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

REPORT OF THE PROPOSED MONITOR

March 21, 2012

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

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.

APPLICANTS

REPORT OF PRICEWATERHOUSECOOPERS INC.

In its capacity as Proposed Monitor of the Applicants

March 21, 2012

pwc

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I. INTRODUCTION

1. PricewaterhouseCoopers Inc. ("**PwC**") has been advised that on March 22, 2012, PCAS Automation Services Inc. ("**PCAS**") and 2163279 Ontario Inc., doing business as Touchpoint ("**Touchpoint**") (collectively the "**Company**" or the "**Applicants**") will apply for protection under the *Companies' Creditors Arrangement Act* (the "**CCAA**" and "**CCAA Proceedings**") in order to restructure the business and affairs of the Applicants. PwC has been requested to act as the Monitor of the Applicants and PwC has consented to act as the Monitor in respect of these CCAA Proceedings (the "**Proposed Monitor**").

II. PURPOSE OF REPORT

2. This report ("**Report**") is prepared by the Proposed Monitor to assist this Honourable Court in considering the Applicants' requests for relief in the CCAA Proceedings.

3. The purpose of this Report is to provide this Honourable Court with information on:
    - (i) background information on the Applicants including their corporate history and structure;
    - (ii) the causes of the Applicants' insolvency;
    - (iii) an overview of the Applicants' financial condition;
    - (iv) the proposed restructuring strategy and terms and uses of the DIP Credit Agreement (as defined below);
    - (v) an overview of the Applicants' 13-week cash flow forecast;
    - (vi) the proposed Administration, DIP Charge and D&O Charges; and
    - (vii) the Proposed Monitor's conclusions.

III. QUALIFICATIONS

4. In preparing this Report, the Proposed Monitor has relied upon unaudited financial information, the Company's books and records, financial information prepared by the Company and discussions with management and legal counsel to the Company. The Proposed Monitor has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the information and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance with respect to the information contained in this Report. Future-oriented financial information relied upon in this Report is based on management's assumptions regarding future events. Actual results achieved may vary from this information and these variations may be material. The Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy or completeness of any financial information

contained herein. The Proposed Monitor reserves the right to refine or amend its comments and findings as further information is obtained or brought to its attention subsequent to the date of this Report.

5. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

6. The Proposed Monitor's affiliated accounting firm, PricewaterhouseCoopers LLP ("**PwC LLP**"), is not the auditor of the Applicants or any of their affiliated companies. PwC LLP did provide certain consulting services to the Applicants which were ceased in early March 2012.

7. PwC was retained by the Company on March 4, 2012 to assist in their restructuring plans. Since that date, the Proposed Monitor has been reviewing the Applicants' available financial information to gain knowledge of the business and financial affairs of the Applicants' and has been preparing for the Applicants' anticipated CCAA application.

8. Going forward, the Proposed Monitor will make copies of relevant insolvency documents pertaining to these CCAA Proceedings available on its website at www.pwc.com/car-pcas .

IV. BACKGROUND

9. The Proposed Monitor has been provided with draft versions of the Affidavit of Donald Waugh, dated March 21st in support of the Applicants' CCAA filing (the "**Waugh Affidavit**").

Corporate History, Structure and Current Situation

10. 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, PCAS filed articles of amendment to change its name to its current name, "PCAS Patient Care Automation Services Inc.".

11. PCAS is headquartered in Oakville, Ontario. The Company has raised over $60 million of start-up capital to date from more than 550 non-employee shareholders including medical investment professionals and financial experts, entrepreneurs and the private investment vehicles of some of Canada's and the US's high net-worth individuals.

