638,719 due to timing issues as a result of the Failure;*
 - d) *DIP financing costs: Favorable variance of \$3,173,241 due to timing issues as a result of the Failure ;*
 - e) *Other expenses: Favorable variance of \$158,135 due to timing issues as a result of the Failure;*
 - f) *USA expenses: Unfavorable variance of \$3,136 due timing issues;*
- 3) *The resulting Unfavorable cash flow variance is \$15,115,531.*

• **Post-Filing Obligations**

16. Debtors have been paying the post-filing operating obligations as they become due. In addition, the Crown's claims are current. There are professional fees and property taxes outstanding. Certain current expenses and professional fees have yet to be billed to the Company.

V. DEBTOR IN POSSESSION FINANCING

17. With the assistance of the Monitor, on June 10, 2004, EVH and Royal Bank Asset Based Finance, a division of RBC, concluded a DIP Financing Agreement providing for an advance up to \$3,578,000. On June 15, 2004, the Honourable Justice François Rolland rendered an Order approving the DIP Financing Agreement;

18. To date, EVH has drawn \$2,670,000 from the \$3,578,000 available DIP financing and RBC has accrued to date approximately \$170,000 of interests and charges relating to same which is included in the total amount drawn to date;
19. Furthermore, under the terms of their offer to purchase, Quebec Waters, Inc. provided an amount of \$100,000 per month to cover operating expenses. In that respect, \$235,000 were advanced from Quebec Waters, Inc. out of which, \$91,500 was transferred to EVH and the remaining balance of \$143,500 is presently being held in the Monitor's trust bank account along with the interests earned thereof;
20. EVH's cash flow projections for the period ending July 29, 2005 indicate that the funds presently held by EVH (\$18,087) and the Monitor (\$143,500) will be sufficient to support the operating expenses relating to the safeguard of assets and the completion of the sale of assets;
21. EVH is in compliance with the terms of the DIP financing agreement;
22. A portion of the proceeds from the sale of EVH's assets will be used to reimburse the DIP financing advances made by RBC as well as the administration charges as defined in the initial order under the CCAA.

VI. SALE OF EVH'S ASSETS

23. EVH concluded in early 2004 that it was in the best interest of EVH and its creditors to terminate its operations and sell all of its assets. EVH retained the services of Scotia Capital Inc. ("Scotia") to market its assets and find a buyer;

- **Initial Marketing Process**

24. Scotia advised the Monitor that the results of the initial marketing process can be summarized as follows:
 - a) They discussed the possibility of the purchase of the assets with over sixty (60) prospective parties, including North American and international beverage companies, bottled water companies, bottled water industry participants, financial buyers and distressed asset purchasers and liquidators;
 - b) Between April 6, 2004 and June 16, 2004, more than thirty (30) parties received the information packages from Scotia;
 - c) During the same time period, fourteen (14) parties executed confidentiality agreements and, out of such fourteen (14) parties, nine (9) visited the data room established for the sale process in order to examine the books, records and other documents regarding EVH therein contained, and seven (7) such parties conducted site visits of EVH's plant;
 - d) A total of four (4) formal offers were received on or before June 23, 2004 by Scotia pursuant the aforementioned marketing process;
 - e) Further to the receipt of the offers and pursuant to the recommendation of Scotia, EVH had discussions and negotiations with the retained offeror in order to obtain the most favorable offer;

25. We are further advised by the representatives of EVH that:

- a) On July 30, 2004, an offeror, pursuant to the initial marketing process, submitted a revised offer, which was accepted by EVH;
- b) Some unexpected financing problems have been encountered by the offeror;
- c) Despite a demand letter and further communications, the offeror did not comply with its obligations pursuant to the offer, and EVH had no choice but to terminate the negotiations with the offeror and to pursue other options;

- **Second Marketing Process**

26. As a result of the failure to close the contemplated sale transaction, throughout the months of October and November 2004, Scotia and EVH re-established communications with all those parties that had been identified as potential buyers;

