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. (the "Applicants")

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

RETURN MOTION RECORD

(returnable April 20, 2012)

Date: April 19, 2012

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INDEX

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ONTARIO
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TABLE OF CONTENTS

TAB NO.

TAB 1

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF PCAS PATIENT CARE AUTOMATION SERVICES INC. AND 2163279 ONTARIO INC. (the "Applicants")

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

NOTICE OF RETURN OF MOTION
(returnable April 20, 2012)

PCAS Patient Care Automation Services Inc. ("**PCAS**") and 2163279 Ontario Inc., doing business as Touchpoint ("**Touchpoint**" and, together with PCAS, the "**Applicants**") will make a return of the motion originally heard on April 16, 2012, to a judge presiding over the Commercial List on Monday, April 20, 2012 (the "**Return Date**") at 10:00 a.m. or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

1. **THE MOTION IS FOR** an Order, among other things:

   (a) abridging the time for service and filing of this notice of motion and the motion record and dispensing with further service thereof;

   (b) approving the Second Report of PricewaterhouseCoopers Inc. ("**PwC**"), in its capacity as the Court-appointed monitor of the Applicants (in such capacity, the "**Monitor**") dated April 19, 2012 (the "**Second Report**") and approving the actions of the Monitor described therein;

(c) extending the Stay Period (as defined in the Initial Order of the Honourable Mr. Justice Morawetz granted on March 23, 2012 in these proceedings (the "**Initial Order**")) and as amended by Order of the Honourable Mr. Justice Brown made April 16, 2012 (the "**April 16 Order**"), to May 4, 2012;

(d) increasing the amount the Applicants are currently authorized to borrow under a credit facility (the "**DIP Facility**") from 2320714 Ontario Inc. (the "**DIP Lender**") from $3,800,000 to $4,370,000;

(e) approving a revised version of the key employee retention plan originally approved by the April 16 Order (the "**KERP**");

(f) authorizing PCAS to use savings created by employee attrition to increase the salaries of certain essential, non-management employees who are not participating in the KERP;

(g) sealing those Confidential Appendices to the Second Report containing the current list of employees whose salaries will be increased as well as a revised list of cash payments under the KERP (the "**Confidential Appendices**") until further order of this Honourable Court; and

(h) such further and other relief as counsel may advise and this Honourable Court may permit.

2. **THE GROUNDS FOR THE MOTION ARE:**

(a) on March 23, 2012, the Applicants made an application under the *Companies' Creditors Arrangement Act* (the "**CCAA**") seeking court protection from their creditors, which was granted pursuant to the Initial Order;

(b) pursuant to paragraph 13 of the Initial Order, the Stay Period expires on April 21, 2012;

(c) pursuant to paragraph 3 of the April 16 Order, the Stay Period was shortened to end on April 20, 2012;

(d) the Applicants require an extension of the Stay Period to May 4, 2012 in order to permit them to continue to work towards their restructuring plan and take appropriate steps to maximize value for all of their creditors;

(e) the thirteen-week cash flow projection, produced in conjunction with the Monitor and attached as Exhibit "C" to the Affidavit of Donald Waugh, dated April 19, 2012 (the "**April 19 Affidavit**"), projects that the Applicants presently have sufficient funding to continue operating (including payment of all accrued wages) until May 4, 2012;

(f) based on the information available, creditors of the Applicants will not be materially prejudiced by an extension of the Stay Period until May 4, 2012;

(g) the Applicants have acted, and continue to act, in good faith and with due diligence, and circumstances exist that make granting an extension of the Stay Period appropriate;

(h) pursuant to paragraph 31 of the Initial Order, as amended by the April 16 Order, the Applicants were authorized and empowered to obtain and borrow under the DIP Facility from the DIP Lender in order to finance the Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility did not exceed the principal amount of $3,800,000 unless permitted by further Order of this Court;

(i) the limit on the Applicants' authorized borrowing reflects the level of funding the DIP Lender either had available to lend under the DIP Facility as at April 16, 2012 or was expected to have available by April 18, 2012;

(j) the Cash Flows and the Amended and Restated DIP Loan Agreement, as defined in, and as approved by, the April 16 Order, both contemplate a DIP Facility as high as $10,000,000, should the DIP Lender raise sufficient amounts to fund such facility;

(k) the DIP Lender has advised that, since the date of the April 16 Order, it has received commitments and/or funding sufficient to increase the DIP Facility to $4,370,000;

(l) the Applicants are therefore seeking to have their authorized borrowing under the DIP Facility increased to $4,370,000 in the aggregate;

(m) the Applicants will not be able to continue their operations or initiate any restructuring or going-concern sale efforts without an increase in the amount of the DIP Facility to $4,370,000;

(n) increasing the amount of the DIP Facility to $4,370,000 is favourable to the Applicants having regard to the circumstances and the increase in the amount of the DIP Facility is necessary and reasonable in the circumstances to ensure that the Applicants have a prudent and responsible level of liquidity so that they can meet post-filing obligations as they become due for the period of the initial stay and beyond;

(o) the KERP, as approved by the April 16 Order and detailed in Confidential Appendix "B" to the First Report, contained one KERP participant who is an independent contractor, rather than an employee and, accordingly, the Applicants have prepared a revised KERP schedule excluding this individual and reducing the cash component of the KERP by approximately 4%, which schedule is attached as one of the Confidential Appendices to the Second Report, and is intended to replace Confidential Appendix "B" to the First Report;

(p) the Applicants face an immediate risk of losing key technology personnel who are not participating in the key employee retention plan approved by the April 16

Order (the "**KERP**"), and the ability to apply the savings created by employee attrition to increase the wages of remaining key, non-management employees would help to mitigate this risk;

(q) a sealing order is required because the Confidential Appendices to the Second Report contain individually identifiable personal and financial information;

(r) the Monitor has filed with the Court its Second Report outlining, among others things: (i) the actions of the Monitor since the date of the First Report; (ii) the Applicants' financial situation; and (iii) PCAS' present plans for increasing wages of certain key, non-management, non-KERP-participant employees;

(s) the other grounds set out in the Second Report;

(t) sections 11.02 and 11.2 of the CCAA and the inherent and equitable jurisdiction of this Honourable Court;

(u) section 137 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended;

(v) rules 1.04, 2.03, 3.02, 16.08 and 37 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended; and

(w) such further and other grounds as counsel may advise and this Honourable Court may permit.