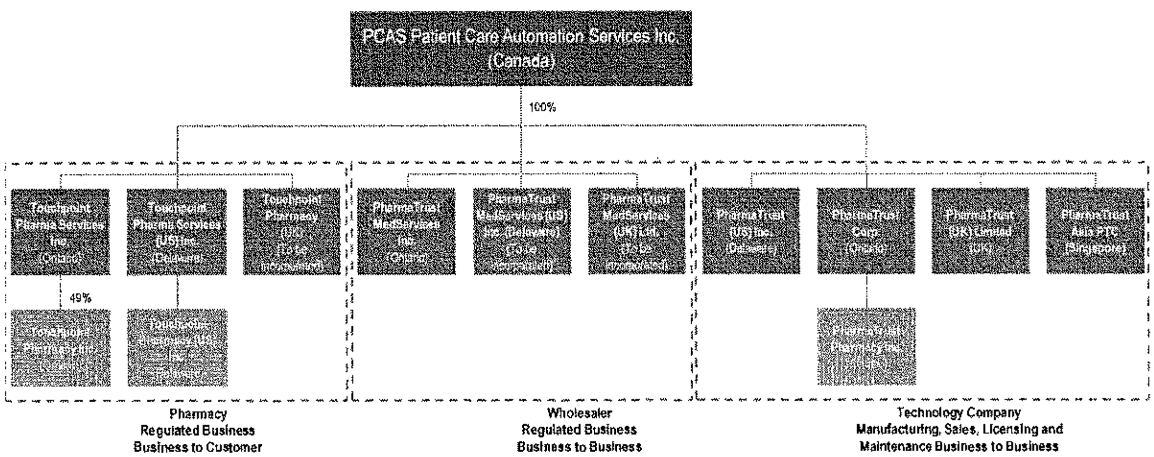
12. Touchpoint was incorporated pursuant to the *Business Corporations Act* (Ontario) on February 12, 2008, as "PCAS Newco Pharmacy Inc.". On July 31, 1999, articles of amendment were filed to change Touchpoint's name to "Direct Care Pharmacy Inc.". On June 13, 2011, further articles of amendment were 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.

13. Touchpoint operates a retail pharmacy business in Ontario using MedCentres. Ontario regulation 558/11, 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 nation's communities in Ontario.

14. 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.

15. The Company's corporate structure is detailed below in the following organizational chart.



16. The Company has two non-operational entities that are not shown on the above organizational chart, (i) 2246543 Ontario Inc., and (ii) Connect Care Pharma-Services Inc. (Delaware). The Company advised that these two entities have no assets nor conduct any business on behalf of PCAS and represent two old legal entities that are no longer used.

17. Since the start of 2012, the Company has attempted to raise additional funds, 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 have been

marketed by J.P. Morgan Securities LLC, BMO Capital Markets and Goldman Sachs & Co. These offerings were not successful and have put the Company in a position that absence additional significant funding, they do not have the liquidity to continue as a going concern.

18. Since the beginning of March 2012, the Company's cash position has been extremely tight, and on March 7, 2012 PCAS met its payroll obligations only through a last-minute factoring of certain Scientific Research & Experimental Development ("**SRED**") investment tax credits and Harmonized Sales Tax ("**HST**") refund accounts receivable by Castcan Investments Inc., ("**Castcan**"), a company controlled by certain existing shareholders of PCAS.

Overview of PCAS Product

19. PCAS is a healthcare technology company that has developed and is rapidly commercializing a unique, automated pharmacy. The Company's principal technology and product is the *PharmaTrust MedCentre* (the "**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 MedCentres generates an income stream for the life of the unit.

20. The MedCentre facilitates live pharmacist counseling 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. The MedCentre 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.

21. On October 25, 2011, PCAS signed a 5-year customer Memorandum of Understanding ("**MoU**") with a national pharmacy retail chain in the United States. Assuming a successful pilot and adoption rates, the MoU contemplates this national chain purchasing up to 2,900 MedCentre units over the period 2012 to 2014, representing potential revenue of $438 million over this period. PCAS is also in active discussions with another 15 large enterprise clients.

22. PCAS' second technology focus is on the development of the *PharmaTrust MedHome* (the "**MedHome**"). The MedHome is 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. The MedHome also enables patients to immediately connect with a pharmacist, physician, caregiver or emergency response at the touch of a button.