27. After having examined the alternatives available and due to the fact that interested parties had manifested their interest to acquire EVH's assets, EVH decided, in collaboration with the Monitor and Scotia, to launch a new sale process and, as such, to canvass, once again, the market in order to attempt to complete a transaction;

28. The highlights of the second marketing process initiated by Scotia, EVH and the Monitor can be summarized as follow:

- a) The delay to submit offers was set to November 30, 2004;
- b) Several new parties, as well as those previously contacted, were canvassed by either EVH, Scotia or the Monitor;
- c) The Monitor, EVH and Scotia have dealt with six (6) interested parties and potential buyers;
- d) The most favorable offer was not retained since the offeror was unable to make a deposit to secure its undertaking under the offer as well as to provide the proof of availability of funds to complete the transaction;

- **Extension of Marketing Process**

29. The initial intention of the Monitor, EVH and Scotia was to make a final decision regarding the offers received by December 20, 2004. However, in the interests of fairness to the parties remaining in the process and with a view of concluding a transaction, it appeared that it would be beneficial to pursue such discussions through January 2005. The interested parties were advised by a letter sent on December 22, 2004 that it was the Monitor's intention to deal with those offerors who would submit an acceptable offer in form and substance by January 21, 2005;

30. A total of four (4) offers and two (2) letters of interest were submitted to the Monitor on or before January 21, 2005;

- **Acceptance of an Offer**

31. After having reviewed the offers, the Monitor and EVH, with the assistance of Scotia, came to the conclusion that the offer presented by Quebec Waters, Inc. was the best offer, and moreover, the only offer capable of ensuring the interests of EVH's creditors. Furthermore, the purchase price offered by Quebec Waters, Inc. was greater than that provided for in any other offer received;
32. Contrary to the other offers or expressions of interest received on January 21, 2005, the Quebec Waters, Inc. offer did not contain any onerous condition and allowed for the completion of a transaction in a short delay;
33. Further to discussions and a period of negotiations, on February 3, 2005, the Monitor sent a letter to Quebec Waters, Inc. by which it set forth certain required improved terms and amendments to the offer dated January 21, 2005 and stipulating that should Quebec Waters, Inc. agree to such terms and amendments and fulfill the conditions therein set forth, then the offer would be deemed to be accepted subject to approval of the board of directors of EVH and the Superior Court;
34. On February 4, 2005, Quebec Waters, Inc. accepted the terms of the said letter agreement which was further amended by letter of amendment dated February 17, 2005 (collectively with the January 21 offer, the "Offer");
35. On February 23, 2005, the Honourable Chief Justice François Rolland, from the Québec Superior Court, rendered an Order approving the sale transaction of EVH's assets to Quebec Waters, Inc., as provided for in their offer dated January 21, 2005, as amended;
36. The closing of the contemplated transaction was to take place no later than thirty (30) days following the above mentioned judgment date;
37. The sale proceeds were to be remitted to RSM Richter Inc. ("Richter"), as Interim Receiver;
38. The Order dated February 23, 2005 provides for (i) the issuance by Richter of the Certificate (as defined in the Order) confirming the transaction is completed to its satisfaction and the purchase price is paid; and (ii) radiation of all hypothecs, liens, charges and any other encumbrances or security registered against EVH's assets (with the exclusion of any charge filed or to be filed on such assets by Quebec Waters, Inc. and/or its lenders in connection with the contemplated transaction);

- **Quebec Waters, Inc.' Failure to Complete the Transaction**

39. The Quebec Waters, Inc. transaction was initially scheduled to close on March 23, 2005;
40. At the request of Quebec Waters, Inc., the March 23, 2005 deadline was extended to April 8, 2005;
41. On April 5, 2005, the Offeror requested an additional extension of the deadline for closing to a date to be determined in the week of April 11, 2005;

