

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 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

FIFTH REPORT OF THE DESIGNATED MONITOR ON THE STATE OF DEBTORS' FINANCIAL AFFAIRS (December 8, 2004)

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, Mr. 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 four (4) 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 October 14, 2004, extending the Initial Order rendered on March 19, 2004, as amended and extended, and the stay of proceedings included therein until Tuesday, December 14, 2004;
3. This fifth 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 or its 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 continued to request weekly reports from Scotia Capital Inc. of the results of the marketing process ("marketing process", refer to **Section VI** hereof);

10. The Monitor has been reporting weekly to Royal Bank of Canada ("RBC") as required in the DIP Financing Agreement;

III. CURRENT OPERATIONS

- **Activities**

11. The activities at the plant of EVH have been suspended since February 13, 2004. Since then EVH completed the sale of its remaining inventory and collected its residual accounts receivable in Canada and in the United States. At present, all the remaining inventory has been sold and all of the recoverable accounts receivable have been collected. Therefore, the activities since the issuing of our fourth monitor's report have consisted and will continue to be the preserving of the facilities, maintaining the plant in good state and providing support on the marketing process;

- **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;

- **Facilities**

13. The Laval sales office has been permanently closed and the furniture and equipment were transferred to Saint-Mathieu d'Harricana. The lease has been resiliated. The American sales office was also closed;

- **Les Sources Périgny Inc.**

14. Sources Périgny is a distinct legal entity from EVH INC. and is a wholly-owned subsidiary of EVH INC. The assets and liabilities are not dissociated in the normal ongoing operations of EVH. The assets of Sources Périgny are being offered in the sale process managed by Scotia Capital and the liabilities will be compromised in the Plan of Arrangement to be filed by the Debtors;

IV. CURRENT FINANCIAL SITUATION

- **Funding**

15. Since the initial order, Debtors have collected the recoverable accounts receivable. As previously mentioned, the remaining inventory has been sold, except for the merchandise in warehouses being withheld by the warehouse owners in Canada. These initial proceeds thereof were used to cover Debtor's current expenses;

16. 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;

- **Cash Flow Projections**

17. Included as **Appendix A** of this report is a summary of Debtors' cash flow forecast for the period December 1, 2004 to February 28, 2005;

The Debtors had filed with the "Motion for the Extension of Time for the Filing of the Plan of Arrangement" on October 14, 2004 a cash-flow statement covering the period from October 1 to December 31, 2004. We submit below a summary comparison of projected and actual results as at November 30, 2004:

(in \$)	Projected October 1 to November 30, 2004	Actual October 1 to November 30, 2004	Variances
Receipts	700,000	106,498	(593,502) ⁽¹⁾
Disbursements	<u>856,322</u>	<u>299,638</u>	<u>(556,684)</u> ⁽²⁾
Variances	(156,322)	(193,140)	(36,818) ⁽³⁾
Opening bank balance	<u>342,221</u>	<u>343,221</u>	<u>1,000</u>
Closing bank balance	<u>185,899</u>	<u>150,081</u>	<u>(35,818)</u> ⁽³⁾

Notes:

- 1) *The unfavorable variance of \$593,502 of the receipts is due to delays encountered in signing and registering the various security documents in order to get access to the second stage DIP facility;*
- 2) *The overall favorable variance of \$556,684 in the disbursements is explained by:*
 - a) *Personnel expenses: Unfavorable variance of \$3,487 due to timing issues;*
 - b) *Operating expenses: Favorable variance of \$39,859 due, in part, to timing issues and also permanent savings;*
 - c) *Professional fees: Favorable variance of \$322,479 due to timing issues relating to billing dates as well as postponement of payments while finalizing the DIP financing agreement and related security documents and registration of same;*
 - d) *DIP financing costs: Favorable variance of \$31,704 due to interest costs not disbursed to date but factored in by RBC to the total amount drawn to date ;*
 - e) *Other expenses: Favorable variance of \$116,225 due to timing issues and unused provision for miscellaneous expenses;*
 - f) *USA expenses: Favorable variance of \$49,904 due to new agreement concluded during the period;*
- 3) *The resulting unfavorable cash flow variance is \$36,818.*

- **Post-filing Obligations**

18. Debtors have been paying the post-filing obligations as they become due. In addition, the Crown's claims are current. Certain expenses, interest charges and professional fees have yet to be billed to the Company or disbursed by same;