3. **THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the motion:

(a) the Affidavit of Loreto Grimaldi sworn April 13, 2012;

(b) the Affidavit of Tom Fenton sworn April 16, 2012;

(c) the Affidavit of Donald Waugh sworn April 19, 2012;

(d) the First Report;

(e) the Second Report; and

(f) such further and other material as counsel may submit and this Honourable Court may permit.

Date: April 19, 2012

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Lawyers for the Applicants

TO: ATTACHED SERVICE LIST

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF PCAS PATIENT CARE AUTOMATION SERVICES INC. AND 2163279 ONTARIO INC. (the "Applicants")

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceedings commenced at Toronto

NOTICE OF RETURN OF MOTION
(returnable April 20, 2012)

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Lawyers for the Applicants

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TAB 2

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	FRIDAY, THE 20TH DAY
	)	
JUSTICE BROWN	)	OF APRIL, 2012

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF PCAS PATIENT CARE AUTOMATION SERVICES INC. AND 2163279 ONTARIO INC. (the "Applicants")

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

ORDER

THIS MOTION, made by the Applicants, for an order, *inter alia*: (a) approving the Second Report of PricewaterhouseCoopers Inc. ("**PwC**"), in its capacity as the Court-appointed monitor of the Applicants (in such capacity, the "**Monitor**") dated April 19, 2012, filed (the "**Second Report**"), and approving the actions of the Monitor described in each; (b) extending the Stay Period (as defined in the Initial Order of the Honourable Mr. Justice Morawetz granted on March 23, 2012 in these proceedings (the "**Initial Order**")) to May 4, 2012; (c) increasing the amount the Applicants are currently authorized to borrow under the credit facility (the "**DIP Facility**") from 2320714 Ontario Inc. (the "**DIP Lender**") from \$3,800,000 to \$4,370,000; (e) approving a revision to the key employee retention plan originally approved by the Order of Honourable Justice Brown made April 16, 2012 (the "**April 16 Order**"); (f) permitting PCAS to raise wages to retain employees; and (g) sealing the Confidential Appendices to the Second Report until further order of this Honourable Court, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Loreto Grimaldi, sworn April 13, 2012 and the exhibits thereto (the "**April 13 Affidavit**"), the affidavit of Tom Fenton, sworn April 16, 2012, the affidavit of Donald Waugh, sworn April 19, 2012 and the exhibits thereto (the "**April 19 Affidavit**"), the First Report of the Monitor dated April 15, 2012, filed, and the Second Report, and on hearing the submissions of counsel for the Applicants, counsel for the Monitor, counsel for the DIP Lender, counsel for Castcan Investments Inc., ______________________________ and no one appearing for any other person on the service list, although duly served as appears from the affidavit of Eunice Baltkois sworn April 19, 2012, filed,

1. **THIS COURT ORDERS** that the time for service and filing of the notice of motion and the motion record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that the Second Report be and is hereby approved and the actions of the Monitor described therein be and are hereby approved.

3. **THIS COURT ORDERS** that the Stay Period, as defined in paragraph 13 of the Initial Order, as amended by the April 16 Order, be and is hereby extended to and including May 4, 2012.

4. **THIS COURT ORDERS** that paragraph 31 of the Initial Order be and is hereby amended to provide as follows:

> 31. THIS COURT ORDERS that the Applicants are hereby authorized and empowered to obtain and borrow under a credit facility from 2320714 Ontario Inc. (the "DIP Lender") in order to finance the Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed the principal amount of $4,370,000 unless permitted by further Order of this Court.

5. **THIS COURT ORDERS** that that the Applicants' revised key employee retention plan (the "**Revised KERP**"), as described in, and as appended as Confidential Appendix "**[B]**" to, the

Second Report, be and is hereby approved and the Applicants be and are authorized and directed to make the payments contemplated thereunder in accordance with the terms and conditions of the Revised KERP.

6. **THIS COURT ORDERS** that subparagraph 5(a) of the Initial Order be and is hereby amended to provide as follows:

> (a) all outstanding and future wages, salaries, employee benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements, provided that wages of key, non-management employees who are not otherwise participants in any key employee retention plan may be increased at the discretion of management and with consent of the Monitor where, and only to the extent that, savings have been created by the resignation of other employees;

7. **THIS COURT ORDERS** that, subject to further order of this Court, Confidential Appendix "**[B]**" and Confidential Appendix "**[C]**" to the Second Report shall be sealed, kept confidential and not form part of the public record, but rather shall be placed, separate and apart from all other contents of the Court file, in a sealed envelope attached to a notice that sets out the title of these proceedings and a statement that the contents are subject to a sealing order and shall only be opened upon further order of this Court.