Company Operations

23. As referenced above, the Company's main operations are based in Oakville, Ontario. The Company operates from leased facilities in the following locations:

   a) Global/Canadian head office and Canadian manufacturing: 2880 Brighton Road, 2910 Brighton Road and 2440 Winston Park Drive, Oakville, Ontario (all leased facilities);

   b) US head office – 1468 Elmhurst Road, Elk Grove Village, Illinois, USA (leased)

   c) US sales office – 8120 Penn Avenue South, Suite 100T, Bloomington, Minnesota, USA (leased)

   d) UK sales office – 26-28 Hammersmith Grove, London, England (leased)

24. The Proposed Monitor is advised that the Company is currently in the process of shutting down its UK sales office.

25. As of March 12, 2012, the Company had approximately 240 employees and/or contractors working for the various Canadian, US and UK offices. The total number of employees and contractors by country are as follows;

   a) Canada 211 Total Employees, (i) full-time 191, (ii) part-time 15, (iii) contract 5;

   b) United States 2 full-time employees; and

   c) United Kingdom 1 contract employee.

26. The Proposed Monitor understands that the Company is reviewing its employee costs and may need to reduce (perhaps materially) head-count further in order to preserve liquidity during these CCAA Proceedings.

27. The Company does not have any defined benefit or defined contribution plans for any of its employees.

28. The Applicants next payroll was March 22, 2012 for approximately $696,000. Without DIP financing, discussed below, the Company was not able to meet this obligation. With the approval of DIP financing, management intends to pay this outstanding amount immediately.

Causes of Insolvency

29. The primary reasons for the current financial situation of the Company are as outlined in the Waugh Affidavit and include:

a) The Company has been unable to raise additional capital via a planned share issuance due to the current market conditions and lack of interest in the above mentioned equity and debt raise;

b) As noted above, the Company is incurring a substantial liquidity burn as it ramps up the production of its MedCentres to meet customer expectations (i.e., significant labour and contractor costs); and

c) The Company does not have a strong enough balance sheet (i.e., accounts receivable, inventory) nor a proven revenue model to allow it to access traditional debt financing.

30. As noted above, the Company's continuing losses have eliminated its liquidity, leaving it without funds to operate or restructure.

Historical Financial Results

31. The Company's most recent year-to-date ("**YTD**") consolidated income statement and its previous year-end income statement (December 31, 2011) are presented below. These financial results show a loss at February 29, 2012 YTD of approximately $2.6 million, with a December 31, 2011 loss of over $30 million. The Proposed Monitor notes the below income statement summary is for consolidated operations and is based on unaudited financial results.

PCAS
Statement of Income (Consolidated)
CDN$ (000's)

	Two-Months Ending February 29, 2012	Year-end December 31, 2011
Sales	$ (11)	$ 1,009
Cost of Goods Sold	21	1,430
Gross Profit	(32)	(421)
Expenses	2,601	29,778
Net income (loss)	$ (2,633)	$ (30,200)

Source: Company prepared information

32. As noted above the Company remains in the pre-commercialization stages for its products and as a result the Company has incurred significant net losses in fiscal 2011 and YTD fiscal 2012.

33. Below is a summary of the Company's unaudited consolidated balance sheet as at February 29, 2012.

PCAS
Consolidated balance sheet as at February 29, 2012
($000)

ASSETS		**LIABILITIES AND SHAREHOLDER'S EQUITY**	
Current Assets		**Current Liabilities**	
Cash	$ 984	Trade and other payables	$ 4,114
Accounts receivable	868	Loans payable	865
Inventories	2,931	Deferred revenue	642
Investment tax credits	1,095	Other current liabilities	121
Other current assets	376	**Total Current Liabilities**	$ 5,742
Total Current Assets	$ 6,254		
Non-current Assets		**Total Non-current Liabilities**	$ 130
Property, plant and equipment	$ 4,381		
Other non-current assets	2	**Shareholders' Equity**	
Total Non-current Assets	$ 4,383	Capital stock and warrants (net of costs)	68,564
		Contributed surplus	2,513
Total Assets	$ 10,636	Retained earnings (deficit)	(66,315)
		Total Shareholders' Equity	$ 4,763
		Total Liabilities and Shareholders' Equity	$ 10,636

Source: Company prepared information

34. The February 29, 2012 balance sheet reflects that:

(i) The Company has an accumulated retained earnings deficit of approximately $66 million;

(ii) The Company assets exceed its liabilities; however the Company does not have sufficient borrowing capability to fund operational costs which run on average about $1 million every two weeks as per the Company.