V. DEBTOR IN POSSESSION FINANCING

19. Debtors have completed the sale of the remaining inventory and the collection of the residual accounts receivable. There are no commercial activities that may generate funds for the Company. The only activity since June 2004 and from the coming months relate to the safeguard of the facilities;
20. The Debtors cannot generate the additional funds required to cover ongoing expenses during the sale process period (refer to **Section VI** hereof) ;
21. 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, Mr. Justice François Rolland rendered an Order approving the DIP Financing Agreement;
22. To date, EVH has drawn \$2,000,000 from the \$3,578,000 available DIP financing. In order to get access to the second portion of the DIP financing of \$1,578,000, the required "Stage II" financing documents were completed;
23. EVH's cash flow projections for the period ending February 28, 2004 indicate that the funds made available by RBC's second stage financing facility will be sufficient to support the costs related to the safeguard of assets and the sale process;
24. EVH is in compliance with the terms of the DIP financing agreement;

VI. SALE OF EVH OR ITS ASSETS

25. EVH concluded in early 2004 that it was in the best interest of its creditors to terminate its operations and sell all of its assets. EVH retained the services of Scotia Capital Inc. ("Scotia") to find a buyer;
26. Scotia has advised the Monitor that the first marketing process can be summarized as follows:
 - a) They have 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;

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

- a) On July 30, 2004, the retained offeror submitted a revised offer, which was accepted by EVH;
- b) Some unexpected financing problems have been encountered by the offeror since the acceptance of said offer;
- 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;

28. 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, the DIP lender and Scotia, to launch a new sale process to canvass, once again, the market in order to attempt to complete a transaction:

- a) The second marketing process was put forward by Scotia, EVH and the Monitor;
- b) The delay to submit offers was set to November 30, 2004;
- c) During the months of October and November 2004, several new parties as well as the ones contacted in the first sale process, received updated information package by either EVH, Scotia or the Monitor;
- d) The Monitor, EVH and Scotia are currently dealing with five (5) different parties, and are devoting their efforts in determining which of the interested parties is most likely to complete the sale transaction;

VII. PLAN OF ARRANGEMENT TO BE FILED

29. As part of EVH's process to finalize the terms and conditions of its Plan of Arrangement the following steps were taken:

- a) Execute a DIP financing agreement with RBC to obtain advances of funds to support the restructuring process, as authorized by the Court on June 15, 2004 Order;

- b) Revoke all lease agreements pertaining to the warehouses, offices and other premises no longer required by Debtors;
 - c) Revoke all contracts no longer required by Debtors;
 - d) Update books and records and finalize list of creditors including dealing with creditors' claims, with the objective to resolve issues and come to an agreement as to amounts owed by Debtors to creditors;
 - e) Established a Claim Determination Process pursuant to the Order rendered on June 8, 2004 by Mr. Justice François Rolland, including the determination of the Claim Bar Date of July 30, 2004;
 - f) Began the analysis of the proofs of claims received to resolve the differences between same and their books and records;
 - g) Initiate a sale/marketing process with the collaboration of Scotia which included, without limitation, identifying potential purchasers, executing confidentiality agreements, organizing visits of the premises and allowing access to the data room for potential buyers to perform due diligence with the objective of obtaining a final offer for the purchase of Debtors' assets and/or shares;
 - h) Scotia obtained offers to purchase, however none has resulted in a transaction;
 - i) Launch a second sale process with the collaboration of the Monitor, Scotia and RBC with offers to be submitted by November 30, 2004;
 - j) No particular offer has yet been retained. However, discussions are taking place with the offerors to finalize and resolve matters to complete the sale transaction;
30. The filing of a Plan of Arrangement to its creditors cannot be done until a sale transaction is concluded;
31. It is presently impossible to evaluate the funds that will be made available and/or the financial terms to be offered to settle with creditors. This will only be made possible once a sale transaction of Debtors' business (shares and/or assets) is determined;

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

32. Pursuant to the Extension Order rendered on October 14, 2004, the stay period expires on December 15, 2004. Debtors are now seeking an extension of the stay period to Monday, February 28, 2004, inclusively;
33. An extension of the stay period is necessary for Debtors to complete a sale transaction with respect to its assets;
34. The conclusion of the contemplated sale should enable Debtors to finalize the terms of the Plan of Arrangement to be filed;
35. During this reference period Debtors will rely on the DIP financing presently in place to support the safeguard measures;

36. The Monitor is of the opinion that the creditors will not suffer any prejudice by the allowance of the extension of delay sought by Debtors which would expire on February 28, 2005;
37. In the event of a bankruptcy of Debtors, the recovery to the unsecured creditors, will be smaller, if any;
38. The cash flow projections for the period December 1, 2004 to February 28, 2005 indicate that Debtors will have sufficient funds to support their current obligations subject to the second stage DIP financing;


IX. MONITOR'S RECOMMENDATION

39. 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 February 28, 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 13th day of December, 2004.

RSM Richter Inc.
Court-Appointed Monitor



André Hébert, CA, CIRP

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
NO DE COUR : 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 PERIGNY 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;

Petitioners

-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 Maisonneuve West, 22nd Floor, in the City of Montreal, Province of Quebec, 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 6th day of December, 2004, consisting of a statement of projected cash receipts and disbursements, including notes thereto, covering the period from the 1st day of December, 2004 to the 28th day of February 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.

