

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

FIRST REPORT OF THE MONITOR

April 15, 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

FIRST REPORT OF PRICEWATERHOUSECOOPERS INC.

In its capacity as Monitor of the Applicants

April 15, 2012

TABLE OF CONTENTS

I.	INTRODUCTION	4
II.	PURPOSE OF REPORT	4
III.	QUALIFICATIONS.....	5
IV.	ACTIVITIES	5
V.	DIP FACILITY AND DIP LENDER’S CHARGE	10
VI.	AMENDMENTS TO THE DIP FACILITY	11
VII.	PROPOSED KERP, KERP CHARGE AND EMPLOYEE RETENTION	13
VIII.	CASH FLOW VARIANCE ANALYSIS.....	15
IX.	REVISED FORECAST	17
X.	INDEPENDENT REVIEW OF SECURITY	18
XI.	CURRENT STAY OF PROCEEDINGS.....	19
XI.	RECOMMENDATION.....	19

APPENDICIES

- APPENDIX “A” – Proposed Monitor’s Report, dated March 22, 2012
- APPENDIX “B” – Confidential unredacted KERP
- APPENDIX “C” – Cash flow variance analysis for the period to April 6, 2012
- APPENDIX “D” – Revised Forecast to June 15, 2012

I. INTRODUCTION

1. On March 23, 2012 (the “**Filing Date**”), PCAS Patient Care Automation Services Inc. (“**PCAS**”) and 2163279 Ontario Inc. (“**Touchpoint**”) (collectively, the “**Company**” or the “**Applicants**”) made an application under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (“**CCAA**”) and an initial order (the “**Initial Order**”) was granted by the Honourable Mr. Justice Morawetz of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) granting, *inter alia*, a stay of proceedings against the Applicants to April 21, 2012 (the “**Stay Period**”) and appointing PricewaterhouseCoopers Inc. (“**PwC**”) as the monitor (the “**Monitor**”). The proceedings commenced by the Company under the CCAA are referred to herein as the “**CCAA Proceedings**”.
2. PwC was previously retained by the Company to act as financial advisor to assist management and the board of directors to review strategic alternatives available to the Company for the resolution of its liquidity concerns.

II. PURPOSE OF REPORT

3. In conjunction with the Company’s application for relief under the CCAA, on March 23, 2012, PwC in its capacity as proposed Monitor filed a report with this Court (the “**Proposed Monitor’s Report**”) attached hereto as **Appendix “A”**.
4. The purpose of this, the Monitor’s first report (the “**First Report**”) is to:
 - a) Provide this Court with a summary of the following:
 - (i) The Monitor’s activities since the date of the Initial Order;
 - (ii) The Company’s request to increase the authorized borrowing limit of the DIP Facility to \$10,000,000 and to correspondingly increase the DIP Lender’s Charge (both as defined in the Initial Order);
 - (iii) The Company’s request that it be authorized to amend the terms of the DIP Facility;
 - (iv) The Company’s request for the approval of a key employee retention plan (“**KERP**”) and a KERP Charge (as defined below);
 - (v) The Company’s Cash Flow Variance Analysis for the period March 23 to April 6, 2012; and
 - (vi) The Company’s Revised Forecast (as defined below) for the period April 7 to June 15, 2012.

b) Recommend that this Court issue an order:

- (i) Approving the activities of the Monitor as set out in this First Report and the Proposed Monitor's Report;
- (ii) Increasing the Company's authorized borrowing limit under the DIP Facility from \$2,800,000 to \$10,000,000 and correspondingly increasing the amount of the DIP Lender's Charge;
- (iii) Approving the Amended and Restated DIP Agreement;
- (iv) Approving the Company's request for approval of the KERP and granting the KERP Charge; and
- (v) Sealing Confidential Appendix "B" hereto containing the unredacted KERP.

III. QUALIFICATIONS

5. In preparing this First Report, the 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 Monitor has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the information and, accordingly, the Monitor expresses no opinion or other form of assurance with respect to the information contained in this First Report. Future-oriented financial information relied upon in this First 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 Monitor expresses no opinion or other form of assurance with respect to the accuracy or completeness of any financial information contained herein. The 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 First Report.
6. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined are as defined in the Initial Order or in the Affidavit of Loreto Grimaldi dated April 13, 2012 (the "**Grimaldi Affidavit**").

IV. ACTIVITIES

Monitor's activities since March 23, 2012

7. The Company has provided the Monitor with its full co-operation and unrestricted access to their premises, books and records. The Monitor has implemented procedures for the daily monitoring of receipts and disbursements and is assisting the Company in the preparation of a weekly cash flow forecast and variance analysis of actual results against the cash flow

forecast, which the Company provides to the DIP Lender under the terms of the DIP Loan Agreement.

8. The Monitor has established a dedicated telephone number, (416) 687-8316, which creditors and other interested parties can use to contact the Monitor. In addition, the Monitor has established a website at www.pwc.com/car-pcas at which all materials filed by the Company or the Monitor in the Ontario Court and all orders granted by the Ontario Court will be made available to creditors and other interested parties in electronic form. In accordance with paragraph 44 of the Initial Order and in accordance with section 23(1) of the CCAA, the Monitor:
 - a) sent a notice of the CCAA filing, on March 27, 2012, in the prescribed form to all known creditors as set out in the Company books and records, and to the Office of the Superintendent of Bankruptcy (“**OSB**”);
 - b) arranged for publication of a notice in the Globe and Mail once a week for two consecutive weeks commencing on March 28, 2012;
 - c) posted a list showing the names and addresses of creditors and the estimated amount of those claims on the Monitor’s website (with the exception of employee claims which amounts have not been posted for privacy reasons); and
 - d) filed the necessary forms with the OSB within the prescribed time limits.
9. Since the date of its appointment, the Monitor has been working to fulfill its duties and obligations and to assist the Company to prepare for a sale or restructuring of its business and to assist the Company in its discussions with counsel to the DIP Lender regarding the potential structure of the DIP Facility, including, among other things:
 - a) attending the Company’s Oakville offices to work with the interim CFO on the preparation of the Revised Forecast;
 - b) discussions with the interim CFO and review of the Company’s receipts and disbursements;
 - c) discussions and correspondence with Aird & Berlis LLP (“**A&B**”), counsel to the Company, on various matters;
 - d) discussions and correspondence with Osler, Hoskin & Harcourt LLP (“**Osler**”), counsel to the Monitor, on various matters;