35. As a result of the sustained losses, the Company exhausted its liquidity and had an inability to raise additional equity capital, which was the primary source of capital for the company.

36. As at the date of this Report, we understand the Company has limited funds available and urgently requires the DIP financing.

Key Creditors

37. As outlined in the Waugh Affidavit, PCAS and Royal Bank of Canada ("**RBC**") are parties to a credit letter agreement dated October 12, 2011, and Touchpoint has guaranteed all of the obligations of PCAS to RBC to a maximum principal amount of $3,800,000. As of the date of this report, RBC is owed approximately $870,000.

38. Kohl & Frish Limited ("**KFL**") is a major drug supplier to Touchpoint. KFL is owed $43,646 as at the date of this Report. KFL and RBC are parties to a priority agreement dated November 2011 in which KFL agreed to subordinate its security interests in all of the assets of the Applicants with the exception of inventory supplied by KFL.

39. Castcan recently purchased certain investment tax credit accounts receivable. The receipt of these recoveries by the Applicants' are identified as repayments in the Consolidated Cash Flow Statement attached as Appendix A. Castcan has a security interest registered and the Company has identified repayments to Castcan in its cash flows.

V. RESTRUCTURING OF THE COMPANY AND TERMS AND USES OF THE PROPOSED DIP CREDIT AGREEMENT

40. The Proposed Monitor has been advised that the principal strategy to be pursued is a sale of the Company's assets as a going concern within the CCAA Proceedings.

41. The Company's liquidity position remains severe. In order to continue day-to-day operations and to facilitate the restructuring of PCAS, the Applicants will require additional and immediate liquidity during formal insolvency proceedings it they are to successfully conduct a sale of its assets.

42. The Proposed Monitor understands that a consortium of shareholders (the " **DIP Lender**") has agreed pursuant to a proposed senior secured, debtor-in-possession credit agreement (the "**DIP Credit Agreement**") to extend debtor-in-possession financing (the "**DIP Facility**") to the Company to support the operations of the Company during the sales process. The DIP Lender informed the Company that their willingness to provide such financing was predicated, in part, on the Applicants bringing an independent application for protection under the CCAA.

43. It is important to the note that the amount of the DIP Commitment is approximately $2.8 million and based on the 13-week cash flows, discussed below, this emergency funding will only provide the Company with about 3 weeks of liquidity. The Company has advised that they know they must raise additional DIP financing from its current shareholder group and/or new parties to maintain the business as a going-concern.

Key Elements of the DIP Credit Agreement

44. Some of the principal terms of the DIP Credit Agreement include, without limitation, the following:

    a) The DIP Facility consists of a non-revolving credit facility in an aggregate amount of approximately $2,800,000 (the "**DIP Commitment**") at any time, with a term of three months from the date of the CCAA approval.

    b) Pricing under the DIP Credit Agreement is at 15%. Interest on DIP Commitment will be in arrears and payable upon maturity of the DIP Facility.

    c) The DIP Charge requested will be subordinated to RBC and Castcan.

    d) The DIP Lender has the right to convert all or any portion of the indebtedness into common shares at one (1) common share for $0.38 of indebtedness converted.

    e) The consortium involved in the DIP financing are party to a Pari Passu Priority Agreement.

45. The Company has had discussions with certain other potential groups as to provide DIP financing, and a third party actually presented a DIP commitment; however this third party subsequently withdrew their commitment. At the date of this Report, the Proposed Monitor is unaware of any interested parties that could facilitate a DIP arrangement on an expedited basis in order to address the Company's immediate liquidity concerns.

46. As it relates to the DIP Credit Agreement, the Applicants have advised the Proposed Monitor that:

    a) The DIP Credit Agreement represents the best alternative available to the Applicants to address short-term liquidity constraints;

    b) The DIP Credit Agreement should ensure the continuation of the Applicants operations and employment of certain employees during the CCAA Proceedings while the Company addresses the need to source additional DIP financing;

    c) The contemplated sales process would be at risk if the DIP Credit Agreement were not approved by this Honourable Court; and

    d) Substantially all of the assets of the Company are already pledged to RBC and/or Castcan. The DIP Financing contemplates a DIP Charge that is subordinated to RBC and Castcan's secured positions and to therefore provide these stakeholders with some comfort as to the reasonableness of the preservation of their secured position.

