

**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
PCAS PATIENT CARE AUTOMATION SERVICES INC.
AND 2163279 ONTARIO INC. (the "Applicants")**

**APPLICATION UNDER THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED**

APPLICATION RECORD

(returnable March 23, 2012)

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Barristers & Solicitors
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Lawyers for the Applicants

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Attention: Paul van Eyk

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Proposed Monitor

AND TO: **Osler, Hoskin & Harcourt LLP**
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Attention: Kenneth Kallish

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Lawyers for Royal Bank of Canada

AND TO: **Grundy, Cass & Campbell
Professional Corporation**
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Toronto, Ontario M5K 1A1

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Lawyers for Forstar Group

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TAB 1

**ONTARIO
SUPERIOR COURT OF JUSTICE
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**APPLICATION UNDER THE *COMPANIES' CREDITORS
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NOTICE OF APPLICATION

TO THE RESPONDENT(S)

A LEGAL PROCEEDING HAS BEEN COMMENCED by the applicants. The claim made by the applicants appears on the following pages.

THIS APPLICATION will come on for a hearing before a Judge presiding over the Commercial List on Thursday, March 22, 2012, at 11:00 a.m. or so soon thereafter as the application can be heard at 330 University Avenue, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the *Rules of Civil Procedure*, serve it on the applicants' lawyer or, where the applicants do not have a lawyer, serve it on the applicants, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.


IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicants' lawyer or, where the applicants do not have a lawyer, serve it on the applicants, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but not later than 2 p.m. on the day before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU.

**IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY
LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A
LOCAL LEGAL AID OFFICE.**

Date: March 22, 2012

Issued by:


Local Registrar

**Giuseppe Dipietro
Registrar**

Address of court office: 330 University Avenue
7th Floor
Toronto, ON M5G 1R7

TO: PricewaterhouseCoopers Inc.
PwC Tower, 18 York Street, Suite 2600
Toronto, Ontario M5J 0B2

Attention: Paul van Eyk

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Proposed Monitor

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Lawyers for Forstar Group

APPLICATION

1. PCAS Patient Care Automation Services Inc. and 2163279 Ontario Inc. (collectively, the “Applicants”) make an application for an order, among other things:
 - (a) abridging the time for service and filing of this notice of application and the application record and dispensing with service thereof on any interested party other than those served with these proceedings;
 - (b) declaring that each of the Applicants is a company to which the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “CCAA”) applies;
 - (c) staying all proceedings and remedies taken or which might be taken in respect of the Applicants or any of their property, except upon the leave of the Court being granted, or as otherwise provided;
 - (d) authorizing the Applicants to prepare and file with the Court a plan of compromise or arrangement with their creditors;
 - (e) appointing PricewaterhouseCoopers Inc. (“PwCI”) as monitor of the Applicants;
 - (f) approving a debtor-in-possession financing facility (the “**DIP Facility**”) with 2310714 Ontario Inc. in the principal amount of \$3,000,000 and granting a priority charge (the “**DIP Charge**”) over the assets, properties and undertakings of the Applicants (collectively, the “**Property**”) to secure repayment of the amounts borrowed by the Applicants under the DIP Facility;
 - (g) granting a priority charge over the Property in the principal amount of \$500,000 to secure the fees and disbursements of counsel to the Applicants, the Monitor and counsel to the Monitor (the “**Administration Charge**”);

- (h) granting a priority charge over the Property in the principal amount of \$1,500,000 in order to protect the Applicants' directors and officers from certain potential liabilities (the "**D&O Charge**"); and
 - (i) granting such further and other relief as counsel may request and this Honourable Court may permit.
2. The grounds for the application are:
- (a) the Applicants are companies to which the CCAA applies;
 - (b) the Applicants are insolvent;
 - (c) the claims against the Applicants exceed \$5 million;
 - (d) such other grounds set forth in the affidavit of Donald Waugh sworn March 22, 2012;
 - (e) PwCI has consented to act as monitor of the Applicants;
 - (f) the circumstances which exist make the order sought by the Applicants appropriate;
 - (g) the provisions of the CCAA and, in particular, section 11;
 - (h) rules 2.03, 3.02, 14.05 and 16 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194;
 - (i) sections 97 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43;
 - (j) the equitable jurisdiction of this Honourable Court; and
 - (k) such further and other grounds as counsel may advise and this Honourable Court may permit.
3. The following documentary evidence will be used at the hearing of the application:

- (a) the affidavit of Donald Waugh, sworn March 22, 2012;
- (b) the consent of PwCI dated March 21, 2012 to act as Monitor; and
- (c) such further and other evidence as counsel may advise and this Honourable Court may permit.

March 22, 2012

AIRD & BERLIS LLP

Barristers & Solicitors

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Lawyers for the Applicants

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 PCAS PATIENT CARE AUTOMATION SERVICES INC. AND 2163279 ONTARIO INC.

Court File No. Cv-12-9656-CCC

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

NOTICE OF APPLICATION

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Lawyers for the Applicants

TAB 2

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) FRIDAY, THE 23RD DAY
)
JUSTICE MORAWETZ) OF MARCH, 2012

**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 PCAS PATIENT CARE AUTOMATION
SERVICES INC. AND 2163279 ONTARIO INC. (the "Applicants")**

**APPLICATION UNDER THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED**

INITIAL ORDER

THIS APPLICATION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Donald Waugh, sworn March 22, 2012 and the Exhibits thereto (the "**Waugh Affidavit**"), on reading the pre-filing report of PricewaterhouseCoopers Inc. ("**PwCI**"), in its capacity as intended Monitor in these proceedings, dated March 21, 2012, and on hearing the submissions of counsel for the Applicants, counsel for PwCI, counsel for Castcan Investments Inc. ("**Castcan**"), _____ and no one else appearing on this Application, and on reading the consent of PwCI to act as the Monitor,

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that each of the Applicants is a company to which the CCAA applies.

PLAN OF ARRANGEMENT

3. **THIS COURT ORDERS** that the Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the “**Plan**”) between, *inter alia*, the Applicants and one or more of their secured and/or unsecured creditors as they deem appropriate.

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that each of the Applicants shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”). Subject to further Order of this Court, each of the Applicants shall continue to carry on business in a manner consistent with the preservation of its business (the “**Business**”) and Property. Each of the Applicants shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively “**Assistants**”) currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. **THIS COURT ORDERS** that each of the Applicants, either on its own behalf or on behalf of another Applicant, shall be entitled but not required to pay the following expenses or honour the following obligations whether incurred prior to or after the date of this Order:

- (a) all outstanding and future wages, salaries, employee benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
- (b) the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges;

- (c) with the prior consent of the Monitor, any or all outstanding and future amounts owing to or in respect of individuals working as independent contractors in connection with the Business if, in the opinion of the Applicants, the individual is critical to the Business and ongoing operations of the Applicants; and
- (d) with the prior consent of the Monitor, outstanding amounts owing for goods and services actually supplied to the Applicants (or, where acceptable to the supplier, return of supplied goods in lieu of such payments), or amounts necessary to obtain the release of goods contracted for prior to the date of this Order, by suppliers, if, in the opinion of the Applicants, such payments are necessary in order to ensure an uninterrupted supply of goods and services to the Applicants which are material to the continued operation of the Business.

6. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, each of the Applicants shall be entitled but not required to pay all reasonable expenses incurred by it in carrying on the Business in the ordinary course on and after the date of this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods actually delivered or services actually supplied to the Applicants on or after the date of this Order.

7. **THIS COURT ORDERS** that each of the Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;

- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by such Applicant in connection with the sale of goods and services by such Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by such Applicant.

8. **THIS COURT ORDERS** that until such time as a real property lease is disclaimed, terminate or repudiated in accordance with paragraph 10(c) of this Order (a "**Notice of Repudiation**"), each Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between such Applicants and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

9. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of this date except in respect of scheduled payments of principal, interest, refunds and costs to be remitted to Castcan under the Castcan Factoring Agreement or to Royal Bank of Canada under the RBC Credit Agreement (as such terms are defined in the Waugh Affidavit); (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of

its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

10. **THIS COURT ORDERS** that each of the Applicants shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Loan Documents (as hereinafter defined), have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of non-profitable, redundant or non-material assets and operations not exceeding \$150,000 in any one transaction or \$500,000 in the aggregate;
- (b) terminate the employment of such of its employees or temporarily or indefinitely lay off such of its employees as it deems appropriate on such terms as may be agreed upon between the such Applicant and such employee, or failing such agreement, to deal with the consequences thereof in the Plan;
- (c) in accordance with paragraphs 11 and 12, vacate, abandon or quit any leased premises and/or disclaim, cancel, terminate or repudiate any real property lease and any ancillary agreements relating to any leased premises, on not less than seven (7) days notice in writing to the relevant landlord on such terms as may be agreed upon between such Applicant and such landlord, or failing such agreement, to deal with the consequences thereof in the Plan;
- (d) disclaim, terminate or repudiate, with the prior consent of the Monitor or further Order of the Court, such of its arrangements, agreements or contracts of any nature whatsoever, with whomsoever, whether oral or written, as such Applicant may deem appropriate, in accordance with Section 32 of the CCAA and on such terms as may be agreed upon between such Applicant and such counter-parties, or failing such agreement, to deal with the consequences thereof in the Plan; and

- (e) pursue all avenues of refinancing and offers for material parts of its Business or the Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing or sale (except as permitted by subparagraph 10(a) above),

all of the foregoing to permit such Applicant to proceed with an orderly restructuring or winding down of the Business (the “**Restructuring**”).

11. **THIS COURT ORDERS** that each of the Applicants shall provide each of the relevant landlords and the Monitor with notice of such Applicant’s intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes such Applicant’s entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the leased premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and such Applicant, or by further Order of this Court upon application by such Applicant on at least two (2) days notice to such landlord and any such secured creditors. If such Applicant disclaims, repudiates or terminates the lease governing such leased premises in accordance with paragraph 10(c) of this Order, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in paragraph 10(c) of this Order), and the disclaimer, repudiation or termination of the lease shall be without prejudice to such Applicant’s claim to the fixtures in dispute.

12. **THIS COURT ORDERS** that if a Notice of Repudiation is delivered by an Applicant, then (a) during the notice period prior to the effective time of the disclaimer, repudiation or termination, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving such Applicant and the Monitor 24 hours’ prior written notice, and (b) at the effective time of the disclaimer, repudiation or termination, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against such Applicant in respect of such lease or leased premises and such landlord shall be entitled to notify such Applicant of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third

party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

13. **THIS COURT ORDERS** that until and including April 21, 2012, or such later date as this Court may order (the “**Stay Period**”), no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, except with the written consent of the affected Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of any of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

14. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the affected Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or re-perfect an existing security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

15. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, lease, sub-lease, licence or permit in favour of or held by either of the Applicants, except with the written consent of the Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

16. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with either of the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility, leasing or other services to the Business or the Applicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicants, and that the Applicants shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider, the affected Applicant and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

17. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

18. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such

obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

19. **THIS COURT ORDERS** that each of the Applicants shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

20. **THIS COURT ORDERS** that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$1,500,000, as security for the indemnity provided in paragraph 19 of this Order. The Directors' Charge shall have the priority set out in paragraphs 38 and 40 herein.

21. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) each of the Applicants' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is denied or insufficient to pay amounts indemnified in accordance with paragraph 19 of this Order.

APPOINTMENT OF MONITOR

22. **THIS COURT ORDERS** that PwCI is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

23. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Applicants, to the extent required by the Applicant, in their dissemination, to the DIP Lender (as defined in paragraph 31 below) and its counsel on a periodic basis of financial and other information as agreed to between the Applicants and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;
- (d) advise the Applicants in their preparation of the Applicants' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, but not less than weekly, or as otherwise agreed to by the DIP Lender;
- (e) advise the Applicants in their development of the Plan and any amendments to the Plan;
- (f) assist the Applicants with the Restructuring;
- (g) assist the Applicants, to the extent required by the Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (h) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;
- (i) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and

performance of its obligations under this Order, including being at liberty to retain and utilize the services of entities related to PwCI as may be necessary to perform the Monitor's duties hereunder;

- (j) consider, and prepare a report and assessment of the Plan;
- (k) assist the Applicants with their continuing restructuring activities and in the conduct of any sale process or processes to sell the Property and Business or any part thereof;
- (l) advise and assist the Applicants in their negotiation with suppliers, customers and other stakeholders; and
- (m) perform such other duties as are required by this Order or by this Court from time to time.

24. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

25. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of

any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

26. **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the Applicants and the DIP Lender with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

27. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

28. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements incurred both before and after the making of this Order, in each case at their standard rates and charges, by the Applicant as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants on a weekly basis and, in addition, the Applicants are hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel to the Applicants, retainers in the amounts of \$75,000, \$50,000 and \$75,000, respectively, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time

29. **THIS COURT ORDERS** that, if requested by the DIP Lender, any interested party or this Court, the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

30. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and the Applicants' counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$500,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings and as security for any liability of the Monitor or costs incurred by the Monitor to defend any claims arising as a result of its appointment or the fulfillment of its duties in carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct. The Administration Charge shall have the priority set out in paragraphs 38 and 40 hereof.

DIP FINANCING

31. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to obtain and borrow under a credit facility from 2320714 Ontario Inc. (the "**DIP Lender**") in order to finance the Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed the principal amount of \$2,800,000 unless permitted by further Order of this Court.

32. **THIS COURT ORDERS** that such credit facility shall be on the terms and subject to the conditions set forth in the loan agreement between the Applicants and the DIP Lender dated as of March 22, 2012 (the "**Loan Agreement**"), filed.

33. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to execute and deliver the Pari Passu Priorities Agreement (as defined in the Waugh Affidavit) and such other credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "**Definitive Documents**"), as are contemplated by the Loan Agreement or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicants are hereby authorized and directed to pay and perform all of their indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Loan Agreement and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

34. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the “**DIP Lender’s Charge**”) on the Property, which DIP Lender’s Charge shall not secure an obligation that exists before this Order is made. The DIP Lender’s Charge shall have the priority set out in paragraphs 38 and 40 hereof.

35. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender’s Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Loan Agreement, the Definitive Documents or the DIP Lender’s Charge, the DIP Lender, upon seven (7) days notice to the Applicants and the Monitor, may exercise any and all of its rights and remedies against the Applicants or the Property under or pursuant to the Loan Agreement, the Definitive Documents and the DIP Lender’s Charge, including without limitation, to cease making advances to the Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the Applicants against the obligations of the Applicants to the DIP Lender under the Loan Agreement, the Definitive Documents or the DIP Lender’s Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants; and

36. the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Property.

37. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicant under the CCAA, or any proposal filed by the Applicant under the *Bankruptcy and Insolvency Act* of Canada (the

“BIA”), with respect to any advances made under the Loan Agreement or the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

38. **THIS COURT ORDERS** that the priorities of the Directors’ Charge, the Administration Charge and the DIP Lender’s Charge (collectively, the “Charges”), as between them, shall be as follows:

First – Administration Charge (to the maximum amount of \$500,000);

Second – DIP Lender’s Charge; and

Third – Directors’ Charge (to the maximum amount of \$1,500,000).

39. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

40. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and:

- (a) the Directors’ Charge and the DIP Lender’s Charge shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, “Encumbrances”) in favour of any Person with the exception of valid, enforceable and perfected Encumbrances existing as at the filing date; and
- (b) the Administration Charge shall rank in priority to all other Encumbrances in favour of any Person.

41. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges.

42. **THIS COURT ORDERS** that the Directors' Charge, the Administration Charge, the Loan Agreement, the Definitive Documents and the DIP Lender's Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Loan Agreement or the Definitive Documents shall create or be deemed to constitute a breach by either of the Applicants of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into the Loan Agreement, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Applicants pursuant to this Order, the Loan Agreement or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable, reviewable, void or voidable transactions under any applicable law.

43. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicants' interest in such real property leases.

SERVICE AND NOTICE

44. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in the Globe and Mail a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

45. **THIS COURT ORDERS** that the Applicants and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

46. **THIS COURT ORDERS** that the Applicants, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Monitor may post a copy of any or all such materials on its website at www.pwc.com/car-pcas.

GENERAL

47. **THIS COURT ORDERS** that the Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

48. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

49. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

50. **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

51. **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

52. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard Time on the date of this Order.

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 PCAS PATIENT CARE AUTOMATION SERVICES INC. AND 2163279 ONTARIO INC.

Court File No. CV-12-9656-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

INITIAL ORDER

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Lawyers for the Applicants

TAB 3

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) ~~FRIDAY~~, THE ~~23RD~~ DAY
JUSTICE ~~MORAWETZ~~) OF ~~MARCH~~, 20~~12~~

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 ~~APPLICANT'S NAME~~ (the
"Applicant") PCAS PATIENT CARE AUTOMATION SERVICES
INC. AND 2163279 ONTARIO INC. (the "Applicants")

APPLICATION UNDER THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

INITIAL ORDER

THIS APPLICATION, made by the Applicant Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of ~~NAME~~ Donald Waugh, sworn ~~DATE~~ March 22, 2012 and the Exhibits thereto, and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, (the "**Waugh Affidavit**"), on reading the pre-filing report of PricewaterhouseCoopers Inc. ("**PwCI**"), in its capacity as intended Monitor in these proceedings, dated March 21, 2012, and on hearing the submissions of

counsel for ~~<NAMES>~~, no one appearing for ~~<NAME>~~¹ although duly served as appears from the affidavit of service of ~~<NAME>~~ sworn ~~<DATE>~~ the Applicants, counsel for PwCI, counsel for Castcan Investments Inc. ("**Castcan**"), _____ and no one else appearing on this Application, and on reading the consent of ~~<MONITOR'S NAME>~~ PwCI to act as the Monitor,

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated² so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that each of the ApplicantApplicants is a company to which the CCAA applies.

PLAN OF ARRANGEMENT

3. **THIS COURT ORDERS** that the ApplicantApplicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**") between, inter alia, the Applicants and one or more of their secured and/or unsecured creditors as they deem appropriate.

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that each of the ApplicantApplicants shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, each of the ApplicantApplicants shall

¹ Include names of secured creditors or other persons who must be served before certain relief in this model Order may be granted. See, for example, CCAA Sections 11.2(1), 11.3(1), 11.4(1), 11.51(1), 11.52(1), 32(1), 32(3), 33(2) and 36(2).

² If service is effected in a manner other than as authorized by the Ontario *Rules of Civil Procedure*, an order validating irregular service is required pursuant to Rule 16.08 of the *Rules of Civil Procedure* and may be granted in appropriate circumstances.

continue to carry on business in a manner consistent with the preservation of its business (the "Business") and Property. ~~The Applicant~~Each of the Applicants shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "Assistants") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. ~~[THIS COURT ORDERS that the Applicant shall be entitled to continue to utilize the central cash management system³ currently in place as described in the Affidavit of <NAME> sworn <DATE> or replace it with another substantially similar central cash management system (the "Cash Management System") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicant of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicant, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.]~~

5. 6. THIS COURT ORDERS that ~~the~~each of the Applicants, either on its own behalf or on behalf of another Applicant, shall be entitled but not required to pay the following expenses or honour the following obligations whether incurred prior to or after the date of this Order:

- (a) all outstanding and future wages, salaries, employee ~~and pension~~ benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and

³ This provision should only be utilized where necessary, in view of the fact that central cash management systems often operate in a manner that consolidates the cash of applicant companies. Specific attention should be paid to cross-border and inter-company transfers of cash.

- (b) the fees and disbursements of any Assistants retained or employed by the ~~Applicant~~Applicants in respect of these proceedings, at their standard rates and charges;
- (c) with the prior consent of the Monitor, any or all outstanding and future amounts owing to or in respect of individuals working as independent contractors in connection with the Business if, in the opinion of the Applicants, the individual is critical to the Business and ongoing operations of the Applicants; and
- (d) with the prior consent of the Monitor, outstanding amounts owing for goods and services actually supplied to the Applicants (or, where acceptable to the supplier, return of supplied goods in lieu of such payments), or amounts necessary to obtain the release of goods contracted for prior to the date of this Order, by suppliers, if, in the opinion of the Applicants, such payments are necessary in order to ensure an uninterrupted supply of goods and services to the Applicants which are material to the continued operation of the Business.

6. ~~7.~~ **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, each of the Applicant~~Applicants~~ shall be entitled but not required to pay all reasonable expenses incurred by the ~~Applicant~~it in carrying on the Business in the ordinary course on and after the date of this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods actually delivered or services actually supplied to the ~~Applicant~~ following Applicants on or after the date of this Order.

7. ~~8.~~ **THIS COURT ORDERS** that each of the Applicant~~Applicants~~ shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by ~~the~~such Applicant in connection with the sale of goods and services by ~~the~~such Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by ~~the~~such Applicant.

8. ~~9.~~ **THIS COURT ORDERS** that until such time as a real property lease is disclaimed ~~for~~
~~resiliated]~~⁴, terminate or repudiated in accordance with ~~the CCAA, the Applicant~~paragraph 10(c)
of this Order (a "Notice of Repudiation"), each ~~Applicants~~such Applicants shall pay all amounts constituting
rent or payable as rent under real property leases (including, for greater certainty, common area
maintenance charges, utilities and realty taxes and any other amounts payable to the landlord
under the lease) or as otherwise may be negotiated between ~~the Applicant~~such Applicants and the
landlord from time to time ("**Rent**"), for the period commencing from and including the date of
this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in
advance (but not in arrears). On the date of the first of such payments, any Rent relating to the
period commencing from and including the date of this Order shall also be paid.

⁴ The term "resiliate" should remain if there are leased premises in the Province of Quebec, but can otherwise be removed.

9. ~~10.~~ **THIS COURT ORDERS** that, except as specifically permitted herein, the ~~Applicant~~ Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the ~~Applicant~~ Applicants to any of its ~~their~~ creditors as of this date except in respect of scheduled payments of principal, interest, refunds and costs to be remitted to Castcan under the Castcan Factoring Agreement or to Royal Bank of Canada under the RBC Credit Agreement (as such terms are defined in the Waugh Affidavit); (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

10. ~~11.~~ **THIS COURT ORDERS** that each of the Applicant Applicants shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Loan Documents (as hereinafter defined), have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its business or operations, ~~and to dispose of non-profitable, redundant or non-material assets and operations not exceeding \$150,000 in any one transaction or \$500,000 in the aggregate~~⁵;
- (b) ~~terminate the employment of such of its employees or temporarily or indefinitely lay off such of its employees as it deems appropriate~~⁶; and on such terms as may be agreed upon between the such Applicant and such employee, or failing such agreement, to deal with the consequences thereof in the Plan;
- (c) in accordance with paragraphs 11 and 12, vacate, abandon or quit any leased premises and/or disclaim, cancel, terminate or repudiate any real property lease

⁵ Section 36 of the amended CCAA does not seem to contemplate a pre-approved power to sell (see subsection 36(3)) and moreover requires notice (subsection 36(2)) and evidence (subsection 36(7)) that may not have occurred or be available at the initial CCAA hearing.

⁶ It is not clear to the Model Order Subcommittee whether the termination of an employee is a "disclaimer or resiliation" of the employment agreement within the meaning of Section 32 of the amended CCAA; since the termination of an employee may not be a matter governed by Section 32 of the amended CCAA (except to the extent that collective agreements are exempted from the application of that Section), the Subcommittee has left this provision in the Model Order.

and any ancillary agreements relating to any leased premises, on not less than seven (7) days notice in writing to the relevant landlord on such terms as may be agreed upon between such Applicant and such landlord, or failing such agreement, to deal with the consequences thereof in the Plan;

- (d) disclaim, terminate or repudiate, with the prior consent of the Monitor or further Order of the Court, such of its arrangements, agreements or contracts of any nature whatsoever, with whomsoever, whether oral or written, as such Applicant may deem appropriate, in accordance with Section 32 of the CCAA and on such terms as may be agreed upon between such Applicant and such counter-parties, or failing such agreement, to deal with the consequences thereof in the Plan; and
- (e) (e)-pursue all avenues of refinancing and offers for material parts of its Business or the Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing or sale (except as permitted by subparagraph 10(a) above),

all of the foregoing to permit ~~the~~such Applicant to proceed with an orderly restructuring or winding down of the Business (the “**Restructuring**”).

11. ~~12.~~ **THIS COURT ORDERS** that each of the Applicant~~Applicants~~ shall provide each of the relevant landlords and the Monitor with notice of ~~the~~such Applicant’s intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes ~~the~~such Applicant’s entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the leased premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and ~~the~~such Applicant, or by further Order of this Court upon application by ~~the~~such Applicant on at least two (2) days notice to such landlord and any such secured creditors. If ~~the~~such Applicant disclaims ~~for resiliates~~, repudiates or terminates the lease governing such leased premises in accordance with ~~Section 32 of the CCAA~~paragraph 10(c) of this Order, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in ~~Section 32(5)~~paragraph 10(c) of the

CCA (this Order), and the disclaimer ~~[or rescission]~~, repudiation or termination of the lease shall be without prejudice to ~~the~~such Applicant's claim to the fixtures in dispute.

12. ~~13.~~ **THIS COURT ORDERS** that if a ~~notice of disclaimer [or rescission]~~ Notice of Repudiation is delivered pursuant to Section 32 of the CCA ~~by an Applicant~~, then (a) during the notice period prior to the effective time of the disclaimer ~~[or rescission]~~, repudiation or termination, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving ~~the~~such Applicant and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer ~~[or rescission]~~, repudiation or termination, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against ~~the~~such Applicant in respect of such lease or leased premises and such landlord shall be entitled to notify ~~the~~such Applicant of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

13. ~~14.~~ **THIS COURT ORDERS** that until and including ~~DATE MAX 30 DAYS~~ April 21, 2012, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the ~~Applicant~~ Applicants or the Monitor, or affecting the Business or the Property, except with the written consent of the affected Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of any of the ~~Applicant~~ Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

14. ~~15.~~ **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the

~~Applicant~~Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the ~~Applicant~~affected Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the ~~Applicant~~Applicants to carry on any business which the ~~Applicant is~~Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or re-perfect an existing security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

15. ~~16.~~ **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, lease, sub-lease, licence or permit in favour of or held by either of the ~~Applicant~~Applicants, except with the written consent of the ~~Applicant~~Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

16. ~~17.~~ **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with either of the ~~Applicant~~Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility, leasing or other services to the Business or the ~~Applicant~~Applicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the ~~Applicant~~Applicants, and that the ~~Applicant~~Applicants shall be entitled to the continued use of ~~its~~their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the ~~Applicant~~Applicants in accordance with normal payment practices of the ~~Applicant~~Applicants or such other practices as may be

agreed upon by the supplier or service provider and each of the affected Applicant and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

17. ~~18.~~ **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the ~~Applicant~~Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.⁷

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

18. ~~19.~~ **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the ~~Applicant~~Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the ~~Applicant~~Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the ~~Applicant~~Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the ~~Applicant~~Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

19. ~~20.~~ **THIS COURT ORDERS** that each of the ~~Applicant~~Applicants shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the ~~Applicant~~Applicants after the commencement of the within proceedings,⁸ except

⁷ This non-derogation provision has acquired more significance due to the recent amendments to the CCAA, since a number of actions or steps cannot be stayed, or the stay is subject to certain limits and restrictions. See, for example, CCAA Sections 11.01, 11.04, 11.06, 11.07, 11.08, 11.1(2) and 11.5(1).

⁸ The broad indemnity language from Section 11.51 of the CCAA has been imported into this paragraph. The granting of the indemnity (whether or not secured by a Directors' Charge), and the scope of the indemnity, are discretionary matters that should be addressed with the Court.

to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

20. ~~21.~~ **THIS COURT ORDERS** that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**")⁹ on the Property, which charge shall not exceed an aggregate amount of \$~~1,500,000~~, 1,500,000, as security for the indemnity provided in paragraph ~~{20}~~19 of this Order. The Directors' Charge shall have the priority set out in paragraphs ~~{38}~~ and ~~{40}~~ herein.

21. ~~22.~~ **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) ~~each of the Applicant's~~ Applicants' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is denied or insufficient to pay amounts indemnified in accordance with paragraph ~~{20}~~19 of this Order.

APPOINTMENT OF MONITOR

22. ~~23.~~ **THIS COURT ORDERS** that ~~<MONITOR'S NAME>~~ PwCI is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the ~~Applicant~~ Applicants with the powers and obligations set out in the CCAA or set forth herein and that the ~~Applicant~~ Applicants and ~~its~~ their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the ~~Applicant~~ Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

23. ~~24.~~ **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

⁹ Section 11.51(3) provides that the Court may not make this security/charging order if in the Court's opinion the Applicant could obtain adequate indemnification insurance for the director or officer at a reasonable cost.

- (a) monitor the ~~Applicant's~~Applicants' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the ~~Applicant~~Applicants, to the extent required by the Applicant, in ~~its~~their dissemination, to the DIP Lender (as defined in paragraph 31 below) and its counsel on a ~~<TIME INTERVAL>~~periodic basis of financial and other information as agreed to between the ~~Applicant~~Applicants and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;
- (d) advise the ~~Applicant~~Applicants in ~~its~~their preparation of the ~~Applicant's~~Applicants' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, but not less than ~~<TIME INTERVAL>~~weekly, or as otherwise agreed to by the DIP Lender;
- (e) advise the ~~Applicant~~Applicants in ~~its~~their development of the Plan and any amendments to the Plan;
- (f) assist the ~~Applicant~~Applicants with the Restructuring;
- (g) assist the Applicants, to the extent required by the ~~Applicant~~Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (h) ~~(g)~~ have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the ~~Applicant~~Applicants, to the extent that is necessary to adequately assess the ~~Applicant's~~Applicants' business and financial affairs or to perform its duties arising under this Order;

- (i) ~~(h)~~ be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order, including being at liberty to retain and utilize the services of entities related to PwCI as may be necessary to perform the Monitor's duties hereunder:
- (j) consider, and prepare a report and assessment of the Plan;
- (k) assist the Applicants with their continuing restructuring activities and in the conduct of any sale process or processes to sell the Property and Business or any part thereof;
- (l) advise and assist the Applicants in their negotiation with suppliers, customers and other stakeholders; and
- (m) ~~(i)~~ perform such other duties as are required by this Order or by this Court from time to time.

24. ~~25.~~ **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

25. ~~26.~~ **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the

Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

26. ~~27.~~ **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the ~~Applicant~~Applicants and the DIP Lender with information provided by the ~~Applicant~~Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the ~~Applicant~~Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the ~~Applicant~~Applicants may agree.

27. ~~28.~~ **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

28. ~~29.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the ~~Applicant~~Applicants shall be paid their reasonable fees and disbursements incurred both before and after the making of this Order, in each case at their standard rates and charges, by the Applicant as part of the costs of these proceedings. The ~~Applicant is~~Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the ~~Applicant~~Applicants on a ~~TIME INTERVAL~~weekly basis and, in addition, the ~~Applicant is~~Applicants are hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel to the ~~Applicant~~Applicants, retainers in the amount[s] of \$~~*~~[], amounts of \$75,000, \$50,000 and \$75,000, respectively, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time

29. ~~30.~~ **THIS COURT ORDERS** that, if requested by the DIP Lender, any interested party or this Court, the Monitor and its legal counsel shall pass their accounts from time to time, and

for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

30. ~~31.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, ~~if any,~~ and the Applicant's Applicants' counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$~~4~~500,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings and as security for any liability of the Monitor or costs incurred by the Monitor to defend any claims arising as a result of its appointment or the fulfillment of its duties in carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct. The Administration Charge shall have the priority set out in paragraphs ~~{38}~~ and ~~{40}~~ hereof.

DIP FINANCING

31. ~~32.~~ **THIS COURT ORDERS** that the Applicant is Applicants are hereby authorized and empowered to obtain and borrow under a credit facility from ~~<DIP LENDER'S NAME>~~ 2320714 Ontario Inc. (the "**DIP Lender**") in order to finance the Applicant's Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$~~4~~the principal amount of \$2,800,000 unless permitted by further Order of this Court.

32. ~~33.~~ **THIS COURT ORDERS** ~~THAT~~ that such credit facility shall be on the terms and subject to the conditions set forth in the ~~commitment letter~~ loan agreement between the Applicant Applicants and the DIP Lender dated as of ~~<DATE>~~ March 22, 2012 (the "**Commitment Letter** Loan Agreement"), filed.

33. ~~34.~~ **THIS COURT ORDERS** that the Applicant is Applicants are hereby authorized and empowered to execute and deliver ~~such~~ the Pari Passu Priorities Agreement (as defined in the Waugh Affidavit) and such other credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "**Definitive Documents**"), as are contemplated by the ~~Commitment Letter~~ Loan Agreement or as may be

reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicant ~~is~~ Applicants are hereby authorized and directed to pay and perform all of ~~its~~ their indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the ~~Commitment Letter~~ Loan Agreement and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

34. ~~35.~~ **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the “**DIP Lender’s Charge**”) on the Property, which DIP Lender’s Charge shall not secure an obligation that exists before this Order is made. The DIP Lender’s Charge shall have the priority set out in paragraphs {38} and {40} hereof.

35. ~~36.~~ **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender’s Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Loan Agreement, the Definitive Documents or the DIP Lender’s Charge, the DIP Lender, upon ~~seven~~ seven (7) days notice to the Applicant ~~Applicants~~ and the Monitor, may exercise any and all of its rights and remedies against the Applicant ~~Applicants~~ or the Property under or pursuant to the ~~Commitment Letter~~ Loan Agreement, the Definitive Documents and the DIP Lender’s Charge, including without limitation, to cease making advances to the Applicant ~~Applicants~~ and set off and/or consolidate any amounts owing by the DIP Lender to the Applicant ~~Applicants~~ against the obligations of the Applicant ~~Applicants~~ to the DIP Lender under the ~~Commitment Letter~~ Loan Agreement, the Definitive Documents or the DIP Lender’s Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant ~~Applicants~~ and for the appointment of a trustee in bankruptcy of the Applicant ~~Applicants~~; and

36. ~~(e)~~ the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the ~~Applicant~~Applicants or the Property.

37. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicant under the CCAA, or any proposal filed by the Applicant under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"), with respect to any advances made under the Loan Agreement or the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

38. **THIS COURT ORDERS** that the priorities of the Directors' Charge, the Administration Charge and the DIP Lender's Charge (collectively, the "Charges"), as ~~among~~between them, shall be as follows⁴⁰:

First – Administration Charge (to the maximum amount of \$~~<*~~500,000);

Second – DIP Lender's Charge; and

Third – Directors' Charge (to the maximum amount of \$~~<*~~1,500,000).

39. **THIS COURT ORDERS** that the filing, registration or perfection of the ~~Directors' Charge, the Administration Charge or the DIP Lender's Charge (collectively, the "Charges")~~Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

⁴⁰ The ranking of these Charges is for illustration purposes only, and is not meant to be determinative. This ranking may be subject to negotiation, and should be tailored to the circumstances of the case before the Court. Similarly, the quantum and caps applicable to the Charges should be considered in each case. Please also note that the CCAA now permits Charges in favour of critical suppliers and others, which should also be incorporated into this Order (and the rankings, above), where appropriate.

40. THIS COURT ORDERS that each of the Charges shall constitute a charge on the Property and;

- (a) ~~40. THIS COURT ORDERS~~ that each of the Directors' Charge, the Administration Charge and the DIP Lender's Charge (all as constituted and defined herein) shall constitute a charge on the Property and such Charges the Directors' Charge and the DIP Lender's Charge shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person with the exception of valid, enforceable and perfected Encumbrances existing as at the filing date; and
- (b) the Administration Charge shall rank in priority to all other Encumbrances in favour of any Person.

41. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the ~~Directors' Charge, the Administration Charge or the DIP Lender's Charge, unless the Applicant also obtains the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Directors' Charge and the Administration Charge, or further Order of this Court~~ Charges.

42. **THIS COURT ORDERS** that the Directors' Charge, the Administration Charge, the ~~Commitment Letter~~ Loan Agreement, the Definitive Documents and the DIP Lender's Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or

other agreement (collectively, an “**Agreement**”) which binds the ~~Applicant~~Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the ~~Commitment Letter~~Loan Agreement or the Definitive Documents shall create or be deemed to constitute a breach by either of the ~~Applicant~~Applicants of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the ~~Applicant~~Applicants entering into the ~~Commitment Letter~~Loan Agreement, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the ~~Applicant~~Applicants pursuant to this Order, the ~~Commitment Letter~~Loan Agreement or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable, reviewable, void or voidable transactions under any applicable law.

43. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the ~~Applicant's~~Applicants' interest in such real property leases.

SERVICE AND NOTICE

44. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in ~~[newspapers specified by the Court]~~the Globe and Mail a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the ~~Applicant~~Applicants of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the

estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

45. **THIS COURT ORDERS** that the ~~Applicant~~Applicants and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the ~~Applicant's~~Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the ~~Applicant~~Applicants and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

46. **THIS COURT ORDERS** that the ~~Applicant~~Applicants, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Monitor may post a copy of any or all such materials on its website at ~~<INSERT WEBSITE ADDRESS>~~www.pwc.com/car-pcas.

GENERAL

47. **THIS COURT ORDERS** that the ~~Applicant~~Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

48. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the ~~Applicant~~Applicants, the Business or the Property.

49. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the ~~Applicant~~Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the

~~Applicant~~Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the ~~Applicant~~Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

50. **THIS COURT ORDERS** that each of the ~~Applicant~~Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

51. **THIS COURT ORDERS** that any interested party (including the ~~Applicant~~Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

52. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

Tab 4

**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
PCAS PATIENT CARE AUTOMATION SERVICES INC.
AND 2163279 ONTARIO INC. (the "Applicants")**

**APPLICATION UNDER THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED**

**AFFIDAVIT OF DONALD WAUGH
(sworn March 22, 2012)**

I, Donald Waugh, of the City of Oakville, in the Province of Ontario, **MAKE OATH
AND SAY AS FOLLOWS:**

1. I am the Executive Chairman, co-founder and a director of PCAS Patient Care Automation Services Inc. ("PCAS"). I am also the Chairman and a director of 2163279 Ontario Inc., doing business as Touchpoint ("Touchpoint"), a company 49% owned by PCAS. As such, I have personal knowledge of the matters to which I hereinafter depose in this Affidavit. Where I do not have personal knowledge of the matters set out herein, I have stated the source of my information and, in all such cases, believe it to be true.

I. NATURE OF APPLICATION AND RELIEF SOUGHT

2. This Affidavit is sworn in support of an application by PCAS and Touchpoint (collectively, the "**Applicants**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") for an order, among other things:

- (a) staying all proceedings and remedies taken or which might be taken in respect of the Applicants or any of their property, except upon the leave of the Court being granted, or as otherwise provided;

- (b) authorizing debtor-in-possession (“**DIP**”) financing for the Applicants;
- (c) authorizing the Applicants to prepare and file with the Court a plan of compromise or arrangement with their creditors; and
- (d) appointing PricewaterhouseCoopers Inc. (“**PwCI**”) as monitor of the Applicants.

3. The Applicants are technology companies in the pre-revenue stage of development and have run out of start-up capital. The most likely scenario in this proceeding is a going concern sale with respect to certain assets. However, there is also the possibility that there could be a restructuring of the Applicants’ business. Protection under the CCAA will allow for a sale to happen under the supervision of the Court for the benefit of all stakeholders and also allow for the prospect of a restructuring.

II. BACKGROUND OF THE APPLICANTS AND THEIR BUSINESS

4. PCAS is a privately held corporation incorporated pursuant to the *Canada Business Corporations Act* on March 3, 2006, under the name “PCAS Physician Clinic Automation Services Inc.”. On February 16, 2007, articles of amendment were filed to change PCAS’ name to its current name. A copy of a corporation information report for PCAS obtained from Industry Canada is attached as **Exhibit “A”** this Affidavit.

5. PCAS is a healthcare technology company that has developed and is rapidly commercializing a unique, automated pharmacy dispensing platform poised to revolutionize the way pharmacy is practiced and prescriptions are dispensed. PCAS’ principal technology and product is the PharmaTrust MedCentre™ (“**MedCentre**”), a pharmacist-controlled, customer-interactive, prescription dispensing system akin to a “pharmacy in a box” or prescription-dispensing ATM that capitalizes on current healthcare and pharmacy industry trends. Each MedCentre sells for approximately \$130,000, and then the purchaser’s licensed use of the technology within the MedCentre generates an income stream for the life of the unit.

6. PCAS believes that the MedCentre is currently the only commercial, scalable, platform-enabled and fully-automated remote dispensing solution for pharmaceuticals available today. The MedCentre facilitates live pharmacist counselling via two-way audio-video communication

with the ability to dispense prescription medicines under pharmacist control on a 24/7 basis and has the capacity to store over 2,500 items. At scale, the MedCentre value proposition offers the potential to lower the cost of dispensing prescriptions and expand access to care while providing significant improvements in convenience to patients and improving drug utilization, compliance and patient safety. The MedCentre provides benefits to all major stakeholders in the pharmacy dispensing value chain including patients, pharmacies, physicians, governments and payers.

7. PCAS' second technology and product, which is in early development, is the PharmaTrust MedHome™ (“**MedHome**”), a personal in-home device that dispenses unit doses to patients at pre-set times and provides patient monitoring and reminders to ensure patient health and safety. This simple and easy-to-use device also enables patients to immediately connect with a pharmacist, physician, caregiver or emergency response at the touch of a button. In a retirement home setting, the in-room MedHome device can be used in concert with a centrally located MedCentre, to deliver a complete on-site medication management system.

8. Touchpoint was incorporated pursuant to the *Business Corporations Act* (Ontario) on February 12, 2008, as “PCAS Newco Pharmacy Inc.”. On July 31, 2009, articles of amendment were filed to change Touchpoint's name to “Direct Care Pharmacy Inc.”. On June 13, 2011, further articles of amendment were filed to change Touchpoint's name to “Touchpoint Pharmacy Inc.”. Finally, on November 11, 2011, articles of amendment were filed to change Touchpoint's name to its current numbered company name. A copy of a corporation profile report for Touchpoint obtained from Ontario Ministry of Government Services is attached as **Exhibit “B”** to this Affidavit.

9. Touchpoint operates a retail pharmacy business in Ontario using MedCentres. Ontario Regulation 58/11, enabling remote dispensing, was ratified on March 18, 2011 and the first MedCentre received approval from the Ontario College of Pharmacists on August 31, 2011. Since that time, Touchpoint has deployed 18 MedCentres in hospitals, medical centres and first nations communities in Ontario.

10. Under Ontario law, no corporation incorporated after 1954 can own or operate a pharmacy unless the corporation is majority-owned by pharmacists. Touchpoint is therefore 49% owned by PCAS and 51% owned by three pharmacists who are selected and employed by

PCAS. PCAS does, however, under the Touchpoint shareholders' agreement, hold veto power over any changes to the board of Touchpoint and over most other board-level decisions other than those relating to safety. PCAS also has a "call right" under the Touchpoint shareholders' agreement which effectively means the three pharmacists hold their shares at PCAS' leisure. A corporate organizational chart for PCAS, Touchpoint and all their affiliates is attached as **Exhibit "C"** to this Affidavit. A copy of the Touchpoint shareholders agreement is attached as **Exhibit "D"** to this Affidavit. A copy of the resolutions of the board of directors of Touchpoint approving the corporation's CCAA filing and DIP borrowing is attached as **Exhibit "E"** to this Affidavit, which resolutions are signed by the current roster of pharmacist shareholder/directors.

11. PCAS presently employs 191 full-time employees, 15 part-time employees, and 5 contract employees in Canada, as well as 2 employees in the United States, and 1 contractor in the United Kingdom.

12. The Applicants' primary operations are conducted out of the following three leases premises in Oakville, Ontario:

- (a) 2910 Brighton Road, being the location of the head offices, and the base for all administration, as well as some engineering and warehousing;
- (b) 2880 Brighton Road, used for manufacturing, drug warehousing, a licensed pharmacy and a call centre; and
- (c) 2440 Winston Park Drive, used by the technology and infrastructure groups.

13. The Applicants' United States and United Kingdom affiliates also have small sales offices in Chicago and London, respectively. The London operations are in the process of being shut down.

III. APPLICANTS' CURRENT FINANCIAL SITUATION

14. PCAS has raised over \$60 million of start-up capital from more than 550 shareholders, including employee shareholders, medical investment professionals, financial experts, entrepreneurs and private investment vehicles. Since the start of this year, PCAS has continued to try to raise money, first with a private placement of up to \$100,000,000 in common shares and

then, as well, through a private placement of up to \$30,000,000 in convertible debentures. Both offerings were marketed by J.P. Morgan Securities LLC, BMO Capital Markets and Goldman, Sachs & Co. These offerings were not successful and, since early March, 2012, the Applicants have been close to running out of cash.

15. On March 7, 2012, PCAS met its payroll only through a last-minute factoring of certain Scientific Research & Experimental Development (“**SR&ED**”) investment tax credits, Ontario Innovation Tax (“**OIT**”) credits and Harmonized Sales Tax (“**HST**”) refund accounts receivable by Castcan Investments Inc. (“**Castcan**”), a company controlled by certain existing shareholders of PCAS.

16. In the past two weeks, PCAS has reduced its salaried employee headcount from 274 to 193 and reduced its contractors from 96 to 5. PCAS is, however, once again out of cash and, without immediate funding, will be wholly unable to fund its payroll of approximately \$696,000 on Friday, March 23, 2012. Funding of that payroll to the PCAS’ payroll servicer, ADP, was due on Wednesday, March 21, 2012 and is therefore already late.

17. The Applicants are also in arrears to their communications and wireless providers, certain of whom have threatened to terminate services. If these services were to be cut off, the MedCentres presently deployed in the field would immediately cease to function.

18. As at the date hereof, PCAS’ liabilities total approximately \$8,360,000 and Touchpoint’s liabilities total approximately \$6,800,000 (approximately \$6,500,000 of which are liabilities to PCAS). Touchpoint’s liability as a guarantor of all of PCAS’ obligations under the intended DIP Facility (as defined in paragraph 58 below), will add to Touchpoint’s total liabilities. Copies of the Applicants’ draft balance sheet as at March 15, 2012 and the Applicants’ unaudited draft December 31, 2011 financial statements are attached as **Exhibit “F”** to this Affidavit.

19. On October 25, 2011, PCAS signed a 5-year customer Memorandum of Understanding (the “**MoU**”) with a national pharmacy retail chain in the United States. Assuming successful pilots and adoption rates, the MoU contemplates this chain purchasing up to 2,900 MedCentre units from 2012-2014, representing up to \$438 million of revenue in that period.

20. PCAS is currently in active discussions with another 15 large enterprise clients which, combined, could result in similar deployment and revenue numbers as are contemplated by the MoU. The recent private placements were based on projected revenue and EBITDA growth to \$943 million and \$180 million, respectively, by 2015.

21. PCAS currently has approximately \$3,000,000 worth of manufactured MedCentres ready for sale, but will not sell them unless it has the financing (through the DIP Facility or otherwise) necessary to maintain the operations required to support its deployed MedCentres.

22. There is therefore tremendous value and potential to be preserved in the Applicants.

IV. STAKEHOLDERS

(a) RBC

23. PCAS and Royal Bank of Canada ("**RBC**") are parties to a credit letter agreement dated October 12, 2011 (the "**RBC Credit Agreement**"), pursuant to which RBC agreed to provide a \$2,000,000 revolving demand facility margined against accounts receivable ("**RBC Facility #1**"), a \$1,000,000 term loan margined against SR&ED and OIT tax credits ("**RBC Facility #2**"), a \$500,000 term facility available at RBC's sole discretion ("**RBC Facility #3**"), a \$40,000 VISA facility (on which there is approximately \$50,000 owing) and a foreign exchange contracts facility (collectively, with RBC Facility #1, RBC Facility #2 and RBC Facility #3, the "**RBC Facilities**"). A copy of the RBC Credit Agreement is attached as **Exhibit "G"** to this Affidavit.

24. PCAS made a general security agreement in favour of RBC (the "**PCAS RBC GSA**"), registration in respect of which was made pursuant to the Ontario *Personal Property Security Act* (the "**PPSA**") on April 11, 2011, pursuant to financing statement number 20110411 1946 1531 6702, reference file number 669008349. A copy of the PCAS RBC GSA is attached as **Exhibit "H"** to this Affidavit.

25. Pursuant to a guarantee and postponement of claim dated November 18, 2011, Touchpoint guaranteed all the obligations of PCAS to RBC up to the maximum principal amount of \$3,800,000 (the "**Touchpoint RBC Guarantee**"). The Touchpoint RBC Guarantee is secured by a general security agreement dated November 18, 2011, registration in respect of which was

made pursuant to the PPSA on November 15, 2011, pursuant to financing statement number 201111115 1622 1590 1296, reference file number 674381628 (the "**Touchpoint RBC GSA**"). RBC had also previously made a PPSA registration against Touchpoint's prior name "Direct Care Pharmacy Inc.", pursuant to financing statement number 20110411 1946 1531 6703, reference file number 669008358. A copy of the Touchpoint RBC Guarantee is attached as **Exhibit "I"** to this Affidavit, and a copy of the Touchpoint RBC GSA is attached as **Exhibit "J"** to this Affidavit.

26. RBC also holds a \$3,800,000 limited guarantee and a general security agreement from PharmaTrust Corp., and inactive affiliate of the Applicants.

27. PCAS has been offside its financial covenants under the RBC Credit Agreement almost from the start, which covenants include maintaining a cash balance in operating accounts at RBC in the minimum amount of \$3,000,000. RBC Facilities has therefore made only limited advances under RBC Facility #1 and an advance under RBC Facility #2 against 2010 SR&ED and OIT tax credits (which was due and repayable by December 31, 2011). The total indebtedness of PCAS to RBC outstanding as at the date hereof is approximately \$866,800, which includes \$408,374 in principal advanced under RBC Facility #2 against PCAS' 2010 SR&ED and OIT tax credit. RBC also has an \$805,108.50 letter of credit outstanding to PCAS' 2440 Winston Park Drive landlord, but this is secured by a GIC in an equivalent amount posted as cash collateral with RBC. PCAS' request to obtain further availability under the RBC Facilities has been denied.

(b) Kohl & Frisch

28. Kohl & Frisch Limited ("**KFL**") is a major drug supplier to Touchpoint. PCAS made an inventory purchase money security agreement dated February 26, 2008 in favour of KFL, registration of which was made pursuant to the PPSA on February 26, 2008, pursuant to financing statement number 20080226 1613 1862 5534, reference file number 642941379 (the "**PCAS KFL Security**"). Touchpoint made a general security agreement dated November 11, 2011 in favour of KFL, with registration having been previously made in favour of KFL pursuant to the PPSA on April 8, 2008, pursuant to financing statement number 20080408 1537 1862 8543, reference file number 644006151 (the "**Touchpoint KFL GSA**"). A copy of the PCAS

KFL Security is attached as **Exhibit "K"** to this Affidavit, and a copy of the Touchpoint KFL GSA is attached as **Exhibit "L"** to this Affidavit.

29. RBC, KFL and the Applicants are parties to a Priorities Agreement dated November, 2011 (the "**RBC-KFL Priorities Agreement**") pursuant to which KFL agreed to subordinate its security interests in all the assets of the Applicants with the exception of inventory supplied by KFL, in respect of which RBC agreed to subordinate its security interest. A copy of the RBC-KFL Priorities Agreement is attached as **Exhibit "M"** to this Affidavit. As at the date hereof, Touchpoint is indebted to KFL in the amount of \$43,646 for supplied drug inventory.

(c) Castcan

30. The Applicants and Castcan (in trust for itself and certain others) entered into a SR&ED/OITC/HST Purchase Agreement dated March 6, 2012 (the "**Castcan Factoring Agreement**") pursuant to which Castcan purchased certain 2009, 2010 and 2011 SR&ED and OIT tax credits and HST credits and all refunds in respect thereof. The Applicants have certain repurchase obligations under the Castcan Factoring Agreement, which obligations are secured by a general security agreement from PCAS (the "**PCAS Castcan GSA**") and a general security agreement from Touchpoint (the "**Touchpoint Castcan GSA**"), each dated March 6, 2012. Registration in respect of the PCAS Castcan GSA was made pursuant to the PPSA on March 6, 2012, pursuant to financing statement number 20120306 1449 1530 7679, reference file number 676656324, and registration in respect of the Touchpoint Castcan GSA was made pursuant to the PPSA on March 6, 2012, pursuant to financing statement number 20120306 1944 1531 8670, reference file number 676656333. A copy of the PCAS Castcan Factoring Agreement is attached as **Exhibit "N"**, a copy of the PCAS Castcan GSA is attached as **Exhibit "O"** to this Affidavit, and a copy of the Touchpoint Castcan GSA is attached as **Exhibit "P"** to this Affidavit.

31. Castcan, RBC and the Applicants entered into an agreement dated March 6, 2012 (the "**RBC-Castcan Priorities Agreement**") pursuant to which RBC agreed to subordinate, in favour of Castcan, its security interest in all of the Applicants' SR&ED and OIT tax credits and HST credits, except to the extent RBC advanced funds under RBC Facility #2 against PCAS' 2010

SR&ED and OIT tax credit. A copy of the RBC-Castcan Priorities Agreement is attached as **Exhibit "Q"** to this Affidavit.

(d) Other Secured Creditors

32. Other than the creditors described above, I am not aware of any other creditors with general security over the Applicants' assets.

33. PCAS leases certain computer equipment and software from IBM Canada Limited ("IBM"), and presently owes IBM approximately \$251,614, with scheduled monthly payments of \$12,000. IBM made a registration pursuant to the PPSA against PCAS on December 20, 2010, by financing statement number 20101220 1451 1530 1324, reference file number 666667611, in respect of goods supplied, leased or financed by IBM.

34. GE VFS Canada Limited Partnership ("GE") registered pursuant to the PPSA against PCAS on December 28, 2011, pursuant to financing statement number 20111228 1638 5064 0020, reference file number 675318627, in respect of equipment supplied by GE. GE has advised us that this registration was made in response to an application PCAS had made for a copier lease that was never ultimately entered into. I am advised by counsel that this registration was, in fact, discharged on March 19, 2012.

35. A summary of PPSA registrations made against the Applicants is attached as **Exhibit "R"** to this Affidavit.

(e) Landlords

36. PCAS' leases to the 2910 Brighton Road head office location and the 2880 Brighton Road location are both with 2725312 Canada Inc. as landlord, and both have terms ending March 31, 2016. Presently rent is paid on both locations until the end of March, 2012.

37. PCAS' lease to the 2440 Winston Park Drive property is with 2440 Winston Park Drive Limited Partnership, and has a terms ending February 22, 2019. Rent is presently paid on this location until the end of March, 2012. This landlord also has the benefit of a letter of credit from RBC in the amount of \$805,108.50, which is approximately equal to one years' total rent.

(f) Government

38. As at the date of this Affidavit, the Applicants' outstanding HST obligations are all current (with the Applicants in a net credit position), as are their source deduction remittances. As previously mentioned, all payroll is made through ADP.

(g) Employees

39. The Applicants employ 193 non-unionized employees as of the date of this filing, most of who work at the three Oakville, Ontario premises. Wages and benefits totalled approximately \$14,400,000 for the last fiscal year (ending December 31, 2011), or \$1,200,000 per month.

40. The Applicants' next payroll is March 22, 2012. As at the date of this Affidavit, the Applicants estimate accrued, yet unpaid employee vacation pay in addition to pay through to March 22, 2012 to be approximately \$500,000.

41. The Applicants have no pension plans.

42. It is the intention of the Applicants' that, if this Court should so order, in the three months that a restructuring is expected to take, the number of employees will be reduced further to approximately 170.

43. There is a risk, which has been communicated thoroughly to employees, that there may not be enough funding to continue to pay wages if additional funding beyond the DIP Facility is not found by the time the DIP Facility is fully advanced.

(h) Trade Creditors

44. As at March 22, 2012, the Applicants' other unsecured liabilities, including trade payables, totalled approximately \$6,100,000.

V. RESTRUCTURING UNDER CCAA PROTECTION

45. The Applicants are insolvent as they are not able to pay their liabilities as they become due. Although there are parties performing due diligence in respect of potential equity

investments, the Applicants are unable to raise additional equity financing in time to cover pending payroll and other critical payables.

46. In order for the Applicants to ensure the best possible recovery for their stakeholders, including, without limitation, creditors, employees, customers and landlords, management of the Applicants has determined that a restructuring and/or a sale of its business is required.

47. With the support of PwCI, the Applicants intend to canvass the marketplace to determine whether there are any parties interested in purchasing the business and assets of one or both Applicants as a going concern.

48. The Applicants will continue to seek other forms of funding in addition to or as an alternative to, the DIP Facility. This will keep open the possibility of restructuring of the Applicants as going-concern entities.

VI. STAY OF PROCEEDINGS

49. A stay of proceedings is required to enable PwCI to work with the Applicants to conduct a review of the Applicants' business, as well as a detailed review of all creditors of the Applicants posing a threat of proceedings or termination of essential services. Such a review will enable PwCI to determine the validity of the creditors' claims, and understand the priority of such claims. All of the above will constitute the first step in the Applicants formulation of a plan of compromise or arrangement.

50. A CCAA stay of proceeding is needed to ensure that the Applicants' business can be restructured and/or sold in an efficient and orderly way under the protection of the Court without the threat of proceedings or discontinuation of essential services. A stay of proceedings will restrain temporarily the exercise of rights and remedies under the various agreements, preserve the status quo and restrain existing creditors from taking unfair advantage in the circumstances.

51. The Applicants believe that a stay of proceedings will not materially prejudice any of the existing creditors when compared to the consequences if a stay of proceedings is not granted. The DIP Lender (as defined in paragraph 56 below) has agreed to provide the Applicants with the DIP Facility and continue funding necessary post-filing expenses during the CCAA

proceedings, the details of which are set out below. I believe that the alternative to a stay of proceedings is the forced sale and/or liquidation of the Applicants and their assets, respectively.

VII. THE PROPOSED MONITOR

52. PwCI has been assisting the Applicants in preparing for this CCAA application. The Applicants have prepared a projected cash flow analysis to determine the amounts required to finance the Applicants' operations for the next thirteen (13) weeks, assuming the relief sought is granted (the "**Cash Flow Projection**"). The amounts set out in the Cash Flow Projection reflect, among other things, the minimum payments required to maintain the Applicants' business during the initial thirty (30) day stay period, as well as professional fees. Attached and marked as **Exhibit "S"** is a copy of the thirteen (13) week Cash Flow Projection.

53. Management believes that it is in the best interests of all stakeholders if this Court appoints PwCI as the court-appointed monitor of the Applicants. As a result of PwCI's assistance with the preparation of the Cash Flow Projection and its involvement with the Applicants and certain of its major stakeholders in advance of and in preparation for this filing, PwCI has gained insight into the Applicants' business and will be in a position to perform the monitoring duties effectively and without further delay.