- e) discussions with the Company and its counsel regarding the framework for a potential sale and investor solicitation process (“SISP”), and review of Company prepared draft SISP documentation;
 - f) discussions with various interested parties seeking to obtain information in respect of DIP financing and/or on a sales process within the CCAA Proceedings;
 - g) discussions with numerous creditors and shareholders on the status of the CCAA Proceedings;
 - h) discussions with the Company on the proposed KERP;
 - i) discussions with the Company on potential contract repudiations and other cost saving and restructuring initiatives ;
 - j) discussions with the Company and the DIP Lender and their counsel on the proposed Amended and Restated DIP Agreement (as defined below);
 - k) discussions with the Company and the DIP Lender on potential sources of additional DIP financing; and
 - l) Discussions with counsel to certain of the secured creditors regarding, among others, the CCAA Proceedings and the Company’s efforts to arrange for additional DIP funding and commence a sale process
10. Prior to the Company’s application under the CCAA, the third-party guarantor provided \$65,000 to A&B to be held in trust for payment of the fees of a Trustee in Bankruptcy should a successful restructuring or sale of the business not be possible. These fees remain with A&B as at the date of this First Report and, at this point, will not be released.

Company’s activities since March 23, 2012

- 11. Since the start of the CCAA Proceedings, the Company’s senior management team has, among other things, been working with employees, customers and suppliers to ensure that the stability of operations and its technology is maintained.
- 12. The Company has been working in coordination with the DIP Lender to aggressively market and increase the DIP Facility in order to obtain sufficient funds to enable the commencement of a SISP. A significant amount of the time of senior management and the Board of Directors has been dedicated to strategies to increase investment in the DIP Facility in order to provide the Company sufficient time to implement a restructuring or sale.

13. Subsequent to the Filing Date, three individuals have joined the PCAS Board of Directors, bringing the total to four Board Members. On the Filing Date, the only director was Mr. Don Waugh, Chairman and Co-Founder. Subsequently, Mr. Kym Anthony joined as Chairman and Mr. Farouk Ahamed and Mr. Jim McClocklin joined as Directors and Mr. Waugh became Vice Chair. These Board Members have been actively involved in meeting with Company management to address the issues facing the Company, most notably raising investment in the DIP Facility.

SUPPLIER AND CUSTOMER COMMUNICATION

14. The Company has contacted certain key suppliers by phone and has sent letters electronically to substantially all of their other customers advising of the CCAA Proceedings and of the Company's efforts to continue operations as normal without disruption.

EMPLOYEES

15. Pursuant to paragraph 5 of the Initial Order, the Company has continued their existing payroll arrangements with its employees and has been paying outstanding wages earned prior to March 23, 2012, and wages earned after that date. Additionally, the Company has been reimbursing employees for valid and authorized expenses incurred as part of their employment. The payments have included amounts owing to self-employed individuals whose services are retained by the Company on a contractual basis.
16. In order to reduce costs, the Company has implemented a head-count reduction plan, with 49 terminations made on March 29, 2012. All terminated staff have been paid their outstanding wages, as well as any outstanding vacation pay and outstanding expense claims. In addition to the planned terminations, as of April 4, 2012, 11 employees had voluntarily resigned and were paid outstanding wages and vacation pay.
17. Prior to the commencement of the CCAA Proceedings, PCAS offered its staff the choice to accept shares in PCAS in lieu of cash payments for wages earned. At the date of filing, there were 28 employees who continued to take shares in lieu of cash. PCAS advised employees at the time of making the offer of the risks associated with accepting shares in lieu of cash and obtained a signed acknowledgement of these risks and the impact on the employees' compensation in a formal restructuring proceeding. The Monitor and its counsel have reviewed this acknowledgement and consider it sufficient in informing employees of the risk of accepting shares in lieu of cash payments for wages. The acknowledgment includes a warning that accepting shares in lieu of wages might reduce the employee's potential claim under the Wage Earner Protection Program.

COST REDUCTION ACTIVITIES

18. The Company continues to undertake various cost reviews to reduce the on-going cash requirements of the business. These cost reduction activities include a review of necessary material purchases and further headcount reductions if required.
19. In the interest of pursuing a SISP, the Company intends to engage a third party advisor to assist with this process. The Company is currently in discussions to finalize the terms of such an agreement. Should sufficient funds be raised in the DIP facility, it is intended that the Company will return to Court to seek the approval of a SISP. The Monitor will report to this Court further on the proposed SISP at such time together with any engagement of a third party financial advisor to assist any proposed SISP.
20. The Company is evaluating its contracts in order to identify those that it intends to repudiate pursuant to the provisions of the Initial Order in order to minimize costs. To date, the Company has not issued any repudiation notices.

OTHER MATTERS

21. On March 29, 2012, the Company received an HST refund of \$160,086 which was subject to Castcan Investments Inc.'s ("**Castcan**") security. As set out in the cash flow forecast filed with the application for the Initial Order, the Company paid this amount to Castcan on account of its secured claim. The Company also intends to return certain expired and soon to be expired drugs to Kohl & Frisch Limited ("**KFL**") that is subject to the security that is in favour of KFL.
22. As discussed in the Proposed Monitor's Report, the Company has been in continuing discussions with a national pharmacy retail chain in the United States with which it signed a 5-year memorandum of understanding ("**MoU**") on October 25, 2011. The Company continues to seek to finalize and sign a contract with this customer providing for sales of up to 2,900 MedCentre units over the period 2012 to 2014, representing potential revenue of \$438 million over this period. In addition, PCAS remains in active discussions with several other large enterprise clients. As at the date of this First Report, the Monitor is not aware of any signed commitments.
23. Since the Filing Date, the Company has made payments of \$13,450 on account of balances owing from prior to the filing date. These payments were made to a critical vendor without whom the Company would not have been able to continue its operations. The Monitor was

made aware of this critical payment and supported this payment in the interest of continuing and stabilizing the business.