8. **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may bring a motion to this Court to vary or amend this Order (provided that the beneficiary of any Charge shall be entitled to rely on the Charges up to and including the day on which such Charge or the priority granted to such Charge may be varied or amended), which motion must be returnable by no later than April 27, 2012 or such later date as the parties affected may agree, on not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF PCAS PATIENT CARE AUTOMATION SERVICES INC. AND 2163279 ONTARIO INC.
(the "Applicants")

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceedings commenced at Toronto

ORDER

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Lawyers for the Applicants

TAB 3

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. (the "Applicants")

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

AFFIDAVIT OF DONALD WAUGH

(sworn April 19, 2012)

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

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

I. NATURE OF MOTION AND RELIEF SOUGHT

2. This Affidavit is sworn in support of a motion by the Applicants (the "**Motion**"), originally returnable on April 16, 2012, for an order, among other things:

(a) approving the Second Report of PricewaterhouseCoopers Inc. ("**PwC**"), in its capacity as the Court-appointed monitor of the Applicants (in such capacity, the "**Monitor**") dated April 19, 2012 (the "**Second Report**") and approving the actions of the Monitor described therein;

(b) extending the Stay Period (as defined in the Initial Order of the Honourable Mr. Justice Morawetz granted on March 23, 2012 in these proceedings (the "**Initial Order**")), and as amended by Order of the Honourable Mr. Justice Brown made April 16, 2012 (the "**April 16 Order**"), to May 4, 2012. A copy of the Initial Order is attached as **Exhibit "A"** to this Affidavit and a copy of the April 16 Order is attached as **Exhibit "B"** to this Affidavit;

(c) increasing the amount the Applicants are currently authorized to borrow under a credit facility (the "**DIP Facility**") from 2320714 Ontario Inc. (the "**DIP Lender**") from \$3,800,000 to \$4,370,000;

(d) approving a revised version of the key employee retention plan originally approved by the April 16 Order (the "**KERP**");

(e) authorizing PCAS to use savings created by employee attrition to increase the salaries of certain essential, non-management employees who are not participating in the key employee retention plan KERP; and

(f) sealing those Confidential Appendices to the Second Report containing the current list of employees whose salaries will be increased as well as a revised list of cash payments under the KERP (collectively, the "**Confidential Appendices**") until further order of this Honourable Court.

3. Part of the relief sought in the Motion, namely that described in subparagraphs 2(c) and 2(e) above, was originally sought at a hearing on April 16, 2012, but adjourned until second return of the Motion on April 20, 2012.

4. In support of the Applicants' motion:

(a) Loreto Grimaldi, Chief Legal Officer, General Counsel and Secretary of PCAS and Secretary of Touchpoint, swore an affidavit on April 13, 2012 (the "**April 13 Affidavit**"); and

(b) Tom Fenton, partner of Aird & Berlis LLP, lawyers for the Applicants in these proceedings, swore an affidavit on April 16, 2012 (the "**April 16 Affidavit**").

A copy of the April 13 Affidavit (without exhibits) is attached as **Exhibit "C"** to this Affidavit and a copy of the April 16 Affidavit is attached as **Exhibit "D"** to this Affidavit.

II. BACKGROUND OF THE APPLICANTS AND THEIR BUSINESS

5. PCAS is a privately held healthcare technology corporation, incorporated pursuant to the *Canada Business Corporations Act*, that has developed and is rapidly commercializing a unique, automated pharmacy dispensing platform poised to revolutionize the way pharmacy is practiced and prescriptions are dispensed. PCAS' principal technology and product is the PharmaTrust MedCentre™ ("**MedCentre**"), a pharmacist-controlled, customer-interactive, prescription dispensing system akin to a "pharmacy in a box" or prescription-dispensing ATM that capitalizes on current healthcare and pharmacy industry trends. PCAS generates income on the sale of MedCentres as well as through maintenance and technology licensing fees for the life of each unit sold.

6. PCAS believes that the MedCentre is currently the only commercial, scalable, platform-enabled and fully-automated remote dispensing solution for pharmaceuticals available today. The MedCentre facilitates live pharmacist counselling via two-way audio-video communication with the ability to dispense prescription medicines under pharmacist control on a 24/7 basis and has the capacity to store over 2,500 items. At scale, the MedCentre value proposition offers the potential to lower the cost of dispensing prescriptions and expand access to care while providing significant improvements in convenience to patients and improving drug utilization, compliance and patient safety. The MedCentre provides benefits to all major stakeholders in the pharmacy dispensing value chain including patients, pharmacies, physicians, governments and payers.

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

8. PCAS presently employs 154 full-time employees, 11 part-time employees, and 5 contract employees in Canada, as well as 2 employees in the United States, and 1 contractor in

the United Kingdom. This represents a sharp reduction from the 303 employees and 96 contractors PCAS had working for it at the end of February, 2012. All employees are non-unionized, there is no pension plan and payroll is handled through ADP.

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

(a) 2910 Brighton Road, being the location of the head offices, and the base for all administration, as well as some engineering and warehousing;

(b) 2880 Brighton Road, used for manufacturing, drug warehousing, a licensed pharmacy and a call centre; and

(c) 2440 Winston Park Drive, used by the technology and infrastructure groups.

10. The Applicants' United States affiliate has a small sales office in Chicago and their United Kingdom affiliate formerly had a sales office in London, England which has been closed to save costs.

III. APPLICANTS' FINANCIAL SITUATION

11. PCAS has raised over $60 million of start-up capital from more than 550 shareholders, including employee shareholders, medical investment professionals, financial experts, entrepreneurs and private investment vehicles. At the start of this year, PCAS had attempted to raise further funds, first with a private placement of up to $100,000,000 in common shares and then through a private placement of up to $30,000,000 in convertible debentures. Both offerings were marketed by J.P. Morgan Securities LLC, BMO Capital Markets and Goldman, Sachs & Co. These offerings were not successful and, since early March, 2012, the Applicants have been close to running out of cash.

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

period. PCAS had been in discussion with the US Chain since the second quarter of 2010, and completed a private-placement of shares with the US Chain in December 2010.