54. PwCI has consented to act as monitor of the Applicants in accordance with the requirements of the CCAA, subject to the Court's approval. A copy of PwCI's consent is included in the Application Record in these proceedings.

VIII. FINANCING DURING CCAA PROCEEDINGS

55. The Applicants attempted to seek DIP financing from multiple sources, and continued in such attempts right up to the date of this Affidavit. All existing shareholders were approached approximately two weeks ago with an offer to finance a corporation formed as a special purpose vehicle to provide DIP financing, but only approximately \$1,500,000 in serious commitments were originally obtained. The Applicants were also in negotiation with a private individual to provide \$10,000,000 in DIP financing, but the conditions to this financing (which included assurances as to the value of business and assets) could not be met. A certain private lending corporation has also been conducting due diligence right up to the date of this Affidavit with an

eye to providing DIP financing, but it has not initiated any formal negotiations. Finally, within the days prior to the date of this Affidavit, the Applicants were in serious negotiation with a German pharmaceutical company for DIP financing in the amount of \$10,000,000, which negotiations were, unfortunately terminated by that potential lender at the eleventh hour.

56. On March 20, 2012, I sent a renewed request to shareholders notifying them that the hoped-for DIP financing from the German lender had fallen through. In the response to that request, the Applicants' counsel, Aird & Berlis LLP ("**A&B**"), has received \$285,000 into its trust account from shareholders wishing to fund the special purpose vehicle DIP lender, 2310714 Ontario Inc. (the "**DIP Lender**"). We also have firm commitments in writing from other shareholders for an additional \$2,465,000 of funding to the DIP Lender. It is the intention that the DIP Lender will obtain independent counsel and all funds contributed to the DIP Facility (including funds already remitted to A&B) will be held in trust by such counsel and advanced to PCAS from there.

57. The Shareholders who fund the DIP Lender will each received a convertible promissory note secured by a general security agreement, and will enter into a pari passu priorities agreement between each other, the DIP Lender and the Applicants (the "**Pari Passu Priorities Agreement**"). Each shareholder who has committed to such funding is an accredited investor within the meaning of National Instrument 45-106 - *Prospectus and Registration Exemptions*, and was advised at the outset by PCAS to obtain independent legal advice. In addition, being existing shareholders, these parties, throughout the past several weeks, have received regular shareholder communications and have had the opportunity to participate in numerous shareholder conference calls, whereby shareholders have been kept apprised of the Applicants' financial situation. It is my belief that they all have a good understanding of the risks they face when putting up their money to Fund the DIP Lender.

58. The DIP Lender will provide the Applicants with the financing the Applicants will need to have available to them during these proceedings through a new credit facility (the "**DIP Facility**") to an initial maximum of \$2,800,000 pursuant to a DIP Loan Agreement dated on or about March 22, 2012 (the "**DIP Loan Agreement**"). The DIP Loan Agreement contemplate increases to the DIP Facility by subsequent amendment, so long as the DIP Charge (as defined

below) is increased commensurately. A copy of the form of the DIP Loan Agreement is attached and marked as **Exhibit "T"**.

59. As provided in the DIP Loan Agreement, the DIP Facility is conditional on the Applicants obtaining, as part of the initial Order sought in these proceedings (the "**Initial Order**") a charge in favour of the DIP Lender (the "**DIP Charge**") over all of the Applicants' assets, ranking first in priority to any existing security other than: (a) employee and other super-priority claims; (b) the administration charge in the amount of \$500,000 being sought as part of the Initial Order (the "**Administration Charge**"); and (c) any valid, enforceable and perfected security interests/liens existing as at date of the Initial Order (the "**Existing Secured Claims**").

60. The Applicants believe that the terms of the DIP Facility are favourable to them having regard to the circumstances and that the amount of the DIP Facility is necessary and reasonable in the circumstances to ensure that the Applicants have a prudent and responsible level of liquidity so that they can meet post-filing obligations as they become due for the period of the initial stay and beyond. The Applicants will not be able to continue their operations or initiate any restructuring or going-concern sale efforts without access to the DIP Facility.

IX. DIRECTORS' AND OFFICERS' CHARGE

61. Myself and Kym Anthony are the directors of PCAS and myself, Jim Gay, Bonnie Lewis and Sunny Lalli are the directors of Touchpoint (collectively, the "**Directors**").

62. The Directors, as a condition of their continued involvement with the Applicants, have indicated that their respective involvement is conditional upon the granting of an order under the CCAA which grants a charge on the Applicants' property in the maximum amount of \$1,500,000 (the "**Directors' Charge**"), approximately equal to three weeks wages plus accrued vacation pay, as security for the Applicants' indemnification for possible liabilities which may be incurred by such Directors and officers, which would rank fourth in priority behind the Administration Charge (as defined in the Order in connection with these proceedings), the Existing Secured Claims and the DIP Charge.

63. The Directors' Charge is required in order to provide a level of protection to the Directors and the officers of the Applicants with respect to the possible liabilities imposed on individuals

in their capacity as directors or officers of a corporation. I believe that the request of the Directors and officers to receive adequate protection in the form of the Directors' Charge is fair and reasonable and advances the integral need of the Applicants to have a fully functional, experienced and qualified board of directors and capable officers.

X. CONCLUSION

64. Management believes that the Applicants' business cannot continue to operate with its current funding and that, in order to maximize recovery to stakeholders, immediate DIP funding and restructuring is required.

65. For the reasons previously given, the Applicants have concluded that the best available method of realizing upon the Applicants' inventory and maximizing recovery for stakeholders is through the restructuring process outlined in this Affidavit and under the protection of the CCAA.

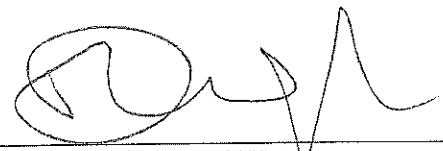
66. It is in the best interests of all stakeholders of the Applicants for this Honourable Court to grant the relief sought by the Applicants. It will allow the Applicants, with the support of the DIP Lender, to restructure the business, which should add value for all stakeholders. I believe this is preferable to the Applicants' assets becoming subject to bankruptcy or receivership proceedings.

67. This Affidavit is sworn in support of the relief requested by the Applicants and for no other or improper purposes.

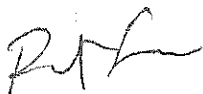
SWORN BEFORE ME at the City of
Oakville, in the Province of Ontario,
this 22nd day of March, 2012.

Puneet Soni

A commissioner of oaths, etc.



DONALD WAUGH



TAB A

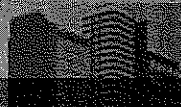
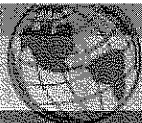
Attached is Exhibit "A" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 22nd day of March, 2012

Puneet Soni

Commissioner for taking Affidavits, etc

Industry
Canada Industrie
Canada

Canada



Industry Canada

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Corporations Canada

Federal Corporation Information

[Glossary of Terms used on this page](#)[Return to Search Results](#)[Start New Search](#)**Corporation Number**

6531130

Business Number (BN)

806454278RC0001

Governing Legislation*Canada Business Corporations Act - 2006-03-03***Corporate Name**

PCAS PATIENT CARE AUTOMATION SERVICES INC.

Status

Active

Registered Office Address2880 Brighton Road, Unit 2
Oakville ON L6H 5S3
CanadaActive CBCA corporations are required to [update this information](#) within 15 days of any change.**Directors****Minimum**

2

Maximum

11

Directors

DONALD WAUGH

Email or fax [Corporations Canada](#) to obtain addresses of directors.Active CBCA corporations are required to [update this information](#) within 15 days of any change.**Annual Filings****Anniversary Date (MM-DD)**

03-03

Date of Last Annual Meeting

2011-05-27

Annual Filing Period (MM-DD)

03-03 to 05-02

Type of Corporation

Non-distributing corporation with more than 50 shareholders

Status of Annual Filings

2012 - Due to be filed

2011 - Filed

2010 - Filed

Corporate History**Corporate Name History**

2006-03-03 to 2007-02-16

PCAS PHYSICIAN CLINIC AUTOMATION SERVICES INC.

2007-02-16 to Present

PCAS PATIENT CARE AUTOMATION SERVICES INC.

Certificates Issued and Filings

Certificate of Incorporation

2006-03-03

Certificate of Amendment *

2007-02-16 Amendment details: Corporate name

Certificate of Amendment *

2008-08-05 Amendment details: Other

Certificate of Amendment *

2009-07-28 Amendment details: Number of directors

Certificate of Amendment *

2011-06-24 Amendment details: Other

* Amendment details are only available for amendments effected after 2010-03-20. Some certificates issued prior to 2000 may not be listed. [Contact Corporations Canada](#) for more information.

Date Modified: 2012-02-14


[Top of Page](#)

[Terms and conditions](#)

TAB B

Attached is Exhibit "B" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 22nd day of March, 2012

Puneet Soni

Commissioner for taking Affidavits, etc

Request ID: 014073815
Transaction ID: 47129753
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2012/03/19
Time Report Produced: 08:03:18
Page: 1

CORPORATION PROFILE REPORT

Ontario Corp Number		Corporation Name	Incorporation Date	
2163279		2163279 ONTARIO INC.	2008/02/12	
			Jurisdiction	
			ONTARIO	
Corporation Type		Corporation Status	Former Jurisdiction	
ONTARIO BUSINESS CORP.		ACTIVE	NOT APPLICABLE	
Registered Office Address			Date Amalgamated	Amalgamation Ind.
LORETO GRIMALDI 2880 BRIGHTON ROAD			NOT APPLICABLE	NOT APPLICABLE
Suite # UNIT 2 OAKVILLE ONTARIO CANADA L6H 5S3			New Amal. Number	Notice Date
			NOT APPLICABLE	NOT APPLICABLE
Mailing Address				Letter Date
LORETO GRIMALDI 2880 BRIGHTON ROAD				NOT APPLICABLE
Suite # UNIT 2 OAKVILLE ONTARIO CANADA L6H 5S3			Revival Date	Continuation Date
			NOT APPLICABLE	NOT APPLICABLE
			Transferred Out Date	Cancel/Inactive Date
			NOT APPLICABLE	NOT APPLICABLE
			EP Licence Eff.Date	EP Licence Term.Date
			NOT APPLICABLE	NOT APPLICABLE
		Number of Directors Minimum Maximum	Date Commenced in Ontario	Date Ceased in Ontario
Activity Classification		00001 00010	NOT APPLICABLE	NOT APPLICABLE
NOT AVAILABLE				

Request ID: 014073815
Transaction ID: 47129753
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2012/03/19
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CORPORATION PROFILE REPORT

Ontario Corp Number

2163279

Corporation Name

2163279 ONTARIO INC.

Corporate Name History

2163279 ONTARIO INC.

TOUCHPOINT PHARMACY INC.

DIRECT CARE PHARMACY INC.

PCAS NEWCO PHARMACY INC.

Effective Date

2011/08/11

2011/06/13

2009/07/31

2008/02/12

Current Business Name(s) Exist:

YES

Expired Business Name(s) Exist:

NO

Request ID: 014073815
Transaction ID: 47129753
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2012/03/19
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CORPORATION PROFILE REPORT

Ontario Corp Number

2163279

Corporation Name

2163279 ONTARIO INC.

Administrator: Name (Individual / Corporation)

JIM

GAY

Address

20 VALLEY TRAIL

EAST GWILLIMBURY
ONTARIO
CANADA L9N 0H8

Date Began

2011/05/14

First Director

NOT APPLICABLE

Designation

DIRECTOR

Officer Type

Resident Canadian

Y

Administrator: Name (Individual / Corporation)

SANDEEP

LALLI

Address

138 PEPPERLAW CIRCLE

BRAMPTON
ONTARIO
CANADA L6Y 0L2

Date Began

2011/05/13

First Director

NOT APPLICABLE

Designation

DIRECTOR

Officer Type

Resident Canadian

Y

Request ID: 014073815
Transaction ID: 47129753
Category ID: UN/E

Province of Ontario
Ministry of Government Services

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CORPORATION PROFILE REPORT

Ontario Corp Number

2163279

Corporation Name

2163279 ONTARIO INC.

Administrator: Name (Individual / Corporation)

BONNIE
LEWIS

Address

5982 BELL HARBOUR DR.

MISSISSAUGA
ONTARIO
CANADA L5M 5K5

Date Began

2011/05/13

First Director

NOT APPLICABLE

Designation

DIRECTOR

Officer Type

Resident Canadian

Y

Administrator: Name (Individual / Corporation)

PETER
SAUNDERS

Address

1226 OLD POST DR.

OAKVILLE
ONTARIO
CANADA L6M 1A6

Date Began

2011/06/13

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

PRESIDENT

Resident Canadian

Request ID: 014073815
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Province of Ontario
Ministry of Government Services

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CORPORATION PROFILE REPORT

Ontario Corp Number

2163279

Corporation Name

2163279 ONTARIO INC.

Administrator: Name (Individual / Corporation)

DANA
TUNKS

Address

1263 DEVON RD.

OAKVILLE
ONTARIO
CANADA L6J 2L7

Date Began

2011/06/13

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

TREASURER

Resident Canadian

Administrator: Name (Individual / Corporation)

DONALD
WAUGH

Address

252 ALSCOT CRES.

OAKVILLE
ONTARIO
CANADA L6J 4R4

Date Began

2012/03/06

First Director

NOT APPLICABLE

Designation

DIRECTOR

Officer Type

Resident Canadian

Y

Request ID: 014073815
Transaction ID: 47129753
Category ID: UN/E

Province of Ontario
Ministry of Government Services

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CORPORATION PROFILE REPORT

Ontario Corp Number

2163279

Corporation Name

2163279 ONTARIO INC.

**Administrator:
Name (Individual / Corporation)**

DONALD

WAUGH

Address

252 ALSCOT CRES.

OAKVILLE
ONTARIO
CANADA L6J 4R4

Date Began

2012/03/06

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

CHAIRMAN

Resident Canadian

Request ID: 014073815
Transaction ID: 47129753
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2012/03/19
Time Report Produced: 08:03:18
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CORPORATION PROFILE REPORT

Ontario Corp Number

Corporation Name

2163279

2163279 ONTARIO INC.

Last Document Recorded

Act/Code Description

Form

Date

CIA CHANGE NOTICE

1

2012/03/13 (ELECTRONIC FILING)

THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.

ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.

The issuance of this report in electronic form is authorized by the Ministry of Government Services.

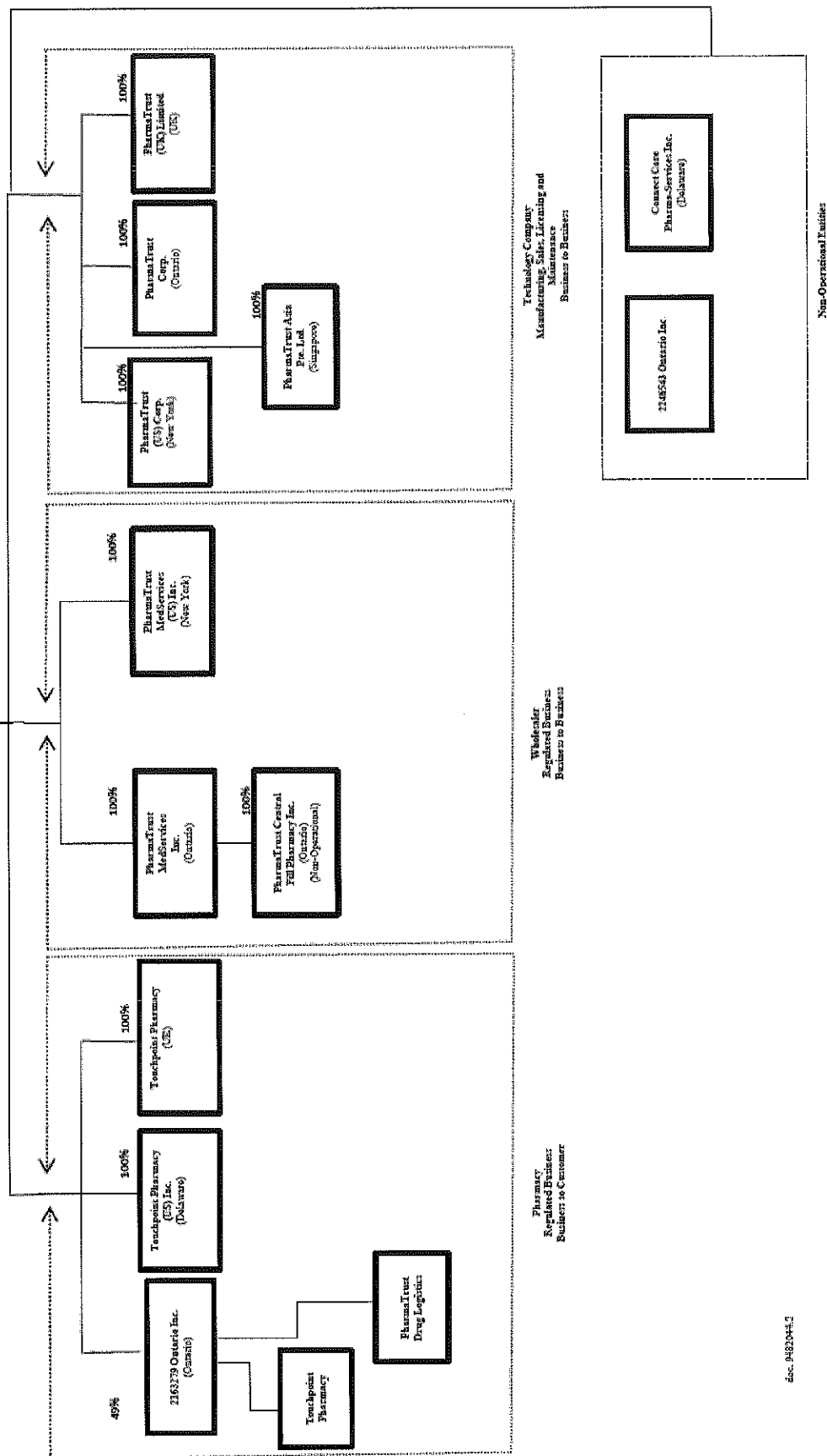
TAB C

Attached is Exhibit "C" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 22nd day of March, 2012

Puneet Soni

Commissioner for taking Affidavits, etc

PCAS Patient Care Automation Services
Inc.
(Canada)



TAB D

Attached is Exhibit "D" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 22nd day of March, 2012

Purnut Soni

Commissioner for taking Affidavits, etc

FILE

THIS SHAREHOLDERS AGREEMENT is made effective January 31, 2008

AMONG:

MIMA CARUANA, of the City of Woodbridge, in the Province of Ontario,
JIM GAY, of the City of Newmarket, in the Province of Ontario and
SARAH YOUSSEF, of the City of Toronto, in the Province of Ontario,
each a "Pharmacist" and collectively called the "Pharmacists" and specifically
called the "Founding Pharmacists"

- and -

PCAS PATIENT CARE AUTOMATION SERVICES INC., a corporation
incorporated under the laws of the Province of Ontario, called

"PCAS"

- and -

"PCAS NewCo Pharmacy", a corporation incorporated under the laws of the
Province of Ontario, called

"Pharmacy"

RECITALS:

A. Pharmacy has applied to be registered as, and upon registration shall operate, a pharmacy in accordance with the *Drugs and Pharmacies Regulation Act* (Ontario) (the "Pharmacy Legislation").

B. Pursuant to the Pharmacy Legislation, the majority of the directors and the majority of the legal and beneficial owners of all the issued shares in the Authorized Capital of a pharmacy corporation must be pharmacists licensed by the Ontario College of Pharmacists (the "College").

C. Pharmacy has been incorporated for the purpose of providing pharmacy services operating under a business partnership with PCAS (the "Pharmacy Business"), and PCAS has agreed to invest capital in Pharmacy and to provide it with the benefits of its management expertise and experience in the pharmaceutical industry.

D. The Pharmacists are each a pharmacist licensed by the College and an employee of PCAS and have agreed to participate in Pharmacy in order to provide pharmacist services to Pharmacy and, in order to ensure compliance by Pharmacy with the provisions of the Pharmacy Legislation, the Pharmacists are collectively:

1. the registered and beneficial owners of the majority of the issued shares in the Authorized Capital of Pharmacy; and
2. the majority of the directors of Pharmacy.

E. PCAS has agreed to make the services of the Pharmacists available to Pharmacy on a full-time basis.

F. Pursuant to this Agreement, Sarah Youssef is the manager designated by Pharmacy and the Pharmacists are the owners of the Pharmacy Business, pursuant to and in accordance with the Pharmacy Legislation.

G. Recognizing that PCAS and its Affiliates will provide the capital required in order to create, operate and develop the Pharmacy Business, the Parties intend to operate the Pharmacy Business so as to minimize for financial purposes the goodwill of the Pharmacy Business, and its profits and, subject to this Agreement, will cause the Pharmacy, the Pharmacists and PCAS to enter into such agreements between the Parties and to take or cause to be taken such actions as may be necessary or advisable to fulfill such intention.

H. It is contemplated that, from and after the date of this Agreement, and unless there are changes made in accordance with this Agreement in the composition or ownership of the Shares (as defined below), there shall be issued and outstanding that number of Shares, which shall be held by the Pharmacists and PCAS, as set out in Schedule B1.

THIS AGREEMENT WITNESSES THAT, in consideration of the mutual covenants and agreements provided in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged by each Party, the Parties agree as follows:

1. INTERPRETATION

1.1 **Defined Terms.** Capitalized terms used in this Agreement have the meanings given in Schedule A.

1.2 **Recitals.** The Parties represent and warrant to each other that the Recitals are true and correct.

1.3 **Schedules.** The following schedules (the "**Schedules**") are attached to and form an integral part of this Agreement:

Schedule A	Definitions
Schedule B1	Number and Owners of Shares
Schedule B2	Agreement of PCAS regarding Pharmacists
Schedule C	General Provisions
Schedule D	Particulars for Notices
Schedule E	Restrictive Covenant

1.4 **Deemed Amendment.** If necessary in order to preserve the original scope and intent of this Agreement, at any time after a reorganization or recapitalization of Pharmacy or its amalgamation into or with another corporation or after re-division, consolidation, reclassification, subdivision or other change of any Securities, this Agreement shall, without further act or formality, be deemed to be amended to apply to any new class, series or number of Securities into which any Shares may be changed.

2. TERM

- 2.1 **Term Defined.** This Agreement shall commence on January 31, 2008 and shall terminate, and the provisions of this Agreement shall be of no further force or effect whatsoever, upon the completion of:

- (a) a Distribution to the Public; or
 - (b) a Transaction,
- (the "Term").

3. MANAGEMENT AND CONTROL OF PHARMACY

- 3.1 **Directors.** Pharmacy shall have no more than three (3) directors at all times during the Term, a majority of whom must be pharmacists licensed by and in good standing with the College, the remaining seats on the board (the "PCAS Director(s)") shall be appointed by PCAS at its sole direction and PCAS shall have the right to remove the PCAS Director(s).

The initial directors shall be;

- a) Jim Gay, Pharmacist Director and Chairman of the Board
- b) Sarah Youssef, Pharmacist Director and Designated Manager Pharmacist
- c) Mima Caruana, Pharmacist Director and Pharmacist
- d) Peter Suma, PCAS Director and COO of PCAS

All Directors shall serve while they are actively employed or retainer by PCAS and/or the Pharmacy should a Director cease to be employed by PCAS and/or the Pharmacy said Director shall cease to be a Director of the Pharmacy.

The PCAS Director shall have two votes on the board, all other Directors one vote. Pharmacist Directors shall receive 50,000 PCAS Class A Common Shares per year as compensation for sitting on the board and a meeting fee of \$400.00 per scheduled formal meeting of the Board of Directors of Pharmacy.

- 3.2 **Pharmacy Business.** Pharmacy shall not carry on any business other than the Pharmacy Business at any time during the Term.
- 3.3 **Designated Manager.** Pharmacy designates Sarah Youssef, as the manager of the Pharmacy Business for purposes of and in accordance with the Pharmacy Legislation (the "Designated Manager").
- 3.4 **Voting and Related Matters.** The Parties shall do or cause to be done all things and acts, including the execution of documents and resolutions and the holding of meetings, to ensure that at all times during the Term the officers of Pharmacy shall be:

Chief Executive Officer:	Peter Suma
President:	Sarah Youssef

Secretary: Mima Caruana
Treasurer: Peter Suma

3.5 Shareholder Meetings.

- (a) Any two Shareholders, one of whom shall be a Pharmacist, and one of whom shall be a PCAS Director present in person or represented by proxy constitute a quorum for a shareholders meeting.
- (b) Subject to this Agreement, all decisions of the Shareholders shall be decided by a majority of votes cast or by such greater percentage as may be required by law.

3.6 Execution of Contracts. Subject to this Agreement, and unless otherwise authorized by the Board, all contracts and documents binding Pharmacy shall require the signatures of the President and any one of the Chief Executive Officer, Secretary and the Treasurer.

3.7 Status of Pharmacists. Each Pharmacist represents and warrants to and in favour of the PCAS and Pharmacy that the right of the Pharmacist to practice Pharmacy in the Province of Ontario is not subject to any condition, limitation, restriction or suspension made by the College or any Governmental or any Regulatory Authority; and that there are no grounds upon which the College or any Governmental or Regulatory Authority could commence any disciplinary proceedings against the Pharmacist.

3.8 Management and Operational Decisions.

- (a) The Designated Manager shall be responsible for managing and operating the Pharmacy Business, and shall devote all of his/her Pharmacy working time to the exercise of those responsibilities.
- (b) The Designated Manager shall have final authority with respect to any matter which, pursuant to the provisions of the Pharmacy Legislation, is required to be under the direction and control of a pharmacist licensed by the College.
- (c) The Chief Executive Officer of Pharmacy shall have final authority with respect to any matter which, pursuant to the provisions of the Pharmacy Legislation, is not required to be under the direction and control of a licensed pharmacist.

3.9 Agreements with PCAS; Taking Action.

- (a) In furtherance of the intentions of the Parties expressed in Recital G, and in reliance upon the authority provided in Section 3.8(c), Pharmacy shall enter into agreements (terminable on 30 days notice) with PCAS, to be executed in accordance with Section 3.6, on such financial terms and other conditions approved by the officers of Pharmacy so executing such agreements, in order to obtain for the Pharmacy Business:

- (i) a licence for the use of the name "PharmaTrust"; and

- (ii) the services of PCAS' executive, managerial, support, administrative and clerical personnel and the use the premises, computer and communications systems, office equipment, supplies and other property of Strategies.
- (b) In furtherance of the intentions of the Parties expressed in Recital G, the Parties, collectively, shall take or cause to be taken all action throughout the Term, including the payment by Pharmacy of management bonuses to the Shareholders from time to time and at any time, necessary or advisable in order to reduce the gross margin and/or income of Pharmacy to zero.

3.10 Consents Required. Unless the written consent of PCAS is first obtained, but subject to Section 3.8:

- (a) The Articles and by-laws of Pharmacy shall not be amended;
- (b) There shall be no material change in the nature of the Pharmacy Business, nor shall any action be taken which may lead to or result in such material change;
- (c) Pharmacy shall not undergo any fundamental corporate change, including any amalgamation, arrangement, continuation, re-organization, liquidation, dissolution or winding up;
- (d) Pharmacy shall not restructure, reorganize the board and/or management;
- (e) Pharmacy shall not borrow money (including, without limitation, pursuant to all lease obligations), in any amount and whether on a secured or unsecured basis;
- (f) Pharmacy shall not sell, transfer, lease (as lessor), lend on security or otherwise, mortgage, pledge, charge, hypothecate, exchange, convey, finance or refinance or otherwise deal with or dispose of or create any lien or charge on, all or any part of or any interest in property or assets of Pharmacy (other than the sale of inventory in the ordinary course of business, and the disposition of surplus or obsolete property in the ordinary course of business);
- (g) Pharmacy shall not negotiate or enter contracts, agreements or instruments in respect of matters out of the ordinary course of business;
- (h) Pharmacy shall not pay dividends, payments or other distributions to Shareholders or salaries, bonuses, payments or other distributions to directors, officers and designated management individuals;
- (i) Pharmacy shall not incur or make any commitment with respect to any expenditures in excess of \$10,000;
- (j) Pharmacy shall not make any loan or advance;
- (k) Pharmacy shall not commence or settle any legal, administrative or regulatory proceedings or threatened legal, administrative or regulatory proceedings;

- (l) Pharmacy shall not approve of any payment to the Shareholders or other Affiliates for services, supplied or sold to Pharmacy; and
- (m) Pharmacy shall not redeem or purchase for cancellation any Shares, except as expressly provided for in this Agreement.

4. AUTHORIZED CAPITAL, RESTRICTIONS ON TRANSFER AND LEGEND ON SHARE CERTIFICATES

- 4.1 **Authorized Capital.** The Authorized Capital of Pharmacy presently consists of an limited number of common shares, the numbers of which and the legal and beneficial owners of which, and the number of Shares legally and beneficial owned by them, is set out in Schedule B1.
- 4.2 **No Right to Transfer.** Except as specifically provided in this Agreement, no Shareholder shall Pledge and/or Transfer his or her right, title or interest in or to any Shares to any Person.
- 4.3 **Legend.** Every certificate representing Shares now, or at any time during the Term, issued to any Shareholder shall have typed or otherwise written upon it a legend substantially to the following effect:

"The shares represented by this certificate are subject to certain restrictions on the right to pledge, transfer, sell, assign or otherwise deal with the shares represented by this certificate, pursuant to a shareholders agreement made as of January 31, 2008 and notice of the terms and conditions of such agreement is hereby given."
- 4.4 **Shareholders Consent.** The Shareholders expressly consent to any Transfer of Shares made pursuant to and in accordance with the provisions of this Agreement.
- 4.5 **Pharmacy Legislation.** Notwithstanding any other provision of this Agreement, no Transfer of Shares shall be made which is not in compliance with the Pharmacy Legislation, and any Transfer of or attempt to Transfer Shares in violation of this Article 4 shall be a null and void and of no legal effect whatsoever.

5. PURCHASE OF PHARMACISTS' SHARES

5.1 Call Right.

- (a) Pharmacy shall have the unfettered right, exercisable by Pharmacy for any reason whatsoever at any time on or before the expiry of the Term by delivery to any Pharmacist of written notice (the "Call Notice"), to compel such Pharmacist to sell all of the Shares held by him/her at that time to a Qualified Purchaser for aggregate proceeds of sale equal to \$1.00 (the "Call Right" and the "Call Proceeds", respectively).
- (b) Upon receipt of the Call Notice, the Pharmacist (or his/her legal representatives, as applicable), shall sell the Shares held by the Pharmacist at that time, and in

accordance with the Call Notice, for aggregate consideration equal to the Call Proceeds and on the terms set out in this Article 5 (the "**Call Transaction**").

5.2 Exit Right.

- (a) If for any reason and at any time on or before the expiry of the Term:
 - (i) the Shareholders determine that Pharmacy shall surrender its licence pursuant to the Pharmacy Legislation to operate a Pharmacy; or
 - (ii) if Pharmacy ceases for any reason to hold a licence pursuant to the Pharmacy Legislation to operate a Pharmacy,

Pharmacy shall have the unfettered right, exercisable by delivery to any or all of the Pharmacists of written notice (the "**Exit Notice**"), to compel such Pharmacist(s) to sell all of the Shares held by him/her at that time to one or more Persons designated by Pharmacy in the Exit Notice, none of whom need be a licensed pharmacist, (collectively, the "**Designated Purchaser**") for aggregate proceeds of sale equal to \$1.00, respectively (the "**Exit Right**" and the "**Exit Proceeds**", respectively).

- (b) Upon receipt of the Exit Notice, the Pharmacist (or his/her legal representatives, as applicable), shall sell the Shares held by the Pharmacist at that time, and in accordance with the Exit Notice, for aggregate consideration equal to the Exit Proceeds and on the terms set out in this Article 5 (the "**Exit Transaction**").

5.3 Conditions. Payment of the purchase price of any Shares sold and purchased pursuant to this Article 5 in each case, shall be made without any interest and shall be conditional upon Pharmacy having obtained the prior written approval of holders of any indebtedness pursuant to any Security Agreement.

5.4 Closing. The closing of a purchase and sale of Shares pursuant to this Article 5 shall take place at the registered office of Pharmacy, commencing at 10 a.m. on the 10th Business Day after the date of exercise of the Call Right or the Exit Right, as the case may be, or such other date as the Parties shall agree.

5.5 Closing Deliveries. At the closing provided for in Section 5.4, the Pharmacist shall deliver to the Qualified Purchaser or the Designated Purchaser, as the case may be:

- (a) the certificates representing the appropriate number and class of Shares duly endorsed for transfer (including any required tax waiver and declaration of transmission received from the legal representatives of the Pharmacist, in the case of a sale following the death of the Pharmacist) (the "**Endorsed Certificate**"); and
- (b) the Additional Closing Documents.

5.6 **No Affect on Rights and Obligations.** The completion of a Transaction shall not release the Pharmacist from any of its obligations pursuant to this Agreement, which obligations shall remain in full force and effect.

5.7 **Appointment of Attorney.**

- (a) Without prejudice to any other provision of this Agreement, if any Pharmacist is not present or represented at closing, or is present or represented but fails for any reason whatsoever to execute and deliver the Endorsed Certificate or any of the Additional Closing Documents, such Pharmacist irrevocably constitutes and appoints the Chief Executive Officer of Pharmacy or his/her nominee a true and lawful attorney-in-fact and agent for, in the name of and on behalf of the Pharmacist to execute and deliver in the name of the Pharmacist an Endorsed Certificate and all such Additional Closing Documents.
- (b) Each Pharmacist ratifies and confirms, and agrees to ratify and confirm, all that the attorney may lawfully do or cause to be done as agent for the Pharmacist by virtue of the provisions of Section 5.7(a).

6. **INDEMNITY IN FAVOUR OF THE FOUNDING PHARMACISTS**

6.1 **Indemnity.** PCAS, PCAS' insurance providers, Pharmacy and Pharmacy's insurance providers and shall jointly and severally indemnify and save harmless each Pharmacist and his/her heirs and legal personal representatives from and against all costs, charges and expenses, including an amount paid to settle any action or to satisfy a judgment reasonably incurred by the Pharmacist in respect of any civil, criminal, or administrative proceeding to which the Pharmacist is involved or joined by reason of the Pharmacist being or having been a director and officer of Pharmacy, provided the Pharmacist's conduct satisfies the standards provided in sections 136(1)(a) and (b) of the *Business Corporations Act* (Ontario).

6.2 **No Adverse Presumption.** For the purposes of Section 6.1, the termination of any civil, criminal, administrative or other proceeding by judgment, order, settlement, conviction or similar or other result will not of itself create a presumption either that the Pharmacist(s) did not act honestly and in good faith with a view to the best interests of Pharmacy or that, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the Pharmacist(s) did not have reasonable grounds for believing that his/her conduct was lawful.

6.3 **Legal Action by Pharmacy.** In respect of an action by or on behalf of Pharmacy or a body corporate to procure a judgment in its favour, to which the Pharmacist(s) is/are made a party by reason of such Pharmacist's association with Pharmacy, Pharmacy will make application for approval of the appropriate court, as defined in the *Business Corporations Act* (Ontario), to fulfil its obligations under this Agreement to indemnify such Pharmacist and his/her heirs and legal representatives, against, and to advance moneys in respect of, all costs, charges and expenses reasonably incurred by such Pharmacist in connection with such action if such Pharmacist fulfils the conditions set out in Sections 6.1 and 6.2.

- 6.4 **Payment of Costs.** Pharmacy will pay all expenses covered by this Agreement and incurred by the Pharmacists, the Pharmacists' heirs and legal representatives, in defending any civil, criminal or administrative proceeding to which any Pharmacist or the Pharmacists' heirs and legal representatives, are made a party by reason of the Pharmacists' association with Pharmacy, in advance of the final disposition of such action or proceeding.

7. **RESTRICTIVE COVENANTS**

- 7.1 **Restrictive Covenants.** Subject to Section 7.2, each Pharmacist covenants and agrees for the benefit of Pharmacy, PCAS and any Qualified Purchaser or any or them (individually and collectively, the "**PCAS Related Group**") that during the Term and for two (2) years thereafter the Pharmacist shall not, either alone or in partnership or in concert with, or on behalf of, any Person, whether as a vendor, partner, agent, employer, employee, consultant, lender, shareholder, joint venturer, investor, or as a director of any corporation or association, or in any other manner or capacity whatsoever, directly or indirectly:
- (a) (Non-Compete) carry on, engage in, assist in, have any equity or other interest in, provide any financial assistance or consulting or advisory services to, permit his name or any part thereof to be used or employed by, on or in connection with, or have any active or passive interest in, any business that is directly competitive with the Pharmacy Business or the business of PCAS, by virtue of providing home delivery pharmacy coordinated with a physician dispensing operation, at any time during the Term, or is similar in concept, design, format or otherwise to the Pharmacy Business or the business of PCAS, anywhere within the Geographic Area. Note that this Non-Compete clause shall not restrict in any way the Pharmacists right to seek employment in community pharmacy or other pharmacist work during or after the Term of this Agreement, this Non-Compete is only attempting to restrict the ability of the Pharmacist to take the specific information and training from working at the Pharmacy and/or PCAS to a company attempting to directly compete with PCAS and the Pharmacy's innovative business model(s);
 - (b) solicit or contact any Person that was or is a customer, client, vendor, franchisee or supplier (or had been approached or specifically targeted to become a customer, client, vendor, franchisee or supplier) of the Pharmacy Business, for any business purpose that is directly competitive with the Pharmacy Business and/or the business of PCAS at any time during the Term;
 - (c) induce or cause, or assist any Person to induce or cause, any customer, client, vendor, franchisee or supplier of any member of the Pharmacy Business to change their relationship or association with any of the members of the Pharmacy Business and/or PCAS in a way that adversely affects the interests (whether financial or otherwise) of PCAS or any of its Affiliates; or
 - (d) employ, engage, offer employment or engagement to or solicit the employment or engagement of or otherwise entice away from the employment or engagement in

or with the Pharmacy Business and/or PCAS or assist any Person in the commission of any such activities, any individual who is employed or engaged by or in the Pharmacy Business and/or PCAS, whether or not such individual would commit any breach of her contract or terms of employment or engagement by leaving the employ or the engagement with or in the Pharmacy Business and.

- 7.2 **Exceptions.** Section 7.1 shall not be construed to prohibit any Pharmacist from owning less than two percent (2%) of any class of securities of any competitor of the Pharmacy Business which is publicly traded on a securities exchange, provided that such Pharmacist does not take part in the management of, or undertake any of the activities described in Section 7.1(a) for, such competitor.
- 7.3 **Non-Disparagement.** No Pharmacist shall not engage in any pattern of conduct that involves the making or publishing of written or oral statements or remarks (including the repetition or distribution of derogatory rumours, allegations, negative reports or comments) which are disparaging, deleterious or damaging to the integrity or reputation of the Pharmacy Business, any of PCAS, any of its Affiliates, or the management of any such entity.
- 7.4 **Non-Disclosure.** No Pharmacist shall at any time now or in the future for any purpose or in any manner whatsoever, directly or indirectly, use, disclose, divulge, furnish, transfer, sell, release or otherwise deal with or make available to any Person any Confidential Information except as may be strictly required in connection with the performance of the Pharmacist's duties and responsibilities with and to the Pharmacy Business and/or the business partnership or working of PCAS.
- 7.5 **Covenants Reasonable.** Each Pharmacist acknowledges and agrees that:
- (a) The covenants in this Agreement are reasonable in the circumstances and are valid and necessary to protect the legitimate business interests of Pharmacy and/or PCAS and its Affiliates;
 - (b) The breach by any Pharmacist of any of the provisions of this Agreement would cause serious and irreparable harm to Pharmacy and/or PCAS and its Affiliates (for each of which PCAS acts as agent) which could not adequately be compensated for in damages, and PCAS and its Affiliates shall have the right, in addition to any other rights and remedies available to each of them at law or in equity, to enforce their respective rights and the Pharmacists' obligations under this Agreement not only by an action or actions for damages, but also by an action or actions for specific performance or an interim, interlocutory or permanent injunction without the necessity of an undertaking as to damages by PCAS and its Affiliates in order to enforce or prevent any violations (whether anticipatory, continuing or future) of the provisions of this Agreement. Each Pharmacist agrees to waive any defences he/she may have to any such actions taken by PCAS and its Affiliates and agrees to consent to an order for an injunction or specific performance sought by any such entity;
 - (c) In addition to any other rights and remedies available to PCAS and its Affiliates at law or in equity, PCAS and its Affiliates shall have the right and remedy to

[Type text]

require any or all of the Pharmacists to account for and pay over to PCAS and its Affiliates all compensation, profits, monies, accruals, increments or other benefits (collectively, the "**Benefits**") derived or received as a result of any transactions constituting a breach of any of the covenants contained herein, and the Pharmacist(s) shall account for and immediately pay over such Benefits to PCAS and its Affiliates;

- (d) The duration of the Term shall be extended for the period which equals the period during which any Pharmacist is in breach of any of the provisions of this Agreement plus the length of any court proceedings necessary to stop such violation;
- (e) The principles of law to be applied to the interpretation of this Agreement are those that apply to restrictive covenants given by a seller on the sale of a business; and
- (f) Each Pharmacist's expertise and capabilities are such that his/her obligations under this Agreement (and the enforcement thereof by injunction or otherwise) will not prevent his/her from earning a livelihood.

7.6 **Affiliates.** This Agreement and all of its provisions shall, in addition to being for the benefit of PCAS, be for the benefit of each present and future Affiliate of PCAS.

7.7 **Indemnification by Pharmacists.** Each Pharmacist indemnifies and saves PCAS and its Affiliates, and each of such entity's shareholders, directors, officers, employees, agents and representatives (individually, an "**Indemnified Party**", for each of which PCAS acts as agent) harmless from and against all Claims and Losses suffered by, imposed upon or asserted against the Indemnified Party as a result of any violation, contravention or breach of this Restrictive Covenant by such Pharmacist.

8. **PCAS REPRESENTATIVE**

8.1 **Appointment of PCAS Representative.** PCAS appoints, effective immediately, Peter Suma, or his nominee, to act as PCAS' representative (the "**PCAS Representative**"), and by PCAS' execution of this Agreement appoints the PCAS Representative as PCAS' true and lawful attorney, in PCAS' name, place and stead to act on PCAS' behalf as contemplated by the terms of this Agreement.

8.2 **Effect of Power of Attorney.** With the power of attorney so granted by PCAS to the PCAS Representative, PCAS has authorized the PCAS Representative to take any further action which the PCAS Representative shall consider necessary or desirable in connection with the foregoing, thereby giving the PCAS Representative full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and about the foregoing, and has ratified and confirmed that the PCAS Representative shall lawfully do or cause to be done by virtue thereof.

9. INDEPENDENT LEGAL ADVICE

- 9.1 **Confirmation.** Each Pharmacist confirms that he/she has obtained independent legal advice in connection with this Agreement and the transactions contemplated by this Agreement.

[Signatures follow on next page.]

in the presence of

Witness

M. Cerro

Mima Caruana

in the presence of


Witness

Jim Gay

~~Jim Gay~~

in the presence of

Witness


Sarah Youssef

Sarah Youssef

**PCAS PATIENT CARE
AUTOMATION SERVICES INC.**

Per:

Name: ~~Peter Suma~~

Title: COO & President

I have authority to bind the corporation.

PCAS NewCo Pharmacy Inc.

Per:

Name: Peter Suma

~~Title: CEO~~

I have authority to bind the corporation.

SCHEDULE A

Definitions

In this Agreement:

"Additional Closing Documents" means any agreements, certificates, transfers, assignments, instruments, releases, resolutions and other documents deemed necessary or advisable by PCAS:

- (a) vesting or confirm valid title to the Shares in a Qualified Purchaser; and
- (b) to complete any Transaction,

including the Restrictive Covenant.

"Affiliate" has the meaning given in section 1.1 of the *Business Corporations Act* (Ontario).

"Agreement" means this shareholders agreement, including the Schedules, as amended, revised, replaced, supplemented or restated from time to time in accordance with the provisions of this shareholders agreement.

"Authorized Capital" means the authorized capital of Pharmacy set out in its Articles, as such authorized capital may be amended from time to time during the Term by amended Articles.

"Articles" has the same meaning as "articles" as defined in the *Business Corporations Act* (Ontario).

"Business Day" means any day other than a day which is a Saturday, a Sunday or a statutory or civic holiday in the Province of Ontario.

"Call Notice" has the meaning given in Section 5.1.

"Call Proceeds" has the meaning given in Section 5.1.

"Call Right" has the meaning given in Section 5.1.

"Call Transaction" has the meaning given in Section 5.1.

"Cause", with respect to any Pharmacist, shall be deemed to include, in addition to the meaning given by applicable law (including any applicable jurisprudence):

- (a) a wilful failure or refusal by the Pharmacist to perform his/her properly assigned duties or services for Pharmacy;
- (b) the conviction of the Pharmacist for a criminal act or other offence denoting moral turpitude pursuant to the provisions of the *Criminal Code of Canada* or any other criminal or penal statute of any applicable jurisdiction whatsoever;

[Type text]

- (c) a breach by the Pharmacist of, or failure or refusal by the Pharmacist to perform, in any material respect any of his/her obligations under the respective Restrictive Covenant, or any employment agreement with Pharmacy to which the Pharmacist is or may during the Term become a party;
- (d) a failure or refusal by the Pharmacist to perform his/her duties to Pharmacy in a loyal manner and with a view to promoting the best interests of Pharmacy or any Subsidiary of Pharmacy;
- (e) gross negligence, wilful misconduct or fraud by the Pharmacist;
- (f) failure or refusal by the Pharmacist to obey the reasonable policies of Pharmacy;
- (g) suspension or revocation for any reason by the College of the Pharmacist's license to practice pharmacy; or
- (h) failure by the Pharmacist to manage and operate the Pharmacy Business in compliance with applicable Law.

"Claims" means claims, demands, causes of actions, actions or suits whether at law or equity or whether in contract, negligence, strict liability or tort or otherwise and any regulatory proceedings instituted by any third party for which the liability or the costs or expenses are Losses;

"collectively" means, in relation to a group of Persons or things, any and all of those Persons or things.

"College" has the meaning attributed to it in Recital A.

"Confidential Information" means and includes, collectively, the Records and all material and information (whether oral or written, data, compilations, analyses, documentation, or in any other form) not included in the Records, and in each case, every part thereof and all copies thereof; provided, however, that the foregoing does not extend to or include any of the foregoing that is or becomes a matter of public knowledge otherwise than as a result of a breach of this Agreement by a Pharmacist;

"Default Call Right" has the meaning given in Section 6.5.

"Designated Manager" has the meaning given in Section 3.3.

"Designated Purchaser" has the meaning given in Section 5.2.

"Distribution to the Public" shall mean an initial public offering of the Shares or of any other class of Shares comprised in the Authorized Capital.

"Endorsed Certificate" has the meaning given in Section 5.3.

"Exit Notice" has the meaning given in Section 5.2.

"Exit Proceeds" has the meaning given in Section 5.2.

"Records" means and includes, collectively, all data, information and records of or relating to the Pharmacy Business, whether in written form or stored on computer-related media including, without limitation, all originals, copies (including, without limitation, handwritten copies) and extracts, compilations and analyses of all:

- (a) operating information and data, financial or otherwise including, without limitation, books, business reports, plans and projections, books of account, records of assets, liabilities, past sales and purchases, invoices, inventory data and costing reports, accounts receivable data, credit information, information of or relating to the Pharmacy Business, its profit margins, past, current or prospective employees, customers and suppliers (including their names, addresses and preferences), customer and supplier relationships, call lists, customer lists, customer profits, proposals, and other confidential customer information, billing practices, financial structure and information, employees, employee relationships, employee lists and data, markets or marketing plans, information of or relating to potential business ventures and other activities of all kinds, and all other records, documents, files and other information related to any or all of the foregoing;
- (b) formulae, designs, codes, licences, computer software used or developed by the Pharmacy Business, technical information, research and development data, concepts, business or operating techniques, methods and procedures, inventions, discoveries and methods of processing and production;
- (c) information of or relating to any product, device, equipment or machinery as used or being developed for use by the Pharmacy Business;
- (d) files, manuals, databases and records, correspondence, documents and contracts; and
- (e) lists of, files relating to, and agreements with, customers, suppliers, service contractors and employees of the Pharmacy Business.

"Related person" has the meaning given in the *Income Tax Act* (Canada).

"Restrictive Covenant" means the Restrictive Covenant in the form attached as Schedule E.

"Schedules" has the meaning attributed to it in Section 1.3.

"Section" means a section of this Agreement.

"Security Agreement" means any security agreement, as defined in the *Personal Property Security Act* (Ontario) entered into between Pharmacy or any of its Affiliates and any secured party, as defined in such legislation, dealing at arm's length with Pharmacy and any such Affiliate, as any such security agreement may be amended, supplemented or replaced from time to time.

"Shares" means shares in the Authorized Capital which are issued and outstanding from time to time during the Term, which classes and numbers of shares are listed in Schedule

"Exit Right" has the meaning given in Section 5.2.

"Exit Transaction" has the meaning given in Section 5.2.

"Geographic Area" means Canada.

"Governmental or Regulatory Authority" means any court, tribunal, arbitrator, agency, commission, official, body or other governmental or regulatory authority of Canada, of any foreign country, or of any province, territory, county, city or other political subdivision thereof.

"including" or **"includes"** means "including (or includes) without limitation".

"Indemnified Party" has the meaning given in Section 7.7.

"Losses" means any claim, loss, liability, deficiency, damage, amount paid in settlement, expense or cost (including reasonable costs of investigation, defence and legal fees and expenses).

"Law" means any civil or common law, statute (including the Pharmacy Legislation), regulation, treaty, convention regulation, directive, decision, bylaw, ordinance, circular, code, order, notice, demand, decree, rule, injunction, resolution, judgment or recommendation of any Governmental or Regulatory Authority.

"Parties" means the Pharmacists, PCAS and Pharmacy, and **"Party"** means any one of them.

"PCAS' Representative" has the meaning given in Section 8.1

"Person" any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labour union, unincorporated organization or other entity or Governmental or Regulatory Authority.

"Pharmacy Business" means the pharmacy business carried on by Pharmacy, which Pharmacy is licensed to operate pursuant to the Pharmacy Legislation and which provides pharmacy services.

"Pharmacy Legislation" has the meaning attributed to it in Recital A.

"Qualified Purchaser" means an individual or corporation designated by PCAS and any Related person of PCAS who is:

- (a) a pharmacist licensed by and in good standing with the College; or
- (b) a corporation permitted to own or operate a Pharmacy pursuant to sections 142 and 144 of the Pharmacy Legislation.

"Recitals" means the recitals to this Agreement.

B1, together with the names of the persons who are the current legal and beneficial owners, respectively, of those classes and numbers of shares.

"Shareholders" means, collectively, PCAS and the Pharmacist and any transferees or assignees of Shares from any of them who, in accordance with the provisions of this Agreement, shall at any time become holders of Shares and become bound by the provisions of this Agreement, and **"Shareholder"** means any one of them.

"Subsidiary" shall have the meaning given in the *Business Corporations Act* (Ontario).

"Term" has the meaning given in Section 2.

"Terminal Event" means, in relation to any Pharmacist, that the Pharmacist has died or ceased to be an employee of Pharmacy because of disability.

"Transaction" means a Call Transaction and an Exit Transaction.

"Transfer" means, as to any Shares, to sell, or in any other way transfer, assign, pledge, distribute, encumber or otherwise dispose of such Shares (including the foreclosure or other acquisition by any lender with respect to Shares pledged to such lender by a Shareholder), either voluntarily or involuntarily and with or without consideration.

[Type text]

SCHEDULE B1

Number and Class of Shares	Shareholder
49 Common	PCAS Patient Care Automation Services Inc.
17 Common	Mima Caruana
17 Common	Jim Gay
17 Common	Sarah Youssef
100 Common (Total Issuable)	

[Remainder of page intentionally left blank.]

[Type text]

SCHEDULE B2

Agreement of PCAS Patient Care Automation Services Inc. regarding Pharmacists

FOR VALUE RECEIVED, PCAS Patient Care Automation Services Inc., agrees to make the services of its employees, Mima Caruana, Jim Gay and Sarah Youssef, each a member in good standing of the Ontario College of Pharmacists, available to Pharmacy on an exclusive, full-time basis until such time as Pharmacy notifies PCAS that the services of Mima Caruana, Jim Gay and Sarah Youssef are no longer required.

DATED with effect as of January 31, 2008.

**PCAS PATIENT CARE
AUTOMATION SERVICES INC.**

Per: _____

Name: Coo

Title: P. SUMA

I have authority to bind the corporation.

[Remainder of page intentionally left blank.]

SCHEDULE C

General Contract Provisions

1.1 Notice.

- (a) Any notice (including a Call Notice or an Exit Notice), document or thing required or permitted to be given or delivered under this Agreement (a "Notice") shall be deemed to be properly given or delivered to a Party if:
 - (i) delivered in person to the address of the Party set out in Schedule D and acknowledged by written receipt signed by the person receiving such notice;
 - (ii) faxed to the Party receiving such notice at its number set out in Schedule D; or
 - (iii) sent by prepaid registered letter or courier delivered addressed to the Party receiving such notice at its respective address set out in Schedule D.
- (b) Any Notice given in accordance with the provisions of Section 1.12 of this Schedule C shall be deemed to have been given and received:
 - (i) if delivered in person in accordance with the provisions of Section 1.1(a) of this Schedule C, on the day of delivery in person (provided that such day is a Business Day at the place of receipt, and that delivery occurred prior to 5:00 p.m. (local time of the recipient) and, if it is not a Business Day, on the next following Business Day);
 - (ii) if faxed in accordance with the provisions of Section 1.1(b) of this Schedule C before 5:00 p.m. at the place of receipt, on the date of receipt of the fax, provided that such day is a Business Day at the place of receipt and, if it is not, on the next following Business Day; and
 - (iii) if sent by prepaid registered letter or courier delivery in accordance with the provision of Section 1.1(c) of this Schedule C, on the date the letter is actually received by the Party to whom the Notice is addressed.
- (c) For greater certainty, a letter delivered by courier where the courier obtains a written acknowledgement of receipt from the Party to whom the Notice is addressed shall be considered a Notice in person in accordance with Section 1.1(d)(1) of this Schedule C rather than a Notice of a letter in accordance with Section 1.1(d)(iii) of this Schedule C.
- (d) Any Party may from time to time by notice in writing given in accordance with the provisions of this Section 1.1 of this Schedule C change its address for purposes of this Section 1.1 of this Schedule C.

- 1.2 Sections, Headings and Index.** The index, the insertion of headings, and the division of this Agreement into Articles and Sections, are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- 1.3 Amendments.** No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the Parties.
- 1.4 Assignment.**
- (a) Neither this Agreement nor any of its provisions is assignable by any Pharmacist without the prior written consent of PCAS, which consent may be withheld by PCAS in its unfettered discretion, and any attempt to assign any of the rights, benefits, duties or obligations of this Agreement without the prior written consent of PCAS is void.
 - (b) PCAS and Pharmacy and, if applicable, a Qualified Purchaser, may assign this Agreement and any of its provisions without notice to or the consent of the Pharmacists.
 - (c) Section 1.4(b) of this Schedule C is intended to confer benefits on a Qualified Purchaser, a Person not party to this Agreement.
- 1.5 Gender and Number.** Words importing the singular only shall include the plural and vice versa, and words importing the masculine gender shall include the feminine and neutral genders and vice versa.
- 1.6 Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. The Parties attorn to the jurisdiction of the courts in the Province of Ontario, and any litigation between the Parties arising pursuant to or in connection with this Agreement, or any of its provisions, shall be referred to the courts in the Province of Ontario.
- 1.7 Provisions Severable.** If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement shall remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree shall remain in full force and effect to the extent not held invalid or unenforceable.
- 1.8 Counterparts and Electronic Delivery.**
- (a) This Agreement may be executed in any number of counterparts with the same effect as if all Parties had signed the same original Agreement, and each such counterpart shall be deemed to be an originally executed Agreement.
 - (b) All counterparts of the Agreement taken together shall be deemed for all purposes to constitute one originally executed Agreement, binding on the Parties, notwithstanding that all Parties have not executed the same counterpart.

- (c) No Party shall be required to produce or account for more than one such counterpart in making proof of this Agreement.
- (d) A copy of this Agreement delivered by telefacsimile or other electronic means, or a photocopy of this Agreement, executed by a Party required to execute this Agreement in counterpart or otherwise, shall constitute a properly executed, delivered and binding document or counterpart of the executing Party.

- 1.9 **Public Announcements.** Except as required by law, no Party will issue a press release or otherwise publicly disclose the existence of or any information concerning this Agreement or any of the documents or agreements referred to in this Agreement, without the prior written consent and approval by the other Parties of the text of such press release or other disclosure.
- 1.10 **Entire Agreement.** This Agreement constitutes the entire agreement between the Shareholders in their capacity as holders of Shares and Pharmacy pertaining to obligations of the Shareholders in regard to Pharmacy. Except as provided in this Agreement, there are no oral statements, representations, warranties, undertakings or agreements between the Parties with respect to the subject matter of this Agreement.
- 1.11 **Limitation on Agreement.** Nothing contained in this Agreement shall create any obligation on Pharmacy to take any action or do or cause to be done anything which may constitute a breach of or a default under any Security Agreement.
- 1.12 **Further Assurances.** The Parties shall do or cause to be done all acts and things and shall execute and deliver or cause to be executed and delivered all such instruments and to exercise or cause to be exercised any and all voting rights attaching to Shares held by each of them in order that all provisions of this Agreement shall be fully and effectively carried out, implemented and given effect to in accordance with the terms of this Agreement.
- 1.13 **Binding Nature of Agreement.** This Agreement shall enure to the benefit of and be binding upon the Parties and their respective heirs, legal personal representatives, successors (including successors by way of amalgamation, reorganization of other fundamental change) and permitted assigns.
- 1.14 **Time of the Essence.** Time shall be of the essence of this Agreement.
- 1.15 **Waiver.** No failure or delay on the part of a Party in exercising any power or right under this Agreement shall operate as a waiver by the Party of the power or right. No single or partial exercise by a Party of any right or power under this Agreement shall preclude any further or other exercise by the Party of the right or power. No waiver of any provision of this Agreement by a Party shall be effective unless the waiver is given in writing, and no consent to any departure by a Party from any provision of this Agreement shall be effective unless the consent is given in writing. Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given. No notice to or demand on a Party in any circumstances shall entitle the Party to any other or further notice or demand in similar or other circumstances.