V. DIP FACILITY AND DIP LENDER'S CHARGE

24. The Initial Order authorized and empowered to the Applicants to obtain and borrow under a credit facility from 2320714 Ontario Inc. (the "**DIP Lender**") to a maximum principal amount of \$2,800,000 (the "**DIP Facility**") subject to further order of this Court. Additionally, the Initial Order provided for a charge in favour of the DIP Lender (the "**DIP Lender's Charge**").
25. The Company has drawn the DIP Facility's full \$2,800,000 limit. As of April 13, 2012, there was \$825,000 of cash in respect of the additional DIP finding which could be drawn by the Company without any conditions other than obtaining an Order increasing the principal limit on the DIP Facility. It is estimated that these additional funds will allow the Company to continue to operate, net of accrued payroll, to on or about April 18, 2012
26. As further discussed below, to the extent that the Company is not able to raise the additional funds, the Company will no longer have funds to continue to operate as a going concern and make its payroll (accrued wages only, excluding accrued vacation pay), professional fees and other obligations as per the Revised Forecast after on or about April 18, 2012. Accordingly, it is the Monitor's understanding that in those circumstances it is the Company's intention to make an assignment in bankruptcy. The Monitor intends to provide a report to the Court and the Service List on the Company's efforts to raise this additional financing on or about April 18, 2012.
27. The DIP Lender has engaged a financial advisor for the purpose of assisting the DIP Lender with acquiring additional investment in the DIP Facility. The Company has acknowledged the terms of this engagement. The engagement is success based with \$200,000 payable from the DIP Facility upon successfully raising sufficient funds to fund a SISP and hourly based fees payable from the DIP Facility for restructuring or transaction advisory services (with a minimum fees of \$100,000). The Monitor understands that there are no funds payable by the Company thereunder.
28. The Company, with the assistance of the Monitor, has prepared a consolidated cash flow projection of its receipts, disbursements and financing requirements for the period ending June 15, 2012 as discussed below. This forecast indicates that the Company will require an additional \$6.4 million in order to fund its operations from April 21 to June 15, 2012.

Accordingly, the ability to borrow additional funds is vital to providing the necessary stability and cash flow for the Company's business while it seeks to restructure or sell its assets.

29. As set out in the forecast filed with the Proposed Monitor's Report (the "**Initial Forecast**") and as set out in the Cash Flow Variance Analysis reported in paragraph 45 below, the Company has used the funds available to date to fund its payroll and operations and there remains no further availability in the DIP Facility to fund ongoing operations.
30. The Company is requesting an increase in the DIP Facility limit from \$2,800,000 to \$10,000,000 in order to fund the Company's operations and to provide for the ability to complete a SISP if possible. The Company is to fund payroll on April 17, 2012 and requires that the limit on the DIP Facility be increased in order to allow sufficient funds to cover the immediate payroll to be released.
31. If the Company is successful in raising the funding required, the Company will return to Court for an extension of the Stay Period and a request for approval of a SISP. If the Company is not able to raise the required funds, then the Monitor understands that the Company will likely make an assignment in bankruptcy.
32. At this time, the Company is not seeking any material extension to the Stay Period as the Company does not have certainty of funding beyond April 18, 2012. The Monitor understands that the Company may seek an extension of the Stay Period to Monday, April 23, 2012, in order to remove any confusion caused by the Stay Period expiring on a weekend as it presently does. The Monitor supports these decisions regarding extension of the Stay Period and, as discussed above, will report further to this Court on or about April 18, 2012.

VI. AMENDMENTS TO THE DIP FACILITY

33. In order to increase the attractiveness of the DIP Facility to investors, the Company is seeking the approval of revised terms to the DIP Facility (the "**Amended and Restated DIP Agreement**"). Under the original DIP Facility, investors could convert their investment in the DIP Facility into common shares in PCAS at a rate of \$0.38/share (the "**Base Conversion Privilege**"). The Amended and Restated DIP Agreement now limits the Base Conversion Privilege to the period prior to the closing of any transaction by which PCAS raises enough new funding (either by debt or equity) to (a) repay all amounts owing in connection with the DIP Facility and (b) provide sufficient working capital to enable the Applicants to get a plan of arrangement or compromise approved in the CCAA proceedings (a "**Refinancing Transaction**").

34. The Amended and Restated DIP Agreement now provides, in addition to the original terms of the DIP Facility as outlined in the Proposed Monitor's Report, the following additional terms:

a) In the instance of a Refinancing Transaction:

(i) the right, upon closing of a Refinancing Transaction, for the investor to convert all or any portion of their investment in the DIP Facility either (i) into common shares and warrants at a conversion rate calculated as a function of any valuation in the Refinancing Transaction of the issued and outstanding common shares (the "**Refinancing Equity Conversion Privilege**") or (ii) into whatever type of securities (if any) that PCAS issues to the party providing the financing in a Refinancing Transaction (the "**Refinancing Party**") at the same price and upon the same terms as offered to the Refinancing Party (the "**Refinancing Securities Conversion Privilege**", and together with the Refinancing Equity Conversion Privilege, the "**Refinancing Conversion Privileges**", and together also with the Base Conversion Privilege, the "**Conversion Privileges**");

(ii) to the extent Conversion Privileges have not been exercised, the right to receive a refinancing success fee calculated as the amount repaid to the DIP Lender (other than by way of common shares, warrants or other securities upon exercise of Conversion Privileges) expressed as a percentage of the aggregate amount of the DIP Facility, and then multiplied by the amount that is 5% of the aggregate amount of the DIP Facility (the "**Refinancing Success Fee**"); where the Refinancing Conversion Privileges would be exercised at the request of individual investors (in the same manner as the Base Conversion Privilege), and the Refinancing Success Fee would be shared pro rata among the investors in the DIP Facility to the extent each investor has not exercised any Conversion Privilege.

b) in the case of a sale of all or substantially all of the assets, property and undertaking of the Applicants, the Amended and Restated DIP Agreement gives the investors in the DIP Facility the right, subject to certain thresholds being met that ensure all creditors are paid in full, to receive warrants allowing them to acquire up to 25% of the common shares, on a pro rata basis (the "**Sale Warrants**"). The number of Sale Warrants

issued would be decreased by the amount of any decrease in the investment resulting from the exercise of Conversion Privileges.