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

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

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

16. In the next two weeks prior to the Initial Order, PCAS attempted to seek DIP financing from multiple sources. All existing shareholders were approached on March 14, 2012 with an offer to finance a corporation formed as a special purpose vehicle to provide DIP financing, but only approximately $1,500,000 in firm commitments were originally obtained. PCAS was also in negotiation with a private individual to provide $10,000,000 in DIP financing, but the conditions to this financing (which included assurances as to the value of business and assets) could not be met. A certain private lending corporation had also been conducting due diligence with an eye to providing DIP financing but did not initiate any formal negotiations (though they, and their parent, appear to still be continuing with their due diligence). Finally, within the week prior to the Initial Order, PCAS was in serious negotiation with a German pharmaceutical company for DIP financing in the amount of $10,000,000, which negotiations were, unfortunately terminated by that potential lender at the eleventh hour.

17. On March 23, 2012, the Applicants made an application under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") seeking court protection

from their creditors, which was granted pursuant to the Initial Order. I swore an affidavit on March 22, 2012 (the "**March 22 Affidavit**") in support of the Initial Order. A copy of the March 22 Affidavit (without exhibits) is attached as **Exhibit "E"** to this Affidavit.

18. The DIP Lender was created by PCAS, and the terms of the DIP Loan Agreement approved by the Initial Order (the "**DIP Loan Agreement**") were offered, when PCAS was having difficulty, and then ultimately failed, to raise DIP financing from other traditional and non-traditional lenders. Within a week of the Initial Order, it became apparent to PCAS and the DIP Lender that it would be very difficult to raise additional funding on the terms of the DIP Loan Agreement. The additional conversion rights in the Amended and Restated Dip Loan Agreement approved by the April 16 Order (the "**Amended and Restated DIP Loan Agreement**") were therefore developed in conjunction with existing and potential new DIP Financiers, and offered by PCAS to attract new investment in the DIP Lender. At present there are approximately 45 separate parties who have funded the DIP Lender (the "**DIP Financiers**"), whose individual contributions range from $10,000 to $2,500,000.

IV. PROGRESS WITH US CHAIN

19. On Friday, April 13, 2012, PCAS achieved a significant milestone with the US Chain, in that PCAS' security platform was successfully tested, on an integrated basis, with the US Chain's systems. On Tuesday April 17, 2012, PCAS management met with executives from the US Chain at the US Chain's head office, at which meeting PCAS management was commended for having achieved significant progress over the last several weeks. That same day, a next-generation MedCentre incorporating the integrated security technology was shipped to the US Chain for testing purposes as part of an ongoing pilot project.

20. At the April 17 meeting, PCAS told the US Chain that is was prepared to execute the current draft of a 90-page contract (on essentially the same terms as in the MoU). The only outstanding material terms, from PCAS' perspective, are to select certain dates for deliverables, which dates will be a function both of PCAS' expected ability to deliver and the timing of US Chain's multi-month testing cycles. Otherwise, the only other material condition to getting the contract executed is completion of a third-party technology assessment. This assessment is expected to be completed without material deficiencies, and be presented to the PCAS board, by

Monday, April 23, 2012. Key findings from the report the board will be discussed with the US Chain promptly thereafter. Absent any further action or approvals required by the US Chain, PCAS expects to be able to enter into the contract with the US Chain within as little as one week after that.

21. Once PCAS has MedCentres deployed with the US Chain, the business processes and intellectual property that such integration requires will be applicable to other large customers (in Canada and the United Kingdom) with whom PCAS is already in negotiations. In addition to the development of the technology in the MedCentre, the development of such business processes for large customers will, in PCAS' view, constitute a significant added barrier to entry for any competitor.

22. Because of the prospects for the MedCentre technology, and the efforts of PCAS and the DIP Lender to market it, PCAS has, since the date of the Initial Order, received several preliminary conditional offers to buy the entire company for amounts as high as the upper eight figures. There are number of other parties who have expressed a willingness to provide sufficient debtor-in-possession ("**DIP**") financing and/or take-out financing once the contract with the US Chain is executed. As of this week, there are thirty-five parties who have been granted access to the Applicants' confidential on-line data room, approximately 8 of whom appear to be engaging in active due diligence.

23. It is the Applicants' view that, once the contract with the US Chain is executed, PCAS' prospects for financing will dramatically improve as DIP funding, and even take-out financing, will be much easier to attract. It is expected that, once the US Chain contract is in place, it will take several more weeks to get sufficient new DIP financing in place to develop and seek approval of a sale and investor solicitation process (possibly anchored by a stalking horse bid process).

24. As outlined in the March 22, Affidavit, apart from debt owed to the DIP Lender, the Applicants owe relatively little secured debt. As at the date of this Affidavit, Royal Bank of Canada is owed $375,001, Castcan is owed $791,384 from the SR&ED, OIT and HST receivables they purchased, and Kohl & Frisch Limited, a major drug supplier of Touchpoint, is owed $9,531. Unsecured creditors are owed approximately $10,066,934.

25. Given the value in the Applicants, particularly once the US Chain contract is signed, the stakeholders who will be most affected, for better or worse, by any success or failure in these CCAA proceedings are the PCAS shareholders and employees (many of whom are themselves shareholders). By structuring its DIP financing through the DIP Lender as it has, PCAS, is protecting, as best as possible, the interests of the shareholders and employees by maximizing the chances that the business will remain in PCAS.

V. THE STAY PERIOD

26. Pursuant to paragraph 13 of the Initial Order, the Stay Period expires on April 21, 2012.

27. Pursuant to paragraph 3 of the April 16 Order, the Stay Period was shortened to end on April 20, 2012.

28. The extension of the Stay Period to May 4, 2012 is necessary in order to provide stability to the Applicants' business while the Applicants, with the assistance of the Monitor, work diligently on formulating a restructuring plan which would maximize long term value for the benefit of all stakeholders. In particular, it will allow PCAS the time expected to be sufficient to finalize its contract with the US Chain, which is expected to dramatically improve PCAS' and the DIP Lender's ability to raise funding for the DIP Facility.