42. On April 14, 2005, the closing of the transaction of purchase and sale contemplated in the Offer was extended so as to occur at 8:30 am on May 4, 2005 (the "Final Extension"). The Offeror having advised that he needed this additional time to complete a more favorable financing agreement with a third party.
 43. The main condition to the granting of this Final Extension was to receive conclusive evidence from the initial financing institution of the unconditional availability of funds to pay the balance of the purchase price so as to ensure that, if the financing agreement with the new financing institution is not completed, EVH may insist that the transaction close with the funds provided by the initial financing institution;
 44. On May 4, 2005, the Monitor was informed that a representative of Quebec Waters, Inc. arrived at the time and place scheduled for closing and indicated that no funds were available and that the closing would not occur.
 45. As a result, the Monitor confiscate the \$1,000,000 deposit presently held by the Monitor in view of the contemplated transaction and to transfer same into the Monitor's trust account for the benefit of EVH.
- **Alternative Transaction**
46. In view of the failure by Quebec Waters, Inc. to complete the sale transaction, the Monitor and EVH, along with EVH's attorneys, have been assessing the alternatives available to EVH;
 47. The alternatives discussed amongst the parties were:
 - a) Launch a new sale process and canvass once again the market;
 - b) Deal with a well-known and respected financing institution in the United States and in Canada (the "New Offeror") that has submitted a letter of interest on May 25, 2005;
 48. EVH and the Monitor believe that the second option could lead to a concluded transaction before the end of June 2005;
 49. Given the limited availability of funds and the concerns of the DIP lender regarding the failed transaction with Quebec Waters, Inc., EVH and the Monitor do not believe that the option to launch a new sale process is the best option available at the moment;
 50. The DIP lender is not opposed to the option of dealing with the New Offeror;

VII. PLAN OF ARRANGEMENT TO BE FILED

51. As part of EVH's process to finalize the terms and conditions of its Plan of Arrangement the following steps must be completed:
- a) Update books and records and finalized list of creditors;
 - b) Analyze the proofs of claims received to identify any differences and, as such, deal with creditors' claims, with the objective to resolve issues and come to an agreement as to amounts owed by the Debtors to creditors, the whole subject to the Claim Bar Date of July 30, 2004;
 - c) Complete a sale transaction of EVH's assets;
 - d) Deposit the proceeds of such a sale with Richter, which will be used to satisfy the financial terms of the Plan of Arrangement;
 - e) Reimburse the DIP financing to RBC;
52. The filing of a Plan of Arrangement by the Debtors to their creditors will occur following the closing of a sale transaction.

VIII. MOTION FOR THE EXTENSION OF TIME FOR THE FILING OF THE PLAN OF ARRANGEMENT

53. Pursuant to the Extension Order rendered on February 25, 2005, the stay period expires on May 30, 2005. Debtors are now seeking an extension of the stay period to Friday July 29, 2005, inclusively;
54. An extension of the stay period is necessary for Debtors to complete a sale transaction with respect to its assets;
55. The conclusion of the contemplated sale should enable Debtors to finalize the terms of the Plan of Arrangement to be filed;
56. During this reference period, Debtors will rely on the funds presently available to support the safeguard measures;
57. The cash flow projections for the period May 18, 2005 to July 29, 2005 indicate that Debtors will have sufficient funds to support their current operating obligations.
58. The DIP lender does not oppose to a sixty (60) day extension that would allow the parties to finalize a transaction with the New Offeror.

IX. MONITOR'S RECOMMENDATION

59. Based on our review of the information provided to us, as previously discussed in this Report, as well as our assessment of Debtors' good faith in dealing with its affairs, the Monitor recommends that Debtors' request for an extension of time for the filing of the Plan of Arrangement to July 29, 2005 be granted.

All of which is respectively submitted by RSM Richter Inc. in its capacity as Court-Appointed Monitor of EAUX VIVES HARRICANA INC., EVH U.S.A. INC. and LES SOURCES PÉRIGNY INC.

DATED AT MONTREAL, this 27th day of May, 2005.