- 1.16 Independent Legal Advice.** Each Pharmacist acknowledges having obtained independent legal advice from his/her own solicitors, respectively, with respect to the terms of this Agreement prior to its execution and further acknowledges that he/she understands the terms of and his/her respective rights and obligations under this Agreement.
- 1.17 Legislative References.** Any reference in this Agreement to any legislation, or to any section of or any definition in any legislation, shall be deemed to be a reference to such legislation or section or definition as amended, supplemented, substituted, replaced or re-enacted from time to time.
- 1.18 Neutral Interpretation.** This Agreement constitutes the product of the negotiation of the Parties and the enforcement of this Agreement shall be interpreted in a neutral manner, and not more strongly for or against any Party based upon the source of the draftsmanship hereof.
- 1.18 No Agreement Prior to Execution.** This Agreement and all discussions or agreements made prior to this Agreement shall only be enforceable on the Parties once this Agreement is executed in writing.

[Remainder of page intentionally left blank.]

SCHEDULE D

Particulars for Notices

- 1.1 In the case of a Notice to PCAS and/or Pharmacy, at:

PCAS NewCo Pharmacy Inc.
c/o PCAS Patient Care Automation Services Inc.
2880 Brighton Rd., Unit #2
Oakville, Ontario
L6H 5S3

Attention: Peter Suma, President & COO
Fax No.: 905-829-5504

- 1.2 In the case of a Notice to Mima Caruana, at:

Mima Caruana
60 Beatrice Way
Woodbridge, Ontario
L4L 5T3

Fax: _____

- 1.3 In the case of a Notice to Jim Gay, at:

Jim Gay
20 Valley Trail RR#1
Newmarket, Ontario
L3Y 4V8

Fax: _____

- 1.4 In the case of a Notice to Sarah Youssef, at:

Sarah Youssef
9 Green Meadows Circle
North York, Ontario
M2J 5G6

Fax: _____

TAB E

Attached is Exhibit "E" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 22nd day of March, 2012

Puneet Soni

Commissioner for taking Affidavits, etc

2163279 ONTARIO INC.

The following resolutions, signed by all of the directors of 2163279 Ontario Inc. (the "**Corporation**"), are hereby passed pursuant to the provisions of the *Ontario Business Corporations Act* (the "**Act**");

**APPROVAL OF AN APPLICATION UNDER THE COMPANIES' CREDITORS
ARRANGEMENT ACT AND OF DEBTOR-IN-POSSESSION FINANCING**

WHEREAS the best interests of the Corporation would be served by the making of an application pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") to commence proceedings under the CCAA (the "**CCAA Proceedings**"), and to enter into a loan agreement with Boehringer-Ingelheim to obtain debtor-in-possession financing;

NOW THEREFORE BE IT RESOLVED THAT:

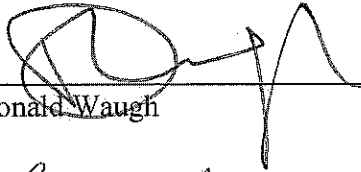
1. The recitals above are confirmed.
2. The Corporation is hereby authorized to make an application (the "**Application**") to Ontario Superior Court of Justice (the "**Court**") for an order in substantially the form attached hereto as **Schedule "A"**, with such amendments as the Court may required and/or any officer or director of the Corporation may agree to.
3. Any officer or director of the Corporation is authorized to swear an affidavit in support of the Application.
4. Any officer or director of the Corporation is authorized and directed to execute and deliver and file with any court in the name and on behalf of the Corporation and under its corporate seal or otherwise all such certificates, instruments, agreements, plans, arrangements, conveyances, bills of sale, transfers, notices, affidavits and other documents and to do all such other acts and things as in the opinion of such person may be necessary or desirable in connection with the Application and with the performance by the Corporation of its obligations thereunder.
5. The Corporation is hereby authorized to:
 - (a) borrow up to \$10,000,000 from Boehringer-Ingelheim (the "**DIP Lender**") by way of the debtor-in-possession credit facility provided by the DIP Lender pursuant to the loan agreement (the "**DIP Loan Agreement**") between the Corporation and the DIP Lender made on or about March 19, 2012 (such credit facility herein collectively referred to as the "**DIP Facility**") substantially in the form of the draft DIP Loan Agreement attached hereto as **Schedule "B"**;
 - (b) grant to the DIP Lender all notes, instruments, agreements, guarantees and security presently held by the DIP Lender as provided for under the DIP Facility (the "**DIP Security**"), as security for the obligations of the Corporation to the DIP Lender pursuant to the DIP Loan Agreement, in accordance with the terms thereof;

*PCAS Patient Care Automation Services Inc.
CCAA and DIP Resolutions*

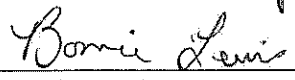
6. The DIP Facility and the DIP Security and all other notes, agreements, guarantees, security or instruments now or hereafter delivered to the DIP Lender pursuant thereto shall not be rendered invalid or unenforceable and the rights and remedies of the DIP Lender shall not be otherwise limited or impaired in any way by the pendency of the CCAA Proceedings and the declarations of insolvency made therein and shall constitute a fixed lien against the property pursuant to the terms of the DIP Facility and the DIP Security.
7. Any officer or director of the Corporation is authorized and directed to execute and deliver, in the name and on behalf of the Corporation and under its corporate seal or otherwise:
 - (a) the DIP Loan Agreement substantially in the form of the draft DIP Loan Agreement attached hereto and to contain such other terms and conditions as the person signing the same may approve, such approval to be conclusively evidenced by his or her signature thereto;
 - (b) such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "**Loan Documents**") as maybe required pursuant to the DIP Loan Agreement or contemplated by the DIP Facility or as may be required by the DIP Lender pursuant to the terms thereof, in such form and containing such terms and conditions as the person signing the same may approve, such approval to be conclusively evidenced by his or her signature thereto; and
 - (c) such certificates, documents, agreements, applications for letters of credit, designations and instruments, including notes and drafts, as may, in the opinion of such person, be necessary or desirable to give effect to the DIP Loan Agreement and to implement the intent of this resolution;
8. Any officer or director of the Corporation is authorized and directed to pay and perform, in the name and on behalf of the Corporation and under its corporate seal or otherwise all of the Corporation's indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Facility, the DIP Security and the Loan Documents as and when the same become due or are to be performed and to do all such other acts and things as may, in the opinion of such person, be necessary or desirable to give effect to the DIP Loan Agreement and to implement the intent of this resolution.

[REMAINDER INTENTIONALLY LEFT BLANK]

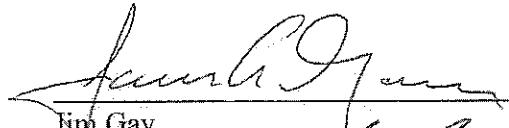
DATED the ____ day of March, 2012.



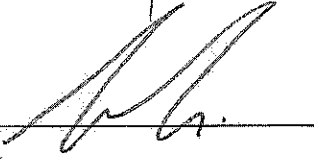
Donald Waugh



Bonnie Lewis



Jim Gay



Sunny Lalli

TAB F

Attached is Exhibit "F" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 22nd day of March, 2012

Puneet Soni

Commissioner for taking Affidavits, etc

PCAS - DRAFT ONLY FOR DISCUSSION PURPOSES
Balance Sheets - March 15, 2012
FY2012

	PCAS	Touchpoint Pharmacy	Pharma Trust	PharmaTrust MedServices	Touchpoint US	PharmaTrust US	AJE	Eliminating Entries	Consolidated
Assets									
Current:									
Cash and cash equivalents	858,511	12,136	271		735	0			871,654
Receivables	4,072,329	600,563	0	436,581				(3,577,699)	1,531,764
Inventory	2,397,401	587,445		83,198					3,068,045
Investment tax credits receivable	1,095,000								1,095,000
Prepaid expenses and deposits	145,009	0							145,009
	<u>8,568,252</u>	<u>1,200,134</u>	<u>271</u>	<u>519,779</u>	<u>735</u>	<u>0</u>		<u>(3,577,699)</u>	<u>6,711,472</u>
Investment - Direct Care	49								0
Intercompany	3,448,064		51,474	0		27,184		(49)	0
Property and equipment	3,292,486	2,189,552						(3,499,558)	0
Other assets	1,846							(1,018,249)	4,490,974
	<u>15,310,717</u>	<u>3,389,687</u>	<u>51,745</u>	<u>519,779</u>	<u>735</u>	<u>27,185</u>		<u>(8,095,555)</u>	<u>11,204,292</u>
Liabilities									
Current:									
Accounts payable and accrued charges	7,815,032	3,874,738		5,316	14,498	73,107		(3,603,651)	8,179,037
Deferred revenue	628,000	14,705	0						642,705
Loans payable, current portion	1,839,796								1,839,796
Capital lease, current portion	0								0
Deferred gain, current portion									0
Convertible debentures									0
	<u>10,282,829</u>	<u>3,889,441</u>	<u>0</u>	<u>5,316</u>	<u>14,498</u>	<u>73,107</u>		<u>(3,603,651)</u>	<u>10,661,539</u>
Intercompany - PCAS		2,968,623	98,819	368,050	26,144	11,919		(3,473,555)	0
Deferred gain									0
Loans payable									0
Capital lease	231,970								231,970
	<u>10,514,799</u>	<u>6,858,064</u>	<u>98,819</u>	<u>373,356</u>	<u>40,642</u>	<u>85,026</u>		<u>(7,077,206)</u>	<u>10,893,509</u>
Shareholders' Equity									
Share capital	68,219,451	100						(100)	68,219,451
Costs of acquiring equity	(1,455,873)								(1,455,873)
Warrants	2,168,608								2,168,608
CTA	0								(2,004)
Contributed surplus	2,865,016	(3,468,477)	(47,074)	146,413	(1,928)	(76)		(1,018,249)	2,865,016
Deficit	(67,001,284)				(37,978)	(57,765)			(71,484,414)
	<u>4,795,918</u>	<u>(3,468,377)</u>	<u>(47,074)</u>	<u>146,413</u>	<u>(39,906)</u>	<u>(57,841)</u>		<u>(1,018,349)</u>	<u>310,784</u>
	<u>15,310,717</u>	<u>3,389,687</u>	<u>51,745</u>	<u>519,779</u>	<u>735</u>	<u>27,185</u>		<u>(8,095,555)</u>	<u>11,204,293</u>

Consolidated financial statements of

**PCAS Patient Care Automation
Services Inc.**

For the years ended December 31, 2011 and 2010

PCAS Patient Care Automation Services Inc.

December 31, 2011

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DRAFT

PCAS Patient Care Automation Services Inc.

Draft and unaudited

Consolidated statements of operations and deficit
years ended December 31, 2011 and 2010

	2011	2010 (Note 15)
	\$	\$
Sales	1,008,644	1,224,193
Cost of sales	1,429,907	1,121,244
Gross profit	(421,263)	102,949
Expenses		
Selling and marketing	1,901,636	1,364,632
General and administrative	4,053,038	1,563,919
Research and development	5,177,899	4,926,406
Investment tax credits and government grants (Note 4)	(277,893)	(1,851,775)
Payroll and payroll costs	16,929,985	8,389,635
Professional fees	971,059	787,121
Amortization of other assets	183	182
Amortization of property and equipment	895,070	470,236
	29,650,977	15,650,356
Other (income) expense		
Amortization of deferred gain on sale and leaseback transaction	-	(27,779)
Loss on disposal of property and equipment	148,120	-
Interest expense	(20,618)	403,959
	127,502	376,180
Net loss	30,199,742	15,923,587
Deficit, beginning of period	33,260,420	17,336,833
Deficit, end of period	63,460,162	33,260,420

PCAS Patient Care Automation Services Inc.

draft and unaudited

Consolidated balance sheets

Years ended December 31, 2011, December 31, 2010 and January 1, 2010

	2011	2010	January 1,
		(Note 15)	2010
	\$	\$	\$
Assets			
Current			
Cash and cash equivalents	5,204,704	7,773,001	1,157,723
Miscellaneous receivables	1,721,149	803,762	821,737
Inventories (Note 3)	2,406,494	1,956,141	1,126,554
Investment tax credits and government grants receivable (Note 4)	1,095,000	1,280,000	1,713,526
Prepaid expenses and deposits	286,563	182,021	48,795
	10,713,910	11,994,925	4,868,335
Property and equipment (Note 5)	4,182,875	1,125,211	1,004,575
Other assets (Note 6)	1,861	2,044	2,226
	14,898,646	13,122,180	5,875,136
Liabilities			
Current			
Accounts payable and accrued charges	6,399,074	1,842,973	1,158,088
Deferred revenue	642,200	675,875	644,150
Current portion of loans payable (Note 7)	-	93,539	246,196
Current portion of obligation under capital lease (Note 8)	121,388	75,511	96,273
Current portion of deferred gain	-	-	27,779
Convertible debentures (Note 9)	-	75,000	2,571,214
	7,162,662	2,762,898	4,743,700
Long term portion of obligation under capital lease (Note 8)	130,226	27,383	102,894
Loans payable (Note 7)	-	26,988	40,123
	7,292,888	2,817,269	4,886,717
Shareholders' equity (Note 10)			
Share capital	66,374,321	40,730,203	16,817,559
Warrants	2,178,187	2,016,176	1,026,778
Equity conversion feature of convertible debentures	-	4,211	203,112
Contributed surplus	2,513,412	814,741	277,803
Deficit	(63,460,162)	(33,260,420)	(17,336,833)
	7,605,758	10,304,911	988,419
	14,898,646	13,122,180	5,875,136

PCAS Patient Care Automation Services Inc.

Draft and unaudited

Consolidated statements of cash flows
for the years ended December 31, 2011 and 2010

	2011	2010
		(Note 15)
	\$	\$
Operating activities		
Net loss	(30,199,742)	(15,923,587)
Items not affecting cash		
Accretion of convertible debentures	-	86,286
Amortization of property and equipment	895,070	470,236
Loss on disposal of property and equipment	148,120	89,346
Amortization of other assets	183	182
Amortization of gain on sale leaseback transaction	-	(27,779)
Warrants issued in lieu of salary	140,145	38,461
Share capital issued in lieu of salary	1,906,057	4,479,309
Share capital issued in lieu of payment to vendors	55,799	891,533
Share capital issued in lieu of interest payment	16,828	474,543
Stock-based compensation expense	1,726,910	503,340
	(25,310,630)	(8,918,130)
Changes in non-cash working capital items		
Miscellaneous receivables	(917,387)	17,975
Inventories	(450,353)	(829,587)
Investment tax credits and government grants receivable	185,000	433,526
Prepaid expenses and deposits	(104,542)	(133,226)
Accounts payable and accrued charges	4,556,100	684,885
Deferred revenue	(33,675)	31,725
	(22,075,487)	(8,712,832)
Financing activities		
Proceeds from debt financing	364,765	-
Repayment of debt financing	(336,572)	(262,065)
Repayment of convertible debentures	-	(222,512)
Proceeds from exercise of options	177,457	3,600
Proceeds from exercise of warrants	10,792	-
Proceeds from issuance of common shares	23,391,602	16,489,305
	23,608,044	16,008,328
Investing activity		
Acquisition of property and equipment	(4,100,854)	(680,218)
Net change in cash position	(2,568,297)	6,615,278
Cash and cash equivalents, beginning of period	7,773,001	1,157,723
Cash and cash equivalents, end of period	5,204,704	7,773,001
Supplemental cash flow information		
Interest paid	38,685	145,282
Interest received	59,303	29,489
Warrants issued on convertible debentures	41,841	968,140
Acquisition of property and equipment financed under capital lease	364,765	-
Stock-based compensation expense charged to costs of acquiring share capital	130,351	-
Transfer to contributed surplus on cancellation of warrants	9,183	17,203
Transfer to contributed surplus on cancellation of options	25,298	39,711
Transfer of contributed surplus to share capital on exercise of options	37,422	496
Transfer of contributed surplus to share capital on exercise of warrants	10,792	-
Transfer of equity conversion feature to contributed surplus for convertible debentures not exercised	-	16,892
Share capital issued on conversion of convertible debentures	75,000	2,355,500
Transfer of equity conversion feature to share capital on conversion of convertible debentures	4,211	182,010

PCAS Patient Care Automation Services Inc.

Notes to the consolidated financial statements

December 31, 2011

1. Nature of business and continuation of the business

PCAS Patient Care Automation Services Inc. (the "Company") was incorporated on March 3, 2006 under the provisions of the Canada Business Corporations Act. Since incorporation, the Company has devoted substantially all of its efforts to business planning, research and development, recruiting management and technical staff, acquiring operating assets and raising capital.

While the financial statements have been prepared on the basis of accounting principles applicable to a going concern, several adverse conditions and events cast substantial doubt upon the validity of this assumption. For the year ended December 31, 2011, the Company incurred a loss of \$30,199,742 (2010 - loss of \$15,923,587) and has an accumulated deficit of \$63,460,162. To date, the Company has funded operations through private equity placements and bank loans. Although there is no assurance that the Company will be successful in raising additional equity, successfully completing the development of its product offerings, commercializing its product and achieving profitability, management is confident that the Company will be able to continue as a going concern. Accordingly, no adjustments to the carrying values of the assets and liabilities have been made to these accounts.

If the going concern assumption were not appropriate for these financial statements, adjustments would be necessary to the carrying values of assets and liabilities, the reported net loss and the balance sheet classifications used.

2. Summary of significant accounting policies

Basis of presentation

The consolidated financial statements of the Company are prepared by management in accordance with accounting standards for private enterprises ("ASPE") adopted by the Canadian Institute of Chartered Accountants ("CICA") and comprise the financial statements of PCAS Patient Care Automation Services Inc. and its wholly-owned subsidiary companies, Pharmatrust Corp., PharmaTrust MedServices Inc., Touchpoint Pharma-Services Inc., PharmaTrust Central-Fill Pharmacy Inc., Pharmatrust (UK) Limited, Touchpoint Pharmacy (UK) Limited, Touchpoint Pharmacy (US) Inc., Pharmatrust (US) Corp., PharmaTrust MedServices (US) Inc., Connect Care Pharma-Services Inc., Pharmatrust Pharmacy Inc., PharmaTrust Asia Pte Ltd., 2246543 Ontario Inc. and its non-controlling (49%) interest in 2163279 Ontario Inc. (formerly Touchpoint Pharmacy Inc.). The non-controlling interest in 2163279 Ontario Inc. has been accounted for as a variable interest entity. These consolidated financial statements reflect the Company's adoption of ASPE (Note 15) as at January 1, 2011 with the transition date of January 1, 2010.

In the opinion of management, these consolidated financial statements reflect adjustments necessary to state fairly the results of the period presented.

These financial statements have been prepared in accordance with ASPE for going concern entities and reflect the following significant accounting policies:

Inventory

Inventory consists of component parts for the Company's manufacturing of MedCentres and pharmaceutical drugs. Work in progress and finished goods are valued at the lower of cost and net realizable value. Raw materials are valued at the lower of cost and replacement cost, with cost being determined on the first-in, first-out basis. Net realizable value is the estimated selling price less the estimated cost of completion and the estimated costs necessary to make the sale.

PCAS Patient Care Automation Services Inc.

Notes to the consolidated financial statements

December 31, 2011

2. Summary of significant accounting policies (continued)

Property and equipment

Property and equipment is recorded at cost less related investment tax credits and is amortized on a straight-line basis, over the following periods:

Computer equipment	5 years
Computer software	1 year
Equipment	5 years
Furniture and fixtures	5 years
Vehicles	3 years
Leasehold improvements	term of the lease

Impairment of long-lived assets

The Company follows the Canadian accounting standard for impairment of long-lived assets which requires that an impairment loss be recognized when events or circumstances indicate that the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. Any resulting impairment loss is recorded in the period in which the impairment occurs.

The Company has determined that there was no impairment of long-lived assets as at December 31, 2011.

Deferred revenue

Deferred revenue relates to deposits made by customers to secure the manufacture and future delivery of the Company's MedCentres. These amounts are deferred and recognized as revenue when the title, rights and obligations of ownership of the MedCentres are transferred to the customer.

Other assets

Other assets are accounted for at cost and are amortized on the straight-line basis at the rate of 7% per annum.

Income taxes

The Company follows the future income taxes method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Valuation allowances are established when necessary to reduce future income tax assets to the amount expected to be realized.

Financial instruments with separate components

The Company has issued convertible debentures ("debentures"). These debentures are convertible into Common shares and are retractable under certain circumstances at the option of the holder. The debt component of the debenture is recorded as a liability. The remaining component, representing the value ascribed to the holders' option to convert the debentures into Common shares, is recorded in shareholders' equity. These components were measured at their respective fair values at the date the debentures were issued. The carrying value of the debt component is accreted to the original face value of the debentures over the redemption period.

PCAS Patient Care Automation Services Inc.

Notes to the consolidated financial statements

December 31, 2011

2. Summary of significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Company becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost.

The Company may, from time to time, enter into forward exchange contracts to minimize exchange rate fluctuations relating to US dollar denominated purchases and sales and accounts payable and receivable. All forward exchange contracts are marked-to-market.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest rate method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the effective interest rate method and recognized in net loss as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Company recognizes in net loss an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net loss in the period the reversal occurs.

Revenue recognition

Product revenue is recognized when persuasive evidence of an arrangement exists, the product has been delivered, there are no significant uncertainties surrounding product acceptance, the fees are fixed or determinable and collection is considered probable, with a provision for estimated returns and warranty costs recorded at that time.

Stock-based compensation plan

The Company is following the recommendations of CICA Handbook Section 3870, stock-based compensation and other stock-based payments.

The Company's stock-based compensation plan is described in Note 10. The fair-value of stock options issued to directors, officers, employees and consultants is determined upon the date of grant and recognized as compensation expense over the vesting period for directors, officers or employees and over the period of service for consultants.

When options are exercised, the corresponding contributed surplus and the proceeds received by the Company are credited to share capital. If stock options are repurchased from directors, officers or employees, the excess of the consideration paid over the carrying amount of the stock or stock options repurchased is charged to contributed surplus and/or deficit.

Research and development expenses

Research costs are expensed as incurred.

Development costs that meet the criteria for deferral under ASPE and that are expected to provide future benefits with reasonable certainty are deferred, net of any related investment tax credits and government grants, and amortized over the estimated sales revenue of the products. Other development costs that do not meet these criteria are expensed as incurred.

During the period, in the opinion of management, no development costs incurred met all the criteria for deferral and amortization under ASPE.

PCAS Patient Care Automation Services Inc.

Notes to the consolidated financial statements

December 31, 2011

2. Summary of significant accounting policies (continued)

Investment tax credits and government assistance

Investment tax credits, which are earned as a result of incurring qualifying research and development expenditures, are accounted for using the cost reduction method. Under this method, investment tax credits are treated as a reduction of the relevant asset account or of research and development expenses in the period that the credits become available and there is reasonable assurance that they will be realized.

Government assistance is accounted for as a reduction of the related expense.

Guarantees

The Company follows Accounting Guideline 14, Disclosure of Guarantees ("AcG-14"), which addresses the disclosure to be made by a guarantor in its annual financial statements about its obligations under guarantees.

The Company has disclosed its guarantees in Note 14.

Capital disclosures

The Company follows the recommendations of CICA Handbook Section 1535, Capital Disclosures. This section requires the disclosure of information about externally imposed capital requirements.

Integrated foreign operations and accounts denominated in foreign currencies

Account balances and transactions denominated in foreign currencies are translated into Canadian dollars using the temporal method. Under the temporal method, monetary assets and liabilities are translated into Canadian dollars at the exchange rates in effect at the balance sheet date and non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates prevailing during the period, except for amortization, which is translated at historical rates. Translation gains and losses are reflected in net loss.

Use of estimates

The preparation of financial statements in conformity with ASPE requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amount of revenue and expenses during the reporting periods. Actual results could differ from those estimates. The financial statement items requiring the use of management estimates are stock based compensation, investment tax credits and the bifurcation of the debt and equity components of the convertible debentures as well as the estimated recoverability of assets.

3. Inventories

	2011	2010	January 1
		(Note 15)	2010
	\$	\$	(Note 15)
Pharmaceutical drugs and supplies	552,065	63,229	49,968
Consignment inventory	-	57,411	58,198
Raw materials	1,677,634	1,835,501	1,018,388
Work-in-process	176,795	-	-
	2,406,494	1,956,141	1,126,554

The amount of inventory recognized in cost of sales during the year ended December 31, 2011 was \$1,209,816, (2010 - \$1,074,020). The amount of inventory recognized in research and development expenses during the year ended December 31, 2011 was \$709,019, (2010 - \$nil).

PCAS Patient Care Automation Services Inc.

Notes to the consolidated financial statements

December 31, 2011

As at December 31, 2011, \$nil (2010 - \$210,150) of the work-in-process inventory was subject to a capital lease.

4. Investment tax credits and government grants

The Company claims research and development deductions and related investment tax credits for income tax purposes based on management's interpretation of the applicable legislation in the Income Tax Act of Canada. These claims are subject to audit by Canada Revenue Agency and any adjustments that result could adjust the investment tax credits recorded. In the opinion of management, the treatment of research and development costs for income tax purposes is appropriate.

The Company also receives government grants under the Industry Research Assistance Program ("IRAP").

During the year ended December 31, 2011, the Company recorded investment tax credits and IRAP grants of the following:

	2011	2010 (Note 15)	January 1 2010 (Note 15)
	\$	\$	\$
SR&ED investment tax credits	1,095,000	285,646	1,170,479
IRAP grants	-	994,354	543,047
	1,095,000	1,280,000	1,713,526

5. Property and equipment

	2011		2010 (Note 15)	January 1, 2010 (Note 15)
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer equipment	2,474,907	698,839	1,776,068	497,402
Computer software	338,906	210,406	128,500	5,778
Equipment	1,689,153	369,604	1,319,549	332,650
Furniture and fixtures	507,253	96,469	410,784	44,884
Leasehold improvements	848,602	315,018	533,584	123,861
Vehicles	16,929	2,539	14,390	-
	5,875,750	1,692,875	4,182,875	1,004,575

6. Other assets

	2011		2010 (Note 15)	January 1, 2010 (Note 15)
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Trademark	2,300	746	1,554	1,782
Incorporation costs	544	237	307	444
	2,844	983	1,861	2,226

PCAS Patient Care Automation Services Inc.

Notes to the consolidated financial statements

December 31, 2011

7. Loans payable

	2011	2010 (Note 15)	January 1, 2010 (Note 15)
Non-revolving term facility bearing interest at 10.25% per annum, repayable in equal monthly payments of \$6,809, principal and interest, secured by a general security agreement, matured March 2011.	-	20,083	95,479
Non-revolving term facility bearing interest at 10.25% per annum, repayable in equal monthly payments of \$3,408, principal and interest, secured by a general security agreement, matured June 2011.	-	19,853	56,646
Non-revolving term facility bearing interest at the bank's prime lending rate plus 3.00% per annum, repayable in equal monthly principal payments of \$4,467 plus interest, secured by a general security agreement, a personal guarantee in the amount of \$53,603 from a shareholder and the assignment of an insurance policy in favour of the bank.	-	80,591	134,194
	-	120,527	286,319
Less current portion	-	93,539	246,196
	-	26,988	40,123

Included in interest expense is \$ 13,585 (2010 - \$13,964) related to these obligations.

8. Obligation under capital lease

The following is a schedule of future minimum lease payments for equipment under capital lease together with the balance of the obligation.

For the period ending December 31,	
2012	135,251
2013	135,251
	270,502
Less amounts representing interest at 7.05%	18,888
	251,614
Less current portion	121,388
	130,226

General and administrative expenses include approximately \$22,100 (2010 - \$ nil) of interest related to this obligation.

PCAS Patient Care Automation Services Inc.

Notes to the consolidated financial statements

December 31, 2011

9. Convertible debentures

In prior years, the Company issued convertible debentures with conversion features attached that allow the holders to convert the debentures to Common shares of the Company. The convertible debentures have been segregated into their debt and equity components. The debt component of the convertible debentures, representing the present value of the redemption amount, is included in liabilities and the equity component representing the holder's option to convert the convertible debentures to Common shares is classified as a component of shareholders' equity (Note 10(e)). These components have been measured at their respective fair values at the date the convertible debentures were issued. The debt component will be accreted to the redemption value of the convertible debentures over the life of the convertible debentures.

15% Convertible debentures

During 2008 and 2009, the Company issued \$800,000 of convertible debentures bearing interest at 15% per annum compounded annually. Of the \$364,000 issued in 2008, \$172,130, including interest, was converted into 573,767 Common shares in 2009. The remaining \$243,478, including interest, was converted into 811,593 Common shares at \$0.30 per share in 2010 and \$18,603 was paid out in cash and not converted to shares at maturity.

Of the \$436,000 issued in 2009, \$461,393, including interest, was converted into 1,537,976 Common shares at \$0.30 per share in 2010 and \$72,438 was paid out in cash and not converted to shares at maturity.

During the 2009 fiscal year, the Company issued \$2,007,500 of convertible debentures bearing interest at 15% per annum compounded annually. The convertible debentures mature over various periods between August 25, 2010 to January 13, 2011 and are secured by a charge on the assets of the Company. The debentures are convertible into Common shares of the company at a price of \$0.30 per share and upon conversion shall include one five year warrant for the purchase of one Common share of the Company at a price of \$0.30 per share subject to adjustments if a liquidity event has not occurred within 24 months of issuance. Further, if no liquidity event occurs between the periods February 27, 2011 to July 16, 2011, 1,834,988 Common penalty shares will be issued.

During 2010, of the \$2,457,950 matured debenture value, including interest, \$2,129,660 was converted into 7,098,865 Common shares and 7,098,865 warrants, and \$236,462 was paid out in cash and not converted to shares at maturity. \$75,000 was converted in January 2011 to 306,096 Common shares and 306,096 warrants.

Debt component of convertible debentures

	December 31, 2011	December 31, 2010 (Note 15)	January 1, 2010 (Note 15)
	\$	\$	\$
15% convertible debentures	-	75,000	2,571,214

During the year ended December 31, 2011, accretion expense of \$nil (2010 - \$86,286) was charged to the debt component of the convertible debentures. Interest expense of \$401 was incurred in the year ended December 31, 2011 (2010 - \$300,731) and was charged to operations in respect of the convertible debentures.

PCAS Patient Care Automation Services Inc.

Notes to the consolidated financial statements

December 31, 2011

10. Share capital

(a) Authorized

An unlimited number of Common shares, voting, entitled to dividends if and when declared by the Board of Directors and entitled to all remaining property of the Corporation upon dissolution.

At the annual and special meeting [date?] the Shareholders' authorized the filing of Articles of Amendment that amended the share capital of the Company by (i) exchanging each Class A share for one Common share which has the same attributes as the Class A shares plus an entitlement to dividends if, as and when, and in such amounts, as may be declared by the Board of Directors and (ii) deleting the authorized, not unissued, Class B shares.

(b) Issued and outstanding – Common shares

	Ref.	Number of shares	Amount \$
Balance, December 31, 2009		95,800,403	16,817,559
Issuance of Common shares	(i)	20,000	4,096
Issuance of Common shares	(ii)	15,197,741	17,477,404
Issuance of Common shares	(iii)	1,437,066	-
Issuance of Common shares	(iv)	2,349,569	788,318
Issuance of Common shares	(v)	7,098,865	1,260,083
Issuance of Common shares	(vi)	737,966	891,533
Issuance of Common shares	(vii)	5,174,669	4,479,309
Share issuance costs during the year		-	(988,099)
Balance, December 31, 2010		127,816,279	40,730,203
Issuance of Common shares	(viii)	306,096	54,198
Issuance of Common shares	(ix)	20,746,961	23,859,376
Issuance of Common shares	(x)	1,798,897	1,961,856
Issuance of Common shares	(xi)	805,632	214,879
Issuance of Common shares	(xii)	1,834,988	-
Issuance of Common shares	(xiii)	67,450	21,584
Share issuance costs during the year		-	(467,775)
Balance, December 31, 2011		153,376,303	66,374,321

PCAS Patient Care Automation Services Inc.

Notes to the consolidated financial statements

December 31, 2011

10. Share capital (continued)

(b) Issued and outstanding (continued)

Period ended December 31, 2010

- (i) In June 2010, the Company issued 20,000 Common shares for cash proceeds of \$3,600 upon the exercise of 20,000 options. Stock based compensation expense of \$496 previously recorded as a component of contributed surplus related to these options has also been allocated to share capital.
- (ii) Throughout 2010, the Company issued 15,197,741 Common shares for cash proceeds of \$17,477,404 as part of a round of financing.
- (iii) In connection with a round of financing in 2008, the Company was required to issue an additional 1,437,066 Common shares at no additional consideration. Pursuant to the financing agreement, if the Company did not conclude a reverse takeover, a qualified transaction or public offering within 18 months of closing the round of financing, the subscribers would be entitled without payment an additional 30% of the common shares purchased.
- (iv) During 2010, the Company issued 2,349,569 Common shares on conversion of the 2008 SR&ED convertible debentures, which included \$600,000 of the principal amount of the debentures, \$104,871 of accrued interest, and an allocation of \$83,447 of the related equity conversion feature.
- (v) During 2010, the Company issued 7,098,865 Common shares on conversion of convertible debentures, which included \$1,759,988 of the principal amount of the debentures, \$369,672 of accrued interest, and an allocation of \$98,563 of the related equity conversion feature. An allocation of \$1,046,353 was made to the value of the warrants issued upon conversion. Further, if no liquidity event occurs between the periods February 27, 2011 to July 16, 2011, 1,834,988 Common penalty shares will be issued.
- (vi) Throughout 2010, the Company issued 737,966 Common shares in lieu of payment to vendors in the amount of \$891,533.
- (vii) During 2010, the Company issued 5,174,669 Common shares in lieu of salaries totaling \$4,479,309.

Period ended December 31, 2011

- (viii) The Company issued 306,096 Common shares on conversion of convertible debentures, which included \$75,000 of the principal amount of the debentures, \$16,828 of accrued interest, and an allocation of \$4,211 of the related equity conversion feature. An allocation of \$41,841 was made to the value of the warrants issued upon conversion.
- (ix) The Company issued 20,746,961 Common shares for cash proceeds of \$23,859,376 as part of a round of financing.
- (x) The Company issued 1,798,897 Common shares in lieu of salaries and in lieu of payment to vendors totaling \$1,961,856.
- (xi) The Company issued 805,632 Common shares for cash proceeds of \$177,457 upon the exercise of 805,632 options. Stock based compensation expense of \$37,422 previously recorded as a component of contributed surplus related to these options has been allocated to share capital.

PCAS Patient Care Automation Services Inc.

Notes to the consolidated financial statements

December 31, 2011

10. Share capital (continued)

- (xii) In connection with the convertible debentures issued in 2009, the Company was required to issue an additional 1,834,988 Common shares at no additional consideration. Pursuant to the debenture agreement, if the Company did not conclude a reverse takeover, a qualified transaction or public offering within 24 months of closing the debenture issuance, the subscribers would be entitled to, without payment, an additional 30% of the converted principal amount.
- (xiii) The Company issued 67,450 Common shares for cash proceeds of \$10,792 upon the exercise of 67,450 warrants. Stock based compensation expense of \$10,792 previously recorded as a component of warrants related to these options has been allocation to share capital.

(c) Stock-based compensation plan

The Company maintains an Employee Share Option Plan (the "Plan") for the benefit of directors, officers, employees and consultants. Under the Plan, the Board of Directors may designate which directors, officers, employees and consultants of the Company are to be granted options. The Plan provides that the aggregate number of Common shares available for issuance under the Plan shall not exceed fifteen (15%) percent of the outstanding Common shares calculated on a diluted basis. The expiry date and price payable upon the exercise of any option granted is fixed by the Board of Directors, at the time of grant. Except as otherwise agreed by the Board of Directors, 1/36 of the shares subject to each option granted under this Plan shall vest and become available for purchase on a cumulative monthly basis commencing on the date that the option is granted.

A summary of the stock options granted under the Plan as of December 31, 2011, December 31, 2010 and January 1, 2010, and changes during the periods then ended are as follows:

	December 31, 2011		December 31, 2010 (Note 12)		January 1, 2010 (Note 12)	
	Number of options	Weighted average price \$	Number of options	Weighted average price \$	Number of options	Weighted average price \$
Options						
beginning of period	15,746,894	0.32	11,323,141	0.24	6,495,444	0.19
Options granted	9,438,243	1.15	6,013,753	0.43	5,067,697	0.31
Options exercised	(805,632)	0.22	(20,000)	0.18	(120,000)	0.13
Options cancelled	(751,476)	0.46	(1,570,000)	0.11	(120,000)	0.30
Options outstanding, end of period	23,628,029	0.65	15,746,894	0.32	11,323,141	0.24
Options, exercisable, end of year	13,889,042	0.46	8,603,638	0.28	5,240,801	0.19

PCAS Patient Care Automation Services Inc.

Notes to the consolidated financial statements

December 31, 2011

10. Share capital (continued)

(d) Stock-based compensation plan (continued)

The following table summarizes information about stock options outstanding at December 31, 2011:

Range of exercise prices	Options outstanding		Options exercisable	
	Number outstanding at December 31, 2011	Weighted average remaining life in years	Weighted average exercise prices	Number exercisable at December 31, 2011
\$0.10 - \$0.16	205,000	1	0.13	205,000
\$0.16 - \$0.30	576,659	2	0.26	576,659
\$0.30 - \$0.40	960,204	3	0.30	811,181
\$0.30 - \$1.15	1,043,751	4	0.37	632,278
\$1.15	815,319	5	1.15	584,488
\$0.10 - \$0.16	1,405,000	6	0.15	1,405,000
\$0.16 - \$0.30	2,551,000	7	0.25	2,551,000
\$0.30 - \$0.40	3,424,762	8	0.31	2,853,878
\$0.30 - \$1.15	4,229,006	9	0.47	2,501,628
\$1.15	8,417,328	10	1.15	1,777,930
	23,628,029	8	0.65	13,899,042

The fair value of each option granted was estimated using the Black-Scholes option pricing model on the date of grant using the following assumptions:

	2011	2010
Risk free interest rate	1.20% to 2.55%	1.80% to 4.05%
Expected volatility	34.8% to 36.9%	32.8% to 37.0%
Dividend yield	0%	0%
Weighted average expected life	5-10 years	5-10 years

During the year the Company recognized \$397,857 (2010 - \$278,177) in stock-based compensation expense to non-employees and \$1,239,053 (2010 - \$116,366) in stock-based compensation expense to employees. Stock-based compensation is included in payroll and payroll costs on the statement of operations and deficit.

PCAS Patient Care Automation Services Inc.

Notes to the consolidated financial statements

December 31, 2011

10. Share capital (continued)

(e) Contributed surplus

A continuity schedule of contributed surplus is as follows:

	\$
Balance, December 31, 2009	277,803
Stock based compensation expense charged to share capital on options exercised	(496)
Equity conversion feature of 15% convertible debentures not exercised	16,891
Cancellation of warrants	17,203
Stock based compensation recorded in the period (Note 15)	503,340
Balance, December 31, 2010	814,741
Stock based compensation expense charged to share capital on options exercised	(37,422)
Cancellation of warrants	9,183
Stock based compensation recorded in the period	1,726,910
Balance, December 31, 2011	2,513,412

PCAS Patient Care Automation Services Inc.

Notes to the consolidated financial statements

December 31, 2011

(d) *Warrants*

The following table summarizes warrants outstanding as at December 31, 2011, December 31, 2010 and January 1, 2010.

	Number	December 31, 2011	Number	December 31, 2010 (Note 15)	Number	January 1, 2010 (Note 15)
		\$		\$		\$
Outstanding warrants granted in lieu of salaries to purchase Common shares at \$0.10 per share, expiring 2011	-	-	-	-	100,000	1,897
Outstanding warrants granted in lieu of salaries to purchase Common shares at \$0.12 per share, expiring 2012	100,000	9,579	100,000	9,579	100,000	9,579
Outstanding warrants granted in lieu of salaries to purchase Common shares at \$0.10 per share, expiring 2012	-	-	224,326	31,616	469,225	46,923
Outstanding warrants granted in lieu of salaries to purchase Common shares at \$0.12 per share, expiring 2012	371,714	40,153	734,203	85,285	734,203	85,285
Outstanding warrants granted in lieu of salaries to purchase Common shares at \$0.16 per share, expiring 2012	1,367,789	216,590	3,276,297	518,913	3,276,297	518,913
Outstanding warrants to purchase Common shares at \$0.16 per share, expiring 2012	62,500	6,360	62,500	6,360	62,500	6,360
Outstanding warrants to purchase Common shares at \$0.18 per share, expiring 2013	44,445	9,962	44,445	9,962	44,445	13,334
Outstanding warrants granted in lieu of salaries to purchase Common shares at \$0.30 per share, expiring 2014	-	-	285,298	64,005	285,298	85,589
Outstanding warrants granted in lieu of salaries to purchase Common shares at \$0.40 per share, expiring 2014	-	-	647,245	194,532	647,245	258,898
Outstanding warrants to purchase Common shares at \$0.30 per share, expiring 2015	7,404,961	1,009,981	7,096,865	968,140	-	-
Outstanding warrants granted in lieu of salaries to purchase Common shares at \$0.40 per share, expiring 2015	-	-	243,394	31,952	-	-
Outstanding warrants granted in lieu of salaries to purchase Common shares at \$1.15 per share, expiring 2015	-	-	243,951	95,832	-	-
Outstanding warrants granted in lieu of salaries to purchase Common shares at \$0.10 per share, expiring 2017	224,326	24,421	-	-	-	-
Outstanding warrants granted in lieu of salaries to purchase Common shares at \$0.12 per share, expiring 2017	362,489	49,228	-	-	-	-
Outstanding warrants granted in lieu of salaries to purchase Common shares at \$0.12 per share, expiring 2017	1,841,058	319,520	-	-	-	-
Outstanding warrants granted in lieu of salaries to purchase Common shares at \$0.30 per share, expiring 2019	285,298	75,084	-	-	-	-
Outstanding warrants granted in lieu of salaries to purchase Common shares at \$0.40 per share, expiring 2019	647,245	234,602	-	-	-	-
Outstanding warrants granted in lieu of salaries to purchase Common shares at \$0.40 per share, expiring 2020	243,394	46,531	-	-	-	-
Outstanding warrants granted in lieu of salaries to purchase Common shares at \$1.15 per share, expiring 2020	243,951	136,176	-	-	-	-
	13,199,170	2,178,187	12,960,524	2,016,176	5,719,213	1,026,778

PCAS Patient Care Automation Services Inc.

Notes to the consolidated financial statements

December 31, 2011

11. Income taxes (note is to be completed when analysis available)

The tax effect of significant components of the Company's future income tax assets and liabilities is as follows:

	2011	2010
	\$	\$
Future income tax assets (liabilities)		
Investment Tax Credit	-	(229,000)
Property and equipment	-	(56,100)
Intangible assets	-	-
Financing costs	-	207,800
Tax loss carryforwards	-	5,590,000
Unutilized Scientific Research and Experimental Development expenditures	-	640,000
	-	6,152,700
Valuation allowance	-	(6,152,700)
Future income tax assets	-	-

A valuation allowance of 100% has been established in respect of the net future income tax assets due to the uncertainty of the Company's utilization of such future income tax assets.

A reconciliation between the Company's statutory and effective tax rates is as follows:

	2011	2010
	%	%
Statutory rate	-	31.00
Valuation allowance	-	(20.82)
Permanent difference	-	(10.18)
Other	-	-
Effective tax rate	-	-

Non-capital losses

The Company has non-capital losses of approximately \$xx,xxx,000 available for carry-forward to reduce future years' income for tax purposes which, if unused, will expire as follows:

	\$
2026	-
2027	-
2028	-
2029	-
2030	-

PCAS Patient Care Automation Services Inc.

Notes to the consolidated financial statements

December 31, 2011

12. Financial instruments

Fair value

The fair value of cash and cash equivalents, miscellaneous receivables, accounts payable and accrued charges approximate their carrying value due to their short maturities based on management estimates. The fair value of loans payable and obligation under capital lease approximates its fair value as interest is accrued on these amounts at fair market rates.

Foreign exchange risk

The Company may undertake sales and purchases transactions in foreign currencies, and therefore is exposed to gains or losses due to fluctuations in foreign currency exchange rates. The Company does not use derivative financial instruments to minimize its exposure to foreign currency exchange risks.

The balance sheet includes the following amounts, in Canadian dollars, with respect to financial assets and liabilities for which cash flows are originally denominated in foreign currencies:

	\$	\$
US dollars		
Cash	131,420	4,676
Accounts payable and accrued charges	285,864	40,355
GBP		
Cash	67,655	14,795
Accounts receivable	149,016	-
Accounts payable and accrued charges	139,088	80,658
EUR		
Accounts payable and accrued charges	-	1,263

Credit risk

The Company is subject to risk of non-payment of accounts receivable. The Company mitigates this risk by monitoring the credit worthiness of its customers.

Interest rate risk

Interest rate risk arises from fluctuations in interest rates and the degree of volatility of these rates. The Company does not use derivative financial instruments to reduce its exposure to interest rate risk.

13. Commitments

Future minimum lease payments, exclusive of taxes and operating costs, for premises and equipment under operating leases are as follows:

	\$
2012	1,096,926
2013	1,156,921
2014	1,021,470
2015	1,029,494
2016	852,774
Thereafter	1,696,584
	<u>6,854,169</u>

PCAS Patient Care Automation Services Inc.

Notes to the consolidated financial statements

December 31, 2011

14. Guarantees

In the normal course of business, the Company enters into agreements that meet the definition of a guarantee. The Company's primary guarantees subject to the disclosure requirements of AcG-14 are as follows:

- (a) The Company has provided indemnities under its lease agreements for the use of its operating facilities. Under the terms of these agreements the Company agrees to indemnify the counterparty for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.
- (b) Indemnity has been provided to all directors and officers of the Company for various items including, but not limited to, all costs to settle suits or actions due to association with the Company, subject to certain restrictions. The Company has purchased directors and officers liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a director or officer of the Company. The maximum amount of any potential future payment cannot be reasonably estimated.
- (c) In the normal course of business, the Company has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Company to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Company from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Company has not made any payments under such or similar indemnification agreements and therefore no amount has been accrued in the balance sheet with respect to these agreements.

15. Impact of the change in the basis of accounting

The Company has elected to apply the standards in Part II of the CICA Accounting Handbook for private enterprises in accordance with Canadian generally accepted accounting principles.

The financial statements for the period ended December 31, 2011 were prepared in accordance with the accounting principles and provisions set out in Part II of the CICA Handbook, Section 1500, First-Time Adoption, for first-time adopters of this basis of accounting. The date of adoption of ASPE was January 1, 2011 and the date of transition was January 1, 2010.

The impact of adopting these standards was accounted for as follows:

- (a) The Company has elected to not apply the recognition and measurement aspects of Part II of the CICA Handbook, Section 3870, Stock-Based Compensation and Other Stock-Based Payments, to stock-based compensation granted or issued prior to the date of transition to accounting standards for private enterprises in accordance with an exemption of Part II of the CICA Handbook, Section 1500, First-Time Adoption. Therefore, there is no adjustment to the Company's deficit at January 1, 2010.

PCAS Patient Care Automation Services Inc.

Notes to the consolidated financial statements

December 31, 2011

15. Impact of the change in the basis of accounting (continued)

(b) Adjustment to deficit as at December 31, 2010 and January 1, 2010:

	December 31, 2010	January 1, 2010
	\$	\$
Deficit, as previously reported	33,307,609	17,336,833
Deduct:		
Remeasurement of stock-based compensation	(47,189)	-
Deficit, as adjusted	33,260,420	17,336,833

(c) Reconciliation of 2010 net loss for the year ended December 31, 2010 with the amount shown in these financial statements:

	\$
Loss, at December 31, 2010 as previously reported	(15,970,776)
Add:	
Remeasurement of warrants issued in lieu of salary	155,987
Deduct:	
Remeasurement of stock-based compensation	(108,798)
Loss, as adjusted December 30, 2010	(15,923,587)

PCAS Patient Care Automation Services Inc.

Notes to the consolidated financial statements

December 31, 2011

15. Impact of the change in the basis of accounting (continued)

(d) Adjustments to shareholders' equity at January 1, 2010 and December 31, 2010:

	December 31, 2010	January 1, 2010
	\$	\$
Share capital, as previously reported	40,651,990	16,817,559
Add:		
Remeasurement of warrants issued upon conversion of debentures (i)	78,213	-
Share capital, as adjusted	40,730,203	16,817,559
	December 31, 2010	January 1, 2010
	\$	\$
Warrants, as previously reported	2,250,376	1,026,778
Deduct:		
Remeasurement of warrants issued in lieu of salaries (i)	(155,987)	-
Remeasurement of warrants issued upon conversion of convertible debentures (i)	(78,213)	-
Warrants, as adjusted	2,016,176	1,026,778
	December 31, 2010	January 1, 2010
	\$	\$
Contributed surplus, as previously reported	705,943	277,803
Add:		
Remeasurement of stock-based compensation (i)	108,798	-
Contributed surplus, as adjusted	814,741	277,803

Explanations of adjustments

- (i) The Company has used one of the exemptions provided in Section 1500 which allows for an entity to elect not to apply the recognition and measurement aspects of CICA Handbook Section 3870 to stock-based awards granted or issued prior to the date of transition to ASPE. The revaluation of stock-based awards results from the requirement to apply a volatility measure to both employee and non-employee awards based on a comparable entity or an industry index.

Tab G

Attached is Exhibit "G" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 22nd day of March, 2012

Puneet Soni

Commissioner for taking Affidavits, etc



Royal Bank of Canada
Commercial Financial Services
6880 Financial Drive – 2nd Floor
Mississauga, Ontario L5N 7Y5
Tel.: (905) 286 – 7277
Fax: (905) 286 – 7279

October 12, 2011

Private and Confidential

PCAS PATIENT CARE AUTOMATION SERVICES INC.

Unit 2
2880 Brighton Road
Oakville, Ontario
L6H 5S3

ROYAL BANK OF CANADA (the “**Bank**”) hereby offers the credit facilities described below (the “**Credit Facilities**”) subject to the terms and conditions set forth below and in the attached Terms & Conditions and Schedules (collectively the “**Agreement**”). Unless otherwise provided, all dollar amounts are in Canadian currency.

The Bank reserves all of its rights and remedies at any time and from time to time in connection with any or all breaches, defaults or Events of Default now existing or hereafter arising under this Agreement or any other agreement delivered to the Bank, and whether known or unknown, and this Agreement shall not be construed as a waiver of any such breach, default or Event of Default.

BORROWER: PCAS Patient Care Automation Services Inc. (the “**Borrower**”)

CREDIT FACILITIES

Facility #1: \$2,000,000 revolving demand facility by way of:

a) RBP based loans (“**RBP Loans**”)

Revolve in increments of:	\$5,000	Minimum retained balance:	\$0
Revolved by:	Bank	Interest rate (per annum):	RBP + 1.5%

b) RBUSBR based loans in US currency (“**RBUSBR Loans**”)

Revolve in increments of:	\$5,000	Minimum retained balance:	\$0
Revolved by:	Bank	Interest rate (per annum):	RBUSBR + 1.5%

c) Letters of Guarantee (“**LGs**”)

Fees to be advised on a transaction-by-transaction basis. Fees and drawings to be charged to Borrower's accounts. Minimum fee of \$100.

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SRF # 192128007

AVAILABILITY

The Borrower may borrow, convert, repay and reborrow up to the amount of this facility provided this facility is made available at the sole discretion of the Bank and the Bank may cancel or restrict the availability of any unutilized portion at any time and from time to time without notice.

Borrowings outstanding must not exceed at any time the aggregate of the following, less Potential Prior-Ranking Claims (the "**Borrowing Limit**"): .

- a) 75% of Good Canadian/US Accounts Receivable; and
- b) 90% of Good EDC Accounts Receivable.

REPAYMENT

Notwithstanding compliance with the covenants and all other terms and conditions of this Agreement, and regardless of the maturities of any outstanding instruments or contracts, Borrowings under this facility are repayable on demand.

GENERAL ACCOUNT

The Borrower shall establish current accounts with the Bank in each of Canadian currency and US currency (each a "**General Account**") for the conduct of the Borrower's day-to-day banking business. The Borrower authorizes the Bank daily or otherwise as and when determined by the Bank, to ascertain the balance of each General Account and:

- a) if such position is a debit balance the Bank may, subject to the revolving increment amount and minimum retained balance specified in this Agreement, make available a Borrowing by way of RBP Loans, or RBUSBR Loans as applicable, under this facility;
- b) if such position is a credit balance, where the facility is indicated to be Bank revolved, the Bank may, subject to the revolving increment amount and minimum retained balance specified in this Agreement, apply the amount of such credit balance or any part as a repayment of any Borrowings outstanding by way of RBP Loans, or RBUSBR Loans as applicable, under this facility.

Facility #2: \$1,000,000 non-revolving term facility by way of:

- a) RBP Loans Interest rate (per annum): RBP + 1.5%

AVAILABILITY

The Borrower may borrow up to the amount of this term facility provided this facility is made available at the sole discretion of the Bank and the Bank may cancel or restrict availability of any unutilized portion of this facility at any time from time to time without notice.

The aggregate Borrowings advanced under this facility must not exceed 75% of the Borrower's filed, cash refundable Scientific Research & Experimental Development ("**SR&ED**") investment tax credits.

REPAYMENT

The Borrower agrees that the aggregate Borrowings advanced in respect of any filed, cash refundable SR&ED investment tax credits financed under this facility shall be repayable in full on the earlier of (i) the date of receipt by the Borrower of the SR&ED tax credit refund in connection with the SR&ED investment tax credit financed and (ii) the day which occurs 180 days from the filing date of the applicable SR&ED investment tax credit, provided that in any event all Borrowings outstanding under this facility are repayable in full on December 31, 2011.

Facility #3: \$500,000 non-revolving term facility by way of:

- a) RBP Loans Interest rate (per annum): RBP + 1.5%

AVAILABILITY

The Borrower may borrow up to the amount of this term facility provided this facility is made available at the sole discretion of the Bank and the Bank may cancel or restrict availability of any unutilized portion of this facility at any time from time to time without notice.

A maximum of two draws will be permitted under this facility.

REPAYMENT

Payment Amount:	To be determined at drawdown	Payment Frequency:	Monthly
Payment Type:	Principal Plus Interest	First payment date:	30 days from initial drawdown
Repayable in full on:	The last day of a 1 year term from initial drawdown	Original Amortization (months)	12

OTHER FACILITIES

The Credit Facilities are in addition to the following facilities (the "Other Facilities"). The Other Facilities will be governed by this Agreement and separate agreements between the Borrower and the Bank. In the event of a conflict between this Agreement and any such separate agreement, the terms of the separate agreement will govern.

- a) VISA Business to a maximum amount of \$50,000; and
- b) All Foreign Exchange Forward Contracts outstanding at any time and from time to time.

FEES**Monthly Fees:**

Payable in arrears on the same day of each month.

Revolving Funds Arrangement Fee: \$250

Facility Fee for Facility #1: 0.20% per annum.

SECURITY

Security for the Borrowings and all other obligations of the Borrower to the Bank (collectively, the "Security"), shall include:

- a) General security agreement on the Bank's form 924, as amended, signed by the Borrower constituting a first ranking security interest (subject to Permitted Encumbrances) in all personal property of the Borrower;
- b) Guarantee and postponement of claim on the Bank's form 812 in the amount of \$3,800,000 signed by 2163279 Ontario Inc., supported by a general security agreement on the Bank's form 924, as amended, constituting a first ranking security interest (subject to Permitted Encumbrances) in all personal property of 2163279 Ontario Inc.; and
- c) Guarantee and postponement of claim on the Bank's form 812 in the amount of \$3,800,000 signed by Pharmatrust Corp., supported by a general security agreement on the Bank's form 924, as amended, constituting a first ranking security interest (subject to Permitted Encumbrances) in all personal property of Pharmatrust Corp.

FINANCIAL COVENANTS

In the event that the Borrower changes accounting standards, accounting principles and/or the application of accounting principles during the term of this Agreement, all financial covenants shall be calculated using the accounting standards and principles applicable at the time this Agreement was entered into.

Without affecting or limiting the right of the Bank to terminate or demand payment of, or cancel or restrict availability of any unutilized portion of any demand or other discretionary facility, the Borrower covenants and agrees with the Bank that the Borrower will:

- a) maintain on a consolidated basis, to be measured as at the end of each month:
 - i. a minimum aggregate cash balance held in accounts with the Bank of \$3,000,000 at all times.
- b) maintain on a consolidated basis, to be measured as at the end of each fiscal quarter:
 - i. Tangible Net Worth of at least \$6,000,000.
- c) not, and will ensure that each of its subsidiaries does not, without the prior written consent of the Bank:
 - i. redeem any of its share capital, pay dividends or pay interest or principal payments in respect of shareholder loans.

REPORTING REQUIREMENTS

The Borrower will provide the following to the Bank:

- a) monthly Borrowing Limit Certificate, substantially in the form of Schedule "G" signed on behalf of the Borrower by any one of the Chief Executive Officer, the President, the Chief Financial Officer, the Treasurer, the Comptroller, the Chief Accountant or any other employee of the Borrower holding equivalent office, within 20 days of each month end;
- b) quarterly internally prepared unaudited consolidated financial statements for the Borrower, within 45 days of each fiscal quarter end;
- c) quarterly Compliance Certificate, substantially in the form of Schedule "H" signed by an authorized signing officer of the Borrower, within 45 days of each fiscal quarter end, certifying compliance with this Agreement including the financial covenants set forth in the Agreement;
- d) annual Compliance Certificate, substantially in the form of Schedule "H" signed by an authorized signing officer of the Borrower, within 120 days of each fiscal year end, certifying compliance with this Agreement;
- e) annual audited consolidated financial statements for the Borrower, within 120 days of each fiscal year end; and
- f) annual forecasted consolidated balance sheet and income and cash flow statements for the Borrower, prepared on a quarterly basis for the next following fiscal year, within 90 days of each fiscal year end.

CONDITIONS PRECEDENT

In no event will the Credit Facilities or any part thereof be available unless the Bank has received:

- a) a duly executed copy of this Agreement;
- b) the Security provided for herein, registered, as required, to the satisfaction of the Bank;
- c) internally prepared unaudited consolidated financial statements for the Borrower for the most recently completed fiscal quarter end, containing results satisfactory to the Bank;
- d) the audited consolidated financial statements for the Borrower for the fiscal year ending December 31, 2010, containing results satisfactory to the Bank;
- e) confirmation of commitments from investors to purchase share capital of the Borrower in an aggregate amount not less than \$40,000,000 and completion of due diligence in respect of such commitments satisfactory to the Bank;
- f) such financial and other information or documents relating to the Borrower or any Guarantor if applicable as the Bank may reasonably require; and
- g) such other authorizations, approvals, opinions of the Borrower's internal legal counsel and other documentation as the Bank may reasonably require.