29. Although, as at April 16, 2012, the Applicants only had enough cash to fund operations through April 18, 2012, the DIP Facility commitment has since been increased (as detailed in paragraph 35 below) and PCAS has since received an HST refund in the approximate amount $320,000 (which receivable had not been previously assigned or factored to Castcan or any other party). Based on this, the Applicants' cash flow projections produced in conjunction with the Monitor (the "**Cash Flows**") project that the Applicants now has sufficient funding to continue operating (including payment of all accrued wages) until May 4, 2012. A copy of the most current Cash Flows is attached as **Exhibit "F"** to this Affidavit.

30. The Applicants intend to maintain operations (including payroll) at their current levels for this extension of the Stay Period, in large part to ensure that sufficient progress is made with the US Chain. The Applicants are deferring a number of costs previously included in the Cash Flows in order to get the most time out of their current funding. These deferred items include,

without limitation, drug and packaging purchases ($370,000), audit fees ($198,000), SR&ED consultant fees ($50,000) and all DIP Lender interest and expense costs which will be allowed to continue to accrue.

31. The Monitor has indicated that it supports an extension of the Stay Period until May 4, 2012. I do not believe that any creditor or shareholder of the Applicants will suffer any material prejudice if the Stay Period is extended until such date.

32. Since the issuance of the Initial Order, the Applicants have acted, and continue to act, in good faith and with due diligence.

VI. DIP FACILITY

33. Pursuant to paragraph 31 of the Initial Order, as amended by the April 16 Order, the Applicants were authorized and empowered to obtain and borrow under the DIP Facility from the DIP Lender in order to finance the Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility did not exceed the principal amount of $3,800,000 unless permitted by further Order of this Court.

34. The limit on the Applicants' authorized borrowing reflects the level of funding the DIP Lender either had available to lend under the DIP Facility as at April 16, 2012 or was expected to have available by April 18, 2012. The Cash Flows and the Amended and Restated DIP Loan Agreement, as defined in, and as approved by, the April 16 Order, both contemplate a DIP Facility as high as $10,000,000, should the DIP Lender raise sufficient amounts to fund such facility.

35. The DIP Lender has advised that, since the date of the April 16 Order, it has received commitments and/or funding sufficient to increase the DIP Facility to $4,370,000. The Applicants are therefore seeking to have their authorized borrowing under the DIP Facility increased to $4,370,000 in the aggregate.

36. I believe that the Applicants will not be able to continue their operations or initiate any restructuring or going-concern sale efforts without an increase in the amount of the DIP Facility to $4,370,000.

37. I believe that increasing the amount of the DIP Facility to $4,370,000 is favourable to the Applicants having regard to the circumstances and the increase in the amount of the DIP Facility is necessary and reasonable in the circumstances to ensure that the Applicants have a prudent and responsible level of liquidity so that they can meet post-filing obligations as they become due for the period of the initial stay and beyond.

VII. AMENDMENTS TO THE DIP LOAN AGREEMENT

38. As set out in the April 13 Affidavit, the Amended and Restated DIP Loan Agreement includes additional equity conversion rights exercisable by the DIP Lender for the benefit of the PCAS shareholders and other parties who fund the DIP Lender (collectively, the "**DIP Financiers**"). These equity conversion rights, like the limited set of equity conversion rights contained in the original DIP Loan Agreement (as defined in the Initial Order), would, to the extent exercised, potentially dilute the interests of any PCAS shareholder who did not participate as a DIP Financier. The opportunity to participate in funding the DIP Facility was, however, repeatedly offered to all non-employee PCAS shareholders by the following:

(a) a letter sent on March 14, 2012 by PCAS to all its shareholders (the "**March 14 Shareholder Letter**"), among other things, asking for participation in debtor-in-possession ("**DIP**") financing of PCAS on essentially the terms of the DIP Loan Agreement and ancillary documents (which were circulated to all shareholders by the same email as the March 14 Shareholder Letter), a copy of which March 14 Shareholder Letter is attached as **Exhibit "G"** to this Affidavit;

(b) a letter sent on March 19, 2012 by PCAS to all its shareholders, among other things, repeating the request for DIP financing on the terms of the draft DIP Loan Agreement (the "**March 19 Shareholder Letter**"), a copy of which March 19 Shareholder Letter is attached as **Exhibit "H"** to this Affidavit;

(c) a letter sent on March 20, 2012 (the day after negotiations for a full $10,000,000 DIP financing facility from a third party fell through) by PCAS to all its shareholders, among other things, again repeating the request for DIP financing on the terms of the draft DIP Loan Agreement (the "**March 20 Shareholder Letter**"), a copy of which March 20 Shareholder Letter is attached as **Exhibit "I"** to this Affidavit;

(d) a letter sent on March 30, 2012 by PCAS to all its shareholders, among other things, again repeating the request for DIP financing on the terms of the DIP Loan Agreement (the "**March 30 Shareholder Letter**"), a copy of which March 30 Shareholder Letter is attached as **Exhibit "J"** to this Affidavit;

(e) a letter sent on April 2, 2012 by PCAS to all its shareholders asking for participation in DIP financing on essentially the terms that would come to be reflected in the Amended and Restated DIP Loan Agreement (the "**April 2 Shareholder Letter**"), a copy of which April 2 Shareholder Letter is attached as **Exhibit "K"** to this Affidavit;

(f) the following documents accompanied the April 2 Shareholder Letter:

  (i) a letter from the DIP Lender's counsel explaining the nature of the DIP Lender and attaching a list of answers to frequently asked questions (the "**April 2 DIP Lender Letter**"), a copy of which April 2 DIP Lender Letter, with its attachment, is attached as **Exhibit "L"** to this Affidavit; and

  (ii) an information memorandum prepared by PCAS explaining the terms of the offered DIP financing investment (the "**IM**"), a copy of which IM is attached as **Exhibit "M"** to this Affidavit; and

(g) a letter sent on April 18, 2012 by the DIP Lender to all PCAS shareholders, among other things, updating them on the current status of these proceedings and repeating the request for DIP financing on the terms of the Amended and Restated

DIP Loan Agreement (the "**April 18 Shareholder Letter**"), a copy of which April 18 DIP Lender Letter is attached as **Exhibit "N"** to this Affidavit;

39. None of the conversion rights in either the DIP Loan Agreement or the Amended and Restated DIP Loan Agreement would be of any value unless and until the Applicants complete a successful restructuring or a sale that generates proceeds in excess of what is owed to creditors. If there should turn out to be value for shareholders remaining at the end of this process, it will have been as a direct result of the DIP financing provided by the DIP Financiers, as the Applicants otherwise faced immanent bankruptcy without any other source of funding.

VIII. KERP AND EMPLOYEE RETENTION

40. The KERP, as approved by the April 16 Order and detailed in Confidential Appendix "B" to the First Report, contained one KERP participant who is an independent contractor, rather than an employee. Accordingly, the Applicants have prepared a revised KERP schedule excluding this individual, which schedule is attached as one of the Confidential Appendices to the Second Report, and is intended to replace Confidential Appendix "B" to the First Report. This change reduces the cash component of the KERP by approximately 4%.

41. In addition to the KERP, PCAS also would like to apply the savings created by employee attrition to the salaries of certain remaining key, non-management employees who are not participants in the KERP. There would be no negative effect on the cash flow projections and the Applicants feel it would help to mitigate the very immediate threat of losing key employees who are not otherwise incented by participation in the KERP.

42. Specific details of the savings that will be created from employee attrition to date, and of how such savings are anticipated to be applied to increase wages of remaining employees are set out in one of the Confidential Appendices to the Second Report.

IX. SEALING THE CONFIDENTIAL APPENDICES

43. The Confidential Appendices to the Second Report will contain individually identifiable personal and financial information of PCAS employees. In order to protect such employees and to minimize disruption during the CCAA proceedings, the Applicants are seeking an order

sealing the Confidential Appendices to the Second Report until further order of this Court. The Applicants will rely, in the regard, on their factum dated April 13, 2012, filed in connection with the original return of the Motion.

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

SWORN BEFORE ME at the City of Oakville, in the Province of Ontario, this 19th day of April, 2012.	)	
A commissioner of oaths, etc.	)	**DONALD WAUGH**

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF PCAS PATIENT CARE AUTOMATION SERVICES INC. AND 2163279 ONTARIO INC. (the "Applicants")

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceedings commenced at Toronto

AFFIDAVIT OF DONALD WAUGH
(sworn April 19, 2012)

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Lawyers for the Applicants

12262220.3

TAB “A”

Attached is Exhibit "A" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 19th day of April, 2012

Commissioner for taking Affidavits, etc

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF PCAS PATIENT CARE AUTOMATION SERVICES INC. AND 2163279 ONTARIO INC. (the "Applicants")

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

SUPERIOR COURT OF JUSTICE
COUR SUPÉRIEURE DE JUSTICE
JUSTITIA

INITIAL ORDER

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

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

SERVICE

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

APPLICATION

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

PLAN OF ARRANGEMENT

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

POSSESSION OF PROPERTY AND OPERATIONS

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

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

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

(b) the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges;

(c) with the prior consent of the Monitor, any or all outstanding and future amounts owing to or in respect of individuals working as independent contractors in connection with the Business if, in the opinion of the Applicants, the individual is critical to the Business and ongoing operations of the Applicants; and

(d) with the prior consent of the Monitor, outstanding amounts owing for goods and services actually supplied to the Applicants (or, where acceptable to the supplier, return of supplied goods in lieu of such payments), or amounts necessary to obtain the release of goods contracted for prior to the date of this Order, by suppliers, if, in the opinion of the Applicants, such payments are necessary in order to ensure an uninterrupted supply of goods and services to the Applicants which are material to the continued operation of the Business.

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

(a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

(b) payment for goods actually delivered or services actually supplied to the Applicants on or after the date of this Order.

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

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

(b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by such Applicant in connection with the sale of goods and services by such Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and

(c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by such Applicant.

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

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

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

RESTRUCTURING

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

(a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of non-profitable, redundant or non-material assets and operations not exceeding $150,000 in any one transaction or $500,000 in the aggregate;

(b) terminate the employment of such of its employees or temporarily or indefinitely lay off such of its employees as it deems appropriate on such terms as may be agreed upon between the such Applicant and such employee, or failing such agreement, to deal with the consequences thereof in the Plan;

(c) in accordance with paragraphs 11 and 12, vacate, abandon or quit any leased premises and/or disclaim, cancel, terminate or repudiate any real property lease and any ancillary agreements relating to any leased premises, on not less than seven (7) days notice in writing to the relevant landlord on such terms as may be agreed upon between such Applicant and such landlord, or failing such agreement, to deal with the consequences thereof in the Plan;

(d) disclaim, terminate or repudiate, with the prior consent of the Monitor or further Order of the Court, such of its arrangements, agreements or contracts of any nature whatsoever, with whomsoever, whether oral or written, as such Applicant may deem appropriate, in accordance with Section 32 of the CCAA and on such terms as may be agreed upon between such Applicant and such counter-parties, or failing such agreement, to deal with the consequences thereof in the Plan; and