RSM Richter Inc.
Court-Appointed Monitor



André Hébert, CA, CIRP

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
COURT NO. : 500-11-022700-047

SUPERIOR COURT

(Sitting as Tribunal designated under the
Companies' Creditors Arrangement Act)

IN THE MATTER OF THE PLAN OF
ARRANGEMENT OF:

Eaux Vives Harricana Inc., legal person duly constituted under the laws of Québec, having its head office at 11 Chemin des Sablières, Saint-Mathieu-d'Harricana, Province of Québec, District of Abitibi, JOY 1M0;

- and -

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Debtors

- and -

RSM Richter Inc., a body politic and corporate, duly incorporated according to law, having a place of business at 2 Place Alexis-Nihon, 3500 de Maisonneuve Blvd. West, 22nd Floor, in the City of Montréal, Province of Québec, H3Z 3C2;

Monitor

MONITOR'S REPORT ON CASH-FLOW STATEMENT

The attached Statement of Projected Cash-Flow of the above-named Debtors as of the 26th day of May, 2005, consisting of a statement of projected cash receipts and disbursements, including notes thereto, covering the period from the 18th day of May 2005 to the 29th day of July 2005, has been prepared by the Management of Eaux Vives Harricana Inc., EVH U.S.A. Inc. and Les Sources Périgny Inc. (collectively "EVH") for the purpose described in **Note 1**, using probable and hypothetical assumptions set out in **Note 3**.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by the Management and employees of EVH. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by Management for the probable assumptions and the preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- (a) The hypothetical assumptions are not consistent with the purpose of the projection;
- (b) As at the date of this Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) The projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in **Note 1** and readers are cautioned that it may not be appropriate for other purposes.

DATED AT MONTRÉAL, Province of Québec, this 26th day of May, 2005.

RSM Richter Inc.
Court-Appointed Monitor



André Hébert, CA, CIRP

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
COURT NO. : 500-11-022700-047

SUPERIOR COURT

(Sitting as Tribunal designated under the
Companies' Creditors Arrangement Act)

**IN THE MATTER OF THE PLAN OF
ARRANGEMENT OF:**

Eaux Vives Harricana Inc., legal person duly
constituted under the laws of Québec, having its
head office at 11 Chemin des Sablières, Saint-
Mathieu-d'Harricana, Province of Québec, District
of Abitibi, JOY 1M0;

- and -

EVH U.S.A. Inc., legal person, duly constituted
under the laws of Delaware, U.S.A., having a
place of business at 17821 East 17th Street,
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- and -

Les Sources Périgny Inc., legal person duly
constituted under the laws of Québec, having its
head office at 11 Chemin des Sablières, Saint-
Mathieu-d'Harricana, Province of Québec, District
of Abitibi, JOY 1M0;

Debtors

- and -

RSM Richter Inc., a body politic and corporate,
duly incorporated according to law, having a place
of business at 2 Place Alexis-Nihon, 3500 de
Maisonnette Blvd, West, 22nd Floor, in the City of
Montréal, Province of Québec, H3Z 3C2;

Monitor

Mark Mangelsdorf
5-26-05

REPORT ON CASH-FLOW STATEMENT BY THE PERSON MAKING THE PROPOSAL

The Management of Eaux Vives Harricana Inc., EVH U.S.A. Inc. and Les Sources Périgny Inc. (collectively "EVH") has developed the assumptions and prepared the attached statement of projected cash-flow of the insolvent person, as of the 26th day of May 2005, consisting of a statement of projected cash receipts and disbursements, including notes thereto, covering the period from the 18th day of May 2005 to the 29th day of July 2005.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in Note 1, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions have been disclosed in Note 3.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented and variations may be material.

The projection has been prepared solely for the purpose described in Note 1, using a set of probable and hypothetical assumptions set out in Note 3. Consequently, readers are cautioned that it may not be appropriate for other purposes.

DATED AT MONTRÉAL, Province of Québec, this 26th day of May, 2005.