Additionally;

- h) all documentation to be received by the Bank shall be in form and substance satisfactory to the Bank;
- i) no Borrowing under Facility #2 will be available unless the Bank has received (i) copies of the Borrower's 2007 and 2008 SR&ED investment tax credit filings and (ii) evidence that the cash refunds received by the Borrower for such SR&ED investment tax credits were greater than 95% of the amount claimed.

ONGOING CONDITIONS – FACILITY #2

In addition to the conditions set forth above in the Conditions Precedent section, the availability of any Borrowing under Facility #2 is conditional upon the receipt of the following prior to each and every Borrowing:

- a) a comfort letter from a third party auditor, acceptable to the Bank, confirming that accrued SR&ED eligible expenses for the SR&ED investment tax credits to be financed with such Borrowing have been filed appropriately; and
- b) a certificate from the Borrower certifying that all Potential Prior-Ranking Claims are up to date.

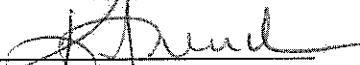
GOVERNING LAW JURISDICTION

Province of Ontario.

ACCEPTANCE

This Agreement is open for acceptance until November 14, 2011, after which date it will be null and void, unless extended in writing by the Bank.

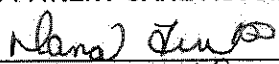
ROYAL BANK OF CANADA

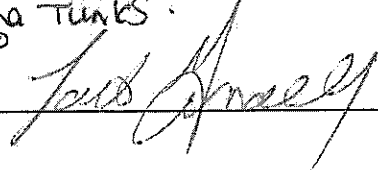
Per: 
Name: Kevin French
Title: Senior Account Manager

/mf

We acknowledge and accept the terms and conditions of this Agreement on this 19th day of October, 2011.

PCAS PATIENT CARE AUTOMATION SERVICES INC.

Per: 
Name: Dana Tunks
Title: CFO

Per: 
Name: Loreto Grimaldi
Title: CLO, General Counsel & Secretary

Loreto Grimaldi
CLO, General Counsel & Secretary
PCAS Patient Care Automation Services Inc.

I/We have the authority to bind the Borrower

Attachments:

Terms and Conditions

Schedules:

- Definitions
- Calculation and Payment of Interest and Fees
- Additional Borrowing Conditions
- Borrowing Limit Certificate
- Compliance Certificate
- RBC Covarity Dashboard Terms and Conditions

TERMS AND CONDITIONS

The Bank is requested by the Borrower to make the Credit Facilities available to the Borrower in the manner and at the rates and times specified in this Agreement. Terms defined elsewhere in this Agreement and not otherwise defined in the Terms and Conditions below or the Schedules attached hereto have the meaning given to such terms as so defined. In consideration of the Bank making the Credit Facilities available, the Borrower agrees, and if the Borrower is comprised of more than one Person, such Persons jointly and severally agree, or in Quebec solidarily agree, with the Bank as follows:

REPAYMENT

Amounts outstanding under the Credit Facilities, together with interest, shall become due in the manner and at the rates and times specified in this Agreement and shall be paid in the currency of the Borrowing. Unless the Bank otherwise agrees, any payment hereunder must be made in money which is legal tender at the time of payment. In the case of a demand facility of any kind, the Borrower shall repay all principal sums outstanding under such facility upon demand including, without limitation, an amount equal to the face amount of all LGs which are unmatured or unexpired, which amount shall be held by the Bank as security for the Borrower's obligations to the Bank in respect of such Borrowings. Where any Borrowings are repayable by scheduled blended payments, such payments shall be applied, firstly, to interest due, and the balance, if any, shall be applied to principal outstanding. If any such payment is insufficient to pay all interest then due, the unpaid balance of such interest will be added to such Borrowing, will bear interest at the same rate, and will be payable on demand or on the date specified herein, as the case may be. Borrowings repayable by way of scheduled payments of principal and interest shall be so repaid with any balance of such Borrowings being due and payable as and when specified in this Agreement. The Borrower shall ensure that the maturities of instruments or contracts selected by the Borrower when making Borrowings will be such so as to enable the Borrower to meet its repayment obligations. For any Borrowings that are repayable by scheduled payments, if the scheduled payment date is changed then the Maturity Date of the applicable Borrowings shall automatically be amended accordingly.

PREPAYMENT

Where Borrowings are by way of RBP Loans or RBUSBR Loans, the Borrower may prepay such Borrowings in whole or in part without fee or premium.

The prepayment of any Borrowings under a term facility and/or any term loan will be made in the reverse order of maturity.

EVIDENCE OF INDEBTEDNESS

The Bank shall maintain accounts and records (the "Accounts") evidencing the Borrowings made available to the Borrower by the Bank under this Agreement. The Bank shall record the principal amount of such Borrowings, the payment of principal and interest on account of the Borrowings, and all other amounts becoming due to the Bank under this Agreement. The Accounts constitute, in the absence of manifest error, conclusive evidence of the indebtedness of the Borrower to the Bank pursuant to this Agreement. The Borrower authorizes and directs the Bank to automatically debit, by mechanical, electronic or manual means, any bank account of the Borrower for all amounts payable under this Agreement, including, but not limited to, the repayment of principal and the payment of interest, fees and all charges for the keeping of such bank accounts.

GENERAL COVENANTS

Without affecting or limiting the right of the Bank to terminate or demand payment of, or cancel or restrict availability of any unutilized portion of, any demand or other discretionary facility, the Borrower covenants and agrees with the Bank that the Borrower:

- a) will pay all sums of money when due under the terms of this Agreement;
- b) will immediately advise the Bank of any event which constitutes or which, with notice, lapse of time or both, would constitute an Event of Default;
- c) will file all material tax returns which are or will be required to be filed by it, pay or make provision for payment of all material taxes (including interest and penalties) and Potential

- (d) Prior-Ranking Claims, which are or will become due and payable and provide adequate reserves for the payment of any tax, the payment of which is being contested; will give the Bank 30 days prior notice in writing of any intended change in its ownership structure (other than (i) transfers by shareholders to spouses, family trusts, RRSPs, RRIFs and related non-arm's length entities, and (ii) the Borrower's planned additional equity financing round scheduled to commence marketing in the Fall of 2011, with approximate gross proceeds of up to \$100,000,000, provided that in the latter case, where any new shareholder's basic equity ownership following such equity financing exceeds 5%, the notice and approval specified in this section shall apply) and it will not make or facilitate any such change without the prior written consent of the Bank, not to be unreasonably withheld, conditioned or delayed;
- e) will comply with all Applicable Laws, including, without limitation, all Environmental Laws;
 - f) will immediately advise the Bank of any action requests or violation notices received concerning the Borrower and hold the Bank harmless from and against any losses, costs or expenses which the Bank may suffer or incur for any environment related liabilities existent now or in the future with respect to the Borrower;
 - g) will deliver to the Bank such financial and other information as the Bank may reasonably request from time to time, including, but not limited to, the reports and other information set out under Reporting Requirements;
 - h) will immediately advise the Bank of any unfavourable change in its financial position which may adversely affect its ability to pay or perform its obligations in accordance with the terms of this Agreement;
 - i) will keep its assets fully insured against such perils and in such manner as would be customarily insured by Persons carrying on a similar business or owning similar assets and, in addition, for any buildings located in areas prone to flood and/or earthquake, will insure and keep fully insured such buildings against such perils;
 - j) except for Permitted Encumbrances, will not, without the prior written consent of the Bank, grant, create, assume or suffer to exist any mortgage, charge, lien, pledge, security interest or other encumbrance affecting any of its properties, assets or other rights;
 - k) will not, without the prior written consent of the Bank, sell, transfer, convey, lease or otherwise dispose of any of its properties or assets other than in the ordinary course of business and on commercially reasonable terms;
 - l) will not, without the prior written consent of the Bank, guarantee or otherwise provide for, on a direct, indirect or contingent basis, the payment of any monies or performance of any obligations by any other Person, except as may be provided for herein;
 - m) will not, without the prior written consent of the Bank, merge, amalgamate, or otherwise enter into any other form of business combination with any other Person;
 - n) will permit the Bank or its representatives, from time to time, i) to visit and inspect the Borrower's premises, properties and assets and examine and obtain copies of the Borrower's records or other information, ii) to collect information from any entity regarding any Potential Prior-Ranking Claims and iii) to discuss the Borrower's affairs with the auditors, counsel and other professional advisers of the Borrower. The Borrower hereby authorizes and directs any such third party to provide to the Bank or its representatives all such information, records or documentation requested by the Bank, it being understood that the Borrower shall be invited to attend and participate in all such meetings and discussions;
 - o) will not use the proceeds of any Credit Facility for the benefit or on behalf of any Person other than the Borrower or its affiliates;
 - p) will promptly advise the Bank of any payment of tax credits or any compensation at source initiated by the Borrower, Canada Revenue Agency or Revenue Quebec upon receipt of such payment or knowledge of such compensation;
 - q) will apply any cheque or amount received as refundable tax credit(s) solely against any amounts outstanding under any Credit Facility in connection with such investment tax credit(s);
 - r) will file the corporate income tax within 180 days of each fiscal year end confirming investment tax credits claimed for that year; and
 - s) will maintain an accounting system that clearly identifies its admissible expenditures by project.

EXPENSES, ETC.

The Borrower agrees to pay the Bank all fees, as stipulated in this Agreement. The Borrower also agrees to pay all fees (including legal fees), costs and expenses incurred by the Bank in connection with preparation, negotiation and documentation of this Agreement and any Security and the operation, enforcement or termination of this Agreement and the Security.

GENERAL INDEMNITY

The Borrower hereby agrees to indemnify and hold the Bank and its directors, officers, employees and agents harmless from and against any and all claims, suits, actions, demands, debts, damages, costs, losses, obligations, judgements, charges, expenses and liabilities of any nature which are suffered, incurred or sustained by, imposed on or asserted against any such Person as a result of, in connection with or arising out of i) any Event of Default, ii) the Bank acting upon instructions given or agreements made by electronic transmission of any type, iii) the presence of Contaminants at, on or under or the discharge or likely discharge of Contaminants from, any properties now or previously used by the Borrower or any Guarantor and iv) the breach of or non compliance with any Applicable Law by the Borrower or any Guarantor.

AMENDMENTS AND WAIVERS

No amendment or waiver of any provision of this Agreement will be effective unless it is in writing, signed by the Borrower and the Bank. No failure or delay, on the part of the Bank, in exercising any right or power hereunder or under any Security or any other agreement delivered to the Bank shall operate as a waiver thereof. Any amendments requested by the Borrower will require review and agreement by the Bank and its counsel. Costs related to this review will be for the Borrower's account.

SUCCESSORS AND ASSIGNS

This Agreement shall extend to and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns. The Borrower shall not be entitled to assign or transfer any rights or obligations hereunder, without the consent in writing of the Bank. The Bank may assign or transfer all or any part of its rights and obligations under this Agreement to any Person. The Bank may disclose to potential or actual assignees or transferees confidential information regarding the Borrower and any Guarantor if applicable, (including, any such information provided by the Borrower, and any Guarantor if applicable, to the Bank) and shall not be liable for any such disclosure.

GAAP

Unless otherwise provided, all accounting terms used in this Agreement shall be interpreted in accordance with Canadian Generally Accepted Accounting Principles, as appropriate, for publicly accountable enterprises, private enterprises, not-for-profit organizations, pension plans and in accordance, as appropriate, with Public Sector Accounting Standards for government organizations in effect from time to time, applied on a consistent basis from period to period. All financial statements and/or reports shall be prepared using one of the above bases of presentation, as appropriate. Except for the transition of accounting standards in Canada, any change in accounting principles or the application of accounting principles is only permitted with the prior written consent of the Bank.

SEVERABILITY

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement and such invalid provision shall be deemed to be severable.

GOVERNING LAW

This Agreement shall be construed in accordance with and governed by the laws of the Province identified in the Governing Law Jurisdiction section of this Agreement and the laws of Canada applicable therein. The Borrower irrevocably submits to the non-exclusive jurisdiction of the courts of such Province and acknowledges the competence of such courts and irrevocably agrees to be bound by a judgment of any such court.

DEFAULT BY LAPSE OF TIME

The mere lapse of time fixed for performing an obligation shall have the effect of putting the Borrower, or a Guarantor if applicable, in default thereof.

SET-OFF

The Bank is authorized (but not obligated), at any time and without notice, to apply any credit balance (whether or not then due) in any account in the name of the Borrower, or to which the Borrower is beneficially entitled (in any currency) at any branch or agency of the Bank in or towards satisfaction of the indebtedness of the Borrower due to the Bank under the Credit Facilities and the other obligations of the Borrower under this Agreement. For that purpose, the Bank is irrevocably authorized to use all or any part of any such credit balance to buy such other currencies as may be necessary to effect such application.

NOTICES

Any notice or demand to be given by the Bank shall be given in writing by way of a letter addressed to the Borrower. If the letter is sent by telecopier, it shall be deemed received on the date of transmission, provided such transmission is sent prior to 5:00 p.m. on a day on which the Borrower's business is open for normal business, and otherwise on the next such day. If the letter is sent by ordinary mail to the address of the Borrower, it shall be deemed received on the date falling five (5) days following the date of the letter, unless the letter is hand-delivered to the Borrower, in which case the letter shall be deemed to be received on the date of delivery. The Borrower must advise the Bank at once about any changes in the Borrower's address.

CONSENT OF DISCLOSURE

The Borrower hereby grants permission to any Person having information in such Person's possession relating to any Potential Prior-Ranking Claim, to release such information to the Bank (upon its written request), solely for the purpose of assisting the Bank to evaluate the financial condition of the Borrower.

NON-MERGER

The provisions of this Agreement shall not merge with any Security provided to the Bank, but shall continue in full force for the benefit of the parties hereto.

JOINT AND SEVERAL

Where more than one Person is liable as Borrower or Guarantor if applicable for any obligation under this Agreement, then the liability of each such Person for such obligation is joint and several (in Quebec, solidarily) with each other such Person.

LIFE AND DISABILITY INSURANCE

The Borrower acknowledges that the Bank has offered it insurance on the Borrowings under Business Loan Insurance Plan Policy 51000 ("Policy") issued by Sun Life Assurance Company of Canada to the Bank and the Borrower hereby waives this offer or acknowledges it is ineligible for this offer and acknowledges that Borrowings are not insured under the Policy as at the date of acceptance of this Agreement.

If there are any discrepancies between the insurance information above, and the Business Loan Insurance Plan documents regarding the Borrowings, the Business Loan Insurance Plan documents govern.

Business Loan Insurance Plan premiums, if applicable, are taken with your scheduled loan payments. In the case of blended payments of principal and interest, as premiums fluctuate based on various factors such as, by way of example, the age of the insured and changes to the insured loan balance, a part of the premium payment may be deducted and taken from the scheduled blended loan payment with the result that the amortization period may increase in the case of any such loan to which this coverage applies. Refer to the Business Loan Insurance Plan application (form 3460 Eng or 53460 Fr) for further explanation and disclosure.

COUNTERPART EXECUTION

This Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together constitute one and the same instrument.

ELECTRONIC MAIL AND FAX TRANSMISSION

The Bank is entitled to rely on any agreement, document or instrument provided to the Bank by the Borrower or any Guarantor as applicable, by way of electronic mail or fax transmission as though it were an original document. The Bank is further entitled to assume that any communication from the Borrower received by electronic mail or fax transmission is a reliable communication from the Borrower.

ELECTRONIC IMAGING

The parties hereto agree that, at any time, the Bank may convert paper records of this Agreement and all other documentation delivered to the Bank (each, a "**Paper Record**") into electronic images (each, an "**Electronic Image**") as part of the Bank's normal business practices. The parties agree that each such Electronic Image shall be considered as an authoritative copy of the Paper Record and shall be legally binding on the parties and admissible in any legal, administrative or other proceeding as conclusive evidence of the contents of such document in the same manner as the original Paper Record.

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Bank that:

- a) it is duly incorporated, validly existing and duly registered or qualified to carry on business in each jurisdiction in which its business or assets are located;
- b) the execution, delivery and performance by it of this Agreement have been duly authorized by all necessary actions and do not violate its constating documents or any Applicable Laws or agreements to which it is subject or by which it is bound;
- c) no event has occurred which constitutes, or which, with notice, lapse of time, or both, would constitute, an Event of Default;
- d) there is no claim, action, prosecution or other proceeding of any kind pending or threatened against it or any of its assets or properties before any court or administrative agency which relates to any non-compliance with any Environmental Laws which, if adversely determined, might have a material adverse effect upon its financial condition or operations or its ability to perform its obligations under this Agreement or any Security, and there are no circumstances of which it is aware which might give rise to any such proceeding which it has not fully disclosed to the Bank; and
- e) it has good and marketable title to all of its properties and assets, free and clear of any encumbrances, other than encumbrances as may be provided for herein (including Permitted Encumbrances).

Representations and warranties are deemed to be repeated as at the time of each Borrowing hereunder.

LANGUAGE

The parties hereto have expressly requested that this Agreement and all related documents, including notices, be drawn up in the English language. Les parties ont expressément demandé que la présente convention et tous les documents y afférents, y compris les avis, soient rédigés en langue anglaise.

WHOLE AGREEMENT

This Agreement and any documents or instruments referred to in, or delivered pursuant to, or in connection with, this Agreement constitute the whole and entire agreement between the Borrower and the Bank with respect to the Credit Facilities.

EVENTS OF DEFAULT

Without affecting or limiting the right of the Bank to terminate or demand payment of, or to cancel or restrict availability of any unutilized portion of, any demand or other discretionary facility, each of the following shall constitute an "**Event of Default**" which shall entitle the Bank, in its sole

discretion, to cancel any Credit Facilities, demand immediate repayment in full of any amounts outstanding under any term facility, together with outstanding accrued interest and any other indebtedness under or with respect to any term facility, and to realize on all or any portion of any Security:

- a) failure of the Borrower to pay any principal, interest or other amount when due pursuant to this Agreement;
- b) failure of the Borrower, or any Guarantor if applicable, to observe any covenant, term or condition contained in this Agreement, the Security, or any other agreement delivered to the Bank or in any documentation relating hereto or thereto;
- c) the Borrower, or any Guarantor if applicable, is unable to pay its debts as such debts become due, or is, or is adjudged or declared to be, or admits to being, bankrupt or insolvent;
- d) if any proceeding is taken to effect a compromise or arrangement with the creditors of the Borrower, or any Guarantor if applicable, or to have the Borrower, or any Guarantor if applicable, declared bankrupt or wound up, or to have a receiver appointed for any part of the assets or operations of the Borrower, or any Guarantor if applicable, or if any encumbrancer takes possession of any part thereof;
- e) if in the opinion of the Bank there is a material adverse change in the financial condition, ownership or operation of the Borrower, or any Guarantor if applicable;
- f) if any representation or warranty made by the Borrower, or any Guarantor if applicable, under this Agreement or in any other document relating hereto or under any Security shall be false in any material respect; or
- g) if the Borrower, or any Guarantor if applicable, defaults in the payment of any other indebtedness (other than trade accounts payable), whether owing to the Bank or to any other Person, or defaults in the performance or observance of any agreement in respect of such indebtedness where, as a result of such default, the maturity of such indebtedness is or may be accelerated.

Should the Bank demand immediate repayment in full of any amounts outstanding under any term facility due to an Event of Default, the Borrower shall immediately repay all principal sums outstanding under such facility and all other obligations in connection with any such term facility.

EXCHANGE RATE FLUCTUATIONS

If, for any reason, the amount of Borrowings outstanding under any facility, when converted to the Equivalent Amount in Canadian currency, exceeds the amount available under such facility, the Borrower shall immediately repay such excess or shall secure such excess to the satisfaction of the Bank.

JUDGEMENT CURRENCY

If for the purpose of obtaining judgement in any court in any jurisdiction with respect to this Agreement, it is necessary to convert into the currency of such jurisdiction (the "**Judgement Currency**") any amount due hereunder in any currency other than the Judgement Currency, then conversion shall be made at the rate of exchange prevailing on the Business Day before the day on which judgement is given. For this purpose "rate of exchange" means the rate at which the Bank would, on the relevant date, be prepared to sell a similar amount of such currency in the Toronto foreign exchange market, against the Judgement Currency, in accordance with normal banking procedures.

In the event that there is a change in the rate of exchange prevailing between the Business Day before the day on which judgement is given and the date of payment of the amount due, the Borrower will, on the date of payment, pay such additional amounts as may be necessary to ensure that the amount paid on such date is the amount in the Judgement Currency which, when converted at the rate of exchange prevailing on the date of payment, is the amount then due under this Agreement in such other currency together with interest at RBP and expenses (including legal fees on a solicitor and client basis). Any additional amount due from the Borrower under this section will be due as a separate debt and shall not be affected by judgement being obtained for any other sums due under or in respect of this Agreement.

Schedule "A" to the Agreement dated October 12, 2011, between PCAS Patient Care Automation Services Inc., as Borrower, and Royal Bank of Canada, as the Bank.

DEFINITIONS

For the purpose of this Agreement, the following terms and phrases shall have the following meanings:

"Applicable Laws" means, with respect to any Person, property, transaction or event, all present or future applicable laws, statutes, regulations, rules, orders, codes, treaties, conventions, judgements, awards, determinations and decrees of any governmental, regulatory, fiscal or monetary body or court of competent jurisdiction in any applicable jurisdiction;

"Borrowing" means each use of a Credit Facility and all such usages outstanding at any time are **"Borrowings"**;

"Business Day" means a day, excluding Saturday, Sunday and any other day which shall be a legal holiday or a day on which banking institutions are closed throughout Canada;

"Canadian/US Accounts Receivable" means trade accounts receivable of the Borrower owing by Persons whose chief operating activities are located in the US or Canada;

"Contaminant" includes, without limitation, any pollutant, dangerous substance, liquid waste, industrial waste, hazardous material, hazardous substance or contaminant including any of the foregoing as defined in any Environmental Law;

"EDC Accounts Receivable" means trade accounts receivable of the Borrower, where the payment has been insured by Export Development Canada ("**EDC**"), and the Bank has been provided with a duly executed Direction to Pay on EDC Form E-6 supported by a copy of the applicable insurance policy and any renewals thereof;

"Environmental Activity" means any activity, event or circumstance in respect of a Contaminant, including, without limitation, its storage, use, holding, collection, purchase, accumulation, assessment, generation, manufacture, construction, processing, treatment, stabilization, disposition, handling or transportation, or its Release into the natural environment, including movement through or in the air, soil, surface water or groundwater;

"Environmental Laws" means all Applicable Laws relating to the environment or occupational health and safety, or any Environmental Activity;

"Equity" means the total of share capital, (excluding preferred shares redeemable within one year) contributed surplus and retained earnings plus Postponed Debt;

"Equivalent Amount" means, with respect to an amount of any currency, the amount of any other currency required to purchase that amount of the first mentioned currency through the Bank in Toronto, in accordance with normal banking procedures;

"Good Canadian/US Accounts Receivable" means Canadian/US Accounts Receivable excluding EDC Accounts Receivable and excluding (i) the entire amount of accounts, any portion of which is outstanding more than 90 days after billing date, provided that the under 90 day portion may be included where the over 90 day portion is less than 10% of the amount of accounts, or where the Bank has designated such portion as nevertheless good, (ii) all amounts due from any affiliate, (iii) bad or doubtful accounts, (iv) accounts subject to any security interest or other encumbrance ranking or capable of ranking in priority to the Bank's security, (v) the amount of all holdbacks, contra accounts or rights of set-off on the part of any account debtor, or (vi) any accounts which the Bank has previously advised to be ineligible;

"Good EDC Accounts Receivable" means EDC Accounts Receivable, excluding (i) the entire amount of accounts, any portion of which is outstanding more than 90 days after billing date, provided that the under 90 day portion may be included where the over 90 day portion is less than 10% of the amount of accounts, or where the Bank has designated such portion as nevertheless good, (ii) all amounts due from any affiliate, (iii) bad or doubtful accounts, (iv) accounts subject to any security interest or other encumbrance ranking or capable of ranking in priority to the Bank's security, (v) the amount of all holdbacks, contra accounts or rights of set-off on the part of any account debtor, or (vi) any accounts which the Bank has previously advised to be ineligible;

"Guarantor" means any Person who has guaranteed the obligations of the Borrower under this Agreement;

"Letter of Guarantee" or **"LG"** means a documentary credit issued by the Bank on behalf of the Borrower for the purpose of providing security to a third party that the Borrower or a person designated by the Borrower will perform a contractual obligation owed to such third party;

"Maturity Date" means the date on which a facility is due and payable in full;

"Permitted Encumbrances" means, in respect of the Borrower or any Guarantor:

- a) liens arising by operation of law for amounts not yet due or delinquent, minor encumbrances on real property such as easements and rights of way which do not materially detract from the value of such property, and security given to municipalities and similar public authorities when required by such authorities in connection with the operations of the Borrower or any Guarantor in the ordinary course of business;
- b) purchase-money security interests;
- c) other liens securing indebtedness or other obligations where the aggregate amount of such indebtedness or other obligations for the Borrower and the Guarantors does not exceed \$500,000 at all times;
- d) Security granted in favour of the Bank;

"Person" includes an individual, a partnership, a joint venture, a trust, an unincorporated organization, a company, a corporation, an association, a government or any department or agency thereof including Canada Revenue Agency, and any other incorporated or unincorporated entity;

"Postponed Debt" means indebtedness that is fully postponed and subordinated, both as to principal and interest, on terms satisfactory to the Bank, to the obligations owing to the Bank hereunder;

"Potential Prior-Ranking Claims" means all amounts owing or required to be paid, where the failure to pay any such amount could give rise to a claim pursuant to any law, statute, regulation or otherwise, which ranks or is capable of ranking in priority to the Security or otherwise in priority to any claim by the Bank for repayment of any amounts owing under this Agreement;

"RBP" and **"Royal Bank Prime"** each means the annual rate of interest announced by the Bank from time to time as being a reference rate then in effect for determining interest rates on commercial loans made in Canadian currency in Canada;

"RBRUSBR" and **"Royal Bank US Base Rate"** each means the annual rate of interest announced by the Bank from time to time as a reference rate then in effect for determining interest rates on commercial loans made in US currency in Canada;

"Release" includes discharge, spray, inject, inoculate, abandon, deposit, spill, leak, seep, pour, emit, empty, throw, dump, place and exhaust, and when used as a noun has a similar meaning;

"Tangible Net Worth" means the total of Equity less intangibles, deferred charges, leasehold improvements, deferred tax credits and unsecured advances to related parties. For the purpose hereof, intangibles are assets lacking physical substance;

"US" means United States of America.

Schedule "B" to the Agreement dated October 12, 2011, between PCAS Patient Care Automation Services Inc., as Borrower, and Royal Bank of Canada, as the Bank.

CALCULATION AND PAYMENT OF INTEREST AND FEES

LIMIT ON INTEREST

The Borrower shall not be obligated to pay any interest, fees or costs under or in connection with this Agreement in excess of what is permitted by Applicable Law.

OVERDUE PAYMENTS

Any amount that is not paid when due hereunder shall, unless interest is otherwise payable in respect thereof in accordance with the terms of this Agreement or the instrument or contract governing same, bear interest until paid at the rate of RBP plus 5% per annum or, in the case of an amount in US currency if applicable, RBUSBR plus 5% per annum. Such interest on overdue amounts shall be computed daily, compounded monthly and shall be payable both before and after any or all of default, maturity date, demand and judgement.

EQUIVALENT YEARLY RATES

The annual rates of interest or fees to which the rates calculated in accordance with this Agreement are equivalent, are the rates so calculated multiplied by the actual number of days in the calendar year in which such calculation is made and divided by 365.

TIME AND PLACE OF PAYMENT

Amounts payable by the Borrower hereunder shall be paid at such place as the Bank may advise from time to time in the applicable currency. Amounts due on a day other than a Business Day shall be deemed to be due on the Business Day next following such day. Interest and fees payable under this Agreement are payable both before and after any or all of default, maturity date, demand and judgement.

RBP LOANS AND RBUSBR LOANS

The Borrower shall pay interest on each RBP Loan and RBUSBR Loan, monthly in arrears, on the 26th day of each month or such other day as may be agreed to between the Borrower and the Bank. Such interest will be calculated monthly and will accrue daily on the basis of the actual number of days elapsed and a year of 365 days and shall be paid in the currency of the applicable Borrowing.

LETTER OF GUARANTEE FEES

The Borrower shall pay LG fees in advance on a quarterly basis calculated on the face amount of the LG issued and based on the number of days in the upcoming quarter or remaining term thereof and a year of 365 days. LG fees are non-refundable.

FACILITY FEES

The fee will be calculated in arrears, paid as per the frequency indicated in the Fees section of this Agreement and will accrue daily on the unutilized and uncanceled portion of the amount of the applicable facility from and including the date of acceptance of this Agreement.

Schedule "D" to the Agreement dated October 12, 2011, between PCAS Patient Care Automation Services Inc., as Borrower, and Royal Bank of Canada, as the Bank.

ADDITIONAL BORROWING CONDITIONS

LGs:

Borrowings made by way of LGs will be subject to the following terms and conditions:

- a) each LG shall expire on a Business Day and shall have a term of not more than 365 days;
- b) at least 2 Business Days prior to the issue of an LG, the Borrower shall execute a duly authorized application with respect to such LG and each LG shall be governed by the terms and conditions of the relevant application for such contract;
- c) an LG may not be revoked prior to its expiry date unless the consent of the beneficiary of the LG has been obtained;
- d) any LG issued under a term facility must have an expiry date on or before the Maturity Date of the term facility, unless otherwise agreed by the Bank; and
- e) if there is any inconsistency at any time between the terms of this Agreement and the terms of the application for LG, the terms of the application for LG shall govern.

FEF Contracts

"Foreign Exchange Forward Contract" or "FEF Contract" means a currency exchange transaction or agreement or any option with respect to any such transaction now existing or hereafter entered into between the Borrower and the Bank;

At the Borrower's request, the Bank may agree to enter into FEF Contracts with the Borrower from time to time. The Borrower acknowledges that the Bank makes no formal commitment herein to enter into any FEF Contract and the Bank may, at any time and at all times, in its sole and absolute discretion, accept or reject any request by the Borrower to enter into a FEF Contract. If the Bank does enter into a FEF Contract with the Borrower, it will do so subject to the following:

- a) the Borrower shall promptly issue or countersign and return a confirmation or acknowledgement of the terms of each such FEF Contract as required by the Bank;
- b) the Borrower shall, if required by the Bank, promptly enter into a Foreign Exchange and Options Master Agreement or such other agreement in form and substance satisfactory to the Bank to govern the FEF Contract(s);
- c) in the event of demand for payment under the Agreement of which this schedule forms a part, the Bank may terminate all or any FEF Contracts. If the agreement governing any FEF Contract does not contain provisions governing termination, any such termination shall be effected in accordance with customary market practice. The Bank's determination of amounts owing under any terminated FEF Contract shall be conclusive in the absence of manifest error. The Bank shall apply any amount owing by the Bank to the Borrower on termination of any FEF Contract against the Borrower's obligations to the Bank under the Agreement and any amount owing to the Bank by the Borrower on such termination shall be added to the Borrower's obligations to the Bank under the Agreement and secured by the Security;
- d) the Borrower shall pay all required fees in connection with any FEF Contracts and indemnify and hold the Bank harmless against any loss, cost or expense incurred by the Bank in relation to any FEF Contract;

-
- e) any rights of the Bank herein in respect of any FEF Contract are in addition to and not in limitation of or substitution for any rights of the Bank under any agreement governing such FEF Contract. In the event that there is any inconsistency at any time between the terms hereof and any agreement governing such FEF Contract, the terms of such agreement shall prevail; and
 - f) In addition to any security which may be held at any time in respect of any FEF Contract, upon request by the Bank from time to time, the Borrower will deliver to the Bank such security as is acceptable to the Bank as continuing collateral security for the Borrower's obligations to the Bank in respect of FEF Contracts.

Schedule "G" to the Agreement dated October 12, 2011, between PCAS Patient Care Automation Services Inc., as Borrower, and Royal Bank of Canada, as the Bank.

BORROWING LIMIT CERTIFICATE

I, _____, representing the Borrower hereby certify as of month ending _____:

1. I am familiar with and have examined the provisions of the Agreement dated October 12, 2011 and any amendments thereto, between PCAS Patient Care Automation Services Inc., as Borrower, and Royal Bank of Canada, as the Bank and have made reasonable investigations of corporate records and inquiries of other officers and senior personnel of the Borrower. Terms defined in the Agreement have the same meanings where used in this certificate.

2. The Borrowing Limit is \$ _____, calculated as follows:

Total Canadian/US Accounts Receivable excluding EDC	\$ _____
Accounts Receivable	
Less: a) Accounts, any portion of which exceeds 90 days	\$ _____
b) Accounts due from affiliates	\$ _____
c) "Under 90 days" accounts where collection is suspect	\$ _____
d) Accounts subject to prior encumbrances	\$ _____
e) Holdbacks, contra-accounts or rights of set-off	\$ _____
f) Other ineligible accounts	\$ _____
Plus: g) Under 90 day portion of accounts included in a) above, where the over 90 day portion is less than 10% of the amount of accounts, or which the Bank has designated as nevertheless good	\$ _____
Good Canadian/US Accounts Receivable	A \$ _____
Marginable Good Canadian/US Accounts Receivable at 75% of B	B \$ _____
Total EDC Accounts Receivable	\$ _____
Less: a) Accounts, any portion of which exceeds 90 days	\$ _____
b) Accounts due from affiliates	\$ _____
c) "Under 90 days" accounts where collection is suspect	\$ _____
d) Accounts subject to prior encumbrances	\$ _____
e) Holdbacks, contra-accounts or rights of set-off	\$ _____
f) Other ineligible accounts	\$ _____
Plus: g) Under 90 day portion of accounts included in a) above, where the over 90 day portion is less than 10% of the amount of accounts, or which the Bank has designated as nevertheless good	\$ _____
Good EDC Accounts Receivable	C \$ _____
Marginable Good EDC Accounts Receivable at 90% of C	D \$ _____
Less: Potential Prior-Ranking Claims while not limited to these include:	
Sales tax, Excise & GST	\$ _____
Employee source deductions such as E.I., CPP, Income Tax	\$ _____
Workers Compensation Board	\$ _____
Wages, Commissions, Vacation Pay	\$ _____
Unpaid Pension Plan Contributions	\$ _____
Overdue Rent, Property & Business Tax and potential claims from third parties such as subcontractors	\$ _____
Other	\$ _____

Total Potential Prior-Ranking Claims	E	\$	_____
Borrowing Limit (B+ D-E)		\$	_____
Less: Facility #1 Borrowings		\$	_____
Margin Surplus (Deficit)		\$	_____

3. Annexed hereto are the following reports in respect of the Borrower:
- a) aged list of accounts receivable,
 - b) aged list of accounts payable,
 - c) aged list of EDC Accounts Receivable indicating country of origin for each receivable and most recent credit approval listing from EDC supported by Direction to Pay on EDC form E6, and
 - d) listing of Potential Prior-Ranking Claims.
4. The reports and information provided herewith are accurate and complete in all respects and all amounts certified as Potential Prior-Ranking Claims are current amounts owing and not in arrears.

Dated this _____ day of _____, 20_____.

Per: _____

Name: _____

Title: _____

Schedule "H" to the Agreement dated October 12, 2011 between PCAS Patient Care Automation Services Inc., as Borrower, and Royal Bank of Canada, as the Bank.

COMPLIANCE CERTIFICATE

I, _____, representing the Borrower hereby certify as of fiscal quarter/fiscal year ending _____:

1. I am familiar with and have examined the provisions of the Agreement dated October 12, 2011 and any amendments thereto, between PCAS Patient Care Automation Services Inc., as Borrower, and Royal Bank of Canada as the Bank, and have made reasonable investigations of corporate records and inquiries of other officers and senior personnel of the Borrower and any Guarantor if applicable. Terms defined in the Agreement have the same meanings where used in this certificate.
2. The representations and warranties contained in the Agreement are true and correct.
3. No event or circumstance has occurred which constitutes or which, with the giving of notice, lapse of time, or both, would constitute an Event of Default and there is no reason to believe that during the next fiscal quarter of the Borrower, any such event or circumstance will occur.
4. Tangible Net Worth is \$_____, being not less than the minimum required amount of \$6,000,000 (tested each fiscal quarter).
5. The aggregate cash balance in bank accounts with the Bank on a consolidated basis is \$_____, being not less than the minimum required aggregate amount of \$3,000,000 (tested each month).
5. The detailed calculations of the foregoing ratios and covenants is set forth in the addendum annexed hereto and are true and correct in all respects.

Dated this _____ day of _____, 20____.

Per: _____

Name: _____

Title: _____

Per: _____

Name: _____

Title: _____

Schedule "J" to the Agreement dated October 12, 2011, between PCAS Patient Care Automation Services Inc., as Borrower, and Royal Bank of Canada, as the Bank.

RBC COVARTY DASHBOARD TERMS AND CONDITIONS

If the Borrower elects to fulfill the reporting requirements relating to the submission of financial information set out in this Agreement by accessing a secure web based portal ("**RBC Covarity Dashboard**") via the Internet and using RBC Covarity Dashboard to electronically upload the Borrower's financial information and to complete online and electronically submit certificates, reports and/or forms (the "**Service**"), then the following terms and conditions (the "**RBC Covarity Dashboard Terms and Conditions**") apply and are deemed to be included in, and form part of, the Agreement.

1. Definitions. For the purpose of the RBC Covarity Dashboard Terms and Conditions:

"Disabling Code" means any clock, timer, counter, computer virus, worm, software lock, drop dead device, Trojan horse routine, trap door, time bomb, or any other unauthorized codes, designs, routines or instructions that may be used to access, modify, replicate, distort, delete, damage or disable any Electronic Channel, including any related hardware or software.

"Designated User" an individual permitted to act on behalf of and bind the Borrower in all respects, and specifically in the submission of Electronically Uploaded Financial Information and/or Electronically Submitted Certificates.

"Electronic Channel" means any telecommunication or electronic transmission method which may be used in connection with the Service, including computer, Internet, telephone, e-mail or facsimile.

"Electronic Communication" means any information, disclosure, request or other communication or agreement sent, received or accepted using an Electronic Channel.

"Electronically Submitted Certificates" means certificates, reports and/or forms completed online and electronically submitted by any Designated User accessing the Service.

"Electronically Uploaded Financial Information" means financial data, reports and/or information of the Borrower electronically uploaded by any Designated User accessing the Service.

"Internet" means a decentralized global communications medium and the world-wide network of computer networks, accessible to the public, that are connected to each other using specific protocols, which provides for file transfer, electronic mail, remote log in, news, database access, and other services.

"Password" means a combination of numbers and/or letters selected by a Designated User that is used to identify the Designated User. The Password is used in conjunction with a User ID to access the Service.

"Security Breach" means any breach in the security of the Service, or any actual or threatened use of the Service, a Security Device, or Electronic Channel in a manner contrary to the Agreement, including, without limitation, the introduction of Disabling Code or a Virus to the Service.

"Security Device" means a combination of a User ID and Password.

"Software" means any computer program or programming (in any code format, including source code), as modified from time to time, and related documentation.

"User ID" means the combination of numbers and/or letters selected by the Borrower used to identify a particular Designated User. The User ID is used in conjunction with a Password to access the Service.

"Virus" means an element which is designed to corrupt data or enable access to or adversely impact upon the performance of computer systems, including any virus, worm, logic bomb and Trojan horse. Terms defined in the Agreement have the same meanings where used in the RBC Covarity Dashboard Terms and Conditions.

2. Access to the Service. The Borrower will appoint one or more Designated User(s) to access the Service on behalf of the Borrower. The Borrower acknowledges and agrees that each Designated User appointed by the Borrower may electronically upload the Borrower's financial information and may view all previously uploaded financial information and all calculations in the RBC Covarity Dashboard.

At the time of registration for the Service, the Borrower will advise the Bank of the name and e-mail address of each Designated User. The Borrower will immediately advise the Bank if a Designated User changes or is no longer valid.

The Bank will provide the Borrower with a User ID and temporary password for each Designated User. Each Designated User will receive the User ID and temporary password delivered to their e-mail address. Each Designated User will change the temporary password to a unique Password which may not be easily guessed or obtained by others. If it is suspected or known that the Password has been compromised in any way, the Password must be changed immediately.

On first access to the Service, each Designated User will be required to read and agree to terms of use which will thereafter be accessible from a link located on each web page of the Service.

3. Security Devices. The Borrower recognizes that possession of a Security Device by any person may result in that person having access to the Service. The Borrower agrees that the use of a Security Device in connection with the Service, including any information sent, received or accepted using the Service, will be deemed to be conclusive proof that such information is accurate and complete, and the submission of which is authorized by, and enforceable against, the Borrower.

The Borrower is responsible for maintaining the security and confidentiality of Security Devices which may be used in connection with the Service. The Borrower is responsible for ensuring that a Security Device will only be provided to and used by a Designated User. The Borrower agrees to be bound by any actions or omissions resulting from the use of any Security Device in connection with the Service.

4. Security. Each party shall at all times have in place appropriate policies and procedures to protect the security and confidentiality of the Service, Electronic Channels and Electronic Communication and to prevent any unauthorized access to and use of the Service and Electronic Channels. The Borrower agrees to comply with any additional procedures, standards or other security requirements that the Bank may require in order to access the Service.

The Borrower will not (i) access or use the Service for an illegal, fraudulent, malicious or defamatory purpose, or (ii) take steps or actions that could or do undermine the security, integrity, effectiveness, goodwill or connectivity of the Service (including illegal, fraudulent, malicious, defamatory or other activities that threaten to harm or cause harm to any other person).

The Borrower agrees not to transmit via the Service any viruses, worms, defects, Trojan horses or any items of a destructive nature. The Borrower shall maintain the security of their computer by using anti-virus scanning, a firewall and installing the latest security patches to provide assurance that no Virus is introduced into the systems or Software while accessing the Service.

5. Unsecure Electronic Channels. The Borrower acknowledges and agrees that if it uses, or if it authorizes and directs the Bank to use, any unencrypted Electronic Channel, including unencrypted e-mail or facsimile, any Electronic Communication sent, received and/or accepted using such Electronic Channel is not secure, reliable, private or confidential. Any such Electronic Communication could be subject to interception, loss or alteration, and may not be received by

the intended recipient in a timely manner or at all. The Borrower assumes full responsibility for the risks associated with such Electronic Communication.

6. Notice of Security Breach. The Borrower shall notify the Bank by notifying the RBC Account Manager in writing immediately of any Security Breach including: (i) any application vulnerability or if a Virus is contained in or affects transmission of information to the Service; or (ii) if the Borrower knows or reasonably ought to know that an unauthorized person may have access to the Service, Security Device or Electronic Channel.

If a Security Breach occurs the Borrower shall: (i) assist the Bank in the management of any consequences arising from it; (ii) take any reasonable steps necessary for it to take to mitigate any harm resulting from it; and (iii) take appropriate steps to prevent its recurrence.

7. Binding Effect. Any Electronic Communication that the Bank receives from or in the name of, or purporting to be from or in the name of, the Borrower or any other person on the Borrower's behalf in connection with the Service, will be considered to be duly authorized by, and enforceable against, the Borrower. The Bank will be authorized to rely and act on any such Electronic Communication, even if the Electronic Communication was not actually from the Borrower or such other person or differs in any way from any previous Electronic Communication sent to the Bank. Any Electronically Uploaded Financial Information will be considered to be financial information submitted to the Bank by an individual permitted to act on behalf of and bind the Borrower in all respects, and the Bank will be authorized to rely and act on any such Electronically Uploaded Financial Information accordingly. Any Electronically Submitted Certificates will be considered to be certificates, reports and/or forms completed and submitted to the Bank by an individual permitted to act on behalf of and bind the Borrower in all respects, and the Bank will be authorized to rely and act on any such Electronically Submitted Certificates accordingly.

8. Representations and Warranties. The Borrower represents and warrants to the Bank that each time Electronically Uploaded Financial Information and/or Electronically Submitted Certificates are submitted: (i) all financial statements, certificates, forms, reports and all information contained therein will be accurate and complete in all respects; (ii) all amounts certified as Potential Prior-Ranking Claims will be current amounts owing and not in arrears; (iii) all representations and warranties contained in the Agreement will be true and correct; and (iv) no event will have occurred which constitutes, or which, with notice, lapse of time, or both, would constitute an Event of Default or breach of any covenant or other term or condition of the Agreement. The Borrower will be deemed to repeat these representations and warranties each time Electronically Uploaded Financial Information and/or Electronically Submitted Certificates are submitted.

9. Evidence. Electronic records and other information obtained by the Bank in an Electronic Communication will be admissible in any legal, administrative or other proceedings as conclusive evidence of the contents of those communications in the same manner as an original paper document, and the Borrower waives any right to object to the introduction of any such record or other information into evidence on that basis.

10. Limitation of Liability. The Bank is not responsible or liable for any damages arising from: (i) inaccurate, incomplete, false, misleading, or fraudulent information provided to the Bank; (ii) losses incurred as a result of an actual or potential Security Breach; or (iii) losses incurred as a result of application vulnerability or Virus that is contained in or affects any Software or systems used by or on behalf of the Borrower in connection with the Service.

Although every effort is made to provide secure transmission of information, timely communication and confidentiality cannot be guaranteed. In no event shall the Bank be liable for any loss or harm resulting from the use of the Service, or from a breach of confidentiality in respect of use of the Service.

11. Termination. The ability of the Borrower to fulfill the reporting requirements relating to the submission of financial information set out in the Agreement using RBC Covarity Dashboard shall terminate upon revocation of access to the Service. In addition, the Bank may suspend or terminate access to or discontinue the Service immediately for any reason at any time without

prior notice. The Bank will not be responsible for any loss or inconvenience that may result from such suspension or termination. The Borrower, upon giving notice to the Bank by notifying the RBC Account Manager in writing, may terminate use of the Service at any time.

12. Amendment. The Bank may amend these RBC Covarity Dashboard Terms and Conditions upon 30 days notice (which may be given electronically by way of e-mail or in writing) to the Borrower. The Borrower agrees that the continued use of the Service after the effective date of a change will constitute conclusive evidence of consent to all such amendments and the Borrower shall be bound by the amendments.

TAB H

Attached is Exhibit "H" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 22nd day of March, 2012

Commissioner for taking Affidavits, etc

GENERAL SECURITY AGREEMENT

E-FORM 924 (03/2008)

1. SECURITY INTEREST

(a) For value received, the undersigned ("Debtor"), hereby grants to ROYAL BANK OF CANADA ("RBC"), a security interest (the "Security Interest") in the undertaking of Debtor and in all of Debtor's present and after acquired personal property including, without limitation, in all Goods (including all parts, accessories, attachments, special tools, additions and accessions thereto), Chattel Paper, Documents of Title (whether negotiable or not), Instruments, Intangibles, Money and Securities and all other Investment Property now owned or hereafter owned or acquired by or on behalf of Debtor (including such as may be returned to or repossessed by Debtor) and in all proceeds and renewals thereof, accretions thereto and substitutions therefore (hereinafter collectively called "Collateral"), and including, without limitation, all of the following now owned or hereafter owned or acquired by or on behalf of Debtor:

- (i) all inventory of whatever kind and wherever situate;
- (ii) all equipment (other than inventory) of whatever kind and wherever situate, including, without limitation, all machinery, tools, apparatus, plant, furniture, fixtures and vehicles of whatsoever nature or kind;
- (iii) all Accounts and book debts and generally all debts, dues, claims, choses in action and demands of every nature and kind howsoever arising or secured including letters of credit and advices of credit, which are now due, owing or accruing or growing due to or owned by or which may hereafter become due, owing or accruing or growing due to or owned by Debtor ("Debts");
- (iv) all lists, records and files relating to Debtor's customers, clients and patients;
- (v) all deeds, documents, writings, papers, books of account and other books relating to or being records of Debts, Chattel Paper or Documents of Title or by which such are or may hereafter be secured, evidenced, acknowledged or made payable;
- (vi) all contractual rights and insurance claims;
- (vii) all patents, industrial designs, trade-marks, trade secrets and know-how including without limitation environmental technology and biotechnology, confidential information, trade-names, goodwill, copyrights, personality rights, plant breeders' rights, integrated circuit topographies, software and all other forms of intellectual and industrial property, and any registrations and applications for registration of any of the foregoing (collectively "Intellectual Property"); and
- (viii) all property described in Schedule "C" or any schedule now or hereafter annexed hereto.

(b) The Security Interest granted hereby shall not extend or apply to and Collateral shall not include the last day of the term of any lease or agreement therefor but upon the enforcement of the Security Interest, Debtor shall stand possessed of such last day in trust to assign the same to any person acquiring such term.

(c) The terms "Goods", "Chattel Paper", "Document of Title", "Instrument", "Intangible", "Security", "Investment Property", "proceed", "Inventory", "accession", "Money", "Account", "financing statement" and "financing change statement" whenever used herein shall be interpreted pursuant to their respective meanings when used in The Personal Property Security Act of the province referred to in Clause 14(s), as amended from time to time, which Act, including amendments thereto and any Act substituted therefor and amendments thereto is herein referred to as the "P.P.S.A.". Provided always that the term "Goods" when used herein shall not include "consumer goods" of Debtor as that term is defined in the P.P.S.A., the term "Inventory" when used herein shall include livestock and the young thereof after conception and crops that become such within one year of execution of this Security Agreement and the term "Investment Property", if not defined in the P.P.S.A., shall be interpreted according to its meaning in the Personal Property Security Act (Ontario). Any reference herein to "Collateral" shall, unless the context otherwise requires, be deemed a reference to "Collateral or any part thereof".

2. INDEBTEDNESS SECURED

The Security Interest granted hereby secures payment and performance of any and all obligations, indebtedness and liability of Debtor to RBC (including interest thereon) present or future, direct or indirect, absolute or contingent, matured or not, extended or renewed, wheresoever and howsoever incurred and any ultimate unpaid balance thereof and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again and whether Debtor be bound alone or with another or others and whether as principal or surety (hereinafter collectively called the "Indebtedness"). If the Security Interest in the Collateral is not sufficient, in the event of default, to satisfy all Indebtedness of the Debtor, the Debtor acknowledges and agrees that Debtor shall continue to be liable for any Indebtedness remaining outstanding and RBC shall be entitled to pursue full payment thereof.

3. REPRESENTATIONS AND WARRANTIES OF DEBTOR

Debtor represents and warrants and so long as this Security Agreement remains in effect shall be deemed to continuously represent and warrant that:

(a) the Collateral is genuine and owned by Debtor free of all security interests, mortgages, liens, claims, charges, licenses, leases, infringements by third parties, encumbrances or other adverse claims or interests (hereinafter collectively called "Encumbrances"), save for the Security Interest and those Encumbrances shown on Schedule "A" or hereafter approved in writing by RBC, prior to their creation or assumption;

(b) all Intellectual Property applications and registrations are valid and in good standing and Debtor is the owner of the applications and registrations;

(c) each Debt, Chattel Paper and Instrument constituting Collateral is enforceable in accordance with its terms against the party obligated to pay the same (the "Account Debtor"), and the amount represented by Debtor to RBC from time to time as owing by each Account Debtor or by all Account Debtors will be the correct amount actually and unconditionally owing by such Account Debtor or Account Debtors, except for normal cash discounts where applicable, and no Account Debtor will have any defence, set off, claim or counterclaim against Debtor which can be asserted against RBC, whether in any proceeding to enforce Collateral or otherwise;

(d) the locations specified in Schedule "B" as to business operations and records are accurate and complete and with respect to Goods (including Inventory) constituting Collateral, the locations specified in Schedule "B" are accurate and complete save for Goods in transit to such locations and Inventory on lease or consignment; and all fixtures or Goods about to become fixtures and all crops and all oil, gas or other minerals to be extracted and all timber to be cut which forms part of the Collateral will be situate at one of such locations; and

(e) the execution, delivery and performance of the obligations under this Security Agreement and the creation of any security interest in or assignment hereunder of Debtor's rights in the Collateral to RBC will not result in a breach of any agreement to which Debtor is a party.

4. COVENANTS OF THE DEBTOR

So long as this Security Agreement remains in effect Debtor covenants and agrees:

(a) to defend the Collateral against the claims and demands of all other parties claiming the same or an interest therein; to diligently initiate and prosecute legal action against all infringers of Debtor's rights in Intellectual Property; to take all reasonable action to keep the Collateral free from all Encumbrances, except for the Security Interest, licenses which are compulsory under federal or provincial legislation and those shown on Schedule "A" or hereafter approved in writing by RBC, prior to their creation or assumption, and not to sell, exchange, transfer, assign, lease, license or otherwise dispose of Collateral or any interest therein without the prior written consent of RBC; provided always that, until default, Debtor may, in the ordinary course of Debtor's business, sell or lease Inventory and, subject to Clause 7 hereof, use Money available to Debtor;

(b) to notify RBC promptly of:

- (i) any change in the information contained herein or in the Schedules hereto relating to Debtor, Debtor's business or Collateral,
- (ii) the details of any significant acquisition of Collateral,
- (iii) the details of any claims or litigation affecting Debtor or Collateral,
- (iv) any loss or damage to Collateral,
- (v) any default in an amount exceeding \$250,000 by any Account Debtor in payment or other performance of its obligations with respect to Collateral, and
- (vi) the return to or repossession by Debtor of Collateral;

(c) to keep Collateral in good order, condition and repair and not to use Collateral in violation of the provisions of this Security Agreement or any other agreement relating to Collateral or any policy insuring Collateral or any applicable statute, law, by-law, rule, regulation or ordinance; to keep all agreements, registrations and applications relating to Intellectual Property and intellectual property used by Debtor in its business in good standing and to renew all agreements and registrations as may be necessary or desirable to protect Intellectual Property, unless otherwise agreed in writing by RBC; to apply to register all existing and future copyrights, trade-marks, patents, integrated circuit topographies and industrial designs whenever it is commercially reasonable to do so;

(d) to do, execute, acknowledge and deliver such financing statements, financing change statements and further assignments, transfers, documents, acts, matters and things (including further schedules hereto) as may be reasonably requested by RBC of or with respect to Collateral in order to give effect to these presents and to pay all costs for searches and filings in connection therewith;

(e) to pay all taxes, rates, levies, assessments and other charges of every nature which may be lawfully levied, assessed or imposed against or in respect of Debtor or Collateral as and when the same become due and payable;

(f) to insure collateral in such amounts and against such risks as would customarily be insured by a prudent owner of similar Collateral and in such additional amounts and against such additional risks as RBC may from time to time direct, with loss payable to RBC and Debtor, as insureds, as their respective interests may appear, and to pay all premiums therefor and deliver copies of policies and evidence of renewal to RBC on request;

(g) to prevent Collateral, save Inventory sold or leased as permitted hereby, from being or becoming an accession to other property not covered by this Security Agreement;

(h) to carry on and conduct the business of Debtor in a proper and efficient manner and so as to protect and preserve Collateral and to keep, in accordance with generally accepted accounting principles, consistently applied, proper books of account for Debtor's business as well as accurate and complete records concerning Collateral, and mark any and all such records and Collateral at RBC's request so as to indicate the Security Interest;

(i) to deliver to RBC from time to time promptly upon request:

- (i) any Documents of Title, Instruments, Securities and Chattel Paper constituting, representing or relating to Collateral,
- (ii) all books of account and all records, ledgers, reports, correspondence, schedules, documents, statements, lists and other writings relating to Collateral for the purpose of inspecting, auditing or copying the same,
- (iii) all financial statements prepared by or for Debtor regarding Debtor's business,
- (iv) all policies and certificates of insurance relating to Collateral, and
- (v) such information concerning Collateral, the Debtor and Debtor's business and affairs as RBC may reasonably request.

5. USE AND VERIFICATION OF COLLATERAL

Subject to compliance with Debtor's covenants contained herein and Clause 7 hereof, Debtor may, until default, possess, operate, collect, use and enjoy and deal with Collateral in the ordinary course of Debtor's business in any manner not inconsistent with the provisions hereof; provided always that RBC shall have the right at any time and from time to time to verify the existence and state of the Collateral in any manner RBC may consider appropriate and Debtor agrees to furnish all assistance and information and to perform all such acts as RBC may reasonably request in connection therewith and for such purpose to grant to RBC or its agents access to all places where Collateral may be located and to all premises occupied by Debtor.

6. SECURITIES, INVESTMENT PROPERTY

If Collateral at any time includes Securities, Debtor authorizes RBC to transfer the same or any part thereof into its own name or that of its nominee(s) so that RBC or its nominee(s) may appear of record as the sole owner thereof; provided that, until default, RBC shall deliver promptly to Debtor all notices or other communications received by it or its nominee(s) as such registered owner and, upon demand and receipt of payment of any necessary expenses thereof, shall issue to Debtor or its order a proxy to vote and take all action with respect to such Securities. After default, Debtor waives all rights to receive any notices or communications received by RBC or its nominee(s) as such registered owner and agrees that no proxy issued by RBC to Debtor or its order as aforesaid shall thereafter be effective.

Where any Investment Property is held in or credited to an account that has been established with a securities intermediary, RBC may, at any time after default, give a notice of exclusive control to any such securities intermediary with respect to such Investment Property.

7. COLLECTION OF DEBTS

After default under this Security Agreement, RBC may notify all or any Account Debtors of the Security Interest and may also direct such Account Debtors to make all payments on Collateral to RBC. Debtor acknowledges that any payments on or other proceeds of Collateral received by Debtor from Account Debtors, whether before or after notification of this Security Interest to Account Debtors and whether before or after default under this Security Agreement, shall be received and held by Debtor in trust for RBC and shall be turned over to RBC upon request.

8. INCOME FROM AND INTEREST ON COLLATERAL

(a) Until default, Debtor reserves the right to receive any Money constituting income from or interest on Collateral and if RBC receives any such Money prior to default, RBC shall either credit the same against the Indebtedness or pay the same promptly to Debtor.

(b) After default, Debtor will not request or receive any Money constituting income from or interest on Collateral and if Debtor receives any such Money without any request by it, Debtor will pay the same promptly to RBC.