- c) In any scenario discussed above, any return to an investor in the DIP Facility would be capped to ensure, if necessary, that the actual interest rate payable to an investor in the DIP Facility does not exceed sixty percent (60%) over an annualized one year period
35. A copy of the Amended and Restated DIP Agreement is attached as exhibit “E” to the Grimaldi Affidavit.
36. The Monitor understands that the DIP Facility was marketed primarily to the 550 existing non-employee shareholders given the urgency of raising the funds and the shareholders pre-existing knowledge of the Company’s business and situation. The Company’s limited realizable value in a forced liquidation makes it unlikely that the Company would be able to secure additional funding from a third party and, even if it could, funding would likely be very limited, expensive and not timely. As such, the Monitor is of the view that the terms of the Amended and Restated DIP Agreement are appropriate to provide the Company’s access to sufficient funding in order to continue the Company’s operations through these CCAA Proceedings.
37. The Monitor has considered the equity terms of the Amended and Restated DIP Agreement and should the Company be sold for a significant premium over its total liability value, these equity terms have the potential to create a significant return for a DIP investor, however the Monitor is of the view that this incentive is required to attract interest in the DIP Facility in order to obtain sufficient investment to be able to fund a restructuring or SISF. The Monitor has reviewed the principal financial terms of the DIP Facility and is of the view that the terms and conditions of the DIP Facility appear to be reasonable in the circumstances.

VII. PROPOSED KERF, KERF CHARGE AND EMPLOYEE RETENTION

38. The Company has determined that a KERF is necessary in order to ensure that certain employees who are key to a SISF or have specific knowledge that would be valuable to a purchaser or investor are retained during the CCAA Proceedings. Additionally, the Company is seeking a charge to secure the Applicant’s obligation under the KERF (the “**KERF Charge**”). The KERF Charge is to rank immediately behind the Administration Charge, the claims of certain secured creditors, the DIP Lender’s Charge and the Directors’ Charge (each as defined in the Initial Order).

39. The KERP is limited to 20 employees (approximately 13% of the total number of employees) who have been identified by the Company as being key to ensuring the value of the Company in a SISP or a restructuring. The Monitor considers that the terms of the KERP are reasonable in the circumstances and supports the creation of the KERP Charge.
40. There are two components to the KERP, a staged cash payout of approximately \$500,000 which is payable upon reaching certain criteria or milestones and an equity component which incentivizes the employees in the longer term.
41. The key terms of the KERP include the following:
- a) A cash component payable as follows:
 - (i) 20% upon \$8,000,000 being raised by the DIP Lender for funding the DIP Facility, and PCAS receiving authorization of this Court to borrow up to or in excess of that amount;
 - (ii) 20% at the midway mark of a SISP; or
 - (iii) 60% upon the earliest of the closing of a sale or Court approval of a plan of arrangement or compromise in the CCAA Proceedings.
 - b) An equity component which provides, after the closing of a refinancing transaction, for a pool of 10% of the issued and outstanding common shares of PCAS to be allocated amongst the KERP participants, other employees, directors of PCAS and certain other parties subject to their involvement in the development of the refinancing transaction.
 - c) KERP Participants cannot have resigned, been terminated for cause or have failed to perform his or her duties and responsibilities diligently, faithfully and honestly.
42. A copy of the unredacted KERP which contains individually identifiable personal and financial information of the KERP participants is attached hereto as **Confidential Appendix "B"** (the "**Confidential Appendix**"). In order to protect the KERP participants and to minimize disruption during the CCAA Proceedings, the Applicants are seeking an order sealing the Confidential Appendix until further order of this Court.
43. The Monitor understands that the DIP Lender has been consulted in the preparation of the KERP and is supportive of the proposed KERP in order for the Company to maintain its key employees during any SISP. The Amended and Restated DIP Agreement provides for the payment of a KERP in priority to payment of any of the new terms above which are proposed to be added to the DIP Facility.

44. The KERP will only be payable and earned upon the raising of substantially all of the DIP funding required to run a SISP.
45. In addition, the Monitor has been advised that the Company is seeking to apply the savings created by employee resignations to the salaries of certain remaining key, non-management, technology employees. Management has advised that this is necessary to mitigate an immediate threat of losing key employees during the CCAA Proceedings. Management is working to establish the specifics of this allocation, and the Monitor has been advised that the allocation of these funds to individuals would be consistent with the ranges provided for in the KERP and that the net reallocation will not exceed the forecast payroll costs. In the Monitor's view, this is appropriate for the purpose of maintaining the value of the business during an eventual restructuring or sale of the Company's assets.

VIII. CASH FLOW VARIANCE ANALYSIS

46. A summary of the Applicants' actual versus forecast cash flow for the period March 23 to April 6, 2012, is shown below. The actual cash balance at April 6, 2012, was in accordance with the cash flow forecast filed as part of the application for the CCAA Proceedings (the "**Initial Forecast**"):

PCAS

Cash flow variance analysis

For the period March 23 to April 6, 2012

CDN\$ (000's)

	Forecast	Actual	Variance	
			Favourable / (Unfavourable) (\$)	(%)
RECEIPTS				
New AR Collections	35	15	(20)	(56%)
SRED Recovery	243	-	(243)	(100%)
HST Recovery	160	160	0	0%
TOTAL RECEIPTS	438	175	(263)	(60%)
DISBURSEMENTS				
Employee and contractor costs	1,477	1,783	(306)	(21%)
Operating costs	268	-	268	100%
Lease costs	142	89	53	37%
SG&A	302	105	197	65%
DIP Interest	-	-	-	0%
Principal payment	445	160	285	64%
Professional Fees	625	316	309	49%
HST Payments	145	58	88	60%
TOTAL DISBURSEMENTS	3,404	2,511	893	26%
NET CASH FLOW	(2,966)	(2,336)	630	21%
BEGINNING CASH	-	61	61	100%
DIP Draw / (Repayment)	2,800	2,800	(0)	(0%)
CLOSING CASH BALANCE	(166)	525	691	417%
Accrued Payroll		(294)		
Net Cash Balance		231		

47. During the Period, the Company experienced a net cash outflow of \$2,336k resulting in a net favourable variance from forecast of \$630k. This variance is comprised of an unfavourable difference in receipts of \$263k as well as a favourable variance in disbursements of \$893k. A further analysis of the variances from forecast is attached hereto as **Appendix "C"**.