Eaux Vives Harricana Inc., EVH U.S.A. Inc. and Les Sources Périgny Inc.

Per: Mark Mangelsdorf

Mark Mangelsdorf
5-26-05

EVAUX VIVES HARRICANA INC.

Cash flow projections (Seventh extension May 27, 2005)

For the period ending July 29, 2005

	Note	Forecasted May 1-31, 2005	Forecasted June 1-30, 2005	Forecasted July 1-29, 2005	Forecasted May 1 to July 29, 2005
OPENING BALANCE		18,087	22,271	118,877	18,087
INFLOWS					
Proceed of EVH's assets sale					
Transfer from Monitor's bank account	1				
From government	2		143,600		143,600
Dip financing		28,600			28,600
TOTAL INFLOWS	3	28,600	143,600	17,400	229,200
CASH OUTFLOWS					
Canada Outflows:					
Personnel Expenses					
Expense report			200	300	400
London Life retirement plan			384	384	728
Payroll (employees)		3,244	3,300	5,500	14,248
Payroll (social benefits)			4,500	4,600	9,000
Sun Life (group insurance)			314	314	628
Subtotal		3,244	10,878	10,877	22,900
Operating Expenses					
Bel					
Dicom					
Fedex					
Gaz metropolitain		50	100	100	250
Hydro-Quebec (St-Mathieu)					
Hydro-Quebec (electricity)			5,000	5,000	10,000
Informatica					
Mirado (security agency)		6,800	13,100	13,100	26,900
OFFICE Supplies					
Telaboc (telephone)					
Subtotal		6,800	18,100	18,100	36,900
Professional Fees					
Davies, Ward Phillips & Vineberg					
RSMRichier					
Garrison Belair Deloitte & Touche					
Legal advisor to Monitor					
Scala Capital					
Subtotal	4				
Dip financial costs					
Dip reimbursement interest					
Unused Line Fee		18,000	18,000	18,000	48,000
Monitoring fees		400	400	400	1,200
Legal costs		1,000	1,000	1,000	3,000
Acceptance Fee					
Subtotal	3	17,400	17,400	17,400	52,200
Other Expenses					
Government Canada & Quebec (capital tax)					
Permits					
Revenue Quebec (land lease)					
School taxes					
St-Mathieu taxes					
Miscellaneous Can					
Subtotal	5	1,000	1,000	1,000	3,000
Total Canada Outflows		28,276	48,694	46,594	126,444
USA Outflows (Canadian \$ @ 51.31 exchange rate)					
Personnel Expenses					
USA (payroll & taxes)					
USA Ferland / Mark Mangelsdorf		14,800	14,800		29,200
Subtotal		14,800	14,800		29,200
Operating Expenses					
USA Bpatriot/for					
USA National Testing Laboratory			1,000	1,000	2,000
USA Phone					
Subtotal			1,000	1,000	2,000
Professional Fees					
USA CPA Bob Barbeau and Ass.					
Subtotal					
Other Expenses					
USA Miscellaneous					
Subtotal					
Total USA Outflows		14,800	15,800	1,000	31,200
TOTAL OUTFLOWS		42,974	64,184	48,594	156,844
CLOSING BALANCE		26,271	118,877	88,783	88,783

Note 1: Proceed of EVH's asset sale
The proceed of EVH's assets sale is not forecasted for the moment as it is not yet determined. However it will be received and held by the Monitor to be used to satisfy the financial terms of the Plan of Arrangement. It reimburses the DIP loan and pay professional fees and other expenses.

Note 2: Transfer from Monitor's bank account
The former Officer provided the Monitor with funds to cover EVH's operating costs while contemplating the transaction. The remaining funds presently held by the Monitor will be transferred to EVH's bank account to cover such current operational costs.

Note 3: Dip financing
The interest and charges relating to the DIP financing facility are accrued and therefore we are presenting the respective receipts and disbursement as if it was advanced by RBC to EVH and then reimbursed by EVH to RBC.