9. INCREASES, PROFITS, PAYMENTS OR DISTRIBUTIONS

(a) After default has occurred, Debtor authorizes RBC:

- (i) to receive any increase in or profits on Collateral (other than Money) and to hold the same as part of Collateral. Money so received shall be treated as income for the purposes of Clause 8 hereof and dealt with accordingly;
- (ii) to receive any payment or distribution upon redemption or retirement or upon dissolution and liquidation of the issuer of Collateral; to surrender such Collateral in exchange therefor and to hold any such payment or distribution as part of Collateral.

(b) If Debtor receives any such increase or profits (other than Money) or payments or distributions, Debtor will deliver the same promptly to RBC to be held by RBC as herein provided.

10. DISPOSITION OF MONEY

Subject to any applicable requirements of the P.P.S.A., all Money collected or received by RBC pursuant to or in exercise of any right it possesses with respect to Collateral shall be applied on account of Indebtedness in such manner as RBC deems best or, at the option of RBC, may be held unappropriated in a collateral account or released to Debtor, all without prejudice to the liability of Debtor or the rights of RBC hereunder, and any surplus shall be accounted for as required by law.

11. EVENTS OF DEFAULT

The happening of any of the following events or conditions shall constitute default hereunder which is herein referred to as "default":

- (a) the nonpayment when due, whether by acceleration or otherwise, of any principal or interest forming part of Indebtedness or the failure of Debtor to observe or perform any obligation, covenant, term, provision or condition contained in this Security Agreement or any other agreement between Debtor and RBC;
- (b) the death of or a declaration of incompetency by a court of competent jurisdiction with respect to Debtor, if an individual;
- (c) the bankruptcy or insolvency of Debtor; the filing against Debtor of a petition in bankruptcy; the making of an assignment for the benefit of creditors by Debtor; the appointment of a receiver or trustee for Debtor or for any assets of Debtor or the institution by or against Debtor of any other type of insolvency proceeding under the Bankruptcy and Insolvency Act or otherwise;
- (d) the institution by or against Debtor of any formal or informal proceeding for the dissolution or liquidation of, settlement of claims against or winding up of affairs of Debtor;
- (e) if any Encumbrance affecting Collateral becomes enforceable against Collateral;
- (f) if Debtor ceases or threatens to cease to carry on business or makes or agrees to make a bulk sale of assets without complying with applicable law or commits or threatens to commit an act of bankruptcy;
- (g) if any execution, sequestration, extent or other process of any court becomes enforceable against Debtor or if distress or analogous process is levied upon the assets of Debtor or any part thereof;

h) if any certificate, statement, representation, warranty or audit report heretofore or hereafter furnished by or on behalf of Debtor pursuant to or in connection with this Security Agreement, or otherwise (including, without limitation, the representations and warranties contained herein) or as an inducement to RBC to extend any credit to or to enter into this or any other agreement with Debtor, proves to have been false in any material respect at the time as of which the facts therein set forth were stated or certified, or proves to have omitted any substantial contingent or unliquidated liability or claim against Debtor; or if upon the date of execution of this Security Agreement, there shall have been any material adverse change in any of the facts disclosed by any such certificate, representation, statement, warranty or audit report, which change shall not have been disclosed to RBC at or prior to the time of such execution.

12. ACCELERATION

RBC, in its sole discretion, may declare all or any part of Indebtedness which is not by its terms payable on demand to be immediately due and payable, without demand or notice of any kind, in the event of default, or if RBC considers itself insecure or that the Collateral is in jeopardy. The provisions of this clause are not intended in any way to affect any rights of RBC with respect to any Indebtedness which may now or hereafter be payable on demand.

13. REMEDIES

(a) Upon default, RBC may appoint or reappoint by instrument in writing, any person or persons, whether an officer or officers or an employee or employees of RBC or not, to be a receiver or receivers (hereinafter called a "Receiver", which term when used herein shall include a receiver and manager) of Collateral (including any interest, income or profits therefrom) and may remove any Receiver so appointed and appoint another in his/her stead. Any such Receiver shall, so far as concerns responsibility for his/her acts, be deemed the agent of Debtor and not RBC, and RBC shall not be in any way responsible for any misconduct, negligence or non-feasance on the part of any such Receiver, his/her servants, agents or employees. Subject to the provisions of the instrument appointing him/her, any such Receiver shall have power to take possession of Collateral, to preserve Collateral or its value, to carry on or concur in carrying on all or any part of the business of Debtor and to sell, lease, license or otherwise dispose of or concur in selling, leasing, licensing or otherwise disposing of Collateral. To facilitate the foregoing powers, any such Receiver may, to the exclusion of all others, including Debtor, enter upon, use and occupy all premises owned or occupied by Debtor wherein Collateral may be situated, maintain Collateral upon such premises, borrow money on a secured or unsecured basis and use Collateral directly in carrying on Debtor's business or as security for loans or advances to enable the Receiver to carry on Debtor's business or otherwise, as such Receiver shall, in its discretion, determine. Except as may be otherwise directed by RBC, all Money received from time to time by such Receiver in carrying out his/her appointment shall be received in trust for and paid over to RBC. Every such Receiver may, in the discretion of RBC, be vested with all or any of the rights and powers of RBC.

(b) Upon default, RBC may, either directly or through its agents or nominees, exercise any or all of the powers and rights given to a Receiver by virtue of the foregoing sub-clause (a).

(c) RBC may take possession of, collect, demand, sue on, enforce, recover and receive Collateral and give valid and binding receipts and discharges therefor and in respect thereof and, upon default, RBC may sell, license, lease or otherwise dispose of Collateral in such manner, at such time or times and place or places, for such consideration and upon such terms and conditions as to RBC may seem reasonable.

(d) In addition to those rights granted herein and in any other agreement now or hereafter in effect between Debtor and RBC and in addition to any other rights RBC may have at law or in equity, RBC shall have, both before and after default, all rights and remedies of a secured party under the P.P.S.A. Provided always, that RBC shall not be liable or accountable for any failure to exercise its remedies, take possession of, collect, enforce, realize, sell, lease, license or otherwise dispose of Collateral or to institute any proceedings for such purposes. Furthermore, RBC shall have no obligation to take any steps to preserve rights against prior parties to any Instrument or Chattel Paper whether Collateral or proceeds and whether or not in RBC's possession and shall not be liable or accountable for failure to do so.

(e) Debtor acknowledges that RBC or any Receiver appointed by it may take possession of Collateral wherever it may be located and by any method permitted by law and Debtor agrees upon request from RBC or any such Receiver to assemble and deliver possession of Collateral at such place or places as directed.

(f) Debtor agrees to be liable for and to pay all costs, charges and expenses reasonably incurred by RBC or any Receiver appointed by it, whether directly or for services rendered (including reasonable solicitors and auditors costs and other legal expenses and Receiver remuneration), in operating Debtor's accounts, in preparing or enforcing this Security Agreement, taking and maintaining custody of, preserving, repairing, processing, preparing for disposition and disposing of Collateral and in enforcing or collecting Indebtedness and all such costs, charges and expenses, together with any amounts owing as a result of any borrowing by RBC or any Receiver appointed by it, as permitted hereby, shall be a first charge on the proceeds of realization, collection or disposition of Collateral and shall be secured hereby.

(g) RBC will give Debtor such notice, if any, of the date, time and place of any public sale or of the date after which any private disposition of Collateral is to be made as may be required by the P.P.S.A..

(h) Upon default and receiving written demand from RBC, Debtor shall take such further action as may be necessary to evidence and effect an assignment or licensing of Intellectual Property to whomever RBC directs, including to RBC. Debtor appoints any officer or director or branch manager of RBC upon default to be its attorney in accordance with applicable legislation with full power of substitution and to do on Debtor's behalf anything that is required to assign, license or transfer, and to record any assignment, license or transfer of the Collateral. This power of attorney, which is coupled with an interest, is irrevocable until the release or discharge of the Security Interest.

14. MISCELLANEOUS

(a) Debtor hereby authorizes RBC to file such financing statements, financing change statements and other documents and do such acts, matters and things (including completing and adding schedules hereto identifying Collateral or any permitted Encumbrances affecting Collateral or identifying the locations at which Debtor's business is carried on and Collateral and records relating thereto are situated) as RBC may deem appropriate to perfect on an ongoing basis and continue the Security Interest, to protect and preserve Collateral and to realize upon the Security Interest and Debtor hereby irrevocably constitutes and appoints the Manager or Acting Manager from time to time of the herein mentioned branch of RBC the true and lawful attorney of Debtor, with full power of substitution, to do any of the foregoing in the name of Debtor whenever and wherever it may be deemed necessary or expedient.

(b) Without limiting any other right of RBC, whenever Indebtedness is immediately due and payable or RBC has the right to declare Indebtedness to be immediately due and payable (whether or not it has so declared), RBC may, in its sole discretion, set off against Indebtedness any and all amounts then owed to Debtor by RBC in any capacity, whether or not due, and RBC shall be deemed to have exercised such right to set off immediately at the time of making its decision to do so even though any charge therefor is made or entered on RBC's records subsequent thereto.

(c) Upon Debtor's failure to perform any of its duties hereunder, RBC may, but shall not be obligated to,

perform any or all of such duties, and Debtor shall pay to RBC, forthwith upon written demand therefor, an amount equal to the expense incurred by RBC in so doing plus interest thereon from the date such expense is incurred until it is paid at the rate of 15% per annum.

(d) RBC may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle, grant releases and discharges and otherwise deal with Debtor, debtors of Debtor, sureties and others and with Collateral and other security as RBC may see fit without prejudice to the liability of Debtor or RBC's right to hold and realize the Security Interest. Furthermore, RBC may demand, collect and sue on Collateral in either Debtor's or RBC's name, at RBC's option, and may endorse Debtor's name on any and all cheques, commercial paper, and any other instruments pertaining to or constituting Collateral.

(e) No delay or omission by RBC in exercising any right or remedy hereunder or with respect to any indebtedness shall operate as a waiver thereof or of any other right or remedy, and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right or remedy. Furthermore, RBC may remedy any default by Debtor hereunder or with respect to any indebtedness in any reasonable manner without waiving the default remedied and without waiving any other prior or subsequent default by Debtor. All rights and remedies of RBC granted or recognized herein are cumulative and may be exercised at any time and from time to time independently or in combination.

(f) Debtor waives protest of any instrument constituting Collateral at any time held by RBC on which Debtor is in any way liable and, subject to Clause 13(g) hereof, notice of any other action taken by RBC.

(g) This Security Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns. In any action brought by an assignee of this Security Agreement and the Security Interest or any part thereof to enforce any rights hereunder, Debtor shall not assert against the assignee any claim or defence which Debtor now has or hereafter may have against RBC. If more than one Debtor executes this Security Agreement the obligations of such Debtors hereunder shall be joint and several.

(h) RBC may provide any financial and other information it has about Debtor, the Security Interest and the Collateral to any one acquiring or who may acquire an interest in the Security Interest or the Collateral from the Bank or any one acting on behalf of the Bank.

(i) Save for any schedules which may be added hereto pursuant to the provisions hereof, no modification, variation or amendment of any provision of this Security Agreement shall be made except by a written agreement, executed by the parties hereto and no waiver of any provision hereof shall be effective unless in writing.

(j) Subject to the requirements of Clauses 13(g) and 14(k) hereof, whenever either party hereto is required or entitled to notify or direct the other or to make a demand or request upon the other, such notice, direction, demand or request shall be in writing and shall be sufficiently given, in the case of RBC, if delivered to it or sent by prepaid registered mail addressed to it at its address herein set forth or as changed pursuant hereto, and, in the case of Debtor, if delivered to it or sent by prepaid registered mail addressed to it at its last address known to RBC. Either party may notify the other pursuant hereto of any change in such party's principal address to be used for the purposes hereof.

(k) This Security Agreement and the security afforded hereby is in addition to and not in substitution for any other security now or hereafter held by RBC and is intended to be a continuing Security Agreement and shall remain in full force and effect until the Manager or Acting Manager from time to time of the herein mentioned branch of RBC shall actually receive written notice of its discontinuance; and, notwithstanding such notice, shall remain in full force and effect thereafter until all indebtedness contracted for or created before the receipt of such notice by RBC, and any extensions or renewals thereof (whether made before or after receipt of such notice) together with interest accruing thereon after such notice, shall be paid in full.

(l) The headings used in this Security Agreement are for convenience only and are not to be considered a part of this Security Agreement and do not in any way limit or amplify the terms and provisions of this Security Agreement.

(m) When the context so requires, the singular number shall be read as if the plural were expressed and the provisions hereof shall be read with all grammatical changes necessary dependent upon the person referred to being a male, female, firm or corporation.

(n) In the event any provisions of this Security Agreement, as amended from time to time, shall be deemed invalid or void, in whole or in part, by any Court of competent jurisdiction, the remaining terms and provisions of this Security Agreement shall remain in full force and effect.

(o) Nothing herein contained shall in any way obligate RBC to grant, continue, renew, extend time for payment of or accept anything which constitutes or would constitute indebtedness.

(p) The Security Interest created hereby is intended to attach when this Security Agreement is signed by Debtor and delivered to RBC.

(q) Debtor acknowledges and agrees that in the event it amalgamates with any other company or companies it is the intention of the parties hereto that the term "Debtor" when used herein shall apply to each of the amalgamating companies and to the amalgamated company, such that the Security Interest granted hereby

(i) shall extend to "Collateral" (as that term is herein defined) owned by each of the amalgamating companies and the amalgamated company at the time of amalgamation and to any "Collateral" thereafter owned or acquired by the amalgamated company, and

(ii) shall secure the "Indebtedness" (as that term is herein defined) of each of the amalgamating companies and the amalgamated company to RBC at the time of amalgamation and any "Indebtedness" of the amalgamated company to RBC thereafter arising. The Security Interest shall attach to "Collateral" owned by each company amalgamating with Debtor, and by the amalgamated company, at the time of the amalgamation, and shall attach to any "Collateral" thereafter owned or acquired by the amalgamated company when such becomes owned or is acquired.

(r) In the event that Debtor is a body corporate, it is hereby agreed that The Limitation of Civil Rights Act of the Province of Saskatchewan, or any provision thereof, shall have no application to this Security Agreement or any agreement or instrument renewing or extending or collateral to this Security Agreement. In the event that Debtor is an agricultural corporation within the meaning of The Saskatchewan Farm Security Act, Debtor agrees with RBC that all of Part IV (other than Section 46) of that Act shall not apply to Debtor.

(s) This Security Agreement and the transactions evidenced hereby shall be governed by and construed in accordance with the laws of the province in which the herein branch of RBC is located, as those laws may from time to time be in effect, except if such branch of RBC is located in Quebec then, this Security Agreement and the transactions evidenced hereby shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

15. COPY OF AGREEMENT

(a) Debtor hereby acknowledges receipt of a copy of this Security Agreement.

(b) Debtor waives Debtor's right to receive a copy of any financing statement or financing change statement registered by RBC or of any verification statement with respect to any financing statement or financing change statement registered by RBC. (Applies in all P.P.S.A. Provinces except Ontario).

16. Debtor represents and warrants that the following information is accurate:

INDIVIDUAL DEBTOR

SURNAME (LAST NAME)	FIRST NAME	SECOND NAME	BIRTH DATE YEAR MONTH DAY
ADDRESS OF INDIVIDUAL DEBTOR	CITY	PROVINCE	POSTAL CODE
SURNAME (LAST NAME)	FIRST NAME	SECOND NAME	BIRTH DATE YEAR MONTH DAY
ADDRESS OF INDIVIDUAL DEBTOR (IF DIFFERENT FROM ABOVE)	CITY	PROVINCE	POSTAL CODE

BUSINESS DEBTOR

NAME OF BUSINESS DEBTOR PCAS PATIENT CARE AUTOMATION SERVICES INC.			
ADDRESS OF BUSINESS DEBTOR Unit 2, 2880 Brighton Road	CITY Oakville	PROVINCE ON	POSTAL CODE L6H 5S3

TRADE NAME (IF APPLICABLE)

TRADE NAME OF DEBTOR			
PRINCIPAL ADDRESS (IF DIFFERENT FROM ABOVE)	CITY	PROVINCE	POSTAL CODE

IN WITNESS WHEREOF Debtor has executed this Security Agreement this _____ day of _____, _____.

PCAS PATIENT CARE AUTOMATION SERVICES INC.

WITNESS

[Signature]

Seal

WITNESS

Loreto Grimaldi
CLO, General Counsel & Secretary
PCAS Patient Care Automation Services Inc.

Seal

[Signature]

BRANCH ADDRESS

MISS-KBI ONTARIO-LIFE SCIENCES
6880 FINANCIAL DRIVE, 2ND FLR
MISSISSAUGA, ON
L5N 7Y5

SCHEDULE "A"

(ENCUMBRANCES AFFECTING COLLATERAL)

SCHEDULE "B"

1. Locations of Debtor's Business Operations

Unit 2, 2880 Brighton Road
Oakville, ON
L6H 5S3

2. Locations of Records relating to Collateral (if different from 1. above)

Same as above

3. Locations of Collateral (if different from 1. above)

Same as above

SCHEDULE "C"
(DESCRIPTION OF PROPERTY)

TAB I

Attached is Exhibit "T" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 22nd day of March, 2012

Puneet Soni

Commissioner for taking Affidavits, etc

GUARANTEE AND POSTPONEMENT OF CLAIM

TO: ROYAL BANK OF CANADA

FOR VALUABLE CONSIDERATION, receipt whereof is hereby acknowledged, the undersigned and each of them (if more than one) hereby jointly and severally guarantee(s) payment on demand to Royal Bank of Canada (hereinafter called the "Bank") of all debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, at any time owing by PCAS PATIENT CARE AUTOMATION SERVICES INC. (hereinafter called the "Customer") to the Bank or remaining unpaid by the Customer to the Bank, heretofore or hereafter incurred or arising and whether incurred by or arising from agreement or dealings between the Bank and the Customer or by or from any agreement or dealings with any third party by which the Bank may be or become in any manner whatsoever a creditor of the Customer or however otherwise incurred or arising anywhere within or outside the country where this guarantee is executed and whether the Customer be bound alone or with another or others and whether as principal or surety (such debts and liabilities being hereinafter called the "Liabilities"); the liability of the undersigned hereunder being limited to the sum of \$ 3,800,000.00 Three Million Eight Hundred Thousand Dollars together with interest thereon from the date of demand for payment at a rate equal to the Bank's Prime Interest Rate per annum in effect from time to time plus 5.000 Five percent per annum as well after as before default and judgment.

AND THE UNDERSIGNED AND EACH OF THEM (IF MORE THAN ONE) HEREBY JOINTLY AND SEVERALLY AGREE(S) WITH THE BANK AS FOLLOWS:

(1) The Bank may grant time, renewals, extensions, indulgences, releases and discharges to, take securities (which word as used herein includes securities taken by the Bank from the Customer and others, monies which the Customer has on deposit with the Bank, other assets of the Customer held by the Bank in safekeeping or otherwise, and other guarantees) from and give the same and any or all existing securities up to, abstain from taking securities from, or perfecting securities of, cease or refrain from giving credit or making loans or advances to, or change any term or condition applicable to the liabilities, including without limitation, the rate of interest or maturity date, if any, or introduce new terms and conditions with regard to the liabilities, or accept compositions from and otherwise deal with, the Customer and others and with all securities as the Bank may see fit, and may apply all moneys at any time received from the Customer or others or from securities upon such part of the liabilities as the Bank deems best and change any such application in whole or in part from time to time as the Bank may see fit, the whole without in any way limiting or lessening the liability of the undersigned under this guarantee, and no loss of or in respect of any securities received by the Bank from the Customer or others, whether occasioned by the fault of the Bank or otherwise, shall in any way limit or lessen the liability of the undersigned under this guarantee.

(2) This guarantee shall be a continuing guarantee and shall cover all the Liabilities, and it shall apply to and secure any ultimate balance due or remaining unpaid to the Bank.

(3) The Bank shall not be bound to exhaust its recourse against the Customer or others or any securities it may at any time hold before being entitled to payment from the undersigned of the Liabilities. The undersigned renounce(s) to all benefits of discussion and division.

(4) The undersigned or any of them may, by notice in writing delivered to the Manager of the branch or agency of the Bank receiving this instrument, with effect from and after the date that is 30 days following the date of receipt by the Bank of such notice, determine their or his/her liability under this guarantee in respect of Liabilities thereafter incurred or arising but not in respect of any Liabilities theretofore incurred or arising even though not then matured, provided, however, that notwithstanding receipt of any such notice the Bank may fulfil any requirements of the Customer based on agreements express or implied made prior to the receipt of such notice and any resulting Liabilities shall be covered by this guarantee; and provided further that in the event of the determination of this guarantee as to one or more of the undersigned it shall remain a continuing guarantee as to the other or others of the undersigned.

(5) All indebtedness and liability, present and future, of the customer to the undersigned or any of them are hereby assigned to the Bank and postponed to the liabilities, and all moneys received by the undersigned or any of them in respect thereof shall be received in trust for the Bank and forthwith upon receipt shall be paid over to the Bank, the

whole without in any way limiting or lessening the liability of the undersigned under the foregoing guarantee; and this assignment and postponement is independent of the said guarantee and shall remain in full effect notwithstanding that the liability of the undersigned or any of them under the said guarantee may be extinct. The term "Liabilities", as previously defined, for purposes of the postponement feature provided by this agreement, and this section in particular, includes any funds advanced or held at the disposal of the Customer under any line(s) of credit.

(6) This guarantee and agreement shall not be affected by the death or loss or diminution of capacity of the undersigned or any of them or by any change in the name of the Customer or in the membership of the Customer's firm through the death or retirement of one or more partners or the introduction of one or more other partners or otherwise, or by the acquisition of the Customer's business by a corporation, or by any change whatsoever in the objects, capital structure or constitution of the Customer, or by the Customer's business being amalgamated with a corporation, but shall notwithstanding the happening of any such event continue to apply to all the Liabilities whether theretofore or thereafter incurred or arising and in this instrument the word "Customer" shall include every such firm and corporation.

(7) This guarantee shall not be considered as wholly or partially satisfied by the payment or liquidation at any time or times of any sum or sums of money for the time being due or remaining unpaid to the Bank, and all dividends, compositions, proceeds of security valued and payments received by the Bank from the Customer or from others or from estates shall be regarded for all purposes as payments in gross without any right on the part of the undersigned to claim in reduction of the liability under this guarantee the benefit of any such dividends, compositions, proceeds or payments or any securities held by the Bank or proceeds thereof, and the undersigned shall have no right to be subrogated in any rights of the Bank until the Bank shall have received payment in full of the Liabilities.

(8) All monies, advances, renewals, credits and credit facilities in fact borrowed or obtained from the Bank shall be deemed to form part of the Liabilities, notwithstanding any lack or limitation of status or of power, incapacity or disability of the Customer or of the directors, partners or agents of the Customer, or that the Customer may not be a legal or suable entity, or any irregularity, defect or informality in the borrowing or obtaining of such monies, advances, renewals, credits or credit facilities, or any other reason, similar or not, the whole whether known to the Bank or not. Any sum which may not be recoverable from the undersigned on the footing of a guarantee, whether for the reasons set out in the previous sentence, or for any other reason, similar or not, shall be recoverable from the undersigned and each of them as sole or principal debtor in respect of that sum, and shall be paid to the Bank on demand with interest and accessories.

(9) This guarantee is in addition to and not in substitution for any other guarantee, by whomsoever given, at any time held by the Bank, and any present or future obligation to the Bank incurred or arising otherwise than under a guarantee, of the undersigned or any of them or of any other obligant, whether bound with or apart from the Customer; excepting any guarantee surrendered for cancellation on delivery of this instrument.

(10) The undersigned and each of them shall be bound by any account settled between the Bank and the Customer, and if no such account has been so settled immediately before demand for payment under this guarantee any account stated by the Bank shall be accepted by the undersigned and each of them as conclusive evidence of the amount which at the date of the account so stated is due by the Customer to the Bank or remains unpaid by the Customer to the Bank.

(11) This guarantee and agreement shall be operative and binding upon every signatory thereof notwithstanding the non-execution thereof by any other proposed signatory or signatories, and possession of this instrument by the Bank shall be conclusive evidence against the undersigned and each of them that this instrument was not delivered in escrow or pursuant to any agreement that it should not be effective until any conditions precedent or subsequent had been complied with, unless at the time of receipt of this instrument by the Bank each signatory thereof obtains from the Manager of the branch or agency of the Bank receiving this instrument a letter setting out the terms and conditions under which this instrument was delivered and the conditions, if any, to be observed before it becomes effective.

(12) No suit based on this guarantee shall be instituted until demand for payment has been made, and demand for payment shall be deemed to have been effectually made upon any guarantor if and when an envelope containing such demand, addressed to such guarantor at the address of such guarantor last known to the Bank, is posted, postage prepaid, in the post office, and in the event of the death of any guarantor demand for payment addressed to any of such guarantor's heirs, executors, administrators or legal representatives at the address of the addressee last known to the Bank and posted as aforesaid shall be deemed to have been effectually made upon all of them. Moreover, when demand for payment has been made, the undersigned shall also be liable to the Bank for all legal costs (on a solicitor and own client basis) incurred by or on behalf of the Bank resulting from any action instituted on the basis of this guarantee. All payments hereunder shall be made to the Bank at a branch or agency of the Bank.

(13) This instrument covers all agreements between the parties hereto relative to this guarantee and assignment and postponement, and none of the parties shall be bound by any representation or promise made by any person relative thereto which is not embodied herein.

(14) This guarantee and agreement shall extend to and enure to the benefit of the Bank and its successors and assigns, and every reference herein to the undersigned or to each of them or to any of them, is a reference to and shall be construed as including the undersigned and the heirs, executors, administrators, legal representatives, successors and assigns of the undersigned or of each of them or of any of them, as the case may be, to and upon all of whom this guarantee and agreement shall extend and be binding.

(15) Prime Interest Rate is the annual rate of interest announced from time to time by Royal Bank of Canada as a reference rate then in effect for determining interest rates on Canadian dollar commercial loans in Canada.

(16) This Guarantee and Postponement of Claim shall be governed by and construed in accordance with the laws of the **Province of Ontario** ("Jurisdiction"). The undersigned irrevocably submits to the courts of the Jurisdiction in any action or proceeding arising out of or relating to this Guarantee and Postponement of Claim, and irrevocably agrees that all such actions and proceedings may be heard and determined in such courts, and irrevocably waives, to the fullest extent possible, the defense of an inconvenient forum. The undersigned agrees that a judgment or order in any such action or proceeding may be enforced in other jurisdictions in any manner provided by law. Provided, however, that the Bank may serve legal process in any manner permitted by law or may bring an action or proceeding against the undersigned or the property or assets of the undersigned in the courts of any other jurisdiction.

(Applicable
in all
P.P.S.A.
Provinces
except
Ontario.)

(17) The Undersigned hereby acknowledges receipt of a copy of this agreement.

(18) The Undersigned hereby waives Undersigned's right to receive a copy of any Financing Statement or Financing Change Statement registered by the Bank.

EXECUTED at Oakville this November 18 2011
(MONTH) (DAY) (YEAR)

IN THE PRESENCE OF

[Signature]
Witness

2163279 ONTARIO INC.

[Signature]

Loreto Grimaldi
CLO, General Counsel & Secretary
PCAS Patient Care Automation Services Inc.

[Signature]
Witness

[Signature]
CFO

[Signature]
Witness

(To be completed when the guarantee is stated to be governed by the laws of the Province of Alberta, the loan is repayable in Alberta, the guarantee is executed in Alberta, the Customer carries on business in Alberta, or the guarantor is resident or owns assets in Alberta.)

(To be completed only where the guarantor is not a corporation)

THE GUARANTEES ACKNOWLEDGEMENT ACT, (ALBERTA) CERTIFICATE OF NOTARY PUBLIC

I HEREBY CERTIFY THAT:

(1) _____ of _____ in the Province of _____, the guarantor in the guarantee dated _____ made between ROYAL BANK OF CANADA and _____, which this certificate is attached to or noted upon, appeared in person before me and acknowledged that he/she had executed the guarantee;

(2) I satisfied myself by examination of the guarantor that he/she is aware of the contents of the guarantee and understands it.

Given at _____ this _____ under my hand and seal of office

(SEAL OF NOTARY PUBLIC)

A NOTARY PUBLIC IN AND FOR

(Guarantor to sign in presence of Notary Public)

STATEMENT OF GUARANTOR

I am the person named in the certificate

Signature of Guarantor

(To be completed when the guarantee is stated to be governed by the laws of the Province of Saskatchewan and the Borrower or Guarantor is a farmer in Saskatchewan, or the farmer or Guarantor owns farm assets in Saskatchewan.)

THE SASKATCHEWAN FARM SECURITY ACT ACKNOWLEDGEMENT OF GUARANTEE (SECTION 31)

CERTIFICATE OF LAWYER OR NOTARY PUBLIC

I HEREBY CERTIFY THAT:

(1) _____ of _____ in the Province of _____, the guarantor in the guarantee dated _____ made between ROYAL BANK OF CANADA and _____, which this certificate is attached to or noted upon, appeared in person before me and acknowledged that he/she had executed the guarantee;

(2) I satisfied myself by examination of the guarantor that he/she is aware of the contents of the guarantee and understands it.

(3) I have not prepared any documents on behalf of the creditor, Royal Bank of Canada, relating to the transaction and I am not otherwise interested in the transaction;

(4) I acknowledge that the guarantor signed the following "Statement of Guarantor" in my presence.

Given at _____ this _____ under my hand and seal of office

(SEAL REQUIRED WHERE NOTARY
PUBLIC SIGNS CERTIFICATE)

A LAWYER OR A NOTARY PUBLIC IN AND FOR

STATEMENT OF GUARANTOR

I am the person named in the certificate

Signature of Guarantor

(FOR BANK USE ONLY)

E-FORM 222 (06/2011)
RETENTION - M

Account Number	
File Name	

2163279 ONTARIO INC. (the "Guarantor")

RESOLUTION OF DIRECTORS

Whereas it is deemed expedient and in the best interests of the Guarantor that it lend assistance to PCAS PATIENT CARE AUTOMATION SERVICES INC. (the "Customer") in connection with its borrowings, both present and future, from ROYAL BANK OF CANADA (the "Bank").

NOW THEREFORE BE IT DULY RESOLVED

1. THAT the Guarantor guarantee payment to the Bank of all present and future debts and liabilities, including interest due at any time by the Customer to the Bank; provided that the liability of the Guarantor shall be limited to the sum of \$ 3,800,000.00 Three Million Eight Hundred Thousand Dollars together with interest from the date of demand for payment at the Bank's Prime Interest Rate per annum in effect from time to time plus 5.000 Five per cent per annum;

For the purposes hereof (where applicable), Prime Interest Rate means the annual rate of interest announced from time to time by the Bank as a reference rate then in effect for determining interest rates on Canadian Dollar commercial loans in Canada.

2. THAT the Guarantor further secure the Bank by postponing all debts and claims, present and future, of the Guarantor against the Customer to the debts and claims of the Bank against the Customer.

3. THAT the Guarantee and Postponement of Claim on the form attached, be and is hereby approved as containing a correct statement of the terms and conditions upon which the said guarantee and postponement are to be made and that the said Guarantee/Suretyship and Postponement of Claim be duly executed for and in the name of the Guarantor (under the corporate seal where required)

by

Dana Tunks, Treasurer

(IDENTIFY BY NAME AND TITLE)

and

Loreto Grimaetti, Secretary

(IDENTIFY BY NAME AND TITLE)

with such alterations, additions, amendments and deletions as they may approve; and that the Guarantee/Suretyship and Postponement of Claim so executed is the Guarantee and Postponement of Claim authorized by this resolution.

4. THAT for the purpose of securing this Guarantee, or any present or future debts or liabilities, including interest due at any time, by the Customer to the Bank, the Guarantor shall provide to the Bank any security, including accommodation endorsements, which the Bank may request, and that for such purpose the officers of the Guarantor mentioned in paragraph 3 hereof be and they are hereby empowered for and on behalf of the Guarantor to provide such security and to execute such further documents as the Bank may require.

5. That a copy of this Resolution, certified by the Secretary of the Guarantor (under the corporate seal where required) be given to the Branch of the Bank where the Customer has its account, and that the designation of the officers under Section 3 of this Resolution shall be binding upon the Guarantor until a Resolution, certified by the Secretary of the Guarantor, changing the officers is received by that branch of the Bank.

CERTIFICATE

It is hereby certified by the undersigned that the foregoing is a Resolution of the Directors of the Guarantor in accordance with the Guarantor's By-laws, constating documents, any unanimous shareholders' agreements made by the shareholders of the Guarantor and all other laws governing the Guarantor, all as amended from time to time, which Resolution is now in full force and effect.

It is hereby further certified that there are no provisions in the articles or by-laws of the Guarantor or in any unanimous shareholder agreement which restrict or limit the powers of the Guarantor or of its directors to borrow money upon the credit of the Guarantor, to issue, reissue, sell or pledge debt obligations of the Guarantor, to give a guarantee on behalf of the Guarantor to secure the performance of an obligation of any person, to mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Guarantor, owned or subsequently acquired, to secure any obligation of the Guarantor and to delegate the powers referred to above to a director, officer or committee of directors.

CERTIFIED this

NOV 18 2011
(MONTH) (DAY) (YEAR)

as witness, where required by law, under the corporate seal

of the Guarantor.

(FOR BANK USE ONLY)

INITIALS

Prepared by

TK

Checked by

(Corporate Seal where required by law)

[Signature]
Secretary

TAB J

Attached is Exhibit "J" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 22nd day of March, 2012

Puneet Soni

Commissioner for taking Affidavits, etc

GENERAL SECURITY AGREEMENT

E-FORM 924 (03/2008)

1. SECURITY INTEREST

(a) For value received, the undersigned ("Debtor"), hereby grants to **ROYAL BANK OF CANADA** ("RBC"), a security interest (the "Security Interest") in the undertaking of Debtor and in all of Debtor's present and after acquired personal property including, without limitation, in all Goods (including all parts, accessories, attachments, special tools, additions and accessions thereto), Chattel Paper, Documents of Title (whether negotiable or not), Instruments, Intangibles, Money and Securities and all other Investment Property now owned or hereafter owned or acquired by or on behalf of Debtor (including such as may be returned to or repossessed by Debtor) and in all proceeds and renewals thereof, accretions thereto and substitutions therefore (hereinafter collectively called "Collateral"), and including, without limitation, all of the following now owned or hereafter owned or acquired by or on behalf of Debtor:

- (i) all inventory of whatever kind and wherever situate;
- (ii) all equipment (other than inventory) of whatever kind and wherever situate, including, without limitation, all machinery, tools, apparatus, plant, furniture, fixtures and vehicles of whatsoever nature or kind;
- (iii) all Accounts and book debts and generally all debts, dues, claims, choses in action and demands of every nature and kind howsoever arising or secured including letters of credit and advices of credit, which are now due, owing or accruing or growing due to or owned by or which may hereafter become due, owing or accruing or growing due to or owned by Debtor ("Debts");
- (iv) all lists, records and files relating to Debtor's customers, clients and patients;
- (v) all deeds, documents, writings, papers, books of account and other books relating to or being records of Debts, Chattel Paper or Documents of Title or by which such are or may hereafter be secured, evidenced, acknowledged or made payable;
- (vi) all contractual rights and insurance claims;
- (vii) all patents, industrial designs, trade-marks, trade secrets and know-how including without limitation environmental technology and biotechnology, confidential information, trade-names, goodwill, copyrights, personality rights, plant breeders' rights, integrated circuit topographies, software and all other forms of intellectual and industrial property, and any registrations and applications for registration of any of the foregoing (collectively "Intellectual Property"); and
- (viii) all property described in Schedule "C" or any schedule now or hereafter annexed hereto.

(b) The Security Interest granted hereby shall not extend or apply to and Collateral shall not include the last day of the term of any lease or agreement therefor but upon the enforcement of the Security Interest, Debtor shall stand possessed of such last day in trust to assign the same to any person acquiring such term.

(c) The terms "Goods", "Chattel Paper", "Document of Title", "Instrument", "Intangible", "Security", "Investment Property", "proceed", "Inventory", "accession", "Money", "Account", "financing statement" and "financing change statement" whenever used herein shall be interpreted pursuant to their respective meanings when used in The Personal Property Security Act of the province referred to in Clause 14(s), as amended from time to time, which Act, including amendments thereto and any Act substituted therefor and amendments thereto is herein referred to as the "P.P.S.A.". Provided always that the term "Goods" when used herein shall not include "consumer goods" of Debtor as that term is defined in the P.P.S.A., the term "Inventory" when used herein shall include livestock and the young thereof after conception and crops that become such within one year of execution of this Security Agreement and the term "Investment Property", if not defined in the P.P.S.A., shall be interpreted according to its meaning in the Personal Property Security Act (Ontario). Any reference herein to "Collateral" shall, unless the context otherwise requires, be deemed a reference to "Collateral or any part thereof".

2. INDEBTEDNESS SECURED

The Security Interest granted hereby secures payment and performance of any and all obligations, indebtedness and liability of Debtor to RBC (including interest thereon) present or future, direct or indirect, absolute or contingent, matured or not, extended or renewed, wheresoever and howsoever incurred and any ultimate unpaid balance thereof and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again and whether Debtor be bound alone or with another or others and whether as principal or surety (hereinafter collectively called the "Indebtedness"). If the Security Interest in the Collateral is not sufficient, in the event of default, to satisfy all Indebtedness of the Debtor, the Debtor acknowledges and agrees that Debtor shall continue to be liable for any Indebtedness remaining outstanding and RBC shall be entitled to pursue full payment thereof.

3. REPRESENTATIONS AND WARRANTIES OF DEBTOR

Debtor represents and warrants and so long as this Security Agreement remains in effect shall be deemed to continuously represent and warrant that:

(a) the Collateral is genuine and owned by Debtor free of all security interests, mortgages, liens, claims, charges, licenses, leases, infringements by third parties, encumbrances or other adverse claims or interests (hereinafter collectively called "Encumbrances"), save for the Security Interest and those Encumbrances shown on Schedule "A" or hereafter approved in writing by RBC, prior to their creation or assumption;

(b) all Intellectual Property applications and registrations are valid and in good standing and Debtor is the owner of the applications and registrations;

(c) each Debt, Chattel Paper and Instrument constituting Collateral is enforceable in accordance with its terms against the party obligated to pay the same (the "Account Debtor"), and the amount represented by Debtor to RBC from time to time as owing by each Account Debtor or by all Account Debtors will be the correct amount actually and unconditionally owing by such Account Debtor or Account Debtors, except for normal cash discounts where applicable, and no Account Debtor will have any defence, set off, claim or counterclaim against Debtor which can be asserted against RBC, whether in any proceeding to enforce Collateral or otherwise;

(d) the locations specified in Schedule "B" as to business operations and records are accurate and complete and with respect to Goods (including Inventory) constituting Collateral, the locations specified in Schedule "B" are accurate and complete save for Goods in transit to such locations and Inventory on lease or consignment; and all fixtures or Goods about to become fixtures and all crops and all oil, gas or other minerals to be extracted and all timber to be cut which forms part of the Collateral will be situate at one of such locations; and

(e) the execution, delivery and performance of the obligations under this Security Agreement and the creation of any security interest in or assignment hereunder of Debtor's rights in the Collateral to RBC will not result in a breach of any agreement to which Debtor is a party.

4. COVENANTS OF THE DEBTOR

So long as this Security Agreement remains in effect Debtor covenants and agrees:

(a) to defend the Collateral against the claims and demands of all other parties claiming the same or an interest therein; to diligently initiate and prosecute legal action against all infringers of Debtor's rights in Intellectual Property; to take all reasonable action to keep the Collateral free from all Encumbrances, except for the Security Interest, licenses which are compulsory under federal or provincial legislation and those shown on Schedule "A" or hereafter approved in writing by RBC, prior to their creation or assumption, and not to sell, exchange, transfer, assign, lease, license or otherwise dispose of Collateral or any interest therein without the prior written consent of RBC; provided always that, until default, Debtor may, in the ordinary course of Debtor's business, sell or lease Inventory and, subject to Clause 7 hereof, use Money available to Debtor;

(b) to notify RBC promptly of:

- (i) any change in the information contained herein or in the Schedules hereto relating to Debtor, Debtor's business or Collateral,
- (ii) the details of any significant acquisition of Collateral,
- (iii) the details of any claims or litigation affecting Debtor or Collateral,
- (iv) any loss or damage to Collateral,
- (v) any default by any Account Debtor in payment or other performance of its obligations with respect to Collateral, and
- (vi) the return to or repossession by Debtor of Collateral;

(c) to keep Collateral in good order, condition and repair and not to use Collateral in violation of the provisions of this Security Agreement or any other agreement relating to Collateral or any policy insuring Collateral or any applicable statute, law, by-law, rule, regulation or ordinance; to keep all agreements, registrations and applications relating to Intellectual Property and intellectual property used by Debtor in its business in good standing and to renew all agreements and registrations as may be necessary or desirable to protect Intellectual Property, unless otherwise agreed in writing by RBC; to apply to register all existing and future copyrights, trade-marks, patents, integrated circuit topographies and industrial designs whenever it is commercially reasonable to do so;

(d) to do, execute, acknowledge and deliver such financing statements, financing change statements and further assignments, transfers, documents, acts, matters and things (including further schedules hereto) as may be reasonably requested by RBC of or with respect to Collateral in order to give effect to these presents and to pay all costs for searches and filings in connection therewith;

(e) to pay all taxes, rates, levies, assessments and other charges of every nature which may be lawfully levied, assessed or imposed against or in respect of Debtor or Collateral as and when the same become due and payable;

(f) to insure collateral in such amounts and against such risks as would customarily be insured by a prudent owner of similar Collateral and in such additional amounts and against such additional risks as RBC may from time to time direct, with loss payable to RBC and Debtor, as insureds, as their respective interests may appear, and to pay all premiums therefor and deliver copies of policies and evidence of renewal to RBC on request;

(g) to prevent Collateral, save Inventory sold or leased as permitted hereby, from being or becoming an accession to other property not covered by this Security Agreement;

(h) to carry on and conduct the business of Debtor in a proper and efficient manner and so as to protect and preserve Collateral and to keep, in accordance with generally accepted accounting principles, consistently applied, proper books of account for Debtor's business as well as accurate and complete records concerning Collateral, and mark any and all such records and Collateral at RBC's request so as to indicate the Security Interest;

(i) to deliver to RBC from time to time promptly upon request:

- (i) any Documents of Title, Instruments, Securities and Chattel Paper constituting, representing or relating to Collateral,
- (ii) all books of account and all records, ledgers, reports, correspondence, schedules, documents, statements, lists and other writings relating to Collateral for the purpose of inspecting, auditing or copying the same,
- (iii) all financial statements prepared by or for Debtor regarding Debtor's business,
- (iv) all policies and certificates of insurance relating to Collateral, and
- (v) such information concerning Collateral, the Debtor and Debtor's business and affairs as RBC may reasonably request.

5. USE AND VERIFICATION OF COLLATERAL

Subject to compliance with Debtor's covenants contained herein and Clause 7 hereof, Debtor may, until default, possess, operate, collect, use and enjoy and deal with Collateral in the ordinary course of Debtor's business in any manner not inconsistent with the provisions hereof; provided always that RBC shall have the right at any time and from time to time to verify the existence and state of the Collateral in any manner RBC may consider appropriate and Debtor agrees to furnish all assistance and information and to perform all such acts as RBC may reasonably request in connection therewith and for such purpose to grant to RBC or its agents access to all places where Collateral may be located and to all premises occupied by Debtor.

6. SECURITIES, INVESTMENT PROPERTY

If Collateral at any time includes Securities, Debtor authorizes RBC to transfer the same or any part thereof into its own name or that of its nominee(s) so that RBC or its nominee(s) may appear of record as the sole owner thereof; provided that, until default, RBC shall deliver promptly to Debtor all notices or other communications received by it or its nominee(s) as such registered owner and, upon demand and receipt of payment of any necessary expenses thereof, shall issue to Debtor or its order a proxy to vote and take all action with respect to such Securities. After default, Debtor waives all rights to receive any notices or communications received by RBC or its nominee(s) as such registered owner and agrees that no proxy issued by RBC to Debtor or its order as aforesaid shall thereafter be effective.

Where any Investment Property is held in or credited to an account that has been established with a securities intermediary, RBC may, at any time after default, give a notice of exclusive control to any such securities intermediary with respect to such Investment Property.

7. COLLECTION OF DEBTS

Before or after default under this Security Agreement, RBC may notify all or any Account Debtors of the Security Interest and may also direct such Account Debtors to make all payments on Collateral to RBC. Debtor acknowledges that any payments on or other proceeds of Collateral received by Debtor from Account Debtors, whether before or after notification of this Security Interest to Account Debtors and whether before or after default under this Security Agreement, shall be received and held by Debtor in trust for RBC and shall be turned over to RBC upon request.

8. INCOME FROM AND INTEREST ON COLLATERAL

(a) Until default, Debtor reserves the right to receive any Money constituting income from or interest on Collateral and if RBC receives any such Money prior to default, RBC shall either credit the same against the Indebtedness or pay the same promptly to Debtor.

(b) After default, Debtor will not request or receive any Money constituting income from or interest on Collateral and if Debtor receives any such Money without any request by it, Debtor will pay the same promptly to RBC.

9. INCREASES, PROFITS, PAYMENTS OR DISTRIBUTIONS

(a) Whether or not default has occurred, Debtor authorizes RBC:

(i) to receive any increase in or profits on Collateral (other than Money) and to hold the same as part of Collateral. Money so received shall be treated as income for the purposes of Clause 8 hereof and dealt with accordingly;

(ii) to receive any payment or distribution upon redemption or retirement or upon dissolution and liquidation of the issuer of Collateral; to surrender such Collateral in exchange therefor and to hold any such payment or distribution as part of Collateral.

(b) If Debtor receives any such increase or profits (other than Money) or payments or distributions, Debtor will deliver the same promptly to RBC to be held by RBC as herein provided.

10. DISPOSITION OF MONEY

Subject to any applicable requirements of the P.P.S.A., all Money collected or received by RBC pursuant to or in exercise of any right it possesses with respect to Collateral shall be applied on account of Indebtedness in such manner as RBC deems best or, at the option of RBC, may be held unappropriated in a collateral account or released to Debtor, all without prejudice to the liability of Debtor or the rights of RBC hereunder, and any surplus shall be accounted for as required by law.

11. EVENTS OF DEFAULT

The happening of any of the following events or conditions shall constitute default hereunder which is herein referred to as "default":

(a) the nonpayment when due, whether by acceleration or otherwise, of any principal or interest forming part of Indebtedness or the failure of Debtor to observe or perform any obligation, covenant, term, provision or condition contained in this Security Agreement or any other agreement between Debtor and RBC;

(b) the death of or a declaration of incompetency by a court of competent jurisdiction with respect to Debtor, if an individual;

(c) the bankruptcy or insolvency of Debtor; the filing against Debtor of a petition in bankruptcy; the making of an assignment for the benefit of creditors by Debtor; the appointment of a receiver or trustee for Debtor or for any assets of Debtor or the institution by or against Debtor of any other type of insolvency proceeding under the Bankruptcy and Insolvency Act or otherwise;

(d) the institution by or against Debtor of any formal or informal proceeding for the dissolution or liquidation of, settlement of claims against or winding up of affairs of Debtor;

(e) if any Encumbrance affecting Collateral becomes enforceable against Collateral;

(f) if Debtor ceases or threatens to cease to carry on business or makes or agrees to make a bulk sale of assets without complying with applicable law or commits or threatens to commit an act of bankruptcy;

(g) if any execution, sequestration, extent or other process of any court becomes enforceable against Debtor or if distress or analogous process is levied upon the assets of Debtor or any part thereof;

h) if any certificate, statement, representation, warranty or audit report heretofore or hereafter furnished by or on behalf of Debtor pursuant to or in connection with this Security Agreement, or otherwise (including, without limitation, the representations and warranties contained herein) or as an inducement to RBC to extend any credit to or to enter into this or any other agreement with Debtor, proves to have been false in any material respect at the time as of which the facts therein set forth were stated or certified, or proves to have omitted any substantial contingent or unliquidated liability or claim against Debtor; or if upon the date of execution of this Security Agreement, there shall have been any material adverse change in any of the facts disclosed by any such certificate, representation, statement, warranty or audit report, which change shall not have been disclosed to RBC at or prior to the time of such execution.

12. ACCELERATION

RBC, in its sole discretion, may declare all or any part of Indebtedness which is not by its terms payable on demand to be immediately due and payable, without demand or notice of any kind, in the event of default, or if RBC considers itself insecure or that the Collateral is in jeopardy. The provisions of this clause are not intended in any way to affect any rights of RBC with respect to any Indebtedness which may now or hereafter be payable on demand.

13. REMEDIES

(a) Upon default, RBC may appoint or reappoint by instrument in writing, any person or persons, whether an officer or officers or an employee or employees of RBC or not, to be a receiver or receivers (hereinafter called a "Receiver", which term when used herein shall include a receiver and manager) of Collateral (including any interest, income or profits therefrom) and may remove any Receiver so appointed and appoint another in his/her stead. Any such Receiver shall, so far as concerns responsibility for his/her acts, be deemed the agent of Debtor and not RBC, and RBC shall not be in any way responsible for any misconduct, negligence or non-feasance on the part of any such Receiver, his/her servants, agents or employees. Subject to the provisions of the instrument appointing him/her, any such Receiver shall have power to take possession of Collateral, to preserve Collateral or its value, to carry on or concur in carrying on all or any part of the business of Debtor and to sell, lease, license or otherwise dispose of or concur in selling, leasing, licensing or otherwise disposing of Collateral. To facilitate the foregoing powers, any such Receiver may, to the exclusion of all others, including Debtor, enter upon, use and occupy all premises owned or occupied by Debtor wherein Collateral may be situate, maintain Collateral upon such premises, borrow money on a secured or unsecured basis and use Collateral directly in carrying on Debtor's business or as security for loans or advances to enable the Receiver to carry on Debtor's business or otherwise, as such Receiver shall, in its discretion, determine. Except as may be otherwise directed by RBC, all Money received from time to time by such Receiver in carrying out his/her appointment shall be received in trust for and paid over to RBC. Every such Receiver may, in the discretion of RBC, be vested with all or any of the rights and powers of RBC.

(b) Upon default, RBC may, either directly or through its agents or nominees, exercise any or all of the powers and rights given to a Receiver by virtue of the foregoing sub-clause (a).

(c) RBC may take possession of, collect, demand, sue on, enforce, recover and receive Collateral and give valid and binding receipts and discharges therefor and in respect thereof and, upon default, RBC may sell, license, lease or otherwise dispose of Collateral in such manner, at such time or times and place or places, for such consideration and upon such terms and conditions as to RBC may seem reasonable.

(d) In addition to those rights granted herein and in any other agreement now or hereafter in effect between Debtor and RBC and in addition to any other rights RBC may have at law or in equity, RBC shall have, both before and after default, all rights and remedies of a secured party under the P.P.S.A. Provided always, that RBC shall not be liable or accountable for any failure to exercise its remedies, take possession of, collect, enforce, realize, sell, lease, license or otherwise dispose of Collateral or to institute any proceedings for such purposes. Furthermore, RBC shall have no obligation to take any steps to preserve rights against prior parties to any Instrument or Chattel Paper whether Collateral or proceeds and whether or not in RBC's possession and shall not be liable or accountable for failure to do so.

(e) Debtor acknowledges that RBC or any Receiver appointed by it may take possession of Collateral wherever it may be located and by any method permitted by law and Debtor agrees upon request from RBC or any such Receiver to assemble and deliver possession of Collateral at such place or places as directed.

(f) Debtor agrees to be liable for and to pay all costs, charges and expenses reasonably incurred by RBC or any Receiver appointed by it, whether directly or for services rendered (including reasonable solicitors and auditors costs and other legal expenses and Receiver remuneration), in operating Debtor's accounts, in preparing or enforcing this Security Agreement, taking and maintaining custody of, preserving, repairing, processing, preparing for disposition and disposing of Collateral and in enforcing or collecting Indebtedness and all such costs, charges and expenses, together with any amounts owing as a result of any borrowing by RBC or any Receiver appointed by it, as permitted hereby, shall be a first charge on the proceeds of realization, collection or disposition of Collateral and shall be secured hereby.

(g) RBC will give Debtor such notice, if any, of the date, time and place of any public sale or of the date after which any private disposition of Collateral is to be made as may be required by the P.P.S.A..

(h) Upon default and receiving written demand from RBC, Debtor shall take such further action as may be necessary to evidence and effect an assignment or licensing of Intellectual Property to whomever RBC directs, including to RBC. Debtor appoints any officer or director or branch manager of RBC upon default to be its attorney in accordance with applicable legislation with full power of substitution and to do on Debtor's behalf anything that is required to assign, license or transfer, and to record any assignment, licence or transfer of the Collateral. This power of attorney, which is coupled with an interest, is irrevocable until the release or discharge of the Security Interest.

14. MISCELLANEOUS

(a) Debtor hereby authorizes RBC to file such financing statements, financing change statements and other documents and do such acts, matters and things (including completing and adding schedules hereto identifying Collateral or any permitted Encumbrances affecting Collateral or identifying the locations at which Debtor's business is carried on and Collateral and records relating thereto are situate) as RBC may deem appropriate to perfect on an ongoing basis and continue the Security Interest, to protect and preserve Collateral and to realize upon the Security Interest and Debtor hereby irrevocably constitutes and appoints the Manager or Acting Manager from time to time of the herein mentioned branch of RBC the true and lawful attorney of Debtor, with full power of substitution, to do any of the foregoing in the name of Debtor whenever and wherever it may be deemed necessary or expedient.

(b) Without limiting any other right of RBC, whenever Indebtedness is immediately due and payable or RBC has the right to declare Indebtedness to be immediately due and payable (whether or not it has so declared), RBC may, in its sole discretion, set off against Indebtedness any and all amounts then owed to Debtor by RBC in any capacity, whether or not due, and RBC shall be deemed to have exercised such right to set off immediately at the time of making its decision to do so even though any charge therefor is made or entered on RBC's records subsequent thereto.

(c) Upon Debtor's failure to perform any of its duties hereunder, RBC may, but shall not be obligated to,

perform any or all of such duties, and Debtor shall pay to RBC, forthwith upon written demand therefor, an amount equal to the expense incurred by RBC in so doing plus interest thereon from the date such expense is incurred until it is paid at the rate of 15% per annum.

(d) RBC may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle, grant releases and discharges and otherwise deal with Debtor, debtors of Debtor, sureties and others and with Collateral and other security as RBC may see fit without prejudice to the liability of Debtor or RBC's right to hold and realize the Security Interest. Furthermore, RBC may demand, collect and sue on Collateral in either Debtor's or RBC's name, at RBC's option, and may endorse Debtor's name on any and all cheques, commercial paper, and any other Instruments pertaining to or constituting Collateral.

(e) No delay or omission by RBC in exercising any right or remedy hereunder or with respect to any indebtedness shall operate as a waiver thereof or of any other right or remedy, and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right or remedy. Furthermore, RBC may remedy any default by Debtor hereunder or with respect to any indebtedness in any reasonable manner without waiving the default remedied and without waiving any other prior or subsequent default by Debtor. All rights and remedies of RBC granted or recognized herein are cumulative and may be exercised at any time and from time to time independently or in combination.

(f) Debtor waives protest of any Instrument constituting Collateral at any time held by RBC on which Debtor is in any way liable and, subject to Clause 13(g) hereof, notice of any other action taken by RBC.

(g) This Security Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns. In any action brought by an assignee of this Security Agreement and the Security Interest or any part thereof to enforce any rights hereunder, Debtor shall not assert against the assignee any claim or defence which Debtor now has or hereafter may have against RBC. If more than one Debtor executes this Security Agreement the obligations of such Debtors hereunder shall be joint and several.

(h) RBC may provide any financial and other information it has about Debtor, the Security Interest and the Collateral to any one acquiring or who may acquire an interest in the Security Interest or the Collateral from the Bank or any one acting on behalf of the Bank.

(i) Save for any schedules which may be added hereto pursuant to the provisions hereof, no modification, variation or amendment of any provision of this Security Agreement shall be made except by a written agreement, executed by the parties hereto and no waiver of any provision hereof shall be effective unless in writing.

(j) Subject to the requirements of Clauses 13(g) and 14(k) hereof, whenever either party hereto is required or entitled to notify or direct the other or to make a demand or request upon the other, such notice, direction, demand or request shall be in writing and shall be sufficiently given, in the case of RBC, if delivered to it or sent by prepaid registered mail addressed to it at its address herein set forth or as changed pursuant hereto, and, in the case of Debtor, if delivered to it or if sent by prepaid registered mail addressed to it at its last address known to RBC. Either party may notify the other pursuant hereto of any change in such party's principal address to be used for the purposes hereof.

(k) This Security Agreement and the security afforded hereby is in addition to and not in substitution for any other security now or hereafter held by RBC and is intended to be a continuing Security Agreement and shall remain in full force and effect until the Manager or Acting Manager from time to time of the herein mentioned branch of RBC shall actually receive written notice of its discontinuance; and, notwithstanding such notice, shall remain in full force and effect thereafter until all indebtedness contracted for or created before the receipt of such notice by RBC, and any extensions or renewals thereof (whether made before or after receipt of such notice) together with interest accruing thereon after such notice, shall be paid in full.

(l) The headings used in this Security Agreement are for convenience only and are not to be considered a part of this Security Agreement and do not in any way limit or amplify the terms and provisions of this Security Agreement.

(m) When the context so requires, the singular number shall be read as if the plural were expressed and the provisions hereof shall be read with all grammatical changes necessary dependent upon the person referred to being a male, female, firm or corporation.

(n) In the event any provisions of this Security Agreement, as amended from time to time, shall be deemed invalid or void, in whole or in part, by any Court of competent jurisdiction, the remaining terms and provisions of this Security Agreement shall remain in full force and effect.

(o) Nothing herein contained shall in any way obligate RBC to grant, continue, renew, extend time for payment of or accept anything which constitutes or would constitute indebtedness.

(p) The Security Interest created hereby is intended to attach when this Security Agreement is signed by Debtor and delivered to RBC.

(q) Debtor acknowledges and agrees that in the event it amalgamates with any other company or companies it is the intention of the parties hereto that the term "Debtor" when used herein shall apply to each of the amalgamating companies and to the amalgamated company, such that the Security Interest granted hereby

(i) shall extend to "Collateral" (as that term is herein defined) owned by each of the amalgamating companies and the amalgamated company at the time of amalgamation and to any "Collateral" thereafter owned or acquired by the amalgamated company, and

(ii) shall secure the "Indebtedness" (as that term is herein defined) of each of the amalgamating companies and the amalgamated company to RBC at the time of amalgamation and any "Indebtedness" of the amalgamated company to RBC thereafter arising. The Security Interest shall attach to "Collateral" owned by each company amalgamating with Debtor, and by the amalgamated company, at the time of the amalgamation, and shall attach to any "Collateral" thereafter owned or acquired by the amalgamated company when such becomes owned or is acquired.

