



EVOLVED DIGITAL SYSTEMS INC. PROPOSES PRIVATE PLACEMENT

MONTREAL, February 4, 2005 /CNW/ Evolved Digital Systems Inc. (TSX: EVD) (the "Company"), a leading healthcare technology solutions company, is pleased to announce its intention to proceed with an equity and debt financing package of up to \$8,200,000 (the "Offering"). The Offering will include a private placement of a newly created class of shares, the Series A First Preferred shares, for an anticipated gross proceeds of up to \$4,200,000. The Series A First Preferred shares are entitled to receive cumulative dividends at a fixed rate of 3% per annum. Each Series A First Preferred shares shall be convertible at any time, at the option of the holder thereof without payment of any consideration, into fully paid and non assessable common shares at a conversion price of \$0.35 per share. The maximum number of common shares issuable assuming conversion of a fully subscribed offering will be 12,000,000 common shares representing 17.1% of the issued and outstanding common shares as of February 4, 2005 on a fully-diluted basis taking into consideration the Offering.

Concurrently with such private placement, the Company intends to enter into a loan agreement with Argosy Bridge Fund L.P. II pursuant to which the Company can borrow up to a maximum of \$4,000,000. In consideration for such loan, Argosy shall be issued a four year warrant to purchase 500,000 common shares of the Company at \$0.50 per share for each million dollars borrowed. The maximum number of common shares issuable pursuant to the warrants assuming the full loan amount will be 2,000,000 common shares representing 2.8% of the issued and outstanding common shares as of February 4, 2005 on a fully-diluted basis taking into consideration the Offering.

The Series A First Preferred shares will not be traded on the Toronto Stock Exchange ("TSX") and will not initially include voting rights. The Company has agreed to request that shareholders approve an amendment to the Company's Articles at the next shareholders meeting to entitle the Series A First Preferred shares to vote with the common share on an as-converted basis. Such Series A First Preferred shares have anti-dilution protection which provide for a weighted adjustment in the conversion price if the Company sells additional shares in a subsequent offering within the next three years at a price below the stated conversion price of such Series A First Preferred Shares. Investors in the placement include existing shareholders MDS Capital Corp. and Jane Eskind. Assuming a fully subscribed debt and equity offering, conversion of the Series A First Preferred share and exercise of the warrants, MDS Capital Corp. and members of the Eskind Family may own up to 10.2% (7,162,561 common shares) and 41.1% (28,916,596 common shares) respectively of the issued and outstanding common shares on a fully-diluted basis after the Offering. This is compared to 10.6% and 32.0%, respectively, prior to the Offering and may result in a change of control of the Company.

The proceeds from the private placement will be used for working capital and other general corporate purpose. The minimum initial closing of \$6,000,000 consisting of a \$3,000,000 loan and a \$3,000,000 private placement of First Series A Preferred Stock is expected to occur

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on/or about February 18, 2005. Additional equity and debt closings of up to \$2,200,000 are subject to certain terms and conditions and are anticipated to occur prior to August 30, 2005. Approximately \$1,080,000 of the proceeds will be used to repay a bridge loan made by a Director of the Company who is not participating in the Offering.

In order to complete the Offering, the Company is prevailing itself of the financial hardship provisions under Section 604(e) of the *TSX Company Manual* and has therefore been exempted from applicable security holder approval requirements. The Offering was approved by the disinterested Directors of the Company. Closing of the proposed Offering is subject to certain customary conditions, including, but not limited to, the execution of a formal loan agreement and definitive subscription agreements and receipt of all necessary regulatory approvals including the approval of the Toronto Stock Exchange.

About Evolved

With over 100 customer locations across North America, Evolved has become a leading healthcare technology solutions company. Its services and enabling technologies transform hospital and clinic imaging departments from manual to digital-based systems, improving efficiency, turnaround time, and patient care. Evolved is a publicly traded company listed on the Toronto Stock Exchange. Corporate headquarters are based in Laval, Quebec. U.S. offices are located in Brentwood, Tennessee.

For further information, please contact:

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This news release shall not constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction. None of the common shares, preferred shares and warrants or the common shares underlying the preferred shares and warrants have been registered under the *United States Securities Act of 1933*, as amended, and such securities may not be offered or sold directly or indirectly in the United States or to United States persons, absent registration, or an applicable exemption from the registration requirement of such Act.

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Forward-Looking Statements

Certain statements in this communication may constitute forward-looking statements. They are based on management's current expectation and could be affected by numerous factors and are subject to various risks and uncertainties. Certain of those risks and uncertainties are discussed in company filings with the Canadian Securities Commission. Do not rely on any forward-looking statements, as we cannot predict or control many of the factors that ultimately may affect our ability to achieve the results estimated. We make no promise to update any forward-looking statement, whether as a result of changes in underlying factors, new information, or future events.

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