Note 4: Professional fees
Professional fees incurred since November 2004 remain unpaid to date and they are forecasted to be paid out of the proceed of EVH's assets sale.

Note 5: Property and school taxes
Property and school taxes for year 2004 and 2005 remain unpaid to date and they are forecasted to be paid out of the proceed of EVH's assets sale.

Mark Mangelsdorf
5-26-05

EAUX VIVES HARRICANA INC.

Cash flow projections (Seventh extension May 27, 2005)

For the period ending July 29, 2005

	Notes	Forecasted May 18-31, 2005	Forecasted June 1-30, 2005	Forecasted July 1-29, 2005	Forecasted May 18 to July 29, 2005
OPENING BALANCE		18,087	22,271	118,977	18,087
INFLOWS					
Proceed of EVH's assets sale	1	-	-	-	-
Transfer from Monitor's bank account	2	-	143,500	-	143,500
From government		29,660	-	-	29,660
Dip Financing	3	17,400	17,400	17,400	52,200
TOTAL INFLOWS		47,060	160,900	17,400	225,360
CASH OUTFLOWS					
Canada Outflows:					
Personnel Expenses					
Expense report		-	200	200	400
London Life retirement plan		-	364	364	728
Payroll (employees)		3,246	5,500	5,500	14,246
Payroll (social benefit)		-	4,500	4,500	9,000
Sun Life (group insurance)		-	314	314	628
Subtotal		3,246	10,878	10,878	25,002
Operating Expenses					
Bell		-	-	-	-
Dicom		-	-	-	-
Fedex		50	100	100	250
Gaz métropolitain		-	-	-	-
House keeping (St-Mathieu)		-	-	-	-
Hydro-Québec (electricity)		-	5,000	5,000	10,000
Informatika		-	-	-	-
Mirado (security agency)		6,580	13,160	13,160	32,900
OFFICE Supplies		-	-	-	-
Télébec (telephone)		-	1,056	1,056	2,112
Subtotal		6,630	19,316	19,316	45,262
Professional Fees					
Davies, Ward Phillips & Vineberg		-	-	-	-
RSMRichter		-	-	-	-
Samson Belair Deloitte & Touche		-	-	-	-
Legal advisor to Monitor		-	-	-	-
Scolia Capital		-	-	-	-
Subtotal	4	-	-	-	-
Dip financial costs					
Dip reimbursement		-	-	-	-
Interests		16,000	16,000	16,000	48,000
Unused Line Fee		400	400	400	1,200
Monitoring fees		1,000	1,000	1,000	3,000
Legal costs		-	-	-	-
Acceptance Fee		-	-	-	-
Subtotal	3	17,400	17,400	17,400	52,200
Other Expenses					
Government Canada & Québec (capital tax)		-	-	-	-
Permits		-	-	-	-
Revenu Québec (land lease)		-	-	-	-
School taxes		-	-	-	-
St-Mathieu taxes	5	-	-	-	-
Miscellaneous Can	5	1,000	1,000	1,000	3,000
Subtotal		1,000	1,000	1,000	3,000
Total Canada Outflows		28,276	48,594	48,594	125,464
USA Outflows (Canadian \$ @ \$1.31 exchange rate)					
Personnel Expenses					
USA (payroll & taxes)		-	-	-	-
USA Farmland / Mark Mangelsdorf		14,600	14,600	-	29,200
Subtotal		14,600	14,600	-	29,200
Operating Expenses					
USA Boothcrafter		-	1,000	1,000	2,000
USA National Testing Laboratory		-	-	-	-
USA Phone		-	-	-	-
Subtotal		-	1,000	1,000	2,000
Professional Fees					
USA CPA Bob berleson and Ass.		-	-	-	-
Subtotal		-	-	-	-
Other Expenses					
USA Miscellaneous		-	-	-	-
Subtotal		-	-	-	-
Total USA Outflows		14,600	15,600	1,000	31,200
TOTAL OUTFLOWS		42,876	64,194	49,594	156,664
CLOSING BALANCE		22,271	118,977	86,783	86,783

Note 1: Proceed of EVH's asset sale

The proceed of EVH's assets sale is not forecasted for the moment as it is not yet determined. However it will be received and held by the Monitor to be used to satisfy the financial terms of the Plan of Arrangement, to reimburse the DIP loan and pay professional fees and other expenses.