(r) In the event that Debtor is a body corporate, it is hereby agreed that The Limitation of Civil Rights Act of the Province of Saskatchewan, or any provision thereof, shall have no application to this Security Agreement or any agreement or instrument renewing or extending or collateral to this Security Agreement. In the event that Debtor is an agricultural corporation within the meaning of The Saskatchewan Farm Security Act, Debtor agrees with RBC that all of Part IV (other than Section 46) of that Act shall not apply to Debtor.

(s) This Security Agreement and the transactions evidenced hereby shall be governed by and construed in accordance with the laws of the province in which the herein branch of RBC is located, as those laws may from time to time be in effect, except if such branch of RBC is located in Quebec then, this Security Agreement and the transactions evidenced hereby shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

15. COPY OF AGREEMENT

(a) Debtor hereby acknowledges receipt of a copy of this Security Agreement.

(b) Debtor waives Debtor's right to receive a copy of any financing statement or financing change statement registered by RBC or of any verification statement with respect to any financing statement or financing change statement registered by RBC. (Applies in all P.S.A. Provinces except Ontario).

16. Debtor represents and warrants that the following information is accurate:

INDIVIDUAL DEBTOR

SURNAME (LAST NAME)	FIRST NAME	SECOND NAME	BIRTH DATE YEAR MONTH DAY
ADDRESS OF INDIVIDUAL DEBTOR	CITY	PROVINCE	POSTAL CODE
SURNAME (LAST NAME)	FIRST NAME	SECOND NAME	BIRTH DATE YEAR MONTH DAY
ADDRESS OF INDIVIDUAL DEBTOR (IF DIFFERENT FROM ABOVE)	CITY	PROVINCE	POSTAL CODE

BUSINESS DEBTOR

NAME OF BUSINESS DEBTOR 2163279 ONTARIO INC.			
ADDRESS OF BUSINESS DEBTOR UNIT 2 2880 BRIGHTON ROAD	CITY OAKVILLE	PROVINCE ON	POSTAL CODE L6H 5S3

TRADE NAME (IF APPLICABLE)

TRADE NAME OF DEBTOR			
PRINCIPAL ADDRESS (IF DIFFERENT FROM ABOVE)	CITY	PROVINCE	POSTAL CODE

IN WITNESS WHEREOF Debtor has executed this Security Agreement this 18th day of November, 2011.

2163279 ONTARIO INC.

Loreto Grimaldi

**CLO, General Counsel & Secretary
PCAS Patient Care Automation Services Inc.**

WITNESS

WITNESS

Seal

Seal

BRANCH ADDRESS

MISS-KBI ONTARIO-LIFE SCIENCES
6880 FINANCIAL DR 2ND FLR LINK
MISSISSAUGA ON
L5N 7Y5

SCHEDULE "A"

(ENCUMBRANCES AFFECTING COLLATERAL)

SCHEDULE "B"

1. Locations of Debtor's Business Operations

UNIT 2
2880 BRIGHTON ROAD
OAKVILLE, ON
L6H5S3

2. Locations of Records relating to Collateral (if different from 1. above)

SAME AS ABOVE

3. Locations of Collateral (if different from 1. above)

SAME AS ABOVE

SCHEDULE "C"
(DESCRIPTION OF PROPERTY)

TAB K

Attached is Exhibit "K" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 22nd day of March, 2012

Puneet Soni

Commissioner for taking Affidavits, etc



16197


INVENTORY PURCHASE - MONEY SECURITY AGREEMENT

For valuable consideration and as continuing security for the due payment of all monies now or at any time and from time to time hereafter owing or payable by the undersigned PCAS PATIENT CARE AUTOMATION SERVICES INC. (the "Customer") to Kohl & Frisch Limited "K&F" and the due and faithful performance of all obligations (whether now existing, presently arising or created in the future) of the Customer in favour of K&F (including all costs, charges and expenses incurred in connection with such liabilities) (all such monies, liabilities and obligations referred to in this paragraph being hereinafter together called the "Obligations"), the Customer hereby agrees with K&F and provides as follows:

1. The Customer hereby grants to K&F a security interest in all inventory of whatsoever kind and wheresoever situate now owned by the Customer which has been acquired from K&F and all inventory of whatever kind and wheresoever situate which may hereafter be acquired by the Customer from K&F including, without limitation, pharmaceutical, household, tobacco and health and beauty products, confectionary and other sundries and any property in any form derived directly or indirectly from any dealings with any property herein described (including without limitation all products and cash and non-cash proceeds thereof); indemnification or compensation for any such property lost, destroyed, damaged or lawfully or unlawfully taken or injuriously affected; all increases, all additions and accessions thereto and substitutions thereof (herein called the "Inventory").
2. The Customer acknowledges that the parties intend the security interest hereunder to attach upon the execution of this Agreement, that value has been given and that the Customer has rights in the Inventory. The security interest hereunder constitutes a purchase-money security interest.
3. Unless such event of default is waived by K&F, any obligation of K&F to supply Inventory or extend credit to the Customer shall immediately terminate, all Obligations and all monies secured hereby shall at the option of K&F become forthwith due and payable and all of the rights and remedies hereby conferred in respect of the Inventory shall become immediately enforceable if (a) default occurs in payment or performance of any of the Obligations; (b) the Customer commits an act of bankruptcy or becomes insolvent within the meaning of any bankruptcy or insolvency legislation applicable to it or a petition or other process for the bankruptcy of the Customer is filed or instituted; (c) a receiver, administrator, manager, trustee, custodian or other similar official is appointed with respect to a material part of the Customer's assets; (d) proceedings are commenced by the Customer or any other person for any re-organization, compromise, arrangement or other relief respecting the liabilities of the Customer or a material portion thereof; (e) the Customer ceases to carry on its business or makes or proposes to make any sale of its assets in bulk or any sale of its assets out of the usual course of its business; or (f) any act, matter or thing is done toward, or any action or proceeding is launched, had or taken for, terminating the corporate existence of the Customer, whether by winding-up, surrender of charter or otherwise.
4. The security of this Agreement may be realized and the rights enforced by any remedy or in any manner authorized or permitted by law or equity and no remedy for the realization of the security hereof shall be exclusive of or dependent upon any other remedy and all or any remedies may from time to time be exercised independently or in any combination.
5. Any and all payments made at any time in respect of the Obligations and the proceeds realized from any securities held therefor (including monies realized from the enforcement of this Agreement) may be applied (and reapplied from time to time notwithstanding any previous application) to such part or parts of the Obligations as K&F sees fit. The Customer shall be accountable for any deficiency and K&F shall be accountable for any surplus.
6. The Customer shall not, without the prior written consent of K&F, create or permit to arise in respect of any of the Inventory any mortgage, lien, pledge, assignment, attachment, security interest or encumbrance of any nature or kind whatsoever howsoever arising (whether consensual, statutory or arising by operation of law or otherwise).
7. The Customer shall on demand pay all costs, charges and expenses, including without limitation legal fees on a full indemnity basis, incurred by K&F in connection with the Obligations, including without limitation all such costs, charges and expenses as may be incurred by K&F in preserving and enforcing its rights in connection therewith.
8. The Customer shall keep all Inventory insured to its full insurable value against loss or damage by fire or other casualty, shall keep all Inventory securely stored and shall not dispose of any of the Inventory except by sale in the ordinary course of its business and for the purpose of carrying on the same.
9. Except for Inventory which is a consumer good, the Customer shall keep all Inventory in a new and unused condition.
10. No act or omission by K&F in any manner whatever in the premises shall extend to or be taken to affect any provision hereof save only express waiver in writing. A waiver of default shall not extend to, or be taken in any manner whatsoever to affect the rights of K&F with respect to, any subsequent default, whether similar or not. The Customer waives every defence based upon any or all indulgences that may be granted by K&F.
11. This Agreement and all its provisions shall enure to the benefit of K&F, its successors and assigns, and shall be binding on the Customer, the Customer's successors and assigns. Time shall be in all respects of the essence hereof. The Customer acknowledges receipt of a copy hereof and a copy of the financing statement in respect of the security created hereby. Terms which are defined in the *Personal Property Security Act* (Ontario) shall have the same meaning where used herein.

12. Any notice or written communication given pursuant to or in connection with this Agreement shall be in writing and shall be given by delivering the same personally or by prepaid courier, prepaid registered mail or facsimile, addressed to the party to be notified at the address of such party set out herein.

13. This Agreement shall be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

IN WITNESS WHEREOF this Agreement has been executed by the Customer on the 26 day of Feb, 2008 

PCAS PATIENT CARE AUTOMATION SERVICES INC.

Per: 

Name:

Title:

P. SUMA

COO

I have authority to bind the Corporation.

Address: 2880 Brighton Road, Unit #2, Oakville, ON, L3H 5S3

Fax: 905-829-5504

ACKNOWLEDGED this 10 day of March, 2008. K&F hereby reserves title and ownership to each item of Inventory sold from time to time until the purchase price therefor has been paid and satisfied in full, whereupon title and ownership thereof shall pass to the Customer, but subject to the security interest created in the above Agreement until all Obligations have been paid and satisfied in full.

KOHL & FRISCH LIMITED

Per: 

Name:

Title:

Address: 7622 Keele Street, Concord, ON, L4K 2R5

Fax: 905-660-1792

TAB L

Attached is Exhibit "L" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 22nd day of March, 2012

Puneet Soni

Commissioner for taking Affidavits, etc

GENERAL SECURITY AGREEMENT

THIS AGREEMENT made as of the 11th day of November, 2011

BETWEEN: KOHL & FRISCH LIMITED,
a corporation incorporated under the laws of Ontario (the "Creditor")

-and - LEGAL NAME: 2163279 ONTARIO INC (the "Debtor")
TRADE NAME: TOUCHPOINT PHARMACY

WHEREAS the Creditor has agreed to advance credit to the Debtor pursuant to certain supply arrangements between the Creditor and the Debtor pursuant to certain written, on-line and/or verbal agreements between the Creditor and the Debtor.

THIS AGREEMENT WITNESSES that, in consideration of the sum of \$1.00 in lawful money of Canada now paid by the Creditor to the Debtor (the receipt and sufficiency of which are hereby acknowledged), the Debtor agrees with the Creditor as follows:

ARTICLE 1 - INTERPRETATION

- 1.1 In this agreement, unless the context otherwise requires:
- (a) "Act" means the *Personal Property Security Act* (Ontario), as the same may from time to time hereafter be amended or any legislation that may be substituted therefor, as the same may from time to time be amended;
 - (b) "Business Day" means a day (other than a Saturday or Sunday) on which chartered banks are open for business during normal banking hours in Toronto, Ontario;
 - (c) "Collateral" means all property, assets and undertaking now owned or hereafter acquired by the Debtor including, wherever located, without limitation, the Debtor's accounts, equipment, goods, inventory (including, without limitation, all goods, merchandise, raw materials, work in process, finished goods, goods held for sale or resale or lease and goods used in or procured for packing or packaging), the assets of the Debtor referred to in section 2.1;
 - (d) "Event of Default" has the meaning ascribed thereto in section 4.1;
 - (e) "Obligations" means the aggregate of all indebtedness, obligations and liabilities of the Debtor to the Creditor, whether incurred prior to, at the time of, or subsequent to the execution hereof, including extensions and renewals, and including without limitation all obligations and liabilities of the Debtor to the Creditor under any present or future guarantee by the Debtor of the payment or performance or both of the debts, obligations or liabilities of any third party to the Creditor; and
 - (f) "Security Interest" means collectively the mortgage, charge, pledge, assignment and transfer of, and the security interest in, the Collateral granted to the Creditor by the Debtor pursuant to section 2.1.
- 1.2 The terms "account", "equipment", "goods", "inventory", "personal property" and "proceeds" shall have the meanings ascribed thereto respectively by the Act, provided always that the term "goods" when used herein shall not include "consumer goods" of the Debtor as that term is defined in the Act.
- 1.3 If any provision herein is determined to be void, voidable or unenforceable, in whole or in part, such determination shall not affect or impair or be deemed to affect or impair the validity of any other provision hereof and all the provisions hereof are hereby declared to be separate, severable and distinct.
- 1.4 Any reference in this agreement to any person, firm or corporation in the singular shall, where the context permits, include a reference to more than one of such person, firm or corporation, and the use of any gender shall be applicable to all genders.
- 1.5 This agreement is governed by and shall be construed in accordance with the Act and the other laws of the Province of Ontario, and the parties hereby attorn to the non-exclusive jurisdiction of the courts of such province.

ARTICLE 2 - CREATION AND ATTACHMENT OF SECURITY INTEREST

- 2.1 As continuing collateral security for the due and timely payment and performance by the Debtor of the Obligations, the Debtor hereby mortgages, charges, pledges, assigns, transfers and sets over to the Creditor, and grants to the Creditor a general and continuing security interest in the Collateral.
- 2.2 To the extent that the Creditor gives value for the purpose of enabling the Debtor to acquire rights in or to any of the Collateral, the Debtor hereby grants to the Creditor a Purchase-Money Security Interest (as defined in the Act) in such Collateral.
- 2.3 The Security Interest shall extend to all proceeds of the Collateral.
- 2.4 The Creditor and the Debtor hereby acknowledge and agree that value has been given for the granting of the Security Interest, that the Debtor has rights in the Collateral (except future Collateral), and that the parties have agreed not to postpone the time for attachment of the Security Interest.

- 2.5 The last day of the term of any lease, sublease or agreement therefor is specifically excepted from the Security Interest, but the Debtor agrees to stand possessed of such last day in trust for such person as the Creditor may direct and the Debtor shall assign and dispose thereof in accordance with such direction.
- 2.6 To the extent that the Security Interest would constitute a breach or cause the acceleration of any agreement, contractual right, license or permit to which the Debtor is a party, the Security Interest shall not attach thereto but the Debtor shall hold its interest therein in trust for the Creditor, shall use its best efforts to obtain the appropriate consents to the attachment of said security interest and shall grant a security interest in such agreement, contractual right, license or permit to the Creditor forthwith upon obtaining the appropriate consents to the creation of such security interest.

ARTICLE 3 - WARRANTIES AND COVENANTS OF THE DEBTOR

- 3.1 The Debtor hereby warrants, covenants and agrees with the Creditor that:
- (a) The Debtor shall permit a representative of the Creditor to inspect the Collateral and the operations of the Debtor and for that purpose to enter the Debtor's premises and any other location where the Collateral may be situated during reasonable business hours and upon reasonable notice.
 - (b) The Debtor shall furnish the Creditor with such information regarding the Collateral and its value and location as the Creditor may from time to time reasonably request and permit a representative of the Creditor, upon request, to inspect the Debtor's books of account, records, documents and financial statements, and to make copies, extracts and summaries therefrom;
 - (c) The Debtor shall affix labels to any inventory which is supplied by the Creditor which permits identification of such inventory as being supplied by the Creditor;
 - (d) The Debtor shall pay or reimburse the Creditor, upon request, for all costs and expenses of the Creditor, its agents, officers and employees (including, without limitation, legal fees and disbursements on a substantial indemnity basis) incurred with respect to the enforcement of the agreement and the amount of all such expenses shall be deemed to form part of the Obligations and shall be secured hereunder.
 - (e) The Debtor shall promptly notify the Creditor in writing of the details of any amendment to its articles, including without limitation by virtue of the filing of articles of amalgamation, effecting a change in the Debtor's name or authorizing it to use a French version of its name; and
 - (f) The Debtor shall not, without the prior written consent of the Creditor, amalgamate with any other corporation or corporations or enter into any arrangement or agreement, which, either separately or in combination with any other transactions, arrangements or agreements, would have the effect of the Debtor merging, amalgamating or entering into any joint venture or co-tenancy arrangement with any other person.
 - (g) The Debtor shall keep the Collateral insured against damage, destruction or other loss by fire, theft and such other risks as Creditor may reasonably require to the full insurable value thereof, and all such insurance policies shall contain mortgage and loss payable endorsements in favour of Creditor. Each policy of insurance shall provide that the insurer thereunder shall give Creditor at least 30 days notice prior to any amendment or termination thereof and that no act, omission or default of the Debtor or any other person shall affect Creditor's right to recover under such policy in case of theft, damage, destruction or other loss. All such policies or certificates of the insurer with respect thereto shall be delivered to and held by Creditor upon request by it. Should the Debtor default in its obligations as aforesaid, Creditor may maintain such insurance and any premiums paid by Creditor together with interest thereon at the rate of 20% per annum shall be payable by the Debtor to Creditor on demand. The Debtor shall promptly notify Creditor of any loss or damage to the Collateral or any part thereof. The Debtor shall provide copies to Creditor of all insurance policies to Creditor promptly upon Creditor's request.
 - (h) In the event that the Debtor sells, leases, transfers or otherwise disposes of any inventory which was supplied to the Debtor by the Creditor, the Debtor agrees to hold the proceeds (including, without limitation, any manufacturer's rebates associated with such inventory) which may arise from such sale, lease, transfer or other disposition as trustee, in trust for the Creditor, until such time as all Obligations in respect of such inventory shall have been paid or performed in full.

ARTICLE 4 - EVENTS OF DEFAULT

- 4.1 Default hereunder shall be deemed to occur in each of the following instances (each of which is herein called an "Event of Default"):
- (a) the Debtor defaults in payment or performance of any of the Obligations;
 - (b) the Debtor defaults in making any payment hereby required or in performing or complying with any covenant, undertaking, condition or obligation contained herein or in any other agreement between the Debtor and the Creditor;
 - (c) any order is made or a resolution passed for the winding-up of the Debtor or if an application for a bankruptcy order is filed or a bankruptcy order is made against the Debtor under the *Bankruptcy and Insolvency Act* (Canada) or an authorized assignment for the benefit of creditors is made by it or if a receiver or agent is appointed by or on behalf of a secured creditor of the Debtor or pursuant to a court order or an application is made under the *Companies'*

Creditors Arrangement Act (Canada) or notice of intention to make a proposal is filed or a proposal is made by the Debtor to its creditors under the *Bankruptcy and Insolvency Act* (Canada);

- (d) an encumbrancer, whether permitted or otherwise, takes possession of any substantial part of the Collateral, or any process of a court, execution, distress, or analogous process becomes enforceable or is enforced against any substantial part of the Collateral and the Debtor is not instituting proceedings to vacate or lift such execution, distress or analogous process;
- (e) the Debtor ceases or threatens to cease to carry on its business, commits any act of bankruptcy, becomes insolvent, proposes a compromise or arrangement to its creditors or makes an unauthorized sale in bulk of its assets; or
- (f) the Debtor is liquidated, dissolved or its corporate charter expires or is revoked.

ARTICLE 5 - REMEDIES

- 5.1 Upon the occurrence of an Event of Default, the Security Interest shall immediately become enforceable and the Creditor may, forthwith or at any time thereafter and without notice to the Debtor except as required by the Act or by this agreement:
- (a) commence legal action to enforce payment or performance of any or all of the Obligations;
 - (b) make payments to parties having prior charges or encumbrances on properties on which either the Debtor or the Creditor may hold charges or encumbrances;
 - (c) enter onto any premises where the Collateral may be located;
 - (d) take possession of all or any part of the Collateral with power to exclude the Debtor, its agents and its servants therefrom;
 - (e) appoint any person to be an agent or any person to be a receiver, manager or receiver and manager (herein called a "Receiver") of the Collateral and to remove any Receiver so appointed and to appoint another if the Creditor so desires; it being agreed that any Receiver so appointed shall have all of the powers of the Creditor hereunder, and in addition, shall have the power to carry on the business of the Debtor; it being further agreed that any such Receiver shall be deemed to be the agent of the Debtor for the purpose of establishing liability for the acts or omissions of the Receiver and the Creditor shall not be liable for such acts or omissions and, without restricting the generality of the foregoing, the Debtor hereby irrevocably authorizes the Creditor to give instructions to the Receiver relating to the performance of the Receiver's duties;
 - (f) notify the account debtors or obligors under any accounts of the assignment of such accounts to the Creditor and direct such account debtors or obligors to make payment of all amounts due or to become due to the Debtor thereunder directly to the Creditor and give valid and binding receipts and discharges therefor and in respect thereof and, upon such notification and at the expense of the Debtor, enforce collection of any accounts, and adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as the Debtor might have done;
 - (g) enjoy and exercise all of the rights and remedies of a secured party under the Act;
 - (h) file such proofs of claim or other documents as may be necessary or desirable to have its claim lodged in any bankruptcy, winding-up, liquidation, dissolution or other proceedings (voluntary or involuntary) relating to the Debtor;
 - (i) preserve, protect and maintain the Collateral and make such replacements thereof and additions thereto as the Creditor shall deem advisable;
 - (j) sell, lease or dispose of all or any part of the Collateral whether by public or private sale or lease or otherwise and on any terms so long as every aspect of the disposition is commercially reasonable, including, without limitation, terms that provide time for payment on credit; provided that:
 - (i) neither the Creditor nor any Receiver will be required to sell, lease or dispose of the Collateral, but may peaceably and quietly take, hold, use, occupy, possess and enjoy the Collateral without molestation, eviction, hindrance or interruption by the Debtor or any other person or persons whomsoever for such period of time as is commercially reasonable,
 - (ii) the Creditor or any Receiver may convey, transfer and assign to a purchaser or purchasers the title to any of the Collateral so sold, and
 - (iii) the Debtor will be entitled to be credited with the actual proceeds of any such sale, lease or other disposition only when such proceeds are received by the Creditor or any Receiver in cash; and
 - (k) dispose of all or any part of the Collateral in the condition in which it was on the date possession of it was taken, or after any commercially reasonable repair, processing or preparation for disposition;
provided, however, that the Creditor shall act in a commercially reasonable manner in exercising its rights under this agreement.

- 5.2 The remedies provided in section 5.1 are cumulative and in addition to all other remedies existing at law or in equity or by statute.
- 5.3 The Debtor agrees to indemnify and reimburse the Creditor for all costs and expenses of the Creditor, its agents, advisors and consultants (including without limitation legal fees and disbursements on a solicitor-and-client basis) incurred with respect to the exercise by the Creditor of any of its rights, remedies and powers under this agreement (including without limitation costs and expenses related to the custody, preservation and realization of the Collateral, the remuneration of the Receiver, and all costs and expenses incurred by the Receiver in performing its functions under its appointment), or with respect to dealing with other creditors of the Debtor in connection with the establishment, confirmation, amendment or preservation of the priority of the Security Interest, and such costs and expenses shall be added to and shall form part of the Obligations.

ARTICLE 6 - GENERAL

- 6.1 No delay or omission to exercise any right or remedy accruing to the Creditor upon any breach or default by the Debtor hereunder shall impair any such right or remedy by the Creditor nor be construed as a waiver of any such breach or default or of any similar breach or default thereafter occurring, nor shall any waiver of a single breach or default be deemed a waiver of any subsequent breach or default. All waivers hereunder must be in writing and signed by the waiving party.
- 6.2 Any demand, notice or other communication in connection with this agreement shall be in writing and shall be personally delivered to an officer or other responsible employee of the addressee, mailed by registered mail or sent by direct written electronic means such as telefacsimile, charges prepaid, at or to the address or telefacsimile number of the party as follows (or to such other address or telefacsimile number as either party may designate): (a) in the case of the Creditor, to **Kohl & Frisch Limited, 7622 Keele Street, Concord, Ontario L4K 2R5, Attention: Vice President, Finance, Facsimile: (905) 660-3682 and Director, Credit & Collections, Facsimile No.: (905) 660-1792**; and (b) in the case of the Debtor, at its address for notice set out next to the signature block below. Any demand, notice or other communication which is personally delivered as aforesaid shall be deemed to have been given on the date of delivery if such date is a Business Day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been given on the Business Day next following such date of delivery. Any demand, notice or other communication mailed as aforesaid shall be deemed to have been given on the fifth Business Day following the date of mailing. Any demand, notice or other communication which is transmitted by telefacsimile or other electronic means shall be deemed to have been given on the date of transmission if such date is a Business Day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been given on the Business Day next following such date of transmission.
- 6.3 The Debtor shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such further acts, deeds, mortgages, transfers, assurances or other documents as the Creditor shall reasonably require to give effect to or to preserve and perfect the Security Interest in the Collateral intended to be granted to the Creditor hereunder.
- 6.4 This agreement shall become effective according to its terms immediately upon the execution hereof by the parties hereto. This agreement and the Security Interest are in addition to and not in substitution for any other agreement made between the Creditor and the Debtor or any other security granted by the Debtor to the Creditor whether before or after the execution of this agreement.
- 6.5 There are no representations, agreements, warranties, conditions, covenants or terms, express or implied, collateral or otherwise, affecting this agreement or the Security Interest or the Debtor's obligations and liabilities hereunder other than as expressed herein.
- 6.6 Time shall be of the essence hereof.
- 6.7 This agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.
- 6.8 The Debtor, in executing this agreement, hereby acknowledges receipt of an executed copy thereof

IN WITNESS WHEREOF the parties hereto have executed this agreement as of the date first above written.

Debtor: PCAS 2163279 ONTARIO INC
Legal Name

By: X 
Signature of Signing Officer

Print Name: _____

Title: Loreto Grimaldi
CLO, General Counsel & Secretary
PCAS Patient Care Automation Services Inc.

Address for Notice:

2-2880 BRIGHTON RD
CHANNING ON L6H 5S3
ATT: GENERAL COUNSEL

TAB M

Attached is Exhibit "M" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 22nd day of March, 2012

Puneet Soni

Commissioner for taking Affidavits, etc

PRIORITIES AGREEMENT

THIS AGREEMENT made as of the _____ day of November, 2011.

BETWEEN:

KOHL & FRISCH LIMITED

7622 Keele Street
Concord, Ontario
L4K 2R5
(hereinafter called "KFL")

OF THE FIRST PART

- and -

ROYAL BANK OF CANADA

6880 Financial Drive, 2nd Floor Link
Mississauga, Ontario
L5N 7Y5
(hereinafter called the "Secured Party")

OF THE SECOND PART

- and -

PCAS PATIENT CARE AUTOMATION SERVICES INC.

2880 Brighton Road
Unit 2
Oakville, Ontario
L6H 5S3
(hereinafter called the "Corporation")

OF THE THIRD PART

- and -

2163279 ONTARIO INC.

2880 Brighton Road
Unit 2
Oakville, Ontario
L6H 5S3
(hereinafter called "216")

OF THE FOURTH PART

WHEREAS each of the Corporation and 216 (collectively, the "Obligors") have executed in favour of the Secured Party certain security over the following property and assets of the Obligors including

without limitation, a general security agreement by each of the Obligor in favour of the Secured Party granting a security interest to the Secured Party in all of the property and assets of the Obligor (collectively, the "Secured Party's Security"); which Secured Party's Security was registered against the Obligor under the *Personal Property Security Act* (Ontario) (the "PPSA") as more particularly described in Schedule "A" annexed hereto as continuing collateral security for the debts, liabilities and obligations of each of the Obligor to the Secured Party more particularly described in the Secured Party's Security (collectively, the "Secured Party Indebtedness");

AND WHEREAS as continuing collateral security for the debts, liabilities and obligations of each of the Obligor to KFL (collectively, the "KFL Indebtedness"), each of the Obligor have executed in favour of KFL certain security over certain property and assets of the Obligor, including without limitation: (i) a general security agreement by 216 in favour of KFL dated November 11, 2011 granting a security interest to KFL in all of the property and assets of 216; and (ii) an inventory purchase money security agreement by the Corporation in favour of KFL dated February 26, 2008 granting a security interest to KFL in all of the inventory supplied by KFL to the Corporation and the proceeds thereof (collectively, the "KFL Security");

AND WHEREAS the parties hereto consider that it is desirable to establish and record that the KFL Indebtedness and the KFL Security shall at all times be considered to be prior to the Secured Party's Security insofar as it relates solely to any and all present and future Inventory (as defined under the PPSA) supplied by KFL to each of the Obligor from time to time, together with all proceeds thereof (collectively, the "KFL Inventory");

NOW THEREFORE THIS INDENTURE WITNESSETH that in consideration of the premises and the sum of ONE DOLLAR (\$1.00) of lawful money of Canada now paid by each of the parties hereto to the other (the receipt and sufficiency of which is hereby acknowledged by each party), **IT IS HEREBY DECLARED AND AGREED AS FOLLOWS:**

1. The Secured Party hereby consents to each of the Obligor granting to KFL the KFL Security and to the registration of the KFL Security.
2. KFL hereby consents to each of the Obligor granting to the Secured Party the Secured Party's Security and to the registration of the Secured Party's Security.
3. Except as set forth herein, the KFL Security or any part thereof is hereby fully subordinated in all respects to the Secured Party's Security or any part thereof, to the full extent of the Secured Party Indebtedness and the Secured Party's Security will have priority to the full extent of the Secured Party Indebtedness over the KFL Security or any part thereof and the KFL Indebtedness in all respects and at all times.
4. The Secured Party hereby agrees that the KFL Security over the KFL Inventory shall at all times rank in priority, to the extent of the KFL Indebtedness, over the Secured Party's Security insofar as the Secured Party's Security and the Secured Party Indebtedness relate solely to the KFL Inventory.
5. The Secured Party acknowledges that each of the Obligor has agreed to enter into certain supply or other agreements with KFL under which KFL will, from time to time, provide Inventory financing to each of the Obligor. The Secured Party hereby agrees that upon advances by KFL to each of the Obligor, the Secured Party's Security over, and all of the Secured Party's right, title and interest in and to, the KFL Inventory, shall thereby be subordinated to the KFL Security.

6. The priorities of the Secured Party's Security and the KFL Security are applicable irrespective of the time or order of attachment or perfection thereof, the method of perfection, the time or order of registration, the filing of financing statements or taking of possession, recording of mortgages or other instruments, assignments or agreements or the giving of or the failure to give notice of the acquiring of any charge, lien or security interest.
 7. KFL agrees that the Secured Party shall not incur any responsibility to KFL or the Obligors for any loss whatsoever which KFL may suffer arising out of or in any way connected with the KFL Indebtedness or this Agreement. Moreover, with the exception of money deposited in any accounts designated as trust accounts by the Obligors for the benefit of KFL, the Secured Party may operate the bank accounts of the Obligors maintained by the Secured Party in the ordinary course until receipt of a notice of enforcement from KFL. Until that time, all proceeds of the KFL Inventory when deposited in any Obligor's bank accounts (other than a trust account), shall be subject to the Secured Party's right of setoff. All proceeds of the KFL Inventory deposited in the bank accounts of the Obligors after the date of receipt of a notice of enforcement from KFL shall be subject to the terms of this Agreement. If the Secured Party receives a notice of enforcement restraint it may otherwise deal with the accounts in such a manner as the Secured Party may, in its sole discretion, deem advisable in order to give effect to the priorities established in this Agreement.
 8. Before the exercise by KFL of any rights of enforcement contained in the KFL Security, it shall give not less than seven (7) days prior written notice to the Secured Party, provided that the failure to give any such notice shall not result in any liability of KFL to the Secured Party. Any notice to be provided under Agreement shall be addressed to the Secured Party or KFL at the following addresses:
 - (a) if to KFL:

Kohl & Frisch Limited
7622 Keele Street
Concord, Ontario
L4K 2R5
Attention: Account Manager, PCAS Patient Care Automation Services Inc./21 63279
Ontario Inc.
Telecopier: 905-660-1792
 - (b) if to RBC:

6880 Financial Drive, 2nd Floor Link
Mississauga, Ontario
L5N 7Y5
Attention: Account Manager-PCAS Patient Care Automation Services Inc.
Telecopier: (905) 286-7279
- and shall be delivered by facsimile transmission and shall be deemed to have been received on transmission.
9. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

10. This Agreement may be executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument.
11. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario.

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto.


KOHL & FRISCH LIMITED

By: _____
Name: _____
I have the authority to bind the Corporation.

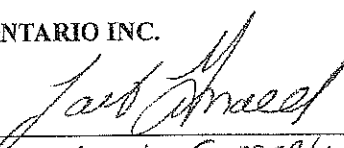
ROYAL BANK OF CANADA

By: _____
Name: _____
I have the authority to bind the Bank.

**PCAS PATIENT CARE AUTOMATION SERVICES
INC.**

By:  _____
Name: Loreto Grimaldi
I have the authority to bind the Corporation.

2163279 ONTARIO INC.

By:  _____
Name: Loreto Grimaldi
I have the authority to bind the Corporation.

10. This Agreement may be executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument.
11. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario.

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto.

K: "Except the Kohl & Frisch Limited supplied inventory
where Kohl & Frisch Limited will retain first position".

B: S. McDonnell
Mr. Shaun McDonnell
Director, Credit & Collections

ROYAL BANK OF CANADA

By: _____
Name: _____
I have the authority to bind the Bank.

PCAS PATIENT CARE AUTOMATION SERVICES
INC.

By: _____
Name: _____
I have the authority to bind the Corporation.

2163279 ONTARIO INC.

By: _____
Name: _____
I have the authority to bind the Corporation.

SCHEDULE "A"

**SECURITY AGAINST THE 2163276 ONTARIO INC./CORPORATION
HELD BY THE SECURED PARTY**

1. General Security Agreement dated _____, 2011 (the "216 GSA");
2. Financing Statement No. _____ on File No. _____
registered against 2163276 Ontario Inc. with respect to the 216 GSA over inventory, equipment,
accounts, other collateral and motor vehicle; and
3. General Security Agreement dated _____, 2011 (the "Corporation GSA");
4. Financing Statement No. _____ on File No. _____
registered against the Corporation with respect to the Corporation GSA over inventory, equipment,
accounts, other collateral and motor vehicle.

TAB N

Attached is Exhibit "N" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 22nd day of March, 2012


Puneet Soni

Commissioner for taking Affidavits, etc

SR&ED/OITC/HST PURCHASE AGREEMENT

In consideration of the mutual agreements and covenants herein contained and for other good and valuable consideration now paid by each of the parties hereto to the other (the receipt and sufficiency of which are hereby acknowledged), the parties agree as follows:

1. **Purchase and Sale:** CASTCAN INVESTMENTS INC., IN TRUST ("**Purchaser**") hereby purchases and PCAS PATIENT CARE AUTOMATION SERVICES INC., a corporation organized and existing under the federal laws of Canada, and 2163279 ONTARIO INC., a corporation organized and existing under the laws of the Province of Ontario, each with an office at 2880 Brighton Road, Unit 2, Oakville, ON L6H 5S3 (collectively, "**Vendor**"), hereby sells, on a full recourse basis, all of Vendor's right, title and interest in and to the Tax Credit Entitlements (as hereinafter defined). In this Agreement, the term "**Tax Credit Entitlements**" means, collectively, the Scientific Research and Experimental Development refundable tax credit entitlements, the Ontario Innovation Tax Credit entitlements and Harmonized Sales Tax refunds more particularly described in annexed Schedule "A" together with all tax refunds in respect thereof and any interest thereon (collectively, the "**Refunds**") payable or to be payable to Vendor in respect thereof as set out in annexed Schedule "A". Subject only to the provisions of section 12 hereof, ownership of the Tax Credit Entitlements (and all rights related thereto) shall automatically transfer to Purchaser upon the execution and delivery of this Agreement.

2. **Purchase Price:** The aggregate purchase price (the "**Purchase Price**") for the Tax Credit Entitlements, subject to adjustment (which shall include adjustments for interest received on the Tax Credit Entitlements) as hereinafter provided in section 4 hereof, is \$1,288,298.00 less the Discount Amount (as hereinafter defined). In this Agreement, the term "**Discount Amount**" means \$288,298.00. 

3. **Purchase Price Payment:** The Purchase Price shall be payable as follows:

- (a) \$1,000,000.00 (the "**Advance Amount**"), promptly upon the execution and delivery of this Agreement by Purchaser; and
- (b) the balance of the Purchase Price less the Discount Amount and any other charges under this Agreement payable by Vendor, within one (1) business day following receipt by Purchaser of the Refunds.

4. **Purchase Price Adjustment:** If the actual amount of the Refunds received by Purchaser (including, without limitation, interest received) exceeds the aggregate of the Advance Amount, the Discount Amount and any other charges under this Agreement owing by Vendor (such aggregate being hereinafter referred to as the "**Purchaser Entitlement**"), then the amount of the Purchase Price shall be adjusted, upwards or downwards as the case may be, to reflect the actual amount of the Refunds received by Purchaser. If the actual amount of the Refunds received by Purchaser is equal to or less than the Purchaser Entitlement, then the amount of the Purchase Price shall be decreased to

equal the Purchaser Entitlement. For greater certainty, should any assessment or reassessment of Vendor by any relevant taxing authority result in any requirement for all or any part of the Refunds previously received by Purchaser to be repaid, such obligation shall be the sole responsibility of Vendor.

5. Recourse: Should there be an Event of Default (as hereinafter defined), then Purchaser shall have the right at any time thereafter to require Vendor to immediately re-purchase, on a without recourse basis, the Tax Credit Entitlements (including, without limitation, any Non-Assignable Rights) for an amount (the "**Repurchase Price**") equal to the Advance Amount plus the Discount Amount less the actual amount of the Refunds, if any, having theretofore been received by Purchaser, together with interest on the Repurchase Price at the Rate (as hereinafter defined) from the date Purchaser requires such re-purchase.

6. Interest on Late Payments: All amounts owing hereunder by Vendor to Purchaser shall bear interest at the rate (the "**Rate**") of 30% per annum calculated yearly not in advance on any amounts owing hereunder and overdue interest, if any, from time to time remaining unpaid, such interest to accrue daily from and including the date the amount becomes owing hereunder (eg. the date Purchaser requires any re-purchase of the Tax Credit Entitlements) and to be payable on demand. Payments received shall be applied firstly in payment of unpaid accrued interest and the balance if any in reduction of other obligations.

7. Representations and acknowledgements of Vendor: Vendor represents, warrants and acknowledges to Purchaser as follows:

- (a) Vendor is duly incorporated, organized and existing under the federal laws of Canada or the laws of the Province of Ontario, as applicable, and has all requisite power to enter into, exercise its rights and perform and comply with its obligations under this Agreement;
- (b) Vendor is not a party to any agreement under the terms of which Vendor is prohibited or restricted from entering into any of the obligations assumed, liabilities imposed, or restrictions accepted by Vendor under this Agreement;
- (c) the descriptions of the Tax Credit Entitlements set out in annexed Schedule "A" are true and correct in all material respects and Vendor is fully entitled under all applicable law to receive the full amount of the Refunds;
- (d) Vendor is not in receipt of any correspondence, notices, enquiries, objections or other communications from Canada Revenue Agency ("**CRA**") respecting the Tax Credit Entitlements that have not been provided to Purchaser or Royal Bank of Canada;
- (e) the Tax Credit Entitlements have not been assigned, encumbered or postponed, in whole or in part otherwise than in favour of Purchaser;

- (f) all information which has been provided to Purchaser relating to the Tax Credit Entitlements is true and correct in all material respects and no material fact or facts have been omitted therefrom which would make such information misleading;
- (g) no due diligence undertaken by Vendor in respect of the Tax Credit Entitlements, or otherwise, shall affect, lessen, reduce or mitigate any of the representations, warranties or other obligations of Vendor under this Agreement; and
- (h) Purchaser does not guarantee or warrant in any way the validity, eligibility, completeness or any other aspect of the Tax Credit Entitlements and Purchaser shall not be liable or in any way responsible for the same.

8. Obligations of Vendor: Until receipt of the Refunds and/or Repurchase Price by Purchaser and payment in full of any accrued interest and other charges under this Agreement, Vendor shall:

- (a) give Purchaser written notice and copies of all correspondence, notices, enquiries, objections or other communications received from CRA respecting or affecting the Tax Credit Entitlements or the Refunds, within one (1) business day following receipt thereof, and not respond thereto without the prior written approval of Purchaser (such approval not to be unreasonably withheld or delayed);
- (b) hold in trust, not intermingle with any other assets of Vendor and immediately remit to Purchaser, within one (1) business day of receipt thereof, any portion of the Refunds received by Vendor;
- (c) fully co-operate with Purchaser respecting the collection of the Refunds;
- (d) not consent or agree to any modification of the Tax Credit Entitlements without the prior written consent of Purchaser (such consent not to be unreasonably withheld or delayed);
- (e) execute all documents and do all things which Purchaser, acting reasonably, from time to time, deems necessary or desirable in connection with this Agreement including, without limitation, the execution of directions to CRA to make payment of the Refunds to Purchaser or to forward such payment to an account (controlled by Purchaser) or address designated by Purchaser from time to time;
- (f) not revise or revoke any directions to CRA without the prior written approval of Purchaser;
- (g) observe and conform to all laws and all valid requirements of any governmental authority with respect to all or any part of its business and the Tax Credit Entitlements;

- (h) remit when due any and all taxes, withholdings and other charges due to any governmental authority (including employee source deductions, EHT, PST, HST, etc.) and advise Purchaser in writing of any arrears within twenty (20) days of the applicable due dates;
- (i) defend the Tax Credit Entitlements against claims and demands of all other parties claiming to have an interest therein, and not create or suffer or permit to be created or levied upon the Tax Credit Entitlements or any part thereof any charge, lien, encumbrance, execution, sequestration, extent or analogous process;
- (j) keep proper books and records with respect to the Tax Credit Entitlements and, permit Purchaser, by its officers or agents, upon reasonable notice, to enter the premises of Vendor and inspect and make copies of such books and records from time to time during Vendor's normal business hours or such other time as the parties may mutually agree;
- (k) provide Purchaser with such financial and other information as Purchaser may reasonably request, from time to time;
- (l) pay all reasonable costs incurred by Purchaser, including legal fees, professional fees, search and registration fees etc. in respect of negotiating and completing the transaction provided for in this agreement and all related security, any ongoing charges incurred in maintaining or reviewing the Tax Credit Entitlements or the security requirements of Purchaser, and the costs of any discharges.

9. **Power of Attorney:** Vendor hereby irrevocably appoints Purchaser as its attorney to execute (including the power to execute under the seal of Vendor) and deliver in Vendor's name all deeds, instruments or other documents that Purchaser may consider necessary or advisable in order to perfect Purchaser's title to the Tax Credit Entitlements, and Purchaser may supply any endorsement to any cheque or other instrument relating to the Tax Credit Entitlements or to the Refunds in order to obtain payment therefor, and that power of attorney shall be deemed to be coupled with an interest.

10. **Events of Default:** The happening of any of the following events or conditions shall constitute default under this Agreement (each an "Event of Default"):

- (a) any material adverse change in events or circumstances relating to the current or previous tax returns of Vendor, or to the Tax Credit Entitlements;
- (b) any default under any agreement by Vendor in favour of Purchaser or under any agreement by any other person in favour of Purchaser respecting debts and obligations of Vendor;
- (c) any material default by Vendor of its obligations to any third party, which default

could reasonably be expected to cause a material adverse change in the financial conditions, operations or ownership of Vendor;

- (d) any material adverse change in financial conditions, operations or ownership of Vendor;
- (e) the failure of Vendor to observe or perform any obligation, covenant, term, or provision contained in this Agreement and such failure having not been remedied by Vendor with five (5) days of having been given notice thereof;
- (f) Purchaser not being in receipt of the Refunds for the full amount of those Tax Credit Entitlements identified in Part I of annexed Schedule "A" by June 30, 2012;
- (g) Purchaser not being in receipt of the Refunds for the full amount of those Tax Credit Entitlements identified in Part II of annexed Schedule "A" by November 15, 2012;
- (h) the actual amount of the Refunds received by Purchaser being less than the Purchaser Entitlement.

11. Indemnity by Vendor: Vendor hereby forever indemnifies and holds harmless Purchaser from and against all liabilities, debts, costs (including solicitors costs on a solicitor and its own client basis) and expenses incurred or which Purchaser may incur due to:

- (a) exercising its rights hereunder (including without limitation collecting the Refunds or the Repurchase Price); or
- (b) its execution, delivery or performance of this Agreement.

12. Non-Assignable Rights: Nothing in this Agreement shall be construed as an assignment of, or an attempt to assign to Purchaser any right or entitlement which would otherwise be part of the Tax Credit Entitlements and which, as a matter of law is either not assignable or not assignable without the approval or consent of a government authority (collectively, "**Non-Assignable Rights**"). In connection with Non-Assignable Rights, Vendor shall, at its own expense:

- (a) co-operate with Purchaser in any reasonable and lawful arrangements designed to provide the benefits of such Non-Assignable Rights to Purchaser, including without limitation, holding any such Non-Assignable Rights in trust for Purchaser or acting as agent for Purchaser;
- (b) enforce any rights of Vendor arising from such Non-Assignable Rights against the applicable government authority;
- (c) take all such actions and do or cause to be done all such things at the request of Purchaser as shall reasonably be necessary and proper in order that the value of any

Non-Assignable Rights shall be preserved and shall enure fully to the benefit of Purchaser; and

- (d) pay over to Purchaser all monies collected by or paid to Vendor in respect of such Non-Assignable Rights.

If Vendor is unable to lawfully provide to Purchaser the benefit of any Non-Assignable Right, Vendor shall not use any such Non-Assignable Right for its own purposes or assign the benefit thereof to any other person.

13. Notice: Any notice, instruction or document required or permitted to be given or served by this Agreement or by law may be given personally or by telecopier or by prepaid courier or registered mail to the intended recipient at its address as set out in this Agreement and any party may by notice given in accordance with this section change its address for the purposes of this section. Any notice shall be deemed (in the absence of evidence of prior receipt) to have been received by the intended recipient the same day if personally served, the next business day if sent by telecopier transmission or by courier, and on the fifth (5th) business day next following where sent by registered mail.

14. General:

- (a) This Agreement (including Schedule "A" annexed hereto) constitutes the entire agreement between the parties hereto with respect to all matters herein, and its execution has not been induced by, nor do any of the parties hereto rely upon or regard as material, any representations, warranties or promises whatsoever not incorporated herein or made a part hereof.
- (b) This Agreement shall not be deemed to be, or construed as having been, amended as a result of any oral communication between the parties or as a result of any practice of the parties. All amendments shall be in writing and signed by the party or parties to be bound thereby but may be executed in separate counterparts and delivered by telecopy transmission.
- (c) Section headings contained herein are included solely for convenience of reference, are not intended to be full or accurate descriptions of the contents thereof and shall not be considered part of this Agreement.
- (d) Time shall be the essence hereof.
- (e) Any provision of this Agreement which is illegal, prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such illegality, prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

- (f) If two or more individuals or corporations (or any combination of two or more thereof) are named above and execute this Agreement as Vendor, the liability of such parties under this Agreement shall be joint and several and this Agreement shall be interpreted to reflect multiple parties being named and executing this Agreement as Vendor and selling their interests in the respective Tax Credit Entitlements and Refunds.
- (g) This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.
- (h) This Agreement may be executed by the parties in separate counterparts and delivered by telecopy or other means of electronic transmission, each of which when so executed and delivered shall be deemed to be an original and all such counterparts shall together constitute one and the same instrument.

SIGNED, SEALED AND DELIVERED as of the 6th day of March, 2012.

**PCAS PATIENT CARE AUTOMATION
SERVICES INC.**

(Vendor)

By: *Dana Tunks*

Name: *Dana Tunks*

Title: *CFO*
(Authorized Signing Officer)

2163279 ONTARIO INC.

(Vendor)

By: *Dana Tunks*

Name: *Dana Tunks*

Title: *CFO*
(Authorized Signing Officer)

Accepted and agreed to by CASTCAN INVESTMENTS INC., IN TRUST this 6th day of March, 2012.

CASTCAN INVESTMENTS INC., IN TRUST
(Purchaser)

By: *Paul Sarkara*

Name: *Paul Sarkara*

Title: *ASO*

SCHEDULE "A"

TAX CREDIT ENTITLEMENTS

PART I

2009 / 2010 SRED / ITC
claim

2009

Federal	480,021	see CRA letter dated July 21, 2011 - table on page 1
Provincial	<u>169,568</u>	and Deloitte's letter of March 6, 2012 - page 1
Total	649,589	
cash received	<u>406,248</u>	
	<u>243,341</u>	

2010

Federal	380,931	see Deloitte's letter of March 6, 2012 - page 1
Provincial	<u>120,931</u>	
Total	<u>501,862</u>	

RBC
loan

408,374	see SRED recovery letter dated October 24, 2011
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HST Credits

2012	160,085	see HST filing for PCAS
2011 Touchpoint	441,680	see HST filing for TouchPoint

Total Part 1

938,594

PART
II

2011 SRED / ITC claim

Federal	265,438
Provincial	<u>84,266</u>
Total	<u>349,704</u>

see Deloitte's letter of March 6, 2012 - page 2 bullet
7

see Deloitte's letter of March 6, 2012 - page 2 bullet
7

Total Part 2 349,704

Total 1,288,298

Total Tax Credit Entitlement of Purchaser = Part I Tax Credit
Entitlement + Part II Tax Credit Entitlement = 1,288,298.



TAB O

Attached is Exhibit "O" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 22nd day of March, 2012

Puneet Soni

Commissioner for taking Affidavits, etc

GENERAL SECURITY AGREEMENT

1. SECURITY INTEREST

1.01 For value received, the undersigned PCAS PATIENT CARE AUTOMATION SERVICES INC., a corporation incorporated under the federal laws of Canada (the "**Debtor**"), hereby grants to CASTCAN INVESTMENTS INC., IN TRUST (the "**Creditor**"), by way of mortgage, charge, assignment and transfer, a security interest (the "**Security Interest**") in the undertaking of the Debtor and in all of the Debtor's present and after acquired personal property including, without limitation, in all Goods (including all parts, accessories, attachments, special tools, additions and accessions thereto), Accounts, Chattel Paper, Documents of Title (whether negotiable or not), Equipment, Instruments, Intangibles, Inventory, Money and Securities now owned or hereafter owned or acquired by or on behalf of the Debtor or in which the Debtor has any right, title or interest whatsoever or wheresoever (including such as may be returned to or repossessed by the Debtor) and in all Proceeds and renewals thereof, accretions thereto and substitutions therefor (the "**Collateral**"), and including, without limitation, all of the following now owned or hereafter owned or acquired by or on behalf of the Debtor:

- (a) all Inventory of whatever kind and wherever situate;
- (b) all Equipment (other than Inventory) of whatever kind and wherever situate, including, without limitation, all machinery, tools, apparatus, plant, furniture, fixtures and vehicles of whatsoever nature or kind;
- (c) all Accounts and book debts and generally all debts, dues, claims, choses in action and demands of every nature and kind howsoever arising or secured including guarantees, indemnities, letters of credit and advices of credit, which are now due, owing or accruing or growing due to or owned by or which may hereafter become due, owing or accruing or growing due to or owned by the Debtor (hereinafter collectively called "**Debts**");
- (d) all deeds, documents, writings, papers, books of account and other books relating to or being records of Debts, Chattel Paper or Documents of Title or by which such are or may hereafter be secured, evidenced, acknowledged or made payable;
- (e) all contractual rights, licenses and insurance claims and all goodwill, patents, trademarks, copyrights, and other intellectual property and industrial property and any rights of renewal or extension thereof;
- (f) all monies other than trust monies lawfully belonging to others; and
- (g) all property described in any schedule now or hereafter annexed hereto.

1.02 The Security Interest granted hereby shall not extend or apply to and the Collateral shall not include the last day of the term of any lease or agreement therefor but upon the enforcement of the Security Interest the Debtor shall stand possessed of such last day in trust to assign the same to any person acquiring such term, including, without limitation, the Creditor.

1.03 The terms "Accessions", "Account", "Chattel Paper", "Document of Title", "Equipment", "Goods", "Instrument", "Intangible", "Inventory", "Money", "Personal Property", "Proceeds" and "Security" whenever used herein shall be interpreted pursuant to their respective meanings when used in the *Personal Property Security Act* of Ontario, as amended from time to time, which Act, including amendments thereto and any Act substituted therefor and amendments thereto is herein referred to as the "P.P.S.A.". Provided always that the term "Goods" when used herein shall not include "Consumer Goods" of the Debtor as that term is defined in the P.P.S.A., and the term "Inventory" when used herein shall include livestock and the young thereof after conception, crops that become growing crops, fish after they are caught, minerals or hydrocarbons after they are extracted and timber after it is cut. Any reference herein to the "Collateral" shall, unless the context otherwise requires, be deemed a reference to the "Collateral or any part thereof".

2. INDEBTEDNESS SECURED

2.01 The Security Interest granted hereby secures payment and performance of any and all obligations, indebtedness and liability of the Debtor to the Creditor (including, without limitation, interest thereon) present or future, direct or indirect, absolute or contingent, matured or not, extended or renewed, wheresoever and howsoever incurred and any ultimate unpaid balance thereof and whether the same is at any time and from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again and whether the Debtor be bound alone or with another or others and whether as principal or surety (hereinafter collectively called the "Indebtedness"). For greater certainty, the Indebtedness includes, without limitation, all obligations, indebtedness and liability of the Debtor to those for and on behalf of whom Castcan Investments Inc. may now or hereafter hold interests in a certain SR&ED/OITC/HST Purchase Agreement between the Debtor and 2163279 Ontario Inc. and the Creditor dated even date herewith and the transaction provided for therein. If the Security Interest in the Collateral is not sufficient, in the event of default, to satisfy all Indebtedness of the Debtor, the Debtor acknowledges and agrees that the Debtor shall continue to be liable for any Indebtedness remaining outstanding and the Creditor shall be entitled to pursue full payment thereof.

3. REPRESENTATIONS AND WARRANTIES OF THE DEBTOR

3.01 The Debtor represents and warrants and so long as this Security Agreement remains in effect shall be deemed to continuously represent and warrant that:

- (a) the Collateral is genuine and owned by the Debtor free of all security interests, mortgages, liens, claims, charges or other encumbrances (hereinafter collectively called "Encumbrances"), save for the Security Interest and those Encumbrances shown on Schedule "A" hereto or hereafter approved in writing, prior to their creation or assumption, by the Creditor (hereinafter collectively called "Permitted Encumbrances"); provided, that nothing in the foregoing definition of "Permitted Encumbrances" or otherwise in this Agreement (including, without limitation, Schedule "A") shall (i) be construed as evidencing an intention or agreement on the part of the Creditor that the Security Interest or the Indebtedness be or have been

subordinated to any such Permitted Encumbrances or (ii) cause any such subordination to occur.

- (b) to the best of the knowledge, information and belief of the Debtor, (i) each Debt, Chattel Paper and Instrument constituting the Collateral is enforceable in accordance with its terms against the party obligated to pay the same (the "Account Debtor"), and the amount represented by the Debtor to the Creditor from time to time as owing by each Account Debtor or by all Account Debtors will be the correct amount actually and unconditionally owing by such Account Debtor or Account Debtors, except for normal cash discounts where applicable, and (ii) no Account Debtor now has any defence, set off, claims or counterclaim against the Debtor which can be asserted against the Creditor, whether in any proceeding to enforce the Collateral or otherwise; and
- (c) the locations specified in Schedule "B" hereto as to the location of the business operations and records of the Debtor are accurate and complete and, with respect to Goods (including, without limitation, Inventory) constituting the Collateral, the locations specified in Schedule "B" hereto are accurate and complete, save for Goods in transit to such locations and Inventory on lease or consignment; and all fixtures or Goods about to become fixtures and all crops and all oil, gas or other minerals to be extracted and all timber to be cut which forms part of the Collateral will be situate at one of such locations.

4. COVENANTS OF THE DEBTOR

4.01 So long as this Security Agreement remains in effect the Debtor covenants and agrees:

- (a) to defend the Collateral against the claims and demands of all other parties claiming the same or an interest therein; to keep the Collateral free from all Encumbrances, except for the Security Interest and the Permitted Encumbrances; and not to sell, exchange, transfer, assign, lease, or otherwise dispose of the Collateral or any interest therein without the prior written consent of the Creditor; provided always, that, until default, the Debtor may, in the ordinary course of the Debtor's business, sell or lease Inventory and, subject to section 7.01 hereof, use monies available to the Debtor and the Debtor may sell or otherwise dispose of equipment which has become worn out or damaged or otherwise unsuitable for its purpose on condition that the Debtor shall substitute therefor, subject to the Security Interest, property of equal or greater value so that the Collateral shall not thereby be in any way reduced or impaired;
- (b) to notify the Creditor in writing promptly of:
 - (i) any change in the information contained herein or in the Schedules hereto relating to the Debtor, the Debtor's business or the Collateral;
 - (ii) the details of any significant acquisition of Collateral;

- (iii) the details of any claims or litigation affecting the Debtor or the Collateral;
 - (iv) any significant loss of or damage to the Collateral;
 - (v) any material default by any Account Debtor in payment or other performance of its obligations with respect to the Collateral; and
 - (vi) the return to or repossession by the Debtor of the Collateral;
- (c) to keep the Collateral in good order, condition and repair and not to use the Collateral in violation of the provisions of this Security Agreement or any other agreement relating to the Collateral or any policy insuring the Collateral or any applicable statute, law, by-law, rule, regulation or ordinance;
 - (d) to do, execute, acknowledge and deliver such financing statements, financing change statements and further assignments, transfers, documents, acts, matters, information and things (including, without limitation, further schedules hereto) as may be reasonably requested by the Creditor of or with respect to the Collateral in order to give effect to these presents and to pay all costs for searches and filings in connection therewith;
 - (e) to pay all taxes, rates, levies, assessments and other charges of every nature which may be lawfully levied, assessed or imposed against or in respect of the Debtor or the Collateral as and when the same become due and payable;
 - (f) to insure the Collateral for such periods, in such amounts, on such terms and against loss or damage by fire and such other risks as the Creditor shall reasonably direct with loss payable to the Creditor and the Debtor, as insureds, as their respective interests may appear, and to pay all premiums therefor;
 - (g) to prevent the Collateral, save Inventory sold or leased as permitted hereby, from being or becoming an accession to other property not charged by this Security Agreement;
 - (h) to carry on and conduct the business of the Debtor in a proper and efficient manner and so as to protect and preserve the Collateral and to keep, in accordance with generally accepted accounting principles, consistently applied, proper books of account for the Debtor's business as well as accurate and complete records concerning the Collateral, and mark in the manner specified by the Creditor from time to time any and all such records and the Collateral at the Creditor's request so as to indicate the Security Interest; and
 - (i) to deliver to the Creditor from time to time promptly upon request:
 - (i) any Documents of Title, Instruments, Securities and Chattel Paper constituting, representing or relating to the Collateral;

- (ii) all books of account and all records, ledgers, reports, correspondence, schedules, documents, statements, lists and other writings relating to the Collateral for the purpose of inspecting, auditing or copying the same;
- (iii) all financial statements prepared by or for the Debtor regarding the Debtor's business;
- (iv) all policies and certificates of insurance relating to the Collateral; and
- (v) such information concerning the Collateral, the Debtor and the Debtor's business and affairs as the Creditor may reasonably request.