48. The majority of variance results from the deferral of all but critical payments during the period. In addition to these cost deferrals, the primary variances from forecast include:

- a) The forecast SRED receipt of \$243k was anticipated to be recovered in the period; however this amount was received on March 22, 2012, before the CCAA application. As these funds were part of Castcan's security package, they were paid to Castcan in advance of the CCAA filing and so are not reflected in the actual results for the Period.
- b) The unfavourable Employee and Contractor Costs variance resulted from delays in terminating employees post-filing while restructuring decisions were being made. Accordingly, approximately 50 employees were paid for an additional week

(approximately \$230k) compared to forecast. In addition, vacation pay of \$70k was paid for terminated employees in accordance with the CCAA Order, however this payment had been excluded from the original forecast. The headcount is currently 154 which is below the number anticipated in the forecast of 162.

CURRENT ACCRUED COSTS

49. The Company is generally paying suppliers on cash-on-delivery terms except where otherwise agreed to with suppliers. The Company's employees are paid on a bi-weekly basis, one week in arrears. The most recent payroll was funded on April 2, 2012 for compensation for the period to March 30, 2012. Accordingly, the next payroll will be funded on April 17, 2012 for compensation earned up to April 13, 2012. The Monitor and the Company are closely monitoring the accrued payroll in comparison to the available cash on hand to ensure that sufficient funds exist to pay for compensation earned to date. In order to reduce this accrual, the Company's intend to move to a weekly payroll cycle, ideally paying employees current each week; however as a result of administrative timing delays by the payroll provider, this change is not expected to occur until the end of April 2012.

IX. REVISED FORECAST

50. The Company has prepared a revised cash flow forecast for the period from April 9 to June 15, 2012 (the "**Revised Forecast**"). A schedule detailing the Revised Forecast by week is attached as **Appendix "D"**.

51. The Revised Forecast is based on the following hypothetical and probable assumptions:

- a) A cash requirement of approximately \$1 million for the two week period ending April 20, 2012, subject to the availability of the existing DIP Facility while the DIP Lender raises additional funds as a result of marketing the more favourable DIP Facility provided for in the Amended and Restated DIP Agreement.
- b) A cash outflow of an additional \$6.4 million assuming a going concern business albeit on a reduced basis, including the strategic purchase of drugs, drug packaging and regular operating costs for the balance of the forecast period in order to maintain the value of the business in support of the SISP.

52. The Revised Forecast indicates that the Company will require in excess of \$6.4 million of new DIP financing to fund operations through the period of the forecast.

53. To summarize, the forecasted DIP financing of additional \$6.4 million is in line with the forecast included in the report of the Proposed Monitor dated March 22, 2012 for the period ending June 15, 2012. It should be noted, that in the event the Company cannot raise this total amount on a timely basis, the cash needs of the Company will increase beyond June 15th as a SISP is implemented.
54. As discussed above, the Monitor is working closely with the Company to monitor receipts and disbursements and will report to this Court further on the status of the Company's efforts to raise additional DIP financing on or about April 18, 2012. As noted above, the DIP Facility's current funding of \$825,000 will fund the Company until on or about April 18, 2012.

X. INDEPENDENT REVIEW OF SECURITY

55. The Monitor requested that Osler conduct a security review and provide an opinion on the validity and enforceability of documentation in connection with the following:
- a) The security granted by PCAS and Touchpoint in respect of supply arrangements between PCAS and KFL (the "**KFL Security**");
 - b) The Credit Facilities provided to PCAS by the Royal Bank of Canada and the security granted by PCAS and Touchpoint in connection therewith (the "**RBC Loan and Security**"); and
 - c) The factor loan provided to PCAS and Touchpoint by Castcan and the security granted by PCAS and Touchpoint in connection therewith (the "**Castcan Loan and Security**").
56. In connection therewith, Osler has advised that it has prepared a security review opinion in the Province of Ontario (the "**Opinion**"), which it will render shortly.
57. The Opinion will provide that, subject to the customary assumptions, qualifications and limitations contained therein:
- a) the KFL Security, the RBC Loan and Security and Castcan Loan and Security constitute legal, valid and binding obligations of the parties thereto, enforceable against such parties in accordance with their respective terms; and
 - b) the KFL Security, the RBC Security and Castcan Security create valid security interests in favour of the applicable secured parties in the collateral described therein and such

security interests, to the extent capable of perfection by registration, have been validly perfected by registrations made in Ontario.

XI. CURRENT STAY OF PROCEEDINGS

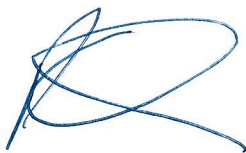
58. If the Company is able to raise the additional DIP funds required to commence and complete a SISP, it is expected that the Company will return to Court to seek an extension of the Stay Period, among other things. If the Company is unable to raise additional financing, it is expected that the Company will assign itself into bankruptcy at the time that it is no longer able to meet its obligations under the Revised Forecast.
59. The current stay period ends on Saturday, April 21, 2012, and accordingly the Company anticipates that it would return to Court for an extension of the Stay Period, if required, on or before Monday, April 23, 2012.
60. The Monitor is of the view that the Applicants have acted and are acting in good faith and with due diligence.