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

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

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

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

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

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

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

NO EXERCISE OF RIGHTS OR REMEDIES

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

NO INTERFERENCE WITH RIGHTS

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

CONTINUATION OF SERVICES

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

NON-DEROGATION OF RIGHTS

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

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

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

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

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

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

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

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

APPOINTMENT OF MONITOR

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

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

(a) monitor the Applicants' receipts and disbursements;

(b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;

(c) assist the Applicants, to the extent required by the Applicant, in their dissemination, to the DIP Lender (as defined in paragraph 31 below) and its counsel on a periodic basis of financial and other information as agreed to between the Applicants and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;

(d) advise the Applicants in their preparation of the Applicants' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, but not less than weekly, or as otherwise agreed to by the DIP Lender;

(e) advise the Applicants in their development of the Plan and any amendments to the Plan;

(f) assist the Applicants with the Restructuring;

(g) assist the Applicants, to the extent required by the Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;

(h) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;

(i) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order, including being at liberty to retain and utilize the services of entities related to PwCI as may be necessary to perform the Monitor's duties hereunder;

(j) consider, and prepare a report and assessment of the Plan;

(k) assist the Applicants with their continuing restructuring activities and in the conduct of any sale process or processes to sell the Property and Business or any part thereof;

(l) advise and assist the Applicants in their negotiation with suppliers, customers and other stakeholders; and

(m) perform such other duties as are required by this Order or by this Court from time to time.

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

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

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

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

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

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

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

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

DIP FINANCING

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

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

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

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

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

(a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;

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

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

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

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

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

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

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

Second – DIP Lender's Charge; and

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

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

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

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

(b) the Administration Charge shall rank in priority to all other Encumbrances in favour of any Person.

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

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

(a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Loan Agreement or the Definitive Documents shall create or be deemed to constitute a breach by either of the Applicants of any Agreement to which it is a party;

(b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into the Loan Agreement, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and

(c) the payments made by the Applicants pursuant to this Order, the Loan Agreement or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable, reviewable, void or voidable transactions under any applicable law.

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

SERVICE AND NOTICE

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

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

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

GENERAL

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

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

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

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

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

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

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

MAR 2 3 2012

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

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

INITIAL ORDER

AIRD & BERLIS LLP
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Lawyers for the Applicants

TAB "B"

Attached is Exhibit "B" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 19th day of April, 2012

Commissioner for taking Affidavits, etc

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	MONDAY, THE 16TH DAY
	)	
JUSTICE BROWN	)	OF APRIL, 2012

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF PCAS PATIENT CARE AUTOMATION SERVICES INC. AND 2163279 ONTARIO INC. (the "Applicants")

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

ORDER

THIS MOTION, made by the Applicants, for an order, *inter alia*: (a) approving the First Report of PricewaterhouseCoopers Inc. ("**PwC**"), in its capacity as the Court-appointed monitor of the Applicants (in such capacity, the "**Monitor**") dated April 15, 2012 (the "**First Report**") and the Report of PwC in its capacity as proposed Monitor dated March 21, 2012 (the "**Proposed Monitor's Report**"), and approving the actions of the Monitor described in each; (b) extending the Stay Period (as defined in the Initial Order of the Honourable Mr. Justice Morawetz granted on March 23, 2012 in these proceedings (the "**Initial Order**")) to April 23, 2012; (c) approving the Amended and Restated DIP Loan Agreement between PCAS Patient Care Automation Services Inc. and 2320714 Ontario Inc. (the "**DIP Lender**") dated on or about April 16, 2012, filed (the "**Amended and Restated DIP Loan Agreement**"); (d) increasing the amount the Applicants are currently authorized to borrow under the credit facility (the "**DIP Facility**") from the DIP Lender from $2,800,000 to ~~$10,000,000~~; (e) approving the KERP, granting the KERP Charge (both as defined below) and permitting PCAS to raise wages to retain employees; and (f) sealing Confidential Appendix "B" to the First Report until further order of this Honourable Court, was heard this day at 330 University Avenue, Toronto, Ontario.

$3,800,000

ON READING the affidavit of Loreto Grimaldi, sworn April 13, 2012 and the exhibits thereto (the "**Grimaldi Affidavit**"), the affidavit of Tom Fenton, sworn April 16, 2012 and the First Report, and on hearing the submissions of counsel for the Applicants, counsel for the Monitor, counsel for the DIP Lender, counsel for Castcan Investments Inc., counsel for Royal Bank of Canada and no one appearing for any other person on the service list, although duly served as appears from the affidavit of Eunice Baltkois sworn April 13, 2012, filed, and the affidavit of Suzy Moniz sworn April 16, 2012, filed,

1. **THIS COURT ORDERS** that the time for service and filing of the notice of motion and the motion record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that the Proposed Monitor's Report and the First Report be and are each hereby approved and the actions of the Monitor described in each be and are hereby approved.

3. **THIS COURT ORDERS** that the Stay Period, as defined in paragraph 13 of the Initial Order, be and is hereby extended to and including April ~~23~~ 30, 2012. JS

4. **THIS COURT ORDERS** that paragraph 31 of the Initial Order be and is hereby amended to provide as follows:

> 31. THIS COURT ORDERS that the Applicants are hereby authorized and empowered to obtain and borrow under a credit facility from 2320714 Ontario Inc. (the "DIP Lender") in order to finance the Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed the principal amount of ~~$10,000,000~~ $3,800,000 unless permitted by further Order of this Court. JS

5. **THIS COURT ORDERS** that the credit facility described in paragraph 31 of the Initial Order shall be on the terms and subject to the conditions set forth in the Amended and Restated DIP Loan Agreement.