5. USE AND VERIFICATION OF THE COLLATERAL

5.01 Subject to compliance with the Debtor's covenants contained herein and section 7.01 hereof, the Debtor may, until default, possess, operate, collect, use and enjoy and deal with the Collateral in the ordinary course of the Debtor's business in any manner not inconsistent with the provisions hereof; provided always that the Creditor shall have the right at any time and from time to time to verify the existence and state of the Collateral in any manner the Creditor may consider appropriate and the Debtor agrees to furnish all assistance and information and to perform all such acts as the Creditor may reasonably request in connection therewith and for such purpose to grant to the Creditor or its agents access to all places where the Collateral may be located and to all premises occupied by the Debtor.

6. SECURITIES

6.01 If the Collateral at any time includes shares in any affiliates of the Debtor, the Debtor authorizes the Creditor, upon the expiry of 180 days from the date of this Security Agreement without the Indebtedness having been repaid in full, to transfer the same or any part thereof into its own name or that of its nominee(s). If the Collateral at any time includes other Securities (other than shares in any affiliates of the Debtor), the Debtor authorizes the Creditor, upon default, to transfer the same or any part thereof into its own name or that of its nominee(s) so that the Creditor or its nominee(s) may appear of record as the sole owner thereof. After any transfer as aforesaid, the Debtor waives all right to receive any notices or communications received by the Creditor or its nominee(s) as such registered owner. Subject to the foregoing, upon the request of the Creditor, the Debtor will instruct the issuer, clearing agency, custodian or nominee to make an entry in its records of the Creditor's security interest in the Securities so as to effect delivery to and possession by the Creditor of those securities.

7. COLLECTION OF DEBTS

7.01 Before or after default under this Security Agreement, the Creditor may notify all or any Account Debtors of the Security Interest and may also direct such Account Debtors to make all payments on the Collateral to the Creditor. The Debtor acknowledges that any payments on or other proceeds of the Collateral received by the Debtor from Account Debtors, whether before or after notification of this Security Interest to Account Debtors and whether before or after default under this Security Agreement, shall be received and held by the Debtor in trust for the Creditor and shall be turned over to the Creditor upon request.

8. INCOME FROM AND INTEREST ON THE COLLATERAL

8.01 Until default, the Debtor reserves the right to receive any monies constituting income from or interest on the Collateral and if the Creditor receives any such monies prior to default, the Creditor shall either credit same against the Indebtedness or pay the same promptly to the Debtor.

8.02 After default, the Debtor will not request or receive any monies constituting income from or interest on the Collateral and if the Debtor receives any such monies without any request by it, the Debtor will pay the same promptly to the Creditor.

9. INCREASES, PROFITS, PAYMENTS OR DISTRIBUTIONS

9.01 Whether or not default has occurred, the Debtor authorizes the Creditor:

- (a) to receive any increase in or profits on the Collateral (other than money) and to hold the same as part of the Collateral. Money so received shall be treated as income for the purposes of sections 8.01 and 8.02 hereof and dealt with accordingly; and
- (b) to receive any payment or distribution upon redemption or retirement or upon dissolution and liquidation of the issuer of the Collateral; to surrender such Collateral in exchange therefor; and to hold any such payment or distribution as part of the Collateral.

9.02 If the Debtor receives any such increase or profits (other than money) or payments or distributions, the Debtor will deliver the same promptly to the Creditor to be held by the Creditor as herein provided.

10. DISPOSITION OF MONIES

10.01 Subject to any applicable mandatory requirements of the P.P.S.A., all monies collected or received by the Creditor pursuant to or in exercise of any right it possesses with respect to the Collateral shall be applied or reapplied on account of the Indebtedness in such manner as the Creditor deems best in its sole discretion or, at the opinion of the Creditor, may be held unappropriated in a collateral account or released to the Debtor, all without prejudice to the liability of the Debtor or the rights of the Creditor hereunder, and any surplus shall be accounted for as required by law.

11. EVENTS OF DEFAULT

11.01 The happening of any of the following events or conditions shall constitute default hereunder which is herein referred to as "default":

- (a) the non-payment when due, whether by acceleration or otherwise, of any principal or interest forming part of the Indebtedness or the failure of the Debtor to observe or perform any obligation, covenant, term, provision or condition contained in this Security Agreement or any other agreement between the Debtor and the Creditor;
- (b) the death of or a declaration of incompetency by a court of competent jurisdiction with respect to the Debtor, if an individual;
- (c) the bankruptcy or insolvency of the Debtor; the filing against the Debtor of a petition in bankruptcy; the making of an authorized assignment or proposal for the benefit of creditors by the Debtor; the appointment of a receiver or trustee for the Debtor or for any assets of the Debtor; or the institution by or against the Debtor of any other type of insolvency proceeding under the *Bankruptcy and Insolvency Act* or otherwise;
- (d) the institution by or against the Debtor of any formal or informal proceeding for the dissolution or liquidation of, settlement of claims against or winding up of affairs of the Debtor;
- (e) if any Encumbrance affecting the Collateral becomes enforceable against the Collateral;
- (f) if the Debtor ceases or threatens to cease to carry on business or makes or agrees to make a bulk sale of assets without complying with applicable law or commits or threatens to commit an act of bankruptcy;
- (g) if any execution, sequestration, extent or other process of any court becomes enforceable against the Debtor or if a distress or analogous process is levied upon the assets of the Debtor or any part thereof; or
- (h) if any certificate, statement, representation, warranty or audit report heretofore or hereafter furnished by or on behalf of the Debtor pursuant to or in connection with this Security Agreement, or otherwise (including, without limitation, the representations and warranties contained herein) or as an inducement to the Creditor to extend any credit to or to enter into this or any other agreement with the Debtor, proves to have been false or inaccurate in any material respect at the time as of which the facts therein set forth were stated or certified, or proves to have omitted any substantial contingent or unliquidated liability or claim against the Debtor; or if upon the date of execution of this Security Agreement, there shall have been any material adverse change in any of the facts disclosed by any such certificate, representation, statement, warranty or audit report, which change shall not have been disclosed to the Creditor at or prior to the time of such execution.

12. ACCELERATION

12.01 The Creditor, in its sole discretion, may declare all or any part of the Indebtedness which is not by its terms payable on demand to be immediately due and payable, without demand or notice of any kind, in the event of default, or, if the Creditor in good faith believes and has commercially reasonable grounds to believe that a material adverse change has occurred in the financial and business position of the Debtor. The provisions of this section 12.01 are not intended in any way to affect any right of the Creditor with respect to Indebtedness which may now or hereafter be payable on demand.

13. REMEDIES

13.01 Upon default, the Creditor may appoint or reappoint by instrument in writing, any person or persons, whether an officer or officers or an employee or employees of the Creditor or not, to be a receiver or receivers (hereinafter called a "Receiver", which term when used herein shall include a receiver and manager) of the Collateral (including any interest, income or profits therefrom) and may remove any Receiver so appointed and appoint another in his stead. Any such Receiver shall, so far as concerns responsibility for his acts, be deemed the agent of the Debtor and not the Creditor, and the Creditor shall not be in any way responsible for any misconduct, negligence, or non-feasance on the part of any such Receiver, his servants, agents or employees. Subject to the provisions of the instrument appointing him, any such Receiver shall have power to take possession of the Collateral, to preserve the Collateral or its value, to carry on or concur in carrying on all or any part of the business of the Debtor and to sell, lease or otherwise dispose of or concur in selling, leasing or otherwise disposing of the Collateral. To facilitate the foregoing powers, any such Receiver may, to the exclusion of all others, including the Debtor, enter upon by peaceable or forcible means at any time of the day or night, use and occupy all premises owned or occupied by the Debtor wherein the Collateral may be situate, maintain the Collateral upon such premises, borrow money on a secured or unsecured basis and use the Collateral directly in carrying on the Debtor's business or as security for loans or advances to enable him to carry on the Debtor's business or otherwise, as such Receiver shall, in his discretion, determine. Except as may be otherwise directed by the Creditor, all monies received from time to time by such Receiver in carrying out his appointment shall be received in trust for and paid over to the Creditor. Every such Receiver may, in the discretion of the Creditor, be vested with all or any of the rights and powers of the Creditor.

13.02 Upon default, the Creditor may, either directly or through its agents or nominees, exercise all the powers and rights given to a Receiver by virtue of section 13.01 hereof.

13.03 The Creditor may take possession of, collect, demand, sue on, enforce, recover and receive the Collateral and give valid and binding receipts and discharges therefor and in respect thereof and, upon default, the Creditor may sell, lease or otherwise dispose of the Collateral in such manner, at such time or times and place or places, for such consideration and upon such terms and conditions as to the Creditor may seem reasonable.

13.04 In addition to those rights granted herein and in any other agreement now or hereafter in effect between the Debtor and the Creditor and in addition to any other rights the Creditor may

have at law or in equity, the Creditor shall have, both before and after default, all rights and remedies of a secured party under the P.P.S.A. Provided always, that the Creditor shall not be liable or accountable for any failure to exercise its remedies, take possession of, collect, enforce, realize, sell, lease or otherwise dispose of the Collateral or to institute any proceedings for such purposes. Furthermore, the Creditor shall have no obligation to take any steps to preserve rights against prior parties to any Instrument or Chattel Paper, whether Collateral or Proceeds and whether or not in the Creditor's possession, and shall not be liable or accountable for failure to do so.

13.05 The Debtor acknowledges that the Creditor or any Receiver appointed by it may take possession of the Collateral wherever it may be located and by any method permitted by law and the Debtor agrees upon request from the Creditor or any such Receiver to assemble and deliver possession of the Collateral at such place or places as directed.

13.06 In the event of default, the Debtor agrees to pay all costs, charges and expenses reasonably incurred by the Creditor or any Receiver appointed by it, whether directly or for services rendered (including reasonable solicitors and auditors costs, other legal expenses and Receiver remuneration), in operating the Debtor's accounts, in enforcing this Security Agreement, taking and maintaining custody of, preserving, repairing, processing, preparing for dispositions and disposing of the Collateral and in enforcing or collecting indebtedness and all such costs, charges and expenses together with any monies owing as a result of any borrowing by the Creditor or any Receiver appointed by it, as permitted hereby, shall be a first charge on the proceeds of realization, collection or disposition of the Collateral and shall be secured hereby.

13.07 Unless the Collateral in question is perishable, the Creditor believes on reasonable grounds that the Collateral in question will decline speedily in value, the Collateral in question is of the type customarily sold on a recognized market, the cost and storage of the Collateral is disproportionately large relative to its value or a court of competent jurisdiction orders otherwise, the Creditor will give the Debtor such notice, if any, of the date, time and place of any public sale or of the date after which any private disposition of the Collateral is to be made, as may be required by the P.P.S.A.

14. MISCELLANEOUS

14.01 The Debtor hereby authorizes the Creditor to file such financing statements, financing change statements and other documents and do such acts, matters and things (including completing and adding schedules hereto identifying the Collateral or any permitted Encumbrances affecting the Collateral or identifying the locations at which the Debtor's business is carried on and the Collateral and records relating thereto are situate) as the Creditor may deem appropriate to perfect on an ongoing basis and continue the Security Interest, to protect and preserve the Collateral and to realize upon the Security Interest and the Debtor hereby irrevocably constitutes and appoints any officer or director from time to time of the Creditor the true and lawful attorney of the Debtor, with full power of substitution, to do any of the foregoing in the name of the Debtor whenever and wherever it may be deemed necessary or expedient.

14.02 Without limiting any other right of the Creditor, whenever Indebtedness is immediately due and payable or the Creditor has the right to declare Indebtedness to be immediately

due and payable (whether or not it has so declared), the Creditor may, in its sole discretion, set off against such Indebtedness any and all monies then owed to the Debtor by the Creditor in any capacity, whether or not due, and the Creditor shall be deemed to have exercised such right of setoff immediately at the time of making its decision to do so even though any charge therefor is made or entered on the Creditor's records subsequent thereto.

14.03 Upon the Debtor's failure to perform any of its duties hereunder, the Creditor may, but shall not be obligated to, perform any or all of such duties, and the Debtor shall pay to the Creditor, forthwith upon written demand therefor, an amount equal to the expense incurred by the Creditor in so doing plus interest thereon from the date such expense is incurred until it is paid at the rate of 30% per annum.

14.04 The Creditor may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle, grant releases and discharges and otherwise deal with the Debtor, debtors of the Debtor, sureties and others and with the Collateral and other security as the Creditor may see fit without prejudice to the liability of the Debtor or the Creditor's right to hold and realize the Security Interest. Furthermore, after default, the Creditor may demand, collect and sue on the Collateral in either the Debtor's or the Creditor's name, at the Creditor's option, and may endorse the Debtor's name on any and all cheques, commercial paper, and any other Instruments pertaining to or constituting the Collateral.

14.05 No delay or omission by the Creditor in exercising any right or remedy hereunder or with respect to any Indebtedness shall operate as a waiver thereof or of any other right or remedy, and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right or remedy. Furthermore, the Creditor may remedy any default by the Debtor hereunder or with respect to any Indebtedness in any reasonable manner without waiving the default remedied and without waiving any other prior or subsequent default by the Debtor. All rights and remedies of the Creditor granted or recognized herein are cumulative and may be exercised at any time and from time to time independently or in combination.

14.06 The Debtor waives protest, notice of protest, notice of presentment and notice of dishonour of any Instrument constituting the Collateral at any time held by the Creditor on which the Debtor is in any way liable and subject to section 13.07 hereof, notice of any other action taken by the Creditor.

14.07 This Security Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, personal legal representatives, successors and assigns. In any action brought by an assignee of this Security Agreement and the Security Interest or any part thereof to enforce any rights hereunder, the Debtor shall not assert against the assignee any claim or defence which the Debtor now has or hereafter may have against the Creditor. If more than one Debtor executes this Security Agreement the obligations of such Debtors hereunder shall be joint and several.

14.08 Save for any schedules which may be added hereto pursuant to the provisions hereof, no modification, variation or amendment of any provision of this Security Agreement shall be made

except by a written agreement, executed by the parties hereto and no waiver of any provision hereof shall be effective unless in writing.

14.09 Subject to the requirements of section 13.07 hereof, whenever either party hereto is required or entitled to notify or direct the other or to make a demand or request upon the other, such notice, direction, demand or request shall be in writing and shall be sufficiently given if delivered by mail to the party for whom it is intended at the last known address of such party or if sent by prepaid registered mail addressed to the party for whom it is intended at the last known address of such party. Either party may notify the other pursuant hereto of any change in such party's address to be used for the purposes hereof.

14.10 This Security Agreement and the security created hereby is in addition to and not in substitution for any other security now or hereafter held by the Creditor and is, and is intended to be, a continuing Security Agreement and shall remain in full force and effect until all Indebtedness contracted for or created, and any extensions or renewals thereof, together with interest accruing thereon shall be paid in full and this Security Agreement is discharged. If all of the Indebtedness has been paid and satisfied and the Debtor has otherwise observed and performed all of its obligations under this Security Agreement and is not then in default hereunder, then the Creditor shall at the request and expense of the Debtor release and discharge the Security Interest and execute and deliver such deeds and other instruments as shall be requisite therefor.

14.11 The headings used in this Security Agreement are for convenience only and are not to be considered a part of this Security Agreement and do not in any way limit or amplify the terms and provisions of this Security Agreement.

14.12 When the context so requires, the singular number shall be read as if the plural were expressed and the provisions hereof shall be read with all grammatical changes necessary dependant upon the person referred to being a male, female, firm or corporation.

14.13 In the event any provisions of this Security Agreement, as amended from time to time, shall be deemed invalid or void, in whole or in part, by any Court of competent jurisdiction, the remaining terms and provisions of this Security Agreement shall remain in full force and effect.

14.14 Nothing herein contained shall in any way obligate the Creditor to grant, continue, renew, extend time for payment of or accept anything which constitutes or would constitute Indebtedness.

14.15 The Security Interest created hereby shall attach when this Security Agreement is signed by the Debtor and delivered to the Creditor. The Debtor and the Creditor acknowledge that value has been given and the Debtor has rights in the Collateral.

14.16 The Debtor acknowledges and agrees that in the event it amalgamates with any other company or companies it is the intention of the parties hereto that the term "**Debtor**" when used herein shall apply to each of the amalgamating companies and to the amalgamated company, such that the Security Interest granted hereby:

- (a) shall extend to "**Collateral**" (as that term is herein defined) owned by each of the amalgamating companies and the amalgamated company at the time of amalgamation and to any "**Collateral**" thereafter owned or acquired by the amalgamated company; and
- (b) shall secure the "**Indebtedness**" (as that term is herein defined) of each of the amalgamating companies and the amalgamated company to the Creditor at the time of amalgamation and any "**Indebtedness**" of the amalgamated company to the Creditor thereafter arising. The Security Interest shall attach to "**Collateral**" owned by each company amalgamating with the Debtor, and by the amalgamated company, at the time of amalgamation, and shall attach to any "**Collateral**" thereafter owned or acquired by the amalgamated company when such becomes owned or is acquired.

14.17 This Security Agreement and the transactions evidenced hereby shall be governed by and construed in accordance with the laws of the Province of Ontario as the same may from time to time be in effect, including, where applicable, the P.P.S.A.

15. COPY OF AGREEMENT

15.01 The Debtor hereby acknowledges receipt of a copy of this Security Agreement and all financing statements in respect hereof. In the event that the Creditor pays to the Debtor any penalties pursuant to subsection 46(7) of the P.P.S.A. then the Debtor shall indemnify and hold harmless the Creditor from all costs, expenses, penalties or charges arising in connection with any action by or on behalf of the Debtor pursuant to subsection 46(7) of the P.P.S.A.

IN WITNESS WHEREOF the Debtor has executed this Security Agreement as of the 6th day of March, 2012.

**PCAS PATIENT CARE AUTOMATION
SERVICES INC.**

By: Dana Tunks c/s
 Name: Dana Tunks
 Title: cfo
 (Authorized Signing Officer)

SCHEDULE "A"
to the foregoing General Security Agreement

Encumbrances

Security interests perfected by registration under P.P.S.A. as of the date of the foregoing General Security Agreement under the following:

1. File number 675318627 in favour of GE VFS Canada Limited Partnership;
2. File number 674595342 in favour of Royal Bank of Canada;
3. File number 666667611 in favour of IBM Canada Limited; and
4. File number 642941379 in favour of Kohl & Frisch Limited.

SCHEDULE "B"
to the foregoing General Security Agreement

1. **Business Locations**

2880 Brighton Road, Unit 2, Oakville, Ontario L6H 5S3.

2. **Location of Records relating to Collateral**

2880 Brighton Road, Unit 2, Oakville, Ontario L6H 5S3.

3. **Locations of Collateral**

2880 Brighton Road, Unit 2, Oakville, Ontario L6H 5S3.

TAB P

Attached is Exhibit "P" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 22nd day of March, 2012

Puneet Soni

Commissioner for taking Affidavits, etc

GENERAL SECURITY AGREEMENT

1. SECURITY INTEREST

1.01 For value received, the undersigned 2163279 ONTARIO INC., a corporation incorporated under the laws of the Province of Ontario (the "**Debtor**"), hereby grants to CASTCAN INVESTMENTS INC., IN TRUST (the "**Creditor**"), by way of mortgage, charge, assignment and transfer, a security interest (the "**Security Interest**") in the undertaking of the Debtor and in all of the Debtor's present and after acquired personal property including, without limitation, in all Goods (including all parts, accessories, attachments, special tools, additions and accessions thereto), Accounts, Chattel Paper, Documents of Title (whether negotiable or not), Equipment, Instruments, Intangibles, Inventory, Money and Securities now owned or hereafter owned or acquired by or on behalf of the Debtor or in which the Debtor has any right, title or interest whatsoever or wheresoever (including such as may be returned to or repossessed by the Debtor) and in all Proceeds and renewals thereof, accretions thereto and substitutions therefor (the "**Collateral**"), and including, without limitation, all of the following now owned or hereafter owned or acquired by or on behalf of the Debtor:

- (a) all Inventory of whatever kind and wherever situate;
- (b) all Equipment (other than Inventory) of whatever kind and wherever situate, including, without limitation, all machinery, tools, apparatus, plant, furniture, fixtures and vehicles of whatsoever nature or kind;
- (c) all Accounts and book debts and generally all debts, dues, claims, choses in action and demands of every nature and kind howsoever arising or secured including guarantees, indemnities, letters of credit and advices of credit, which are now due, owing or accruing or growing due to or owned by or which may hereafter become due, owing or accruing or growing due to or owned by the Debtor (hereinafter collectively called "**Debts**");
- (d) all deeds, documents, writings, papers, books of account and other books relating to or being records of Debts, Chattel Paper or Documents of Title or by which such are or may hereafter be secured, evidenced, acknowledged or made payable;
- (e) all contractual rights, licenses and insurance claims and all goodwill, patents, trademarks, copyrights, and other intellectual property and industrial property and any rights of renewal or extension thereof;
- (f) all monies other than trust monies lawfully belonging to others; and
- (g) all property described in any schedule now or hereafter annexed hereto.

1.02 The Security Interest granted hereby shall not extend or apply to and the Collateral shall not include the last day of the term of any lease or agreement therefor but upon the enforcement of the Security Interest the Debtor shall stand possessed of such last day in trust to assign the same to any person acquiring such term, including, without limitation, the Creditor.

1.03 The terms "Accessions", "Account", "Chattel Paper", "Document of Title", "Equipment", "Goods", "Instrument", "Intangible", "Inventory", "Money", "Personal Property", "Proceeds" and "Security" whenever used herein shall be interpreted pursuant to their respective meanings when used in the *Personal Property Security Act* of Ontario, as amended from time to time, which Act, including amendments thereto and any Act substituted therefor and amendments thereto is herein referred to as the "P.P.S.A.". Provided always that the term "Goods" when used herein shall not include "Consumer Goods" of the Debtor as that term is defined in the P.P.S.A., and the term "Inventory" when used herein shall include livestock and the young thereof after conception, crops that become growing crops, fish after they are caught, minerals or hydrocarbons after they are extracted and timber after it is cut. Any reference herein to the "Collateral" shall, unless the context otherwise requires, be deemed a reference to the "Collateral or any part thereof".

2. INDEBTEDNESS SECURED

2.01 The Security Interest granted hereby secures payment and performance of any and all obligations, indebtedness and liability of the Debtor to the Creditor (including, without limitation, interest thereon) present or future, direct or indirect, absolute or contingent, matured or not, extended or renewed, wheresoever and howsoever incurred and any ultimate unpaid balance thereof and whether the same is at any time and from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again and whether the Debtor be bound alone or with another or others and whether as principal or surety (hereinafter collectively called the "Indebtedness"). For greater certainty, the Indebtedness includes, without limitation, all obligations, indebtedness and liability of the Debtor to those for and on behalf of whom Castcan Investments Inc. may now or hereafter hold interests in a certain SR&ED/OITC/HST Purchase Agreement between the Debtor and PCAS Patient Care Automation Services Inc. and the Creditor dated even date herewith and the transaction provided for therein. If the Security Interest in the Collateral is not sufficient, in the event of default, to satisfy all Indebtedness of the Debtor, the Debtor acknowledges and agrees that the Debtor shall continue to be liable for any Indebtedness remaining outstanding and the Creditor shall be entitled to pursue full payment thereof.

3. REPRESENTATIONS AND WARRANTIES OF THE DEBTOR

3.01 The Debtor represents and warrants and so long as this Security Agreement remains in effect shall be deemed to continuously represent and warrant that:

- (a) the Collateral is genuine and owned by the Debtor free of all security interests, mortgages, liens, claims, charges or other encumbrances (hereinafter collectively called "Encumbrances"), save for the Security Interest and those Encumbrances shown on Schedule "A" hereto or hereafter approved in writing, prior to their creation or assumption, by the Creditor (hereinafter collectively called "Permitted Encumbrances"); provided, that nothing in the foregoing definition of "Permitted Encumbrances" or otherwise in this Agreement (including, without limitation, Schedule "A") shall (i) be construed as evidencing an intention or agreement on the part of the Creditor that the Security Interest or the Indebtedness be or have been

1.03 The terms "Accessions", "Account", "Chattel Paper", "Document of Title", "Equipment", "Goods", "Instrument", "Intangible", "Inventory", "Money", "Personal Property", "Proceeds" and "Security" whenever used herein shall be interpreted pursuant to their respective meanings when used in the *Personal Property Security Act* of Ontario, as amended from time to time, which Act, including amendments thereto and any Act substituted therefor and amendments thereto is herein referred to as the "P.P.S.A.". Provided always that the term "Goods" when used herein shall not include "Consumer Goods" of the Debtor as that term is defined in the P.P.S.A., and the term "Inventory" when used herein shall include livestock and the young thereof after conception, crops that become growing crops, fish after they are caught, minerals or hydrocarbons after they are extracted and timber after it is cut. Any reference herein to the "Collateral" shall, unless the context otherwise requires, be deemed a reference to the "Collateral or any part thereof".

2. INDEBTEDNESS SECURED

2.01 The Security Interest granted hereby secures payment and performance of any and all obligations, indebtedness and liability of the Debtor to the Creditor (including, without limitation, interest thereon) present or future, direct or indirect, absolute or contingent, matured or not, extended or renewed, wheresoever and howsoever incurred and any ultimate unpaid balance thereof and whether the same is at any time and from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again and whether the Debtor be bound alone or with another or others and whether as principal or surety (hereinafter collectively called the "Indebtedness"). If the Security Interest in the Collateral is not sufficient, in the event of default, to satisfy all Indebtedness of the Debtor, the Debtor acknowledges and agrees that the Debtor shall continue to be liable for any Indebtedness remaining outstanding and the Creditor shall be entitled to pursue full payment thereof.

3. REPRESENTATIONS AND WARRANTIES OF THE DEBTOR

3.01 The Debtor represents and warrants and so long as this Security Agreement remains in effect shall be deemed to continuously represent and warrant that:

- (a) the Collateral is genuine and owned by the Debtor free of all security interests, mortgages, liens, claims, charges or other encumbrances (hereinafter collectively called "Encumbrances"), save for the Security Interest and those Encumbrances shown on Schedule "A" hereto or hereafter approved in writing, prior to their creation or assumption, by the Creditor (hereinafter collectively called "Permitted Encumbrances"); provided, that nothing in the foregoing definition of "Permitted Encumbrances" or otherwise in this Agreement (including, without limitation, Schedule "A") shall (i) be construed as evidencing an intention or agreement on the part of the Creditor that the Security Interest or the Indebtedness be or have been subordinated to any such Permitted Encumbrances or (ii) cause any such subordination to occur.
- (b) to the best of the knowledge, information and belief of the Debtor, (i) each Debt, Chattel Paper and Instrument constituting the Collateral is enforceable in accordance with its terms against the party obligated to pay the same (the "Account Debtor"),

and the amount represented by the Debtor to the Creditor from time to time as owing by each Account Debtor or by all Account Debtors will be the correct amount actually and unconditionally owing by such Account Debtor or Account Debtors, except for normal cash discounts where applicable, and (ii) no Account Debtor now has any defence, set off, claims or counterclaim against the Debtor which can be asserted against the Creditor, whether in any proceeding to enforce the Collateral or otherwise; and

- (c) the locations specified in Schedule "B" hereto as to the location of the business operations and records of the Debtor are accurate and complete and, with respect to Goods (including, without limitation, Inventory) constituting the Collateral, the locations specified in Schedule "B" hereto are accurate and complete, save for Goods in transit to such locations and Inventory on lease or consignment; and all fixtures or Goods about to become fixtures and all crops and all oil, gas or other minerals to be extracted and all timber to be cut which forms part of the Collateral will be situate at one of such locations.

4. COVENANTS OF THE DEBTOR

4.01 So long as this Security Agreement remains in effect the Debtor covenants and agrees:

- (a) to defend the Collateral against the claims and demands of all other parties claiming the same or an interest therein; to keep the Collateral free from all Encumbrances, except for the Security Interest and the Permitted Encumbrances; and not to sell, exchange, transfer, assign, lease, or otherwise dispose of the Collateral or any interest therein without the prior written consent of the Creditor; provided always, that, until default, the Debtor may, in the ordinary course of the Debtor's business, sell or lease Inventory and, subject to section 7.01 hereof, use monies available to the Debtor and the Debtor may sell or otherwise dispose of equipment which has become worn out or damaged or otherwise unsuitable for its purpose on condition that the Debtor shall substitute therefor, subject to the Security Interest, property of equal or greater value so that the Collateral shall not thereby be in any way reduced or impaired;
- (b) to notify the Creditor in writing promptly of:
 - (i) any change in the information contained herein or in the Schedules hereto relating to the Debtor, the Debtor's business or the Collateral;
 - (ii) the details of any significant acquisition of Collateral;
 - (iii) the details of any claims or litigation affecting the Debtor or the Collateral;
 - (iv) any significant loss of or damage to the Collateral;
 - (v) any material default by any Account Debtor in payment or other performance of its obligations with respect to the Collateral; and

- (vi) the return to or repossession by the Debtor of the Collateral;
- (c) to keep the Collateral in good order, condition and repair and not to use the Collateral in violation of the provisions of this Security Agreement or any other agreement relating to the Collateral or any policy insuring the Collateral or any applicable statute, law, by-law, rule, regulation or ordinance;
- (d) to do, execute, acknowledge and deliver such financing statements, financing change statements and further assignments, transfers, documents, acts, matters, information and things (including, without limitation, further schedules hereto) as may be reasonably requested by the Creditor of or with respect to the Collateral in order to give effect to these presents and to pay all costs for searches and filings in connection therewith;
- (e) to pay all taxes, rates, levies, assessments and other charges of every nature which may be lawfully levied, assessed or imposed against or in respect of the Debtor or the Collateral as and when the same become due and payable;
- (f) to insure the Collateral for such periods, in such amounts, on such terms and against loss or damage by fire and such other risks as the Creditor shall reasonably direct with loss payable to the Creditor and the Debtor, as insureds, as their respective interests may appear, and to pay all premiums therefor;
- (g) to prevent the Collateral, save Inventory sold or leased as permitted hereby, from being or becoming an accession to other property not charged by this Security Agreement;
- (h) to carry on and conduct the business of the Debtor in a proper and efficient manner and so as to protect and preserve the Collateral and to keep, in accordance with generally accepted accounting principles, consistently applied, proper books of account for the Debtor's business as well as accurate and complete records concerning the Collateral, and mark in the manner specified by the Creditor from time to time any and all such records and the Collateral at the Creditor's request so as to indicate the Security Interest; and
- (i) to deliver to the Creditor from time to time promptly upon request:
 - (i) any Documents of Title, Instruments, Securities and Chattel Paper constituting, representing or relating to the Collateral;
 - (ii) all books of account and all records, ledgers, reports, correspondence, schedules, documents, statements, lists and other writings relating to the Collateral for the purpose of inspecting, auditing or copying the same;

- (iii) all financial statements prepared by or for the Debtor regarding the Debtor's business;
- (iv) all policies and certificates of insurance relating to the Collateral; and
- (v) such information concerning the Collateral, the Debtor and the Debtor's business and affairs as the Creditor may reasonably request.

5. USE AND VERIFICATION OF THE COLLATERAL

5.01 Subject to compliance with the Debtor's covenants contained herein and section 7.01 hereof, the Debtor may, until default, possess, operate, collect, use and enjoy and deal with the Collateral in the ordinary course of the Debtor's business in any manner not inconsistent with the provisions hereof; provided always that the Creditor shall have the right at any time and from time to time to verify the existence and state of the Collateral in any manner the Creditor may consider appropriate and the Debtor agrees to furnish all assistance and information and to perform all such acts as the Creditor may reasonably request in connection therewith and for such purpose to grant to the Creditor or its agents access to all places where the Collateral may be located and to all premises occupied by the Debtor.

6. SECURITIES

6.01 If the Collateral at any time includes shares in any affiliates of the Debtor, the Debtor authorizes the Creditor, upon the expiry of 180 days from the date of this Security Agreement without the Indebtedness having been repaid in full, to transfer the same or any part thereof into its own name or that of its nominee(s). If the Collateral at any time includes other Securities (other than shares in any affiliates of the Debtor), the Debtor authorizes the Creditor, upon default, to transfer the same or any part thereof into its own name or that of its nominee(s) so that the Creditor or its nominee(s) may appear of record as the sole owner thereof. After any transfer as aforesaid, the Debtor waives all right to receive any notices or communications received by the Creditor or its nominee(s) as such registered owner. Subject to the foregoing, upon the request of the Creditor, the Debtor will instruct the issuer, clearing agency, custodian or nominee to make an entry in its records of the Creditor's security interest in the Securities so as to effect delivery to and possession by the Creditor of those securities.

7. COLLECTION OF DEBTS

7.01 Before or after default under this Security Agreement, the Creditor may notify all or any Account Debtors of the Security Interest and may also direct such Account Debtors to make all payments on the Collateral to the Creditor. The Debtor acknowledges that any payments on or other proceeds of the Collateral received by the Debtor from Account Debtors, whether before or after notification of this Security Interest to Account Debtors and whether before or after default under this Security Agreement, shall be received and held by the Debtor in trust for the Creditor and shall be turned over to the Creditor upon request.

8. INCOME FROM AND INTEREST ON THE COLLATERAL

8.01 Until default, the Debtor reserves the right to receive any monies constituting income from or interest on the Collateral and if the Creditor receives any such monies prior to default, the Creditor shall either credit same against the Indebtedness or pay the same promptly to the Debtor.

8.02 After default, the Debtor will not request or receive any monies constituting income from or interest on the Collateral and if the Debtor receives any such monies without any request by it, the Debtor will pay the same promptly to the Creditor.

9. INCREASES, PROFITS, PAYMENTS OR DISTRIBUTIONS

9.01 Whether or not default has occurred, the Debtor authorizes the Creditor:

- (a) to receive any increase in or profits on the Collateral (other than money) and to hold the same as part of the Collateral. Money so received shall be treated as income for the purposes of sections 8.01 and 8.02 hereof and dealt with accordingly; and
- (b) to receive any payment or distribution upon redemption or retirement or upon dissolution and liquidation of the issuer of the Collateral; to surrender such Collateral in exchange therefor; and to hold any such payment or distribution as part of the Collateral.

9.02 If the Debtor receives any such increase or profits (other than money) or payments or distributions, the Debtor will deliver the same promptly to the Creditor to be held by the Creditor as herein provided.

10. DISPOSITION OF MONIES

10.01 Subject to any applicable mandatory requirements of the P.P.S.A., all monies collected or received by the Creditor pursuant to or in exercise of any right it possesses with respect to the Collateral shall be applied or reapplied on account of the Indebtedness in such manner as the Creditor deems best in its sole discretion or, at the opinion of the Creditor, may be held unappropriated in a collateral account or released to the Debtor, all without prejudice to the liability of the Debtor or the rights of the Creditor hereunder, and any surplus shall be accounted for as required by law.

11. EVENTS OF DEFAULT

11.01 The happening of any of the following events or conditions shall constitute default hereunder which is herein referred to as "default":

- (a) the non-payment when due, whether by acceleration or otherwise, of any principal or interest forming part of the Indebtedness or the failure of the Debtor to observe or perform any obligation, covenant, term, provision or condition contained in this Security Agreement or any other agreement between the Debtor and the Creditor;

- (b) the death of or a declaration of incompetency by a court of competent jurisdiction with respect to the Debtor, if an individual;
- (c) the bankruptcy or insolvency of the Debtor; the filing against the Debtor of a petition in bankruptcy; the making of an authorized assignment or proposal for the benefit of creditors by the Debtor; the appointment of a receiver or trustee for the Debtor or for any assets of the Debtor; or the institution by or against the Debtor of any other type of insolvency proceeding under the *Bankruptcy and Insolvency Act* or otherwise;
- (d) the institution by or against the Debtor of any formal or informal proceeding for the dissolution or liquidation of, settlement of claims against or winding up of affairs of the Debtor;
- (e) if any Encumbrance affecting the Collateral becomes enforceable against the Collateral;
- (f) if the Debtor ceases or threatens to cease to carry on business or makes or agrees to make a bulk sale of assets without complying with applicable law or commits or threatens to commit an act of bankruptcy;
- (g) if any execution, sequestration, extent or other process of any court becomes enforceable against the Debtor or if a distress or analogous process is levied upon the assets of the Debtor or any part thereof; or
- (h) if any certificate, statement, representation, warranty or audit report heretofore or hereafter furnished by or on behalf of the Debtor pursuant to or in connection with this Security Agreement, or otherwise (including, without limitation, the representations and warranties contained herein) or as an inducement to the Creditor to extend any credit to or to enter into this or any other agreement with the Debtor, proves to have been false or inaccurate in any material respect at the time as of which the facts therein set forth were stated or certified, or proves to have omitted any substantial contingent or unliquidated liability or claim against the Debtor; or if upon the date of execution of this Security Agreement, there shall have been any material adverse change in any of the facts disclosed by any such certificate, representation, statement, warranty or audit report, which change shall not have been disclosed to the Creditor at or prior to the time of such execution.

12. ACCELERATION

12.01 The Creditor, in its sole discretion, may declare all or any part of the Indebtedness which is not by its terms payable on demand to be immediately due and payable, without demand or notice of any kind, in the event of default, or, if the Creditor in good faith believes and has commercially reasonable grounds to believe that a material adverse change has occurred in the financial and business position of the Debtor. The provisions of this section 12.01 are not intended

in any way to affect any right of the Creditor with respect to Indebtedness which may now or hereafter be payable on demand.

13. REMEDIES

13.01 Upon default, the Creditor may appoint or reappoint by instrument in writing, any person or persons, whether an officer or officers or an employee or employees of the Creditor or not, to be a receiver or receivers (hereinafter called a "Receiver", which term when used herein shall include a receiver and manager) of the Collateral (including any interest, income or profits therefrom) and may remove any Receiver so appointed and appoint another in his stead. Any such Receiver shall, so far as concerns responsibility for his acts, be deemed the agent of the Debtor and not the Creditor, and the Creditor shall not be in any way responsible for any misconduct, negligence, or non-feasance on the part of any such Receiver, his servants, agents or employees. Subject to the provisions of the instrument appointing him, any such Receiver shall have power to take possession of the Collateral, to preserve the Collateral or its value, to carry on or concur in carrying on all or any part of the business of the Debtor and to sell, lease or otherwise dispose of or concur in selling, leasing or otherwise disposing of the Collateral. To facilitate the foregoing powers, any such Receiver may, to the exclusion of all others, including the Debtor, enter upon by peaceable or forcible means at any time of the day or night, use and occupy all premises owned or occupied by the Debtor wherein the Collateral may be situate, maintain the Collateral upon such premises, borrow money on a secured or unsecured basis and use the Collateral directly in carrying on the Debtor's business or as security for loans or advances to enable him to carry on the Debtor's business or otherwise, as such Receiver shall, in his discretion, determine. Except as may be otherwise directed by the Creditor, all monies received from time to time by such Receiver in carrying out his appointment shall be received in trust for and paid over to the Creditor. Every such Receiver may, in the discretion of the Creditor, be vested with all or any of the rights and powers of the Creditor.

13.02 Upon default, the Creditor may, either directly or through its agents or nominees, exercise all the powers and rights given to a Receiver by virtue of section 13.01 hereof.

13.03 The Creditor may take possession of, collect, demand, sue on, enforce, recover and receive the Collateral and give valid and binding receipts and discharges therefor and in respect thereof and, upon default, the Creditor may sell, lease or otherwise dispose of the Collateral in such manner, at such time or times and place or places, for such consideration and upon such terms and conditions as to the Creditor may seem reasonable.

13.04 In addition to those rights granted herein and in any other agreement now or hereafter in effect between the Debtor and the Creditor and in addition to any other rights the Creditor may have at law or in equity, the Creditor shall have, both before and after default, all rights and remedies of a secured party under the P.P.S.A. Provided always, that the Creditor shall not be liable or accountable for any failure to exercise its remedies, take possession of, collect, enforce, realize, sell, lease or otherwise dispose of the Collateral or to institute any proceedings for such purposes. Furthermore, the Creditor shall have no obligation to take any steps to preserve rights against prior parties to any Instrument or Chattel Paper, whether Collateral or Proceeds and whether or not in the Creditor's possession, and shall not be liable or accountable for failure to do so.

13.05 The Debtor acknowledges that the Creditor or any Receiver appointed by it may take possession of the Collateral wherever it may be located and by any method permitted by law and the Debtor agrees upon request from the Creditor or any such Receiver to assemble and deliver possession of the Collateral at such place or places as directed.

13.06 In the event of default, the Debtor agrees to pay all costs, charges and expenses reasonably incurred by the Creditor or any Receiver appointed by it, whether directly or for services rendered (including reasonable solicitors and auditors costs, other legal expenses and Receiver remuneration), in operating the Debtor's accounts, in enforcing this Security Agreement, taking and maintaining custody of, preserving, repairing, processing, preparing for dispositions and disposing of the Collateral and in enforcing or collecting indebtedness and all such costs, charges and expenses together with any monies owing as a result of any borrowing by the Creditor or any Receiver appointed by it, as permitted hereby, shall be a first charge on the proceeds of realization, collection or disposition of the Collateral and shall be secured hereby.

13.07 Unless the Collateral in question is perishable, the Creditor believes on reasonable grounds that the Collateral in question will decline speedily in value, the Collateral in question is of the type customarily sold on a recognized market, the cost and storage of the Collateral is disproportionately large relative to its value or a court of competent jurisdiction orders otherwise, the Creditor will give the Debtor such notice, if any, of the date, time and place of any public sale or of the date after which any private disposition of the Collateral is to be made, as may be required by the P.P.S.A.

14. MISCELLANEOUS

14.01 The Debtor hereby authorizes the Creditor to file such financing statements, financing change statements and other documents and do such acts, matters and things (including completing and adding schedules hereto identifying the Collateral or any permitted Encumbrances affecting the Collateral or identifying the locations at which the Debtor's business is carried on and the Collateral and records relating thereto are situate) as the Creditor may deem appropriate to perfect on an ongoing basis and continue the Security Interest, to protect and preserve the Collateral and to realize upon the Security Interest and the Debtor hereby irrevocably constitutes and appoints any officer or director from time to time of the Creditor the true and lawful attorney of the Debtor, with full power of substitution, to do any of the foregoing in the name of the Debtor whenever and wherever it may be deemed necessary or expedient.

14.02 Without limiting any other right of the Creditor, whenever Indebtedness is immediately due and payable or the Creditor has the right to declare Indebtedness to be immediately due and payable (whether or not it has so declared), the Creditor may, in its sole discretion, set off against such Indebtedness any and all monies then owed to the Debtor by the Creditor in any capacity, whether or not due, and the Creditor shall be deemed to have exercised such right of setoff immediately at the time of making its decision to do so even though any charge therefor is made or entered on the Creditor's records subsequent thereto.

14.03 Upon the Debtor's failure to perform any of its duties hereunder, the Creditor may, but shall not be obligated to, perform any or all of such duties, and the Debtor shall pay to the Creditor, forthwith upon written demand therefor, an amount equal to the expense incurred by the Creditor in so doing plus interest thereon from the date such expense is incurred until it is paid at the rate of 30% per annum.

14.04 The Creditor may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle, grant releases and discharges and otherwise deal with the Debtor, debtors of the Debtor, sureties and others and with the Collateral and other security as the Creditor may see fit without prejudice to the liability of the Debtor or the Creditor's right to hold and realize the Security Interest. Furthermore, after default, the Creditor may demand, collect and sue on the Collateral in either the Debtor's or the Creditor's name, at the Creditor's option, and may endorse the Debtor's name on any and all cheques, commercial paper, and any other Instruments pertaining to or constituting the Collateral.

14.05 No delay or omission by the Creditor in exercising any right or remedy hereunder or with respect to any Indebtedness shall operate as a waiver thereof or of any other right or remedy, and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right or remedy. Furthermore, the Creditor may remedy any default by the Debtor hereunder or with respect to any Indebtedness in any reasonable manner without waiving the default remedied and without waiving any other prior or subsequent default by the Debtor. All rights and remedies of the Creditor granted or recognized herein are cumulative and may be exercised at any time and from time to time independently or in combination.

14.06 The Debtor waives protest, notice of protest, notice of presentment and notice of dishonour of any Instrument constituting the Collateral at any time held by the Creditor on which the Debtor is in any way liable and subject to section 13.07 hereof, notice of any other action taken by the Creditor.

14.07 This Security Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, personal legal representatives, successors and assigns. In any action brought by an assignee of this Security Agreement and the Security Interest or any part thereof to enforce any rights hereunder, the Debtor shall not assert against the assignee any claim or defence which the Debtor now has or hereafter may have against the Creditor. If more than one Debtor executes this Security Agreement the obligations of such Debtors hereunder shall be joint and several.

14.08 Save for any schedules which may be added hereto pursuant to the provisions hereof, no modification, variation or amendment of any provision of this Security Agreement shall be made except by a written agreement, executed by the parties hereto and no waiver of any provision hereof shall be effective unless in writing.

14.09 Subject to the requirements of section 13.07 hereof, whenever either party hereto is required or entitled to notify or direct the other or to make a demand or request upon the other, such notice, direction, demand or request shall be in writing and shall be sufficiently given if delivered by mail to the party for whom it is intended at the last known address of such party or if sent by prepaid

registered mail addressed to the party for whom it is intended at the last known address of such party. Either party may notify the other pursuant hereto of any change in such party's address to be used for the purposes hereof.

14.10 This Security Agreement and the security created hereby is in addition to and not in substitution for any other security now or hereafter held by the Creditor and is, and is intended to be, a continuing Security Agreement and shall remain in full force and effect until all Indebtedness contracted for or created, and any extensions or renewals thereof, together with interest accruing thereon shall be paid in full and this Security Agreement is discharged. If all of the Indebtedness has been paid and satisfied and the Debtor has otherwise observed and performed all of its obligations under this Security Agreement and is not then in default hereunder, then the Creditor shall at the request and expense of the Debtor release and discharge the Security Interest and execute and deliver such deeds and other instruments as shall be requisite therefor.

14.11 The headings used in this Security Agreement are for convenience only and are not to be considered a part of this Security Agreement and do not in any way limit or amplify the terms and provisions of this Security Agreement.

14.12 When the context so requires, the singular number shall be read as if the plural were expressed and the provisions hereof shall be read with all grammatical changes necessary dependant upon the person referred to being a male, female, firm or corporation.

14.13 In the event any provisions of this Security Agreement, as amended from time to time, shall be deemed invalid or void, in whole or in part, by any Court of competent jurisdiction, the remaining terms and provisions of this Security Agreement shall remain in full force and effect.

14.14 Nothing herein contained shall in any way obligate the Creditor to grant, continue, renew, extend time for payment of or accept anything which constitutes or would constitute Indebtedness.

14.15 The Security Interest created hereby shall attach when this Security Agreement is signed by the Debtor and delivered to the Creditor. The Debtor and the Creditor acknowledge that value has been given and the Debtor has rights in the Collateral.

14.16 The Debtor acknowledges and agrees that in the event it amalgamates with any other company or companies it is the intention of the parties hereto that the term "**Debtor**" when used herein shall apply to each of the amalgamating companies and to the amalgamated company, such that the Security Interest granted hereby:

- (a) shall extend to "**Collateral**" (as that term is herein defined) owned by each of the amalgamating companies and the amalgamated company at the time of amalgamation and to any "**Collateral**" thereafter owned or acquired by the amalgamated company; and
- (b) shall secure the "**Indebtedness**" (as that term is herein defined) of each of the amalgamating companies and the amalgamated company to the Creditor at the time

of amalgamation and any "Indebtedness" of the amalgamated company to the Creditor thereafter arising. The Security Interest shall attach to "Collateral" owned by each company amalgamating with the Debtor, and by the amalgamated company, at the time of amalgamation, and shall attach to any "Collateral" thereafter owned or acquired by the amalgamated company when such becomes owned or is acquired.

14.17 This Security Agreement and the transactions evidenced hereby shall be governed by and construed in accordance with the laws of the Province of Ontario as the same may from time to time be in effect, including, where applicable, the P.P.S.A.

15. COPY OF AGREEMENT

15.01 The Debtor hereby acknowledges receipt of a copy of this Security Agreement and all financing statements in respect hereof. In the event that the Creditor pays to the Debtor any penalties pursuant to subsection 46(7) of the P.P.S.A. then the Debtor shall indemnify and hold harmless the Creditor from all costs, expenses, penalties or charges arising in connection with any action by or on behalf of the Debtor pursuant to subsection 46(7) of the P.P.S.A.

IN WITNESS WHEREOF the Debtor has executed this Security Agreement as of the 6th day of March, 2012.

2163279 ONTARIO INC.

By: Dana Tuner c/s
 Name: Dana Tuner
 Title: CEO
 (Authorized Signing Officer)

SCHEDULE "A"
to the foregoing General Security Agreement

Encumbrances

Security interests perfected by registration under P.P.S.A. as of the date of the foregoing General Security Agreement under the following:

SCHEDULE "B"
to the foregoing General Security Agreement

1. Business Locations

2880 Brighton Road, Unit 2, Oakville, Ontario L6H 5S3.

2. Location of Records relating to Collateral

2880 Brighton Road, Unit 2, Oakville, Ontario L6H 5S3.

3. Locations of Collateral

2880 Brighton Road, Unit 2, Oakville, Ontario L6H 5S3.

TAB Q

Attached is Exhibit "Q" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 22nd day of March, 2012

Puneet Soni

Commissioner for taking Affidavits, etc

AGREEMENT

THIS AGREEMENT dated as of the 6th day of March, 2012.

AMONG:

ROYAL BANK OF CANADA, a chartered bank under the laws of
Canada,

("RBC")

OF THE FIRST PART

- and -

CASTCAN INVESTMENTS INC., IN TRUST, a corporation
incorporated under the laws of the Province of Ontario,

("Purchaser")

OF THE SECOND PART

- and -

PCAS PATIENT CARE AUTOMATION SERVICES INC., a corporation
incorporated under the laws of the Province of Ontario,

("PCAS")

OF THE THIRD PART

- and -

Province 2163279 ONTARIO INC., a corporation incorporated under the laws of the
of Ontario,

("Touchpoint")

OF THE FOURTH PART

ARTICLE 1 - DEFINITIONS

1.01 In this Agreement, the following terms have the following meanings:

- (a) "2010 SR&ED/OITC Receivable" means the monies the Company is entitled to receive from the Canada Revenue Agency under the SR&ED and Ontario Innovation Tax Credit Program for the year ending December 31, 2010.

- (b) **"Companies"** means, collectively, PCAS and Touchpoint and **"Company"** means either one of them;
- (c) **"Creditors"** means, collectively, Purchaser and RBC and **"Creditor"** means either one of them;
- (d) **"Proceeds"** has the meaning ascribed to such term in the *Personal Property Security Act* (Ontario);
- (e) **"Purchased Tax Credits and Refunds"** means the Tax Credits and Refunds described or referenced in attached Schedule "A";
- (f) **"Purchaser Security"** means any security interest, charge, lien or encumbrance Purchaser has, now or in the future, in or against any assets of any of the Companies;
- (g) **"RBC Security"** means any security interest, charge, lien or encumbrance RBC has, now or in the future, in or against any assets of any of the Companies; and
- (h) **"Tax Credits and Refunds"** means (i) any present or future tax refund, tax credit or similar payment which either Company is or may be entitled to receive from Canada Revenue Agency under the Scientific Research and Experimental Development Expenditures (SR&ED) Program and Ontario Innovation Tax Credit Program administered by Canada Revenue Agency, and (ii) any present or future tax refund, tax credit or similar payment which either Company is or may be entitled to receive from Canada Revenue Agency in connection with Harmonized Sales Tax (HST).

ARTICLE 2 - CONSENTS

2.01 RBC consents to the creation and issue by the respective Companies to Purchaser of the Purchaser Security, agrees that the said creation and issuance shall not constitute an event of default under the RBC Security and consents to the incurring by the Companies of the indebtedness and obligations secured by the Purchaser Security.

2.02 RBC further consents to the absolute assignment by the Companies to Purchaser of the Purchased Tax Credits and Refunds save and except for the 2010 SR&ED Receivable free and clear of the RBC Security.

2.03 Purchaser consents to the creation and issue by the respective Companies to RBC of the RBC Security, agrees that the said creation and issuance shall not constitute an event of default under the Purchaser Security and consents to the incurring by the Companies of the indebtedness and obligations secured by the RBC Security.

ARTICLE 3 - SUBORDINATION

3.01 The RBC Security and the Purchaser Security, subject to Section 3.04, shall have the following priorities and are hereby subordinated and postponed to give effect to such priorities:

- (a) The Purchaser Security shall have priority over the RBC Security solely in respect of the Tax Credits & Refunds save and except for the 2010 SR&ED/OITC Receivable to the extent of the Companies' indebtedness and liabilities to the Purchaser with respect to the purchase and sale of the Purchased Tax Credit Entitlements and Refunds only and securing the obligations of the Companies to the Purchaser relative to those transactions; and
- (b) The RBC Security shall have priority over the Purchaser Security, except as set out in Section 3.01(a) above.

3.02 Subject to Section 3.04, the subordination and postponements contained herein shall apply in all events and circumstances regardless of:

- (a) The date of execution, attachment, registration or perfection of any security interest held by RBC or Purchaser;
- (b) The date of any advance or advances or any supply or supplies made to any of the Companies by RBC or Purchaser;
- (c) The date of default by any of the Companies under any of the RBC Security or the Purchaser Security or the dates of crystallization of any floating charges held by RBC or Purchaser;
- (d) The date of any notice to or demand upon any of the Companies (or the failure to give any notice or demand); or
- (e) Any priority granted by any principle of law or any statute, including, without limitation, any personal property security, corporation securities registration or like statute.

3.03 Any proceeds of insurance or expropriation received by any of the Companies, RBC or Purchaser in respect of the collateral charged by the RBC Security or the Purchaser Security shall be dealt with as though such proceeds of insurance or expropriation were paid or payable as proceeds of realization of the collateral for which they compensate. For greater certainty it is acknowledged and agreed that for the purposes of this Agreement the term "Purchased Receivable" shall include, without limitation, all proceeds thereof and the rights of any of the Companies to and the benefit of all insurance and guarantees for such Purchased Receivable from any parties.

3.04 If any of the RBC Security or the Purchaser Security is found to be unenforceable,

invalid, unregistered or unperfected against any party other than RBC or Purchaser by a court of competent jurisdiction and all appeals from any such finding have been heard and determined or the period for making any such appeal has expired without an appeal being made, the foregoing provisions of this Article 3 shall not apply to such security. None of the parties hereto shall take any steps or do any act or thing whereby the priorities provided for herein may be defeated or impaired. If any third party shall have a valid claim to the proceeds of any of the property or assets of any of the Companies in priority to or on a parity with one of the Creditors but not in priority to or on a parity with the other Creditor, then this Agreement shall not apply so as to diminish the rights (as such rights would have been but for the provisions of this Agreement) of such other Creditor against any such other third party to the proceeds of disposition of such property or assets.

3.05 The Creditors shall allow each other, and their agents, access at all reasonable times to any property and assets of any of the Companies upon which such other Creditor has a charge or security interest to view the same, and access to, so as to make copies of or extracts from, any books of account and all records, ledgers, reports, documents and other writings relating to such property and assets, and to permit such other Creditor at all reasonable times to remove any property and assets of any of the Companies upon which its charge or security interest has priority under this Agreement from the premises of any of the Companies, without interference, provided that such other Creditor shall promptly repair any damage caused to the premises by the removal of any such property or assets and the Companies waive any right to require security for the costs of such repair or compensation.

ARTICLE 4 - COVENANTS OF COMPANIES

4.01 The Companies hereby confirm to and agree with the Creditors that so long as any of the Companies remain obligated or indebted to RBC and Purchaser, they shall hold and deal with their respective assets for the Creditors in accordance with their respective interests and priorities under this Agreement.

4.02 The Companies shall notify RBC forthwith upon receipt of the Purchased Tax Credit Entitlements and upon the Companies having repaid or satisfied their obligations to the Purchaser in full.

ARTICLE 5 - GENERAL

5.01 The Creditors and the Companies shall do, perform, execute and deliver all acts, deeds and documents at the reasonable request of either Creditor and at the expense of the Companies as may be necessary from time to time to give full force and effect to the intent of this Agreement.

5.02 Neither RBC nor Purchaser shall transfer or assign any of RBC Security or the Purchaser Security without obtaining from the assignee or transferee an agreement to be bound by the provisions of this Agreement to the same extent as the Creditor assigning same.

5.03 Any notice or written communication given pursuant to or in connection with this

Agreement shall be in writing and shall be given by delivering the same personally or by prepaid courier, pre-paid registered mail or telecopier, addressed to the party to be notified, at the address of such party set out below, or at such other address of which such party has given notice to the other parties hereto. Any such notice shall be conclusively deemed to have been given and received on the actual date of receipt by the addressee or, if given by pre-paid registered mail, on the fifth day following the mailing date (absent a general disruption in postal service).

To RBC at:

6880 Financial Drive, 2nd Floor
Mississauga, ON L5N 7Y5

Fax: 905-286-7279

Attention: Account Manager, PCAS Patient Care Automation Services
Inc.

To Purchaser at:

3700 Steeles Avenue West, Suite 800
Vaughan, ON L4L 8M9

Fax: 905-856-9801

Attention: Paul Joseph Sorbara

To the Companies at:

2880 Brighton Road, Unit 2
Oakville, ON L6H 5S3

Fax: 905-829-5504

Attention: Loreto Grimaldi, CLO General Counsel & Secretary

5.04 This Agreement may be executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument and shall be effective as of the formal date hereof. This Agreement may also be executed and delivered by fax and such faxed signatures shall be as effective as original signatures.

5.05 This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

5.06 This Agreement shall be governed by the laws of Ontario.

5.07 This Agreement shall constitute a continuing agreement, notwithstanding that any Company may not be indebted to a Creditor at any time, and each Creditor may, without notice to the other Creditor, purchase receivables, lend money, extend credit and make other financial accommodations to or for the account of any Company on the faith hereof. Nothing herein shall restrict any Creditor from revising, replacing, amending or supplementing the security in its favour, or acquiring additional encumbrances upon any property or assets of any Company (now or hereafter acquired), provided that all such securities and encumbrances shall be held and dealt with in accordance with the provisions herein. This Agreement shall continue in force until terminated by the mutual consent in writing of the Creditors or until either of the Creditors has discharged all of the security in its favour granted by the Companies.