XI. RECOMMENDATION

61. The Monitor recommends that this Court issue an Order approving, *intra alia*;
 - a) the activities of the Monitor,
 - b) the proposed Amended and Restated DIP Agreement;
 - c) the Company's request for an increase in the limit of the DIP Facility and a corresponding increase in the DIP Lender's Charge from \$2,800,000 to \$10,000,000; and
 - d) the proposed KERP and the KERP Charge.

Dated the 15th day of April, 2012.

RESPECTFULLY SUBMITTED,



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

PricewaterhouseCoopers Inc.
In its capacity as Monitor of
PCAS Patient Care Automation
Services Inc. and 2163279 Ontario Inc .
and not in its personal capacity

APPENDIX A

Proposed Monitor's Report, dated March 22, 2012

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

REPORT OF THE PROPOSED MONITOR

March 21, 2012

Court File No. _____

**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

TABLE OF CONTENTS

I. INTRODUCTION	4
II. PURPOSE OF REPORT.....	4
III. QUALIFICATIONS	4
IV. BACKGROUND.....	5
V. RESTRUCTURING OF THE COMPANY AND TERMS AND USES OF THE PROPOSED DIP CREDIT AGREEMENT.....	11
VI. OVERVIEW OF THE 13-WEEK CASH FLOW STATEMENT	13
VII. SUMMARY OF PROPOSED COURT-ORDERED CHARGES	15
VIII. CREDITOR NOTIFICATION.....	16
IX. CONCLUSIONS.....	16

APPENDICIES

APPENDIX "A" – Consolidated Cash Flows

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-peas.

IV. BACKGROUND

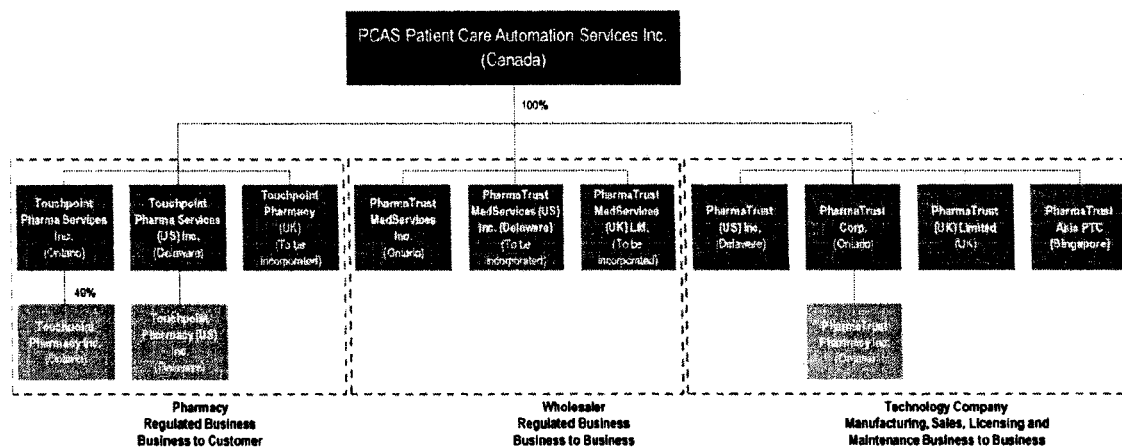
9. The Proposed Monitor has been provided with draft versions of the Affidavit of Donald Waugh, dated March 21st in support of the Applicants' CCAA filing (the "**Waugh Affidavit**").

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		Year-end
	February 29, 2012		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	
Property, plant and equipment	\$ 4,381		\$ 130
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 if 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 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

APPENDIX B

Confidential unredacted KERP

(Appendix subject to a request for a Sealing Order)

APPENDIX C

Cash flow variance analysis for the period to April 6, 2012

**DRAFT - FOR DISCUSSION
PURPOSES ONLY**

**PCAS Patient Care Automation Systems Inc. and 2163279 Ontario Inc.
13 Week Cash Flow Forecast
Forecast to Actual Variance Report
For the period ended April 06, 2012
Compared to Forecast dated March 22, 2012 filed with the CCAA Application**

CAD\$	Receipts and Disbursements cumulative from Mar 23 to Apr 06, 2012			
	Forecast	Actual	Variance (\$)	Variance (%)
RECEIPTS				
New AR Collections	35,000	15,288	(19,712)	(56%)
SRED Recovery	243,341	-	(243,341)	(100%)
HST Recovery	160,085	160,086	1	0%
TOTAL RECEIPTS	438,426	175,374	(263,052)	(60%)
DISBURSEMENTS				
Employee and contractor costs	1,476,650	1,783,044	(306,394)	(21%)
Operating costs	267,700	-	267,700	100%
Lease costs	142,150	89,402	52,748	37%
SG&A	302,003	104,765	197,238	65%
DIP Interest	-	-	-	0%
Principal payment	445,426	160,086	285,340	64%
Professional Fees	625,000	316,476	308,524	49%
HST Payments	145,320	57,500	87,820	60%
TOTAL DISBURSEMENTS	3,404,249	2,511,273	892,976	26%
NET CASH FLOW	(2,965,823)	(2,335,899)	629,924	21%
BEGINNING CASH	-	61,084	61,084	100%
DIP Draw / (Repayment)	2,800,000	2,800,000	0	0%
CLOSING CASH BALANCE	(165,823)	525,185	691,008	417%
Accrued Payroll		(294,200)		
Net Cash Balance		230,985		
Employees	162	154	8	5%

**DRAFT – FOR DISCUSSION
PURPOSES ONLY**

**PCAS Patient Care Automation Services Inc. and 2163279 Ontario Inc.
(the “Companies”)
Cash Flow Variance Analysis
Compared against March 22, 2012 Forecast filed with CCAA Application
For the Period Ended April 6, 2012**

General Comments:

The following analysis provides a comparison of actual results for the period from the commencement of the Companies’ CCAA Proceedings on March 23 to April 6, 2012 (the “Period”) versus anticipated results presented in the Companies’ 13 Week Forecast for the period ended June 15, 2012 which was filed with the CCAA Application on March 23, 2012 (see attached).