47. The Company has advised the Proposed Monitor that the Company will use the funds advanced under the DIP Facility for working capital, general corporate purposes, transaction/restructuring costs and post-filing expenses. The Proposed Monitor understands that the Company is in immediate need of the financing in order to ensure payroll is paid to the approximate 211 employees/contractors in Canada, US and the UK, and to allow the Applicants to continue operating and meeting customer order requirements.

48. Given the Company's poor financial results and its immediate liquidity concerns, the Company is unlikely to secure any additional capital outside of a Court-approved facility. As such, the Proposed Monitor is of the view that the DIP Facility represents the only alternative available to the Company to ensure the continuation of the Company's operations through these proceedings.

VI. OVERVIEW OF THE 13-WEEK CASH FLOW STATEMENT

49. The Company has prepared a consolidated 13-week cash flow forecast (the "**Consolidated Cash Flow Statement**") that estimates its financing requirements during the CCAA Proceedings. A copy of the Consolidated Cash Flow Statement is attached hereto as Appendix A and projects that the Company will have limited short-term liquidity available to allow them to operate under CCAA Proceedings and afford the Company the opportunity to raise additional DIP financing and run a court-approved sales process.

50. The Consolidated Cash Flow Statement estimates that for the period March 23, 2012 to June 15, 2012, the Applicants will have total receipts of approximately $1.8 million and total disbursement of approximately $10.6 million for net cash outflow of $8.9 million.

51. From a review of the Consolidated Cash Flow Statement, it is important to note that the Company's liquidity becomes increasingly tight with limited flexibility as the Company approaches the 4 week mark. The Company will need to arrange additional DIP financing in order to provide it with sufficient time to execute on a transaction. There is the potential that the Company will not have sufficient liquidity to continue as a going-concern if additional DIP financing is not raised. The Company is actively considering various alternatives to reduce costs, including significant headcount reductions through temporary lay-offs, in order to preserve cash and extend the period of time available for raising additional financing.

52. It should be noted that to the extent that suppliers supply goods or services after the date of the Initial Order (if obtained) on credit, there is a risk that the Applicants will not have sufficient liquidity to satisfy their obligations (which could include payments owing to

employees for services performed in the preceding pay period) unless the DIP Lender provides additional credit, additional DIP financing is arranged, or a purchase transaction is completed in which the purchaser agrees to assume such obligations.

53. As at March 19, 2012, the amount of pre-filing trade debt of the Applicants that will be stayed as a result of the CCAA Proceedings is approximately $6.3 million.

54. The Consolidated Cash Flow Statement attached hereto as Appendix A has been prepared by the Company using Probable and Hypothetical Assumptions as set out in the notes to the Consolidated Cash Flow Statement.

55. Pursuant to section 23(1)(b) of the CCAA, the Proposed Monitor is required to provide this Honourable Court with the Proposed Monitor's findings with respect to its review of the Consolidated Cash Flow Statement as to its reasonableness. Our review consisted of inquiries, analytical procedures and discussions related to information supplied to by the management of the Company. Since Hypothetical Assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Consolidated Cash Flow Statement. We have also reviewed the support provided by the Company for the Probable Assumptions. The Probable Assumptions of the Consolidated Cash Flow Statement are as follows:

   a) all disbursements are made assuming suppliers pre-filing amounts are stayed and post-filing amounts are paid on significantly reduced credit terms in light of the commencement of these CCAA Proceedings;

   b) no significant changes in input prices from key suppliers;

   c) intercompany accounts payable and loans, as at the date of filing, are stayed;

   d) payments are made to RBC and to Castcan based on the receipt of investment tax credits;

   e) interest accruing on the direct indebtedness of the DIP Credit Agreement is paid monthly at the rates agreed to in the DIP Credit Agreement; and

   f) professional fees associated with the planned CCAA proceedings have been estimated by the professionals involved.