5.08 Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated except by instrument in writing, signed by the parties or by the party against whom enforcement of the change, waiver, discharge or termination is sought. Notwithstanding the foregoing, no consent of any of the Companies shall be necessary to any amendment to the terms hereof by the Creditors unless the interests of the Companies are directly affected thereby.

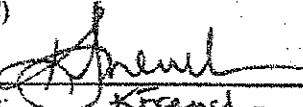
5.09 Nothing contained in this Agreement shall be construed as conferring any rights or benefits of any kind whatsoever upon any of the Companies, or any person who is not a party to this Agreement, or as modifying an other agreement between the Creditors or any of them and any of the Companies, and none of the Companies shall be entitled to enforce any provision of this Agreement.

5.10 Any provision of this Agreement which is invalid or unenforceable under the laws of any jurisdiction in which this Agreement is sought to be enforced shall, as to such jurisdiction, and to the extent such provision is invalid or unenforceable, be deemed severable and shall not affect any other provision of this Agreement.

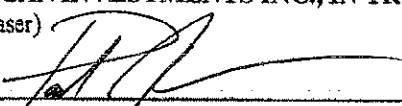
[The remainder of this page intentionally left blank – Signature page follows]

IN WITNESS WHEREOF the parties hereto have executed this Agreement under the hands of their duly authorized officers.

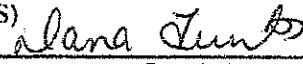
ROYAL BANK OF CANADA
(RBC)

Per: 
Name: K. French
Title: Sr Account Manager
(Authorized Signing Officer)


CASTCAN INVESTMENTS INC., IN TRUST
(Purchaser)

Per: 
Name: Paul JARBARA
Title:
(Authorized Signing Officer) ✓

PCAS PATIENT CARE AUTOMATION SERVICES INC.

(PCAS)
Per: 
Name: Dana Tunks
Title: CFO
(Authorized Signing Officer)

2163279 ONTARIO INC.
(Touchpoint)

Per: 
Name: Dana Tunks
Title: CFO
(Authorized Signing Officer)

SCHEDULE "A"

TAX CREDIT ENTITLEMENTS

PART I

2009 / 2010 SRED / ITC
claim

2009

Federal	480,021	see CRA letter dated July 21, 2011 - table on page 1
Provincial	<u>169,568</u>	and Deloitte's letter of March 6, 2012 - page 1
Total	649,589	
cash received	<u>406,248</u>	
	<u>243,341</u>	

2010

Federal	380,931	see Deloitte's letter of March 6, 2012 - page 1
Provincial	<u>120,931</u>	
Total	<u>501,862</u>	

RBC
loan

408,374	see SRED recovery letter dated October 24, 2011
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HST Credits

2012	160,085	see HST filing for PCAS
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2011 Touchpoint	441,680	see HST filing for TouchPoint
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Total Part 1	<u>938,594</u>
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PART
II

2011 SRED / ITC claim

Federal	265,438
Provincial	<u>84,266</u>
Total	<u>349,704</u>

see Deloitte's letter of March 6, 2012 - page 2 bullet 7

see Deloitte's letter of March 6, 2012 - page 2 bullet 7

Total Part 2 349,704

Total 1,288,298

Total Tax Credit Entitlement of Purchaser = Part I Tax Credit
Entitlement + Part II Tax Credit Entitlement = 1,288,298.



DATED as of March 6, 2012.

AMONG:

ROYAL BANK OF CANADA

- and -

CASTCAN INVESTMENTS INC., IN TRUST

- and -

PCAS PATIENT CARE AUTOMATION
SERVICES INC.

- and -

2163279 ONTARIO INC.

AGREEMENT

TAB R

Attached is Exhibit "R" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 22nd day of March, 2012

Puneet Soni

Commissioner for taking Affidavits, etc

SEARCH SUMMARY

Enquiries and searches were made at the registration system maintained pursuant to the *Personal Property Security Act* (Ontario) (the "PPSA") against the names set out below:

Company	Corporate Details/Prior and/or Amalgamated Names
PCAS Patient Care Automation Services Inc.	<ul style="list-style-type: none"> ➤ an active federal corporation incorporated on March 3, 2006 ➤ Registered office: 2880 Brighton Road, Suite # Unit 2 Oakville, Ontario, Canada L6H 5S3 ➤ Registered Business Name: not available on profile ➤ Prior/Predecessor Names: PCAS Physician Clinic Automation Services Inc. ➤ Director(s)/Officer(s): Donald Waugh
2163279 Ontario Inc.	<ul style="list-style-type: none"> ➤ an active Ontario corporation incorporated on February 12, 2008 ➤ Registered office: 2880 Brighton Road, Suite # Unit 2 Oakville, Ontario, Canada L6H 5S3 ➤ Registered Business Name: <ul style="list-style-type: none"> - Touchpoint Pharmacy - Pharmatrust Drug Logistics ➤ Prior/Predecessor Names: <ul style="list-style-type: none"> - Touchpoint Pharmacy Inc. - Direct Care Pharmacy Inc. - PCAS Newco Pharmacy Inc. ➤ Director(s)/Officer(s): <ul style="list-style-type: none"> - Jim Gray, Director - Sandeep Lalli, Director - Bonnie Lewis, Director - Peter Saunders, President - Dana Tunks, Treasurer - Donald Waugh, Director & Chairman

The currency of each of the aforementioned searches is as follows:

SEARCHES AND CURRENCY

Company	PPSA
PCAS Patient Care Automation Services Inc.	March 18, 2012
PCAS Physician Clinic Automation Services Inc.	March 16, 2012
2163279 Ontario Inc.	March 18, 2012
Touchpoint Pharmacy Inc.	March 18, 2012

Company	PPSA
Direct Care Pharmacy Inc.	March 18, 2012
PCAS Newco Pharmacy Inc.	March 18, 2012

Such enquiries and searches failed to disclose any undischarged registrations, filings or recordings with respect to the aforementioned names except as follows:

PPSA REGISTRATIONS

Legend:

A -	Accounts	DOM -	Date of Maturity	I -	Inventory	O -	Other
CF -	Caution Filing	E -	Equipment	MV -	Motor Vehicle	RSLA -	Repair & Storage Lien Act
CG -	Consumer Goods	GCD -	General Collateral Description:	NFMD -	No Fixed Maturity Date	\$ -	Amount

PCAS Patient Care Automation Services Inc.						
	Registration Number	Reference File No.	Expiry Date	Debtor	Secured Party	Collateral Classification/Description
1.	20080226 1613 1862 5534 Renewed for 3 years by 20110112 1024 1862 0064	642941379	February 26, 2014	PCAS Patient Care Automation Services Inc. PCA SERVICES INC.	Kohl & Frisch Limited	I GCD: P.M.S.I.
2.	20101220 1451 1530 1324	666667611	December 20, 2014	PCAS Patient Care Automation Services Inc.	Ibm Canada Limited - Law Clerk/Ppsa Administrator	E, A, O GCD: <i>see below</i>
GCD: All present and after-acquired goods supplied, leased or financed by the secured party, including but not limited to, all office machines, office equipment, computer hardware, software and all other equipment of any kind whatsoever as well as all ancillary products related thereto, and all upgrades, additions, substitutions and accessions thereto and thereon and all proceeds therefrom of every kind and description.						
3.	20110411 1946 1531 6702	669008349	April 11, 2016	PCAS Patient Care Automation Services Inc.	Royal Bank Of Canada	I, E, A, O, MV
4.	20111124 1052 1529 7488	674595342	November 24, 2016	PCAS Patient Care Automation Services Inc.	Royal Bank Of Canada	O GCD: <i>see below</i>
GCD: Inter-Company Creditor Agreement dated November 18, 2011, between Royal Bank of Canada, Kohl & Frisch Limited, PCAS Patient Care Automation Services Inc., and 2163279 Ontario Inc.						

PCAS Patient Care Automation Services Inc.

	Registration Number	Reference File No.	Expiry Date	Debtor	Secured Party	Collateral Classification/Description
5.	20111228 1638 5064 0020	675318627	December 28, 2016	PCAS Patient Care Automation Services Inc.	Ge Vfs Canada Limited Partnership	E, O GCD: Account Schedule-8713314001
6.	20120306 1449 1530 7679	676656324	March 6, 2014	PCAS Patient Care Automation Services Inc.	Castcan Investments Inc., In Trust	I, E, A, O, MV

2163279 Ontario Inc.

	Registration Number	Reference File No.	Expiry Date	Debtor	Secured Party	Collateral Classification/Description
1.	20080408 1537 1862 8543 Renewed for 3 years by 20110214 1409 1862 2602 Amended to add debtors by 20111114 0921 1862 4011	644006151	April 8, 2014	PCAS Newco Pharmacy Inc. Direct Care Pharmacy 2163279 Ontario Inc. Touch Point Pharmacy	Kohl & Frisch Limited	CG, I, E, A, O
2.	20111115 1622 1590 1296	674381628	November 15, 2016	2163279 Ontario Inc.	Royal Bank Of Canada	I, E, A, O, MV
3.	20120306 1449 1530 7680 Amended secured party name by 20120306 1944 1531 8670	676656333	March 6, 2014	2163279 Ontario Inc.	Castcan Investments Inc., in Trust	I, E, A, O, MV

**Direct Care Pharmacy Inc.
(a prior name of 2163279 Ontario Inc.)**

	Registration Number	Reference File No.	Expiry Date	Debtor	Secured Party	Collateral Classification/Description
1.	20110411 1946 1531 6703	669008358	April 11, 2016	Direct Care Pharmacy Inc.	Royal Bank of Canada	I, E, A, O, MV

TAB S

Attached is Exhibit "S" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 22nd day of March, 2012

Puneet Soni

Commissioner for taking Affidavits, etc

Notes	Week 1 23-Mar-12	Week 2 30-Mar-12	Week 3 06-Apr-12	Week 4 13-Apr-12	Week 5 20-Apr-12	Week 6 27-Apr-12	Week 7 04-May-12	Week 8 11-May-12	Week 9 18-May-12	Week 10 25-May-12	Week 11 01-Jun-12	Week 12 08-Jun-12	Week 13 15-Jun-12	Total
Receipts														
3	15,000	10,000	10,000	5,000	5,000	5,000	5,000	5,000	10,000	10,000	10,000	10,000	10,000	110,000
4	-	-	243,341	501,862	-	-	-	-	-	-	-	-	-	745,203
5	-	160,085	-	-	107,250	-	-	441,680	137,454	-	-	-	95,069	941,538
Total Receipts	15,000	170,085	253,341	506,862	112,250	5,000	5,000	446,680	147,454	10,000	10,000	10,000	105,069	1,796,741
Disbursements														
6	805,450	12,000	659,200	58,500	673,450	12,000	531,100	48,400	467,200	12,000	531,100	12,000	467,200	4,289,600
7	169,455	1,400	96,845	160,317	-	1,400	123,848	52,000	-	60,948	34,300	52,000	89,548	872,061
8	86,950	53,300	-	-	-	109,300	38,000	-	-	169,300	38,000	-	-	461,750
9	214,103	39,900	48,000	155,000	17,500	19,900	43,000	50,000	15,000	21,800	43,600	90,000	15,000	732,803
10	-	-	-	-	-	-	-	-	-	-	-	-	105,000	105,000
11	42,000	160,085	243,341	543,862	-	-	-	483,680	-	-	-	42,000	248,687	1,763,635
12	390,000	130,000	105,000	105,000	155,000	284,785	105,000	105,000	105,000	120,000	105,000	105,000	105,000	1,919,785
13	83,122	24,128	38,070	29,510	30,713	47,052	46,780	20,410	13,910	37,251	35,139	20,410	25,551	452,026
Total Disbursements	1,760,960	422,913	1,190,456	1,097,189	876,653	474,417	887,728	759,490	601,110	391,299	787,139	281,410	1,055,966	10,616,960
Net cash flow	(1,775,960)	(252,728)	(937,115)	(590,327)	(764,413)	(469,417)	(882,728)	(312,810)	(453,656)	(381,299)	(777,139)	(271,410)	(950,897)	(8,819,919)
Beginning Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Cash	1,024,020	771,292	(165,823)	(756,150)	(1,520,563)	(1,989,980)	(2,872,708)	(3,185,518)	(3,639,174)	(4,020,473)	(4,787,612)	(5,068,022)	(5,069,022)	-
DIP Draw / (Repayment)	(1,775,960)	(252,728)	(937,115)	(590,327)	(764,413)	(469,417)	(882,728)	(312,810)	(453,656)	(381,299)	(777,139)	(271,410)	(950,897)	(8,819,919)
Total Ending Cash	2,800,000	-	-	-	-	-	-	-	-	-	-	-	-	2,800,000
Cumulative Cash Invested	1,024,020	771,292	(165,823)	(756,150)	(1,520,563)	(1,989,980)	(2,872,708)	(3,185,518)	(3,639,174)	(4,020,473)	(4,787,612)	(5,068,022)	(5,069,022)	(6,019,919)
Available Cash	1,024,020	771,292	(165,823)	(756,150)	(1,520,563)	(1,989,980)	(2,872,708)	(3,185,518)	(3,639,174)	(4,020,473)	(4,787,612)	(5,068,022)	(5,069,022)	(6,019,919)
Additional DIP Required	-	-	200,000	800,000	1,600,000	2,000,000	2,900,000	3,200,000	3,700,000	4,100,000	4,800,000	5,100,000	6,100,000	6,100,000

Notes and assumptions

- Cash Flow Statement 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.
- This Cash-Flow Statement has been prepared solely for the purpose described in Note 2 and readers are cautioned that it may not be appropriate for other purposes.
- The Cash Flow Statement is prepared assuming a going-concern sales process for the Company. The Cash-flow Statement is based on the assumptions detailed below. The Company is working diligently to identify and implement various contingency plans to further reduce costs during the forecast period.
- Sales are forecast to decline from the current \$15k per week as a result of lower inventory of drugs resulting from pre-filing cash flow constraints, pharmacists are required to send customers to other pharmacies for their prescribed medication and accordingly, demand in the short-term is expected to decline.
- Scientific Research and Experimental Development ("SRED") tax credits for 2009 and 2010 are anticipated to be recovered during the forecast period. All SRED recoveries (including the not yet calculated 2011 credit) have been pledged as security or factored for loans from RBC and Castcan Investments. Accordingly, the repayments of these loans are shown as disbursements in the Cash Flow Statement.
- HST recovery is recoverable excise sales tax resulting from expenditures by PCAS and TouchPoint. The PCAS amounts are regular monthly recoveries assumed to come in six (6) weeks after filed. However, Touchpoint has filed an annual return for 2011 and anticipates a recovery of \$441,680 during the forecast period which has been pledged as security on a loan from Castcan Investments Inc. and is forecast to be repaid upon receipt in the normal course.
- Employee and contractor costs are forecast to be reduced post-filing limiting remaining staff to those required to maintain the technical knowhow and integrity of the network and installed MedCentres. Vacation pay remains accrued and is not assumed to be paid during the forecast period. Benefits, including healthcare insurance will be paid for remaining employees. There are no defined benefit or defined contribution pension schemes in the Company. Additionally, certain key contractors will be retained to negotiate a contract with major customer, project manage the technology infrastructure build for that customer and assist with critical tax and accounting work for the Company. The Company is analyzing various options to further reduce costs during the forecast period.
- Operating costs include purchases of drug and packaging inventories in TouchPoint, start up costs for new MedCentres, data centre costs and communications links between head office and remote MedCentres. These MedCentres provide a proof of concept for potential new investors and customers. Purchases are assumed on cash on delivery terms.
- Lease costs include the rent for the monthly cost of the buildings occupied by PCAS, the equipment leases for specialist IT equipment and office printers.
- SG&A includes amounts expected to be incurred for utilities, insurance, telephones and communication, office supplies and services, travel and security.
- DIP interest has been calculated as 15% of the drawn down balance and paid at the end of the 13 week period.
- Principal repayments the RBC SRED loan is paid as the SRED recovery is made and the Castcan investment loan is repaid as the SRED and HST is recovered.
- Professional fees are assumed to be incurred for PCAS legal counsel at \$35k per week with a retainer of \$75k. The Monitor is assumed incur fees of \$40k per week for monitoring costs as well as running a sales process with a retainer of \$75k. Monitor's counsel's fees are forecast at \$30k per week with a \$50k retainer. Additionally, other professional fee costs include 2011 SRED consultancy fees (\$50k), 2011 Audit fee (\$175k) and \$15k per month legal costs of patents.
- HST disbursements are incurred based on the timing of cash disbursements.
- The Company is working to obtain additional DIP financing in order to fund a sales process, however at this time the amount and timing of this funding is not confirmed.

TAB T

Attached is Exhibit "T" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 22nd day of March, 2012

Puneet Soni

Commissioner for taking Affidavits, etc

DIP LOAN AGREEMENT

THIS AGREEMENT made as of the 22nd day of March, 2012.

B E T W E E N:

2320714 ONTARIO INC.

(herein called the “**Lender**”),

- and -

PCAS PATIENT CARE AUTOMATION SERVICES INC.

(herein called the “**Borrower**”)

THIS AGREEMENT WITNESSES that, in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto covenant and agree as follows:

ARTICLE 1 - INTERPRETATION

1.01 Defined Terms

The following terms shall for all purposes of this agreement, or any amendment hereto, have the respective meanings set forth below unless the context otherwise specifies or requires or unless otherwise defined herein:

“**Approval Order**” means the anticipated Order (or Orders, collectively) of the Court, among other things, approving the DIP Loan and granting the DIP Charge in an amount sufficient to secure all obligations of the Obligors hereunder, all in a form satisfactory to the Lender;

“**Banking Day**” means any day other than a Saturday or a Sunday on which banks generally are open for business in Toronto, Ontario;

“**BIA**” means the *Bankruptcy and Insolvency Act* (Canada);

“**Cash Flows**” means the cash flow statement of the Borrower attached hereto as **Schedule “A”**, as may be revised from time to time with the approval of the Lender;

“**CCAA**” means the *Companies’ Creditors Arrangement Act*;

“**CCAA Proceedings**” means CCAA proceedings of the Borrower;

“**CCAA Monitor**” means the Monitor appointed in the CCAA Proceedings;

“Collateral” means all present and future property, assets and undertaking of the Debtor pledged, assigned, mortgaged, charged, hypothecated or made subject to a security interest pursuant to the DIP Charge;

“Court” means the Ontario Superior Court of Justice (Commercial List);

“Court Officer” means PricewaterhouseCoopers Inc. in its capacity as Proposal Trustee or CCAA Monitor, whichever is applicable’

“Default” means any event which is or which, with the passage of time, the giving of notice or both, would be an Event of Default;

“DIP Charge” means a Court-ordered super-priority security interest and charge in and over all of the existing and after-acquired real and personal, tangible and intangible, assets of the Borrower in favour of (i) the Lender and (ii) the DIP Financiers, pro rata, securing the Borrower’s obligations hereunder, subordinate to (x) an administration charge in respect of the professional costs and expenses of the Borrower and the Court Officer, and (y) the Permitted Liens in favour of the Royal Bank of Canada and Castcan Investments Inc., in trust, and perfected purchase money security interests existing as at the date of hereof;

“DIP Financiers” means the third-parties who have extended credit to the Lender, or who have committed to extending credit to the Lender, for the specific purpose of funding the DIP Facility, as detailed on **Schedule “B”** hereto;

“DIP Loan Facility” has the meaning set out in section 2.01;

“DIP Loan” means monies lent by the Lender to the Borrower under the DIP Loan Facility;

“Event of Default” means any one of the events set forth in section 9.01;

“Governmental Authority” means, without limitation, any domestic or foreign government, whether national, federal, provincial, state, municipal or other political subdivision of any of the foregoing, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any corporation or other entity owned or controlled (through stock or capital ownership or otherwise) by any of the foregoing;

“Guarantors” means, collectively, Touchpoint and any other affiliate of the Borrower who may make guarantees of the Borrower’s obligations hereunder in favour to the Lender, and, each, a **“Guarantor”**;

“Indebtedness” means any and all principal, interest, fees or expenses owing by the Borrower to the Lender pursuant to this agreement;

“Liens” means any and all liens, pledges, charges, mortgages, security interests, hypothecs and other encumbrances which now or in the future may affect all or any portion of the Collateral;

“Loan Documents” means this agreement and any document delivered in connection with this agreement;

“Maturity Date” means the earliest of

- (i) the date that is three months from the date of the initial advance under the DIP Loan Facility;
- (ii) the effective date of any Court-approved proposal under the BIA or plan of arrangement under the CCAA;
- (iii) the closing date of a sale of all or substantially all of the assets of the Borrower; and
- (iv) the occurrence of any Event of Default,

which Maturity Date may be extended only at the sole option and discretion of the Lender;

“Obligors” means, collectively, the Borrower and the Guarantors and, each, an **“Obligor”**;

“Permitted Liens” means the Liens which have been, or in the future are, permitted or consented to in writing by the Lender, including, without limitation,

- (a) any such current and future Liens the particulars of which are listed in **Schedule “C”** to this agreement
- (b) Liens incurred or pledges and deposits made in connection with workmen’s compensation, employment insurance, old-age pension and similar legislation;
- (c) Liens securing the performance of bids, tenders, leases; contracts (other than for the repayment of borrowed money), expropriation proceedings, public or statutory obligations of like nature and Liens in connection with surety or appeal bonds and costs of litigation incurred as an incident to and in the ordinary course of business;
- (d) statutory Liens of landlords, undetermined or inchoate Liens and other Liens imposed by law, such as carriers’, warehousemen’s, mechanics’, construction, materialmen’s and vendors’ Liens, incurred in the ordinary course of business;
- (e) Liens securing the payment of taxes, assessments and governmental charges or levies, either (i) not delinquent or (ii) being contested in good faith by appropriate proceedings and for which adequate reserves are being maintained;

- (f) permits, rights-of-way, zoning restrictions, easements, licenses, reservations, restrictions on the use of real property or minor irregularities or minor title defects incidental thereto which do not in the aggregate materially detract from the value of the property or assets of the Borrower taken as a whole or materially impair the operation of the business of the Borrower taken as a whole;
- (g) Liens arising out of the leasing of personal property by the Borrower in the ordinary course of business;
- (h) security given in the ordinary course of business by the Borrower to a public utility or any municipality or governmental or public authority in connection with operations of the Borrower other than in connection with borrowed money; and
- (i) Liens in favour of the Lender created under the Loan Documents or the DIP Charge;

“PPSA” means the *Personal Property Security Act* (Ontario);

“Prepayment Date” has the meaning set out in section 4.02;

“Proposal Proceedings” means BIA proposal proceedings of the Borrower;

“Proposal Trustee” means the proposal trustee appointed in the Proposal Proceedings;

“Restructuring Proceedings” means the Proposal Proceedings or the CCAA Proceedings, as applicable; and

“Touchpoint” means 2163279 Ontario Inc.

1.02 Applicable Law

This agreement and all documents delivered pursuant hereto shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and the parties hereto do hereby attorn to the jurisdiction of the courts of the Province of Ontario.

1.03 Consents and Approvals

Whenever the consent or approval of a party hereto is required in a particular circumstance, such consent or approval shall not be unreasonably withheld or delayed by such party.

1.04 Plural and Singular

Where the context so requires, words importing the singular number shall include the plural and vice versa.

1.05 Headings

The division of this agreement into Articles and sections and the insertion of headings in this agreement are for convenience of reference only and shall not affect the construction or interpretation of this agreement.

1.06 Currency

All monetary amounts in this agreement refer to Canadian Dollars unless otherwise specified.

1.07 Other Usages

References to "this agreement", "the agreement", "hereof", "herein", "hereto" and like references refer to this agreement and not to any particular article, section or other subdivision of this agreement.

1.08 Time of the Essence

Time shall in all respects be of the essence of this agreement and no extension or variation of this agreement or of any obligation hereunder shall operate as a waiver of this provision.

ARTICLE 2 – DIP LOAN FACILITY

2.01 Establishment of DIP Loan Facility

Subject to the terms and conditions hereof, the Lender, relying on the representations and warranties of the Borrower set forth in Article 6 hereof, hereby establishes in favour of the Borrower a non-revolving debtor-in-possession term loan facility (the "**DIP Loan Facility**") in the maximum amount of CDN\$2,800,000. Advances under the DIP Loan Facility shall be made in accordance with the Cash Flows and on request of the Borrower upon not less than five (5) Business Days advance written notice to the Lender. Each such notice shall specify the date of the requested advance (which shall be a Business Day) and the amount of such advance. The DIP Loan Facility may be increased to a maximum amount of CDN\$10,000,000 by subsequent amendment(s) to this agreement subject to commensurate increase(s) in the DIP Charge sufficient to secure all obligations of the Obligor hereunder.

2.02 Time and Place of Payments

Unless otherwise expressly provided herein, the Borrower shall make all payments pursuant to this agreement or pursuant to any document, instrument or agreement delivered pursuant hereto by delivery of a cheque or wire transfer to the Lender before 1:00 p.m. (Toronto time) on the day specified for payment. Any such payment received on the day specified for such payment but after 1:00 p.m. (Toronto time) thereon shall be deemed to have been received prior to 1:00 p.m. (Toronto time) on the Banking Day immediately following such day specified for payment.

2.03 Evidence of Indebtedness

The Lender shall maintain records wherein the Lender shall record the amount of outstanding advances, each payment of principal and interest on account of the DIP Loan and all other amounts becoming due to and being paid to the Lender hereunder. The Lender's records constitute, in the absence of manifest error, prima facie evidence of the indebtedness of the Borrower to the Lender pursuant to this agreement.

ARTICLE 3 - INTEREST AND FEES

3.01 Interest Rates

The principal amount outstanding from time to time under the DIP Loan Facility and the amount of overdue interest from time to time shall bear interest at a rate equal to fifteen percent (15%) per annum.

3.02 Calculation of Interest

Interest on the outstanding principal amount from time to time of the DIP Loan and on the amount of overdue interest thereon from time to time shall accrue from day to day (both before and after maturity and as well after as before judgment), shall be calculated on the basis of the actual number of days elapsed divided by the actual number of days in the year and shall be compounded monthly.

3.03 Payment of Interest

Interest, calculated at the aforesaid rate and in the aforesaid manner on the unpaid portion from time to time outstanding under the DIP Facility shall be payable to the Lender in arrears on the Maturity Date.

ARTICLE 4- REPAYMENTS AND PREPAYMENTS

4.01 Repayment of the DIP Loan Facility

The principal amount of the DIP Loan then outstanding, together with all accrued and unpaid interest and other amounts payable under this agreement shall be due and payable in full by the Borrower to the Lender on the Maturity Date.

4.02 Prepayment and Early Termination

The Borrower shall be entitled to prepay the whole of the principal amount of the DIP Loan then outstanding, together with all accrued and unpaid interest and other amounts payable under this agreement at any time as may be specified by the Borrower (the "**Prepayment Date**") in a written notice to the Lender at least five (5) days before such Prepayment Date.

ARTICLE 5 - CONVERSION

5.01 Right to Convert

At any time and from time to time after the date of issue thereof, the Lender shall have the right to convert all or any portion of the Indebtedness (as at the date of election to so convert) into fully paid and non-assessable common shares of the Borrower at a conversion rate equal to one (1) common share for each \$0.38 of Indebtedness so converted. Such conversion may be effected written notice by the Lender notifying the Borrower as to the exercise of the right of conversion and specifying the amount of the Indebtedness to be converted and setting forth the name and address of the person(s) in whose name(s) the shares issuable upon such conversion are to be registered (a "**Conversion Notice**"). For greater certainty, no conversion in part or in whole of the Indebtedness shall extinguish or satisfy, or relieve the Borrower of its obligation to pay, any interest on such Indebtedness, or interest on such interest, accruing prior to the effective date of such conversion.

5.02 Issue of Share Certificates

As promptly as practicable after receipt of a Conversion Notice, the Borrower shall issue to the Lender or its nominee(s) a certificate or certificates representing the number of fully paid and non-assessable common shares into which all or any portion of the Indebtedness has been converted.

5.03 No Fractional Shares

No fractional share or scrip representing a fractional share shall be required to be issued upon the conversion of any Indebtedness. Rather, the number of shares that are issuable upon any conversion shall be rounded down to the nearest whole share.

5.04 Time of Conversion

The conversion of any portion of the Indebtedness shall be deemed to have been made at the close of business on the date on which the Conversion Notice in respect of such Indebtedness is received by the Borrower, so that the Lender's rights in respect of the converted portion shall terminate at such time, and the person or persons entitled to receive the shares into which the such portion of the Indebtedness is converted shall be treated, as between the Borrower and such person or persons, as having become the holder or holders of record of such shares at such time.

5.05 Subdivision, etc.

If the Borrower at any time subdivides or consolidates the shares issuable upon conversion, the Lender shall thereafter be entitled on conversion to receive the shares to which it was before such subdivision or consolidation entitled, as subdivided or consolidated, and the conversion rate of Indebtedness shall be adjusted accordingly. Any such adjustment shall become effective on the date and at the time that such subdivision or consolidation becomes effective.

5.06 **Reclassification, etc.**

In case of:

- (a) any reclassification or change of shares issuable upon conversion;
- (b) any consolidation, merger or amalgamation of the Borrower with or into another corporation or corporations;
- (c) the Borrower paying any stock dividend or stock dividends or making any other distribution other than dividends in the ordinary course upon its common shares;
- (d) the sale of the properties and assets of the Borrower substantially as an entirety to any other corporation or corporations followed by a winding-up of the Borrower or a distribution of its assets to the shareholders; or
- (e) the sale of the properties and assets of the Borrower substantially as an entirety to another person or persons in exchange for securities in or of such other person or persons or any affiliate thereof;

the Lender shall have the right thereafter to convert the Indebtedness (or any portion thereof) into the kind and amount of shares or other securities and property (or the applicable portion thereof) receivable on such reclassification, change, consolidation, merger, amalgamation, stock dividend or other distribution upon the common shares or sale that the Lender would have been entitled to receive thereupon had the Lender been the registered holder of the number of shares into which such Indebtedness might have been converted immediately prior thereto. The provisions of this section shall similarly apply to successive reclassifications and changes of shares and to successive consolidations, mergers, amalgamations and sales.

ARTICLE 6 - REPRESENTATIONS AND WARRANTIES

6.01 **Representations and Warranties**

To induce the Lender to enter into this agreement, the Borrower hereby represents and warrants to the Lender as follows and acknowledges and confirms that the Lender is relying upon such representations and warranties in providing the DIP Loan hereunder:

- (a) **Status and Power.** The Borrower is a corporation duly incorporated and organized and validly subsisting under the laws of the jurisdiction of its incorporation and is duly qualified, registered or licensed in all jurisdictions where such qualification, registration or licensing is required to the extent that it is material. The Borrower has all requisite corporate capacity, power and authority to own, hold under licence or lease its properties, to carry on its business as now conducted and to otherwise enter into, and carry out the transactions contemplated by the Loan Documents.
- (b) **Authorization and Enforcement of Documents.** All necessary action, corporate or otherwise, has been taken by the Borrower to authorize the execution, delivery

and performance of the Loan Documents and the Borrower has duly executed and delivered each Loan Document to which it is a party. Each Loan Document to which the Borrower is party is a legal, valid and binding obligation of the Borrower enforceable against the Borrower by the Lender in accordance with its terms.

- (c) **Compliance with Other Instruments.** The execution, delivery and performance of the Loan Documents and the consummation of the transactions contemplated herein and therein do not and will not conflict with, result in any breach or violation of, or constitute a default under, the terms, conditions or provisions of the constating documents or by-laws of the Borrower or of any law, regulation, judgment, decree or order binding on or applicable to the Borrower or by which the Borrower benefits or to which any of its property is subject or of any material agreement, lease, licence, permit or other instrument to which the Borrower is a party or is otherwise bound or by which the Borrower benefits or to which any of its property is subject and does not require the consent or approval of any other party, or any governmental body, agency or authority.
- (d) **Permits.** The Borrower has all necessary permits, patents, copyrights, trademarks, tradenames and agreements for the operation of their business and will duly perform and observe all of the terms and conditions thereof.
- (e) **Subsidiaries.** The Borrower has no direct or indirect subsidiary other than the Guarantors.
- (f) **Litigation.** Other than disclosed to the Lender in writing, there are no actions, suits, inquiries, claims or proceedings (whether or not purportedly on behalf of any Obligor) pending or threatened against or affecting the Borrower before any Governmental Authority or court or before any private arbitrator, mediator or referee which in any case or in the aggregate may result in any material adverse change:
 - (i) in the condition, financial or otherwise, of the Borrower; or
 - (ii) in the ability of the Borrower to perform its obligations under any Loan Document.
- (g) **Other Instruments in Good Standing.** Other than as disclosed in writing to the Lender, the Borrower is not in default of any obligations under any material agreement, lease, licence, permit or other instrument to which the Borrower is a party.
- (h) **Compliance with Laws.** Other than as disclosed in writing to the Lender, the Borrower is not in violation of any mortgage, franchise, licence, judgment, decree, order, statute, rule or regulation relating in any way to the Borrower, to the operation of its business or to its property or assets and which would have a material effect on the condition, financial or otherwise, of the Borrower.

- (i) **Taxes.** All taxes (including income tax, capital tax, payroll taxes, employer health tax, workers' compensation payments, property taxes, customs duties and land transfer taxes), duties, royalties, levies, imposts, assessments, deductions, charges or withholdings and all liabilities with respect thereto including any penalty and interest payable with respect thereto (collectively, "**Taxes**") due and payable or required to be collected or withheld and remitted, by the Borrower have been paid, collected or withheld and remitted as applicable. All tax returns, declarations, remittances and filings required to be filed by the Borrower have been filed with all appropriate Governmental Authorities and all such returns, declarations, remittances and filings are complete and accurate and no material fact or facts have been omitted therefrom which would make any of them misleading. To the knowledge of the Borrower, except as disclosed to the Lender in writing, no examination of any tax return of the Borrower is currently in progress and there are no issues or disputes outstanding with any Governmental Authority respecting any taxes that have been paid, or may be payable, by the Borrower. There are no agreements, waivers or other arrangements with any taxation authority providing for an extension of time for any assessment or reassessment of taxes with respect to the Borrower.
- (j) **Governmental Proceedings.** No legal or governmental proceedings or inquiries by any Governmental Authority are pending to which the Borrower or any of the Guarantors are a party or to which their respective property is subject that would result in the revocation or modification of any certificate, authorization, permit or license necessary to conduct the business now owned or operated by the Borrower or the Guarantors, and no such proceedings have been threatened against or, to the knowledge of the Borrower, are contemplated with respect to the Borrower or any of the Guarantors or their respective properties and assets.
- (k) **Environmental Laws.** The Borrower and the Guarantors: (i) are in compliance with any and all applicable foreign, federal, provincial, state and local laws and regulations relating to the protection of human health and safety, conservation, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("**Environmental Laws**"); (ii) have received all material permits, licenses or other approvals required of any of them under applicable Environmental Laws to conduct their business; and (iii) are in compliance with all terms and conditions of any such permit, license or approval. There have been no past, and, to the knowledge of the Borrower, there are no pending or threatened claims, complaints, notices or requests for information received by the Borrower or any of the Guarantors with respect to any alleged violation of any Environmental Laws and no conditions exist at, on or under any property now or previously owned, operated, leased or contracted to perform work by the Borrower or the Guarantors which, with the passage of time, or the giving of notice or both, would give rise to liability under any Environmental Laws. There are no orders, rulings or directives issued, pending or threatened against the Borrower or any of the Guarantors under or pursuant to any Environmental Laws requiring any work, repairs, construction or capital expenditures with respect to the property or assets of the Borrower or any of the Guarantors.

- (l) **Insurance.** The assets of the Borrower and its businesses and operations are insured against loss, damage and appropriation with responsible insurers on the basis consistent with insurance obtained by reasonably prudent participants in comparable businesses, and such coverage is in full force and effect, and the Borrower has not failed to promptly give any notice of any claim thereunder.
- (m) **Full Disclosure.** The Borrower is not aware of any fact which it has not disclosed or caused to be disclosed to the Lender in writing which might materially adversely affect the business, operations, investments, property or prospects of any Obligor, or materially adversely affect the ability of any Obligor to observe and perform its obligations hereunder or relating to the DIP Loan.

6.02 Survival of Representations and Warranties

All of the representations and warranties of the Borrower contained in Section 6.01 shall survive the execution and delivery of this agreement notwithstanding any investigation made at any time by or on behalf of the Lender.

ARTICLE 7 – CONDITIONS PRECEDENT

7.01 Loan Documents

The Lender's obligations to advance credit under this agreement shall be conditional on, as the case may be, satisfaction of the following conditions or the execution and delivery of each of the following by each relevant party (concurrently with execution and delivery of this agreement, unless otherwise specified):

- (a) this agreement executed and delivered by all Obligors;
- (b) a general security agreement executed and delivered by the Borrower in a form satisfactory to the Lender;
- (c) a guarantee of the obligations of the Borrower hereunder executed and delivered by Touchpoint in a form satisfactory to the Lender;
- (d) a general security agreement executed and delivered by Touchpoint in a form satisfactory to the Lender;
- (e) issuance and entering of the Approval Order, and no appeal shall have been initiated in respect thereof by any person.

ARTICLE 8 - COVENANTS

8.01 Covenants

The Borrower hereby covenants and agrees with the Lender that, so long as there is any outstanding indebtedness or obligations hereunder and unless the Lender otherwise expressly consents in writing:

- (a) **Financial Reporting.** The Borrower shall provide the Lender: (a) weekly reports of cash collections, deposits, sales and generation of accounts receivable and disbursements; and (b) such other information as the Lender may require in its discretion, all in form and substance satisfactory to the Lender, and the Borrower specifically authorizes the Lender to divulge such information to the DIP Financiers.
- (b) **Conduct of Business.** The Borrower shall conduct its business in such a manner so as to comply in all material respects with all applicable laws and regulations. The Borrower shall carry on and conduct its business in a proper and efficient manner and will keep or cause to be kept proper books of account and shall make therein true and accurate entries of all dealings and transactions in relation to such business, and shall make or cause to be made such books of account available for inspection by the Lender and its representatives during normal business hours.
- (c) **Access.** The Borrower shall provide the Lender with reasonable access during normal business hours to any and all Collateral, any and all locations where any of the Obligors' assets may be located and any and all books and records and/or computer systems in connection with their operations.
- (d) **Reporting by Court Officer.** The Borrower covenants and agrees to authorize the Court Officer to provide the Lender, where reasonably required by the Lender, with copies of all documents, records, reports and information received or prepared by the Court Officer, to fully disclose to the Lender, whether verbally or in writing, where reasonably required by the Lender, all matters arising out of its engagement relating to the operations of the business, and to advise the Lender immediately of any situation that could materially affect the Lender's interests or rights under the Loan Documents. The Borrower specifically waives any right of confidentiality with respect to any such confidential information provided by the Borrower to the Court Officer. The Borrower specifically authorizes the Lender to divulge such information to the DIP Financiers or pursuant to any Court proceeding commenced by, or to which the Lender is a party or in connection with the exercise of any of the Lender's remedies against the Obligors including, without limitation, enforcing its security, or to any potential assignee of the Lender's rights under the Loan Documents.
- (e) **Use of Proceeds.** The proceeds of the Loan will be used by the Borrower in accordance with the Cash Flows.
- (f) **Material Adverse Change.** The Borrower shall promptly notify the Lender, and shall authorize and direct the Court Officer to promptly notify the Lender, of any material adverse change in the financial condition of any Obligor or in the ability of any Obligor to satisfy its obligations under any Loan Document.
- (g) **Reimbursement.** The Borrower shall reimburse the Lender, in arrears on the Maturity Date, for all reasonable costs, charges and expenses incurred by the Lender or the DIP Financiers, or on any of their behalves, in the development,

preparation, negotiation and execution of this agreement and any amendment hereto and all documentation ancillary to the completion of the transactions contemplated by this agreement, and for all reasonable costs, charges and expenses incurred by the Lender or the DIP Financiers, or on any of their behalves, in interpreting and enforcing the rights of the Lender under this agreement or any other documentation ancillary to the completion of the transactions contemplated by this agreement including, without limiting the generality of the foregoing, all legal fees and disbursements, whether in connection with the Proposal Proceeding or otherwise.

- (h) **Notice of Default.** The Borrower shall promptly notify the Lender of the occurrence of any Default or Event of Default and shall concurrently deliver to the Lender a detailed statement of a senior officer of the Borrower of the steps, if any, being taken to cure or remedy such Default or Event of Default.

Notwithstanding any reporting or access obligations of the Borrower hereunder or under any other Loan Document, the Lender acknowledges that, in light of the Lender's stated intention to bid for certain of the Borrower's assets in the sales process to be conducted by the Court Officer, the Lender's access to information concerning third-party bids in such sales process may be restricted by the Court Officer (acting reasonably, and with direction of the Court where required), to preserve the integrity of such sales process.

8.02 Lender Entitled to Perform Covenants

If any Obligor shall fail to perform any covenant on its part contained in section 8.01, the Lender may, in its discretion, perform any of the said covenants capable of being performed by it and, if any such covenant requires the payment or expenditure of money, the Lender may make such payments but shall be under no obligation so to do. All sums so expended by the Lender shall be payable by the Borrower on demand and shall bear interest at twelve percent (12.0%) per annum from the date of such expenditure until paid, but no such performance or payment shall be deemed to relieve the Borrower from any default hereunder.

8.03 Restrictive Covenants

The Borrower hereby covenants and agrees with the Lender that, until all advances outstanding hereunder have been repaid in full and the Loan Facility has been terminated, and unless the Lender has otherwise given its prior written consent thereto:

- (a) **Cash Flows.** The Borrower shall not permit:
 - (i) actual cash flows for any given week to be lower than forecasted for that week in the Cash Flows by more than 20%, tested weekly;
 - (ii) the cumulative net cash flows for any rolling three week period to be lower than forecasted in the Cash Flows by more than 15%, tested weekly;

- (b) **Borrowing.** The Borrower shall not borrow any material money, incur any material indebtedness or repay any indebtedness outside of the ordinary course of business.
- (c) **Liens.** The Borrower shall not enter into or grant, create, assume or suffer to exist any Lien affecting any of its property, assets or undertaking, save and except only for the Permitted Liens.
- (d) **Nature of Business.** The Borrower shall not change the nature of its business carried on as at the date of this agreement, discontinue any of their material businesses, enter into any transaction or material contract not in the ordinary course of business or engage in any business enterprise or activity different from that carried on as of the date hereof.
- (e) **Insolvency.** The Borrower shall not:
 - (i) make an assignment of its property for the general benefit of its creditors under the BIA;
 - (ii) institute any proceeding, other than the Restructuring Proceedings, seeking liquidation, dissolution, winding-up, reorganization, compromise, arrangement, adjustment, protection, moratorium, relief, stay of proceedings of creditors generally (or any class of creditors), or composition of it or its debts or any other relief, under any federal, provincial or foreign law now or hereafter in effect relating to bankruptcy, winding-up, insolvency, reorganization, receivership, plans of arrangement or relief or protection of debtors (including the BIA, the CCAA and any applicable corporations legislation) or at common law or in equity, or file an answer admitting the material allegations of a petition filed against it in any such proceeding;
 - (iii) apply for the appointment of, or the taking of possession by, a receiver, interim receiver, receiver/manager, liquidator or other similar official for it or any substantial part of its property;
 - (iv) seek or consent to any proposal, plan of reorganization or liquidation without the prior approval of the Lender; or
 - (v) threaten to do any of the foregoing, or take any action, corporate or otherwise, to approve, effect, consent to or authorize any of the actions described in this section 8.03(e), or otherwise act in furtherance thereof or fail to act in a timely and appropriate manner in defence thereof.

ARTICLE 9 - DEFAULT AND REMEDIES

9.01 Events of Default

Upon the occurrence of any one or more of the following events:

- (a) the non-satisfaction of any of the conditions set out in section 7.01 to this agreement;
- (b) the non-payment of any amount due hereunder which is not paid within five (5) Banking Days after written notice to do so by the Lender;
- (c) any representation or warranty made by any Obligor in this agreement or any Loan Document proves to have been incorrect in any material respect when made or furnished;
- (d) there occurs any breach of any covenant or term of this agreement, including without limitation, the covenant to maintain cash flows in accordance with the Cash Flows;
- (e) a new breach or failure of due observance or performance by any Obligor of any covenant, obligation or provision of any Loan Document other than those heretofore dealt with in this section 9.01, or of any other document, agreement or instrument delivered pursuant hereto or referred to herein which is not remedied by such Obligor within ten (10) Banking Days after (i) such breach or failure shall first have become known to any officer of the Obligor or (ii) written notice from the Lender to do so shall have been received by the Borrower;
- (f) if there occurs, in the opinion of the Lender, acting reasonably, a materially adverse change in the financial condition or operation of any Obligor;
- (g) if the stay of proceedings in favour of the Borrower in the Restructuring Proceedings is lifted, expires or ceases to be in effect;
- (h) if the Court-ordered sales process or the powers of the Court Officer are revoked or amended by any Court order in any manner other than as may be acceptable to the Lender; or
- (i) if the Court makes any order (subsequent to the Approval Order) which affects the priority of the DIP Charge, in any manner other than as may be acceptable to the Lender and the DIP Financiers,

the Lender may, by notice to the Borrower, declare all indebtedness of the Borrower to the Lender pursuant to this agreement to be immediately due and payable whereupon all such indebtedness shall immediately become and be due and payable without further demand or other notice of any kind, all of which are expressly waived by the Borrower. The Lender shall thereafter be entitled to take any action, remedy or proceeding authorized pursuant to the Loan Documents, at law or in equity, subject to the Approval Order.

ARTICLE 10 - MISCELLANEOUS

10.01 Reservation of Rights

The Lender's rights and remedies against the Borrower and its property, undertaking and assets under this agreement are in addition to and not in substitution for the Lender's rights and remedies as such may have existed prior to this agreement.

10.02 Waivers and Amendments

No failure or delay by the Lender in exercising any right hereunder shall operate as a waiver of such right nor shall any single or partial exercise of any power or right hereunder preclude its further exercise or the exercise of any other power or right. Any waiver by the Lender of the strict observance, performance or compliance with any term, covenant or condition of this agreement is not a waiver of any subsequent default and any indulgence by the Lender with respect to any failure to strictly observe, perform or comply with any term, covenant or condition of this agreement is not a waiver of the entire term, covenant or condition or any subsequent default. Any term, covenant, agreement or condition of this agreement may only be amended with the unanimous consent of all of the parties hereto or compliance therewith may only be waived (either generally or in a particular instance and either retroactively or prospectively) by the Lender.

10.03 Notices

All notices and other communications provided for herein shall be in writing and shall be personally delivered to the addressee or if the addressee is a corporation, to an officer or other responsible employee of the addressee, or sent by telefacsimile or other direct written electronic means, charges prepaid, at or to the applicable addresses, email addresses or telefacsimile numbers, as the case may be, set opposite the party's name on a signature page hereof or at or to such other address or addresses, email addresses, telefacsimile number or numbers as any party hereto may from time to time designate to the other parties in such manner, together with a copy to the addressee's counsel of record in the Restructuring Proceedings. Any communication which is personally delivered as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a Banking Day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Banking Day next following such date of delivery. Any communication which is transmitted by telefacsimile or other direct written electronic means as aforesaid shall be deemed to have been validly and effectively given on the date of transmission if such date is a Banking Day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Banking Day next following such date of transmission.

10.04 Severability

Any provision hereof which is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof.

10.05 Successors and Assigns

This agreement shall enure to the benefit of and shall be binding upon the parties hereto and their respective successors and permitted assigns.

10.06 Assignment

Neither this agreement, any Loan Document nor the benefit thereof may be assigned by the Borrower. The rights and obligations of the Lender hereunder and under any Loan Document may be assigned or participated by the Lender in whole or in part at the Lender's sole discretion, without any notice or consent of the Borrower, and the Borrower hereby covenants and agrees to execute and deliver to the Lender or to whom the Lender may direct all acknowledgements or other documents reasonably required by the Lender in connection with any such assignment.

10.07 Further Assurances

The Borrower shall do, execute and deliver or shall cause to be done, executed or delivered all such further acts, documents and things as the Lender may reasonably request for the purpose of giving effect to this agreement and to each and every provision hereof.

10.08 Entire Agreement and Paramountcy

This agreement and the agreements referred to herein and delivered pursuant hereto constitute the entire agreement between the parties hereto and supersede any prior agreements, undertakings, declarations, representations and understandings, both written and verbal, in respect of the subject matter hereof.

10.09 Pari Passu Priority Agreement

The parties hereto acknowledge and agree that the rights and obligations contemplated herein are subject to the terms of a Pari Passu Priority Agreement dated as of the date hereof among the Lender, the Borrower, Touchpoint, Castcan Investments Inc. and the DIP Financiers.

10.10 Counterparts

This agreement may be executed in one or more counterparts and by facsimile transmission or emailed PDF, each of which shall be deemed to be an original and all of which, when taken together, shall constitute one and the same agreement.

IN WITNESS WHEREOF the parties hereto have executed this agreement.

2320714 ONTARIO INC.

c/s

Attention: _____
Telefax: _____

By: _____
Name: _____
Title: _____
I have authority to bind the Corporation

2-2880 Brighton Road
Oakville, Ontario L6H 5S3

**PCAS PATIENT CARE AUTOMATION
SERVICE INC.**

c/s

Attention: Loreto Grimaldi
Telefax: 905.829.5504

By: _____
Name: _____
Title: _____
I have authority to bind the Corporation

SCHEDULE "A"
CASH FLOWS

PCAS Patient Care Automation Systems Inc.
13 Week CCAA Cash Flow Forecast
March 22 to June 15, 2012
(in Canadian dollars)

	Week 1 23-Mar-12	Week 2 30-Mar-12	Week 3 06-Apr-12	Week 4 13-Apr-12	Week 5 20-Apr-12	Week 6 27-Apr-12	Week 7 04-May-12	Week 8 11-May-12	Week 9 18-May-12	Week 10 25-May-12	Week 11 01-Jun-12	Week 12 08-Jun-12	Week 13 15-Jun-12	Total
Receipts														
New AR Collections	15,000	10,000	10,000	5,000	5,000	5,000	5,000	5,000	10,000	10,000	10,000	10,000	10,000	110,000
SRED Recovery	-	-	243,341	501,862	-	-	-	-	441,680	137,454	-	-	-	745,203
HST Recovery	-	160,085	-	-	107,250	-	-	-	137,454	-	-	-	-	941,538
Total Receipts	15,000	170,085	253,341	506,862	112,250	5,000	5,000	446,680	147,454	10,000	10,000	10,000	105,089	1,796,741
Disbursements														
Employee and contractor costs	805,450	12,000	659,200	58,500	673,450	12,000	531,100	48,400	467,200	12,000	531,100	12,000	467,200	4,289,500
Operating costs	169,455	1,400	96,645	160,317	-	1,400	123,848	52,000	-	90,948	34,300	52,000	89,548	872,061
Lease costs	86,850	55,300	-	45,000	-	109,300	38,000	-	-	109,300	38,000	-	-	481,750
SG&A	214,103	39,900	48,000	155,000	17,500	19,900	43,000	50,000	15,000	21,800	43,600	50,000	15,000	732,803
DIP Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	105,000
Principal payment Professional Fees	42,000	160,085	243,341	543,862	-	-	-	483,690	-	-	-	-	-	42,000
HST Payments	380,000	130,000	105,000	105,000	155,000	284,785	105,000	105,000	105,000	120,000	105,000	105,000	105,000	1,819,785
Total Disbursements	1,780,980	422,813	1,190,456	1,097,189	876,663	474,417	887,728	759,490	601,110	397,289	787,139	287,410	1,055,986	10,616,660
Net cash flow	(1,775,980)	(252,728)	(937,115)	(590,327)	(764,413)	(469,417)	(882,728)	(312,810)	(453,656)	(381,289)	(777,139)	(271,410)	(950,897)	(8,819,919)
Beginning Cash	-	1,024,020	771,292	(165,823)	(756,150)	(1,520,563)	(1,989,980)	(2,872,709)	(3,185,518)	(3,639,174)	(4,020,473)	(4,797,612)	(5,069,022)	-
Change in Cash	(1,775,980)	(252,728)	(937,115)	(590,327)	(764,413)	(469,417)	(882,728)	(312,810)	(453,656)	(381,289)	(777,139)	(271,410)	(950,897)	(8,819,919)
DIP Draw / (Repayment)	2,800,000	-	-	-	-	-	-	-	-	-	-	-	-	2,800,000
Total Ending Cash	1,024,020	771,292	(165,823)	(756,150)	(1,520,563)	(1,989,980)	(2,872,709)	(3,185,518)	(3,639,174)	(4,020,473)	(4,797,612)	(5,069,022)	(6,019,919)	(6,019,919)
Cumulative Cash Invested Available Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional DIP Required	-	-	200,000	800,000	1,800,000	2,000,000	2,900,000	3,200,000	3,700,000	4,100,000	4,800,000	5,100,000	6,100,000	6,100,000

Notes and assumptions

- Cash Flow Statement 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.
- This Cash Flow Statement has been prepared solely for the purpose described in Note 2 and readers are cautioned that it may not be appropriate for other purposes.
- The Cash Flow Statement is prepared assuming a going-concern sales process for the Company. The Cash-flow Statement is based on the assumptions detailed below. The Company is working diligently to identify and implement various contingency plans to further reduce costs during the forecast period.
- Sales are forecast to decline from the current \$15k per week as a result of lower inventory of drugs resulting from pre-filing cash flow constraints, pharmacists are required to send customers to other pharmacies for their prescribed medication and accordingly, demand in the short term is expected to decline.
- Scientific Research and Experimental Development ("SRED") tax credits for 2009 and 2010 are anticipated to be recovered during the forecast period. All SRED recoveries (including the not yet calculated 2011 credit) have been pledged as security or factored for loans from RBC and Castacan Investments. Accordingly, the repayments of these loans are shown as disbursements in the Cash Flow Statement.
- HST recovery is recoverable excise sales tax resulting from expenditures by PCAS and TouchPoint. The PCAS amounts are regular monthly recoveries assumed to come in six (6) weeks after filed. However, Touchpoint has filed an annual return for 2011 and anticipates a recovery of \$441,680 during the forecast period which has been pledged as security on a loan from Castacan Investments Inc. and is forecast to be repaid upon receipt in the normal course.
- Employee and contractor costs are forecast to be reduced post-filing limiting remaining staff to those required to maintain the technical knowhow and integrity of the network and installed MedCentres. Vacation pay remains accrued and is not assumed to be paid during the forecast period. Benefits, including healthcare insurance will be paid for remaining employees. There are no defined benefit or defined contribution pension schemes in the Company. Additionally, certain key contractors will be retained to negotiate a contract with major customer, project manage the technology infrastructure build for that customer and assist with critical tax and accounting work for the Company. The Company is analyzing various options to further reduce costs during the forecast period.
- Operating costs include purchases of drug and packaging inventories in TouchPoint, start up costs for new MedCentres, data centre costs and communications links between head office and remote MedCentres. These MedCentres provide a proof of concept for potential new investors and customers. Purchases are assumed on cash on delivery terms.
- Lease costs include the rent for the monthly cost of the buildings occupied by PCAS, the equipment leases for specialist IT equipment and office printers.
- SG&A includes amounts expected to be incurred for utilities, insurance, telephones and communication, office supplies and services, travel and security.
- DIP Interest has been calculated as 15% of the drawn down balance and paid at the end of the 13 week period.
- Principal repayments the RBC SRED loan is paid as the SRED recovery is made and the Castacan investment loan is repaid as the SRED and HST is recovered.
- Professional fees are assumed to be incurred for PCAS legal counsel at \$35k per week with a retainer of \$75k. The Monitor is assumed incur fees of \$40k per week for monitoring costs as well as running a sales process with a retainer of \$75k. Monitor's counsel's fees are forecast at \$30k per week with a \$50k retainer. Additionally, other professional fee costs include 2011 SRED consultancy fees (\$50k), 2011 Audit fee (\$175k) and \$15k per month legal costs of patents.
- HST disbursements are incurred based on the timing of cash disbursements.
- The Company is working to obtain additional DIP financing in order to fund a sales process, however at this time the amount and timing of this funding is not confirmed.

SCHEDULE "B"
DIP FINANCIERS

[Archibald, David]

Aubie, Roy

Barrett, Matthew

Cochrane, James

Culham, Harry

Delaney, Stephen

Dr. M. Page, Dr. Brode, Dr. C. Page and David Page

Barrett, Matthew

[Earthy, Daniel J.]

[Earthy Holdings Incorporated]

Fenn, Bob

Fox, Wayne

[Gibbins, David]

Peter Jamieson/Jamieson Motor Products

Joubert, Jean

Marcon, Norman

Maulsby, Lawrence

Mazza, Vince

Messier, Byron

Panneton, John

Perofsky, Renah

Potter, Dr. C. Peter

Rajan, Dr.

Ruby, John

[Skaade, Hans]

Suma, Peter

Swan, George

Swan, James

Tautrimis, Liane

The Sorbara Group

Uhren, Cameron

SCHEDULE "C"

PERMITTED LIENS

- (a) Security granted in favour of Royal Bank of Canada, registered pursuant to the Ontario *Personal Property Security Act* (the "**PPSA**") under reference file number 669008349.
- (b) Security granted in favour of Kohl & Frisch Limited, registered pursuant to the *PPSA* under reference file number 642941379.
- (c) Security granted in favour of IBM Canada Limited, registered pursuant to the *PPSA* under reference file number 666667611.
- (d) Security granted in favour of Castcan Investments Inc., In Trust, registered pursuant to the *PPSA* under reference file numbers 676656324 and 676656333.

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**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 PCAS PATIENT CARE AUTOMATION SERVICES INC. AND 2163279 ONTARIO INC.**

Court File No. CV-12-9656-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

AFFIDAVIT OF DONALD WAUGH

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Barristers and Solicitors
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Sam Babe (LSUC # 49498B)

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Fax: 416.863.1515

Solicitors for the Applicants

Tab 5

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL COURT**

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 PCAS PATIENT CARE AUTOMATION
SERVICES INC. AND 2163279 ONTARIO INC. (the
"Applicants")

APPLICATION UNDER THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

CONSENT

PWC INC., HEREBY CONSENTS to act as Monitor in the above-captioned proceedings.

Dated at Toronto this 21st day of March, 2012.

PWC INC.

Per: 

Name: Paul van Eyk

Title: Senior Vice President

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 PCAS PATIENT CARE AUTOMATION SERVICES INC. AND 2163279 ONTARIO INC.

Court File No. CV-12-9656-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

APPLICATION RECORD

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