- During the Period, the Company experienced a net cash outflow of \$2,336k resulting in a net favourable variance from forecast of \$630k. This variance is comprised of an unfavourable difference in receipts of \$263k as well as a favourable variance in disbursements of \$893k.
- The significant negative cash outflow to date primarily reflects the payment of salaries to maintain the intellectual product of the company and professional fees relating to the DIP process.

Receipts:

- Receipts to date of \$175k are comprised of \$15k received from the sale of prescription drugs and \$160k from the recovery of HST. The HST refund had previously been provided as security for a loan from Castcan Investments Inc. (“Castcan”) and accordingly these funds were subsequently advanced to Castcan on account of its security.
- In the forecast an amount of \$243k was anticipated being recovered in the period however the amount was received on March 22, 2012, before the CCAA application. As these funds were part of Castcan’s security package, they were paid to Castcan in advance of the CCAA filing and so are not reflected in the actual results for the Period.

Disbursements:

Disbursements were \$893k lower than forecast for the period ended April 6, 2012. The favourable difference is a result of the following notable variances:

Employee Costs	Unfavourable variance	\$306k
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The unfavourable variance resulted from delays in terminating employees post-filing while restructuring decisions were being made. Accordingly, approximately

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50 employees were paid for an additional week (approx \$230k) compared to forecast. In addition, vacation pay of \$70k was paid for terminated employees in accordance with the CCAA Order, however this payment had been excluded from the original forecast. The headcount is currently 154 which is below the number anticipated in the forecast of 162.

Operating Costs Favourable variance \$268k

The favourable variance is a timing variance due to the delay in re-commencing operations that are expected to resume in late April 2012 subject to DIP financing. The MedCentre infrastructure costs of \$38k will be paid during the week ended April 13, 2012 so that connectivity with the MedCentres, Data Centres and major client can be maintained.

Lease Costs Favourable variance \$53k

The favourable variance is a timing difference resulting from a delay in paying an equipment lease. This payment is forecast during the week ended April 13, 2012 to ensure continued connectivity with the Data Centres. Payment for rent on the US offices was also delayed and will be paid during the week ended April 13, 2012.

SG&A Favourable variance \$197k

The favourable variance is due to a variety of factors including:

- A favourable variance for lower deposits being requested by vendors to maintain services than forecast (est. \$96k to date);
- A timing difference on the payment of a construction lien on 2440 Winston Park Drive which was deferred until late April (est. \$37k)
- A timing variance from delayed payment of utilities until the week ended April 13, 2012 on account of invoice timing (\$18k); and
- A timing difference from delayed payment of miscellaneous expenses of approximately \$30k until later in April.
- Additional liens on the 2440 Winston Park Drive property (\$96k) have been received subsequent to the filing of the forecast and will be dealt with later in April subject to the availability of DIP funding.

Principal Payments Favourable variance \$285k

As noted above, this favourable variance is primarily due to pre-filing receipt and payment to Castcan of \$243k on from the receipt of a secured HST refund. Additionally, a forecast amount of \$42k in respect of the RBC Capital loan was anticipated being paid in the period but has been delayed until April 10, 2012.

Professional Fees Favourable variance \$309k

The favourable variance is comprised of various factors, including:

- Deferring a retainer to a US patent lawyer until early May (\$100k) and deferred payment of their monthly work fee of \$15,000 to the week ended April 13, 2012. Additionally, the Retainer amount is expected to be reduced to \$50k when paid.

**DRAFT – FOR DISCUSSION
PURPOSES ONLY**

- A favourable variance from lower fees charged by the Monitor and their legal counsel than anticipated resulting in \$160k savings over forecast. This is partially due to the delayed start of the sales process which had been included in the forecast.
- A favourable variance from lower fees charged by PCAS legal counsel to date compared to forecast resulting in \$24k cost savings.
- There were no DIP Lender costs included in the forecast, however it is forecast that up to \$250k of fees may be incurred over the next 8 weeks.

HST Payments Favourable variance \$88k
The favourable variance is due to the deferral of expenses that would incur HST. The reasons for the deferral of expenditure is set out above. The HST for PCAS and TouchPoint Pharmacy is filed each month and typically a recovery is received 6 weeks after the filing.

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

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														
3 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
4 SRED Recovery	-	-	243,341	501,862	-	-	-	-	-	-	-	-	-	745,203
5 HST Recovery	-	160,085	-	-	107,250	-	-	441,680	137,454	-	-	-	96,069	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 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	4,269,600
7 Operating costs	169,455	1,400	96,845	160,317	-	1,400	123,848	52,000	-	90,948	34,300	52,000	89,548	872,061
8 Lease costs	86,950	55,300	-	45,000	-	108,300	36,000	-	-	109,300	38,000	-	-	481,750
9 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
10 DIP Interest	42,000	160,085	243,341	543,862	-	-	-	483,680	-	-	-	42,000	246,667	1,763,635
11 Principal payment	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
12 Professional Fees	83,122	24,128	38,070	29,510	30,713	47,032	46,780	20,410	13,810	37,251	35,139	20,410	25,551	452,026
13 HST Payments	1,790,980	422,813	1,190,455	1,097,189	876,655	474,417	887,728	759,480	601,110	391,289	787,139	281,410	1,055,966	10,616,690
Total Disbursements	(1,775,980)	(252,728)	(937,115)	(590,327)	(764,413)	(469,417)	(682,728)	(312,810)	(453,656)	(381,299)	(777,139)	(271,410)	(950,897)	(8,819,919)
Net cash flow	1,024,020	771,292	(165,823)	(165,823)	(756,150)	(1,520,563)	(1,989,980)	(2,872,708)	(3,185,518)	(4,020,473)	(4,020,473)	(4,787,612)	(5,069,022)	-
Beginning Cash	(1,775,980)	(252,728)	(937,115)	(590,327)	(764,413)	(469,417)	(682,728)	(312,810)	(453,656)	(381,299)	(777,139)	(271,410)	(950,897)	(2,800,000)
DIP Draw / (Repayment)	2,800,000	-	-	-	-	-	-	-	-	-	-	-	-	2,800,000
Total Ending Cash	1,024,020	771,292	(165,823)	(165,823)	(756,150)	(1,520,563)	(1,989,980)	(2,872,708)	(3,185,518)	(4,020,473)	(4,787,612)	(5,069,022)	(6,019,919)	-
Cumulative Cash Invested	1,024,020	771,292	(165,823)	(165,823)	(756,150)	(1,520,563)	(1,989,980)	(2,872,708)	(3,185,518)	(4,020,473)	(4,787,612)	(5,069,022)	(6,019,919)	(6,019,919)
Available Cash	-	-	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
Additional DIP Required	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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 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 patients.
- 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.