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

a) The Hypothetical Assumptions are not consistent with the purpose of the Consolidated Cash Flow Statement;

b) As at the date of this report, the Probable Assumptions developed by management are not suitably supported and consistent with the plan of the Company or do not provide a reasonable basis for the Consolidated Cash Flow Statement, given the Hypothetical Assumptions; or

c) The Consolidated Cash Flow Statement does not reflect the Probable and Hypothetical Assumptions.

57. As noted above, the Company will require additional DIP financing, above the amount of $2,800,000 in order to continue as a going-concern.

58. The Proposed Monitor will monitor the receipts and disbursements and report to this Honourable Court any material concerns that may arise.

VII. SUMMARY OF PROPOSED COURT-ORDERED CHARGES

59. The Administration Charge provides for an amount of $500,000 for the Monitor, the Monitor's counsel, and the Applicants' counsel, as security for professional fees and disbursements incurred before and after the making of the Initial Order in respect of these CCAA Proceedings. The Administration Charge has been established based on the respective professional's previous history and experience with restructurings of a similar magnitude and complexity.

60. The Company further proposes a charge in favor of the DIP Lender (the "**DIP Charge**") in an amount not to initially exceed $3 million charging all of the assets of the Company, except the above Administrative Charge and prior existing registered security interests. This $3 million DIP Charge would provide for the accrual of a certain amount of interest.

61. The directors' and officers' charge (the "**D&O Charge**"), as described in the Waugh Affidavit and the draft Initial Order, provides for a charge in the amount of $1,500,000 million as security for various indemnities provided to the directors and officers by the Applicants' in the draft Initial Order.

62. The Proposed Monitor has been advised that the D&O Charge is necessary for the continued service of the Applicants' directors and officers during the Company's restructuring and that the quantum has been calculated relative to certain employee-related obligations of the Applicants' for which the directors and officers may be held liable.

63. Given that the Applicants' will require the committed involvement of its directors and officers to successfully restructure, the Proposed Monitor believes the D&O Charge is required under the circumstances. The Proposed Monitor has not been provided with a detailed breakdown by employee; however the Company has provided the Proposed Monitor with a summary of the quantum requested.

64. The Proposed Monitor is of the view that the proposed D&O Charge and the proposed DIP Charge and rankings are required and reasonable in the circumstances of the CCAA Proceedings, in order to preserve the Company's operations and maintain an enterprise value and, accordingly supports the granting of and the proposed priority ranking of these court-ordered charges. The Proposed Monitor understands that RBC and Castcan have received notice of these proceedings.

VIII. CREDITOR NOTIFICATION

65. The draft Initial Order requires the Proposed Monitor to send notice of the Initial Order, within ten (10) days, to every known creditor, having a claim of more than $1,000. The Proposed Monitor will attempt to ensure that creditors owed less than $1,000 will receive notice of the Initial Order by posting the Initial Order on its website.

IX. CONCLUSIONS

66. The Proposed Monitor is of the view that the restructuring and continuation of the business as a going concern is the best option available for a variety of reasons, including, *inter alia*:

a) A going concern restructuring or sale of the assets would preserve the value of the Company whereas a liquidation and wind-down of the Company would likely result in a significantly reduced value and recovery for creditors';

b) A CCAA Proceeding affords the Company additional time to secure further DIP financing; and

c) A going-concern sale of the business has the potential to preserve a significant number of jobs if the Company is able to continue or sold as a going concern.

67. In these circumstances, the Proposed Monitor is supportive of the Company's efforts to obtain DIP financing so as to avoid a liquidation and provide time to address additional DIP financing and facilitate a restructuring and sale of its assets through CCAA Proceedings.

68. The Proposed Monitor understands that the DIP Lender is only willing to extend credit to the Applicants' under the conditions of the DIP Credit Agreement. The Proposed Monitor further understands that the Company does not have any satisfactory alternative financing arrangements available.

69. The Proposed Monitor understands that, without access to financing under the DIP Credit Agreement, the Company would face an imminent liquidity crisis, an inability to purchase materials for new customer orders, and more importantly an inability to pay its employees. The Proposed Monitor recognizes the need for the Applicants' to obtain this Honourable Court's approval of the DIP Credit Agreement and DIP Charge as part of the Initial Order.