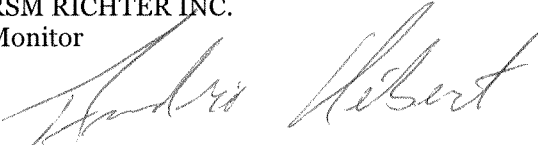
Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

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 6th day of December, 2004.

RSM RICHTER INC.

Monitor

A handwritten signature in cursive script, appearing to read "André Hébert".

Per: André Hébert, CA, CIRP

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
NO DE COUR : 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 PERIGNY 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 Maisonneuve
West, 22nd Floor, in the City of Montreal, Province of
Quebec, H3Z 3C2

Monitor

Mark Mangelsdorf
12-6-04

Report on Cash-Flow Statement by the Person Making the Proposal

The Management of Faux 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 6th day of December 2004, consisting of a statement of projected cash receipts and disbursements, including notes thereto, covering the period from the 1st day of December 2004 to the 28th day of February, 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 6th day of December, 2004.

EAUX VIVES HARRICANA INC. & EVH U.S.A. INC. & LES SOURCES PÉRIGNY INC.

Per: Mark Mangelsdorf

Mark Mangelsdorf

EAUX VIVES HARRICANA INC.
Cash flow projections (Fifth extension December 8, 2004)
For the period ending February 28th, 2005

	DECEMBER	JANUARY	FEBRUARY
OPENING BALANCE	166,081	249,713	425,810
INFLOWS			
From receivables USA	-	-	-
From receivables CND	-	-	-
From government	-	-	-
Dip Financing	500,000	500,000	-
TOTAL INFLOWS	500,000	500,000	-
CASH OUTFLOWS			
Canada Outflows:			
Personnel Expenses			
Expense report	200	200	200
London Life retirement plan	542	542	542
Payroll (employees)	9,495	6,330	6,330
Payroll (social benefit)	6,647	4,432	4,431
Sun Life (group insurance)	-	-	-
Subtotal	16,884	11,504	17,503
Operating Expenses			
Beli	450	450	450
Dicom	88	86	86
EVH pick up rental	-	-	-
EVH Pick up maintenance	-	-	-
Fedex	76	75	75
Gaz métropolitain	3,000	3,000	3,000
House keeping (St-Mathieu)	440	440	440
Hydro-Québec (electricity)	30,000	30,000	30,000
Informatika	200	200	200
Livingston (FDA)	-	-	-
Maheu & Maheu extermination	-	-	-
Mirado (security agency)	18,445	13,156	13,156
OFFICE Supplies	200	200	200
Parmalat Dairy	-	-	-
Parmalat Canada (Umbrella Insurance Policy)	-	-	-
Télébec (telephone)	2,440	2,440	2,440
Subtotal	63,328	49,637	60,047
Professional Fees			
Davies, Ward Phillips & Vineberg	50,000	75,000	100,000
RSMRichter	50,000	76,000	100,000
Samson Belair Deloitte & Touche	131,215	-	-
Legal advisor to Monitor	5,000	5,000	10,000
Scotia Capital**	-	-	-
Subtotal	236,215	166,000	210,000
Dip financial costs			
Interests	23,333	26,250	23,333
Unused Line Fee	-	-	-
Monitoring fees	1,000	1,001	1,000
Legal costs	-	-	-
Acceptance Fee	-	-	-
Subtotal	24,333	27,251	24,333
Other Expenses			
Government Canada & Québec (capital tax)	-	-	-
Permits	1,000	1,001	1,000
Revenue Québec	-	-	-
School taxes	-	25,000	25,000
St-Mathieu taxes	25,000	25,000	60,000
Miscellaneous Can	1,000	1,000	1,000
Subtotal	27,000	52,001	77,000
Total Canada Outflows	407,745	385,305	512,683
USA Outflows (Canadian \$ @ \$1.31 exchange rate)			
Personnel Expenses			
USA (payroll & taxes)	-	-	-
USA Farmland	42,600	28,400	28,400
Subtotal	42,600	28,400	28,400
Operating Expenses			
USA Boothcrafter	-	-	-
USA National Testing Laboratory	-	-	-
USA Phone	-	-	-
Subtotal	-	-	-
Professional Fees			
USA CPA Bob Berlecon and Ass.	-	-	-
Subtotal	-	-	-
Other Expenses			
USA Miscellaneous	-	-	-
Subtotal	-	-	-
Total USA Outflows	42,600	28,400	28,400
TOTAL OUTFLOWS	450,345	413,705	541,083
CLOSING BALANCE	249,713	425,810	24,227

**Note : Scotia Capital's success fees are payable upon completion of the sale transaction of the Company

Mark A. Mayhew
12-16-04