APPENDIX D

Revised Forecast to June 15, 2012

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

Notes	Week 1 22-Mar-12 Actual	Week 2 30-Mar-12 Actual	Week 3 06-Apr-12 Forecast	Week 4 13-Apr-12 Forecast	Week 5 20-Apr-12 Forecast	Week 6 27-Apr-12 Forecast	Week 7 04-May-12 Forecast	Week 8 11-May-12 Forecast	Week 9 18-May-12 Forecast	Week 10 25-May-12 Forecast	Week 11 01-Jun-12 Forecast	Week 12 08-Jun-12 Forecast	Week 13 15-Jun-12 Forecast	Total
Receipts														
3	15,000		15,282	5,000	5,000	5,000	5,000	5,000	5,000	5,000				65,282
4	67,478			(285)										67,193
5	745,203													745,203
6		160,065						441,680	137,871					894,603
	827,681	160,065	15,282	4,715	5,000	5,000	5,000	446,680	142,871	5,000				1,732,231
Disbursements														
7	36,320	625,493	979,477	55,720	694,400	406,200	394,165	334,200	296,200	406,200	344,165	334,200	596,200	5,612,940
8				38,135		205,906	123,848	52,000		90,948	34,300	52,000	89,548	686,685
9				100,672		162,750	50,900			91,700	38,000			451,395
10				113,986		38,900	175,570	43,000	73,159	21,800	43,600	50,000		739,654
11	745,203	160,065		43,667				483,680						1,05,000
12		200,000	116,476	137,666	156,746	317,385	177,600	177,900	127,600	142,600	127,600	42,000	289,000	1,763,635
13			15,285	19,228	16,050	76,889	46,767	29,921	13,910	33,549	20,410	20,410		1,936,473
14	781,523	1,185,578	1,325,886	425,418	819,096	1,336,710	836,230	1,150,560	452,710	790,499	621,114	626,210		3,387,701
	46,158	(1,025,493)	(1,310,604)	(420,709)	(813,066)	(1,331,710)	(831,280)	(703,890)	(309,839)	(785,499)	(621,114)	(626,210)		(9,901,202)
Net cash flow	15,000	2,861,158	1,835,665	525,061	104,358	(708,738)	(2,040,448)	(2,871,728)	(3,575,609)	(3,885,447)	(4,670,949)	(5,292,060)	(5,918,270)	15,000
Change in Cash	46,158	(1,025,493)	(1,310,604)	(420,709)	(813,066)	(1,331,710)	(831,280)	(703,890)	(309,839)	(785,499)	(621,114)	(626,210)		(9,901,202)
DIP Draw / (Repayment)	2,800,000													2,800,000
Total Ending Cash	2,861,158	1,835,665	525,061	104,358	(708,738)	(2,040,448)	(2,871,728)	(3,575,609)	(3,885,447)	(4,670,949)	(5,292,060)	(5,918,270)	(7,086,202)	7,086,202
Cumulative Cash Invested	2,861,158	1,835,665	525,061	104,358	(708,738)	(2,040,448)	(2,871,728)	(3,575,609)	(3,885,447)	(4,670,949)	(5,292,060)	(5,918,270)	(7,086,202)	7,086,202
Available Cash	2,861,158	1,835,665	525,061	104,358	(708,738)	(2,040,448)	(2,871,728)	(3,575,609)	(3,885,447)	(4,670,949)	(5,292,060)	(5,918,270)	(7,086,202)	7,086,202
Additional DIP Required					800,000	2,100,000	2,900,000	3,600,000	3,900,000	4,700,000	5,300,000	6,000,000	7,100,000	7,100,000
Accrued salaries	825,693	712,352	294,200	588,400	294,200	294,200	294,200	294,200	294,200	294,200	294,200	294,200	294,200	294,200
Net position	2,035,665	1,123,313	230,861	(484,042)	(1,002,208)	(2,334,648)	(3,165,928)	(3,669,808)	(4,179,647)	(4,965,146)	(5,965,146)	(6,212,476)	(7,390,402)	154
Headcount	209	209	154	154	154	154	154	154	154	154	154	154	154	154

Note and assumptions

- Cash Flow Statement is based on Assumptions regarding future events, actual results may 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 \$1.5k per week as a result of lower inventory of drug 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.
- Other receipts represent the amounts received in respect of the Ontario co-op education tax credit and interest on the principal of the SRED balances of 2009 and 2010.
- 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 of factored for loans from RBC and Caesarian 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 Caesarian 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 know-how 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. Assumed to transfer to a weekly payroll payment cycle from Week 4 to 7. KERP of \$300k will be paid in \$100k in April, \$100k in May and \$200k in June.
- 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.
- SG&A includes amounts expected to be incurred for utilities, insurance, telephone 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.
- Professional fees are assumed to be incurred for PCAS legal counsel at \$35k per week with a retainer of \$75k. The Monitor is assumed to 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 \$30k retainer. DIP Lender fees are assumed to be \$30k over the first two weeks and thereafter \$20k per week. 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.

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED**

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
PCAS PATIENT CARE AUTOMATION SERVICES INC. AND 2163279 ONTARIO INC.**

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

**FIRST REPORT OF
PRICEWATERHOUSECOOPERS INC. IN ITS
CAPACITY AS COURT APPOINTED
MONITOR OF PCAS PATIENT CARE
AUTOMATION SERVICES INC. AND 2163279
ONTARIO INC. DATED APRIL 15, 2012**

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