70. Further to the Proposed Monitor's review of the proposed draft Initial Order, the Proposed Monitor supports the charges and financial thresholds proposed in the draft Initial Order, including:

a) the Administration Charge of $500,000;

b) the DIP Charge of $3,000,000;

c) the D&O Charge of $1,500,000; and

d) notices to creditors with outstanding balances of $1,000 or more.

All of which is respectfully submitted at Toronto, Ontario, this 21st day of March 2012.

PRICEWATERHOUSECOOPERS INC.
In its capacity as Proposed Monitor of
Patient Care Automation Services Inc.

Paul van Eyk, CA·CIRP, CA·IFA
Senior Vice-President

TAB A

PCAS Patient Care Automation Systems Inc.
13 Week CCAA Cash Flow Forecast
March 22 to June 15, 2012
(in Canadian dollars)

Week ended	Notes	Week 1 23-Mar-12	Week 2 30-Mar-12	Week 3 6-Apr-12	Week 4 13-Apr-12	Week 5 20-Apr-12	Week 6 27-Apr-12	Week 7 4-May-12	Week 8 11-May-12	Week 9 18-May-12	Week 10 25-May-12	Week 11 1-Jun-12	Week 12 8-Jun-12	Week 13 15-Jun-12	Total
Receipts															
New AR Collections	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
SRED Recovery	4	-	-	243,341	501,662	-	-	-	-	-	-	-	-	-	745,203
HST Recovery	5	-	160,065	-	-	107,250	-	-	441,680	137,454	-	-	-	95,069	941,538
Total Receipts		15,000	170,085	253,341	506,662	112,250	5,000	5,000	446,680	147,454	10,000	10,000	10,000	105,069	1,796,741
Disbursements															
Employee and contractor costs	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
Operating costs	7	169,455	1,400	96,845	160,317	-	1,400	123,848	52,000	-	90,948	34,300	52,000	89,548	872,061
Lease costs	6	86,850	55,300	-	45,000	-	109,300	36,000	-	-	109,300	38,000	-	-	461,750
SG&A	9	214,103	39,900	48,000	155,000	17,500	19,900	43,000	50,000	15,000	21,600	43,600	50,000	15,000	732,603
DIP Interest	10	-	-	-	-	-	-	-	-	-	-	-	-	105,000	105,000
Principal payment	11	42,000	160,085	243,341	543,862	-	-	-	483,680	-	-	-	42,000	248,667	1,763,635
Professional Fees	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
HST Payments	13	93,122	24,128	38,070	29,510	30,713	47,032	46,760	20,410	13,910	37,251	35,139	20,410	25,551	452,026
Total Disbursements		1,790,980	422,813	1,190,456	1,097,189	876,663	474,417	887,728	759,490	601,110	391,299	767,139	261,410	1,055,966	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)	(381,299)	(777,139)	(271,410)	(950,897)	(8,819,919)
Beginning Cash		-	1,024,020	771,292	(165,623)	(758,150)	(1,520,563)	(1,999,960)	(2,872,708)	(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)	(361,299)	(777,139)	(271,410)	(950,697)	(6,819,919)
DIP Draw / (Repayment)	14	2,800,000	-	-	-	-	-	-	-	-	-	-	-	-	2,800,000
Total Ending Cash		1,024,020	771,292	(165,623)	(756,150)	(1,520,563)	(1,989,980)	(2,872,706)	(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		1,024,020	771,292	(165,823)	(756,150)	(1,520,563)	(1,989,980)	(2,672,708)	(3,185,518)	(3,639,174)	(4,020,473)	(4,797,612)	(5,069,022)	(6,019,919)	(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

1 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.

2 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.

3 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.

4 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.

5 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.

6 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 define 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.

7 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.

6 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.

9 SG&A includes amounts expected to be incurred for utilities, insurance, telephones and communication, office supplies and services, travel and security.

10 DIP interest has been calculated as 15% of the drawn down balance and paid at the end of the 13 week period.

11 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.

12 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.

13 HST disbursements are incurred based on the timing of cash disbursements.

14 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.