Note 2: Transfer from Monitor's bank account

The former Offeror provided the Monitor with funds to cover EVH's operating costs while contemplating the transaction. The remaining funds presently held by the Monitor will be transferred to EVH's bank account to cover such current operational costs.

Note 3: Dip Financing

The interests and charges relating to the DIP financing facility are accrued and therefore we are presenting the respective receipt and disbursement as if it was advanced by RBC to EVH and then reimbursed by EVH to RBC.

Note 4: Professional fees

Professional fees incurred since November 2004 remain unpaid to date and they are forecasted to be paid out of the proceed of EVH's assets sale.

Note 5: Property and school taxes

Property and school taxes for year 2004 and 2005 remain unpaid to date and they are forecasted to be paid out of the proceed of EVH's assets sale.

Eaux Vives Harriçana Inc., EVH U.S.A. Inc. and Les Sources Périgny Inc.

NOTES AND ASSUMPTIONS TO THE PROJECTED CASH FLOW FOR THE PERIOD MAY 18, 2005 TO JULY 29, 2005

Note 1: General

The attached Cash Flow has been prepared by Management for the sole purpose of assessing the cash requirements of the Company for the period. As the Cash Flow is based upon various assumptions relating to events and circumstances, variances will exist and said variances may be material.

Notes 2: Activities

There has been no production at the plant since February 2004. The sale process of the remaining inventory as well as the collection of the accounts receivable are completed. The Company's main activities are to safeguard asset and maintain its book and records.

The Company is contemplated a sale transaction of all its assets that could be concluded before end of June 2005 enabling EVH to file its plan of arrangement.

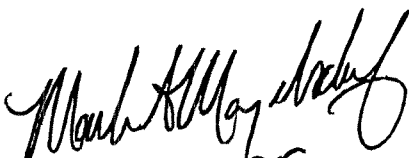
Note 3: Assumptions

Inflows

- Proceed of EVH's Assets sale: The sale price for the sale of EVH's assets is payable upon closing of the sale transaction.
- Transfer from Monitor's bank account: The former offer to the purchase EVH's assets provides for the funding of the operational costs up to \$100,000 per month. The total funds received by the Monitor amounts to \$235,000, \$91,500 has previously been transferred to EVH and the balance (\$143,500) shall be transferred to cover EVH's operating expenses for the period contemplated in these cash flow projections.
- From Government: GST/TVQ sales tax credit reimbursements
- Dip financing: The Company entered into a Dip financing agreement with RBC Bank in the month of June 2004. The advances forecasted are in respect of said agreement or the result of the interests and charges accrued on said DIP financing facility.

Outflows

- Personnel Expenses: Salaries are payable bi-weekly, including benefits. It is expected that once the sale transaction of all the assets is concluded, the personnel expenses will be nominal if any.
- Operating Expenses: Cost of utilities and other minor expenses required to safeguard the facilities.
- Professional fees: Estimate of the fees for professionals services relating to the restructuring. No professional fees were forecasted for the period. However the professional fees accrued since November 2004 shall be paid out of the proceeds of EVH's asset sale.
- Dip financial costs: The interests and charges relating to the DIP financing facility are accrued and therefore the respective inflows and outflows are presented as if disbursed by the lender and reimbursed by EVH. Upon closing of a sale transaction of EVH's assets, the proceed will be used to reimbursed the amounts advanced, the accrued interests and charges in respect of the DIP financing facility provided by RBC Bank.
- Other Expenses: Various expenses relating to ongoing agreements, payable according to terms agreed upon.


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