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

7. **THIS COURT ORDERS** that paragraph 34 of the Initial Order be and is hereby amended to provide as follows:

> 34. THIS COURT ORDERS that the DIP Lender shall be entitled to the benefit of, and is hereby granted, a charge on the Property (the "DIP Lender's Charge") to secure all indebtedness, liabilities and obligations owing or accruing under the Loan Agreement (as the same may be amended, supplemented, restated or replaced from time to time with approval of this Court), which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 38 and 40 hereof.

8. **THIS COURT ORDERS** that that the Applicants' key employee retention plan (the "**KERP**") as described in the Grimaldi Affidavit and as appended to the First Report in unredacted form as Confidential Appendix "B" be and is hereby approved and the Applicants be and are authorized and directed to make the payments contemplated thereunder in accordance with the terms and conditions of the KERP.

9. **THIS COURT ORDERS** that the employees of the Applicants subject to the KERP shall be entitled to the benefit of and are hereby granted a charge (the "**KERP Charge**") on the Property (as defined in the Initial Order), which charge shall not exceed an aggregate amount of

$500,000, to secure amounts owing to such employees under the KERP. The KERP Charge shall have the priority set out in paragraphs 13 and 14 hereof.

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

11. **THIS COURT ORDERS** that the KERP Charge shall not be rendered invalid or unenforceable and the rights and remedies of the beneficiaries of the KERP Charge shall not otherwise be limited or impaired in any way by: (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the "**BIA**"), or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances (as defined below), contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

(a) the creation of the KERP Charge shall not create or be deemed to constitute a breach by either of the Applicants of any Agreement to which it is a party;

(b) the KERP Charge beneficiaries shall not have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the KERP Charge; and

(c) the payments made by the Applicants pursuant to this Order and the granting of the KERP Charge, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

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

13. **THIS COURT ORDERS** that the priorities of the Administration Charge, the DIP Lender's Charge and the Directors' Charge, as first established in paragraph 38 of the Initial Order, and the KERP Charge (collectively, the "**Charges**"), as among them, shall from this date forth be as follows:

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

(b) Second – the DIP Lender's Charge;

(c) Third – Directors' Charge (to the maximum amount of $1,500,000); and

(d) Fourth – the KERP Charge (to the maximum amount of $500,000).

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

(a) the DIP Lender's Charge, the Directors' Charge and the KERP Charge shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person with the exception of valid, enforceable and perfected Encumbrances existing as at the date of the Initial Order; and

(b) the Administration Charge shall rank in priority to all other Encumbrances in favour of any Person.

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

16. **THIS COURT ORDERS** that, subject to further order of this Court, Confidential Appendix "B" to the First Report shall be sealed, kept confidential and not form part of the

public record, but rather shall be placed, separate and apart from all other contents of the Court file, in a sealed envelope attached to a notice that sets out the title of these proceedings and a statement that the contents are subject to a sealing order and shall only be opened upon further order of this Court.

~~17. **THIS COURT ORDERS** that subparagraph 5(a) of the Initial Order be and is hereby~~ amended ~~to~~ provide as follows:

> (a) all outstanding and future wages, salaries, employee ~~benefits~~, vacation pay and expenses payable on or after the date of this Order, ~~in~~ each case incurred in the ordinary course of business and consistent with ~~existing~~ compensation policies and arrangements, provided that wages of key, non-management employees may be increased at the discretion of management and with consent of the Monitor where, ~~and~~ only to the extent that, ~~savings~~ have been created by ~~the resignation of other employees;~~

18. **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may bring a motion to this Court to vary or amend this Order (provided that the beneficiary of any Charge shall be entitled to rely on the Charges up to and including the day on which such Charge or the priority granted to such Charge may be varied or amended), which motion must be returnable by no later than April 23, 2012 or such later date as the parties affected may agree, on not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

APR 16 2012

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF PCAS PATIENT CARE AUTOMATION SERVICES INC. AND 2163279 ONTARIO INC. (the "Applicants")

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceedings commenced at Toronto

ORDER

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Lawyers for the Applicants

TAB "C"

Attached is Exhibit "C" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 19th day of April, 2012

Commissioner for taking Affidavits, etc

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. (the "Applicants")

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

AFFIDAVIT OF LORETO GRIMALDI
(sworn April 13, 2012)

I, **LORETO GRIMALDI**, of the City of Vaughan, in the Province of Ontario, **MAKE OATH AND SAY AS FOLLOWS:**

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

2. This Affidavit is sworn in support of a motion (the "**Motion**") by PCAS and Touchpoint (collectively, the "**Applicants**") for an order, among other things:

   (a) approving the First Report (the "**First Report**") of PricewaterhouseCoopers Inc. ("**PwC**"), in its capacity as the Court-appointed monitor of the Applicants (in such capacity, the "**Monitor**") and approving the actions of the Monitor described therein;

(b) extending the Stay Period (as defined in the Initial Order of the Honourable Mr. Justice Morawetz granted on March 23, 2012 in these proceedings (the "**Initial Order**")) to a date to be determined on the return date of the Motion (the "**Return Date**"), a copy of which Initial Order is attached as **Exhibit "A"** to this Affidavit;

(c) increasing the amount the Applicants are currently authorized to borrow under a credit facility (the "**DIP Facility**") from 2320714 Ontario Inc. (the "**DIP Lender**") from $2,800,000 to an amount to be determined on the Return Date and, correspondingly, increasing the amount of the DIP Lender's Charge (as defined in the Initial Order) to secure repayment of the amounts borrowed by the Applicants under the DIP Facility;

(d) approving an amended and restated loan agreement between the Applicants and the DIP Lender dated on or about the Return Date (the "**Amended and Restated DIP Loan Agreement**");

(e) approving a key employee retention plan (the "**KERP**") offered by the Applicants to certain employees deemed critical to a successful restructuring and granting a charge on the current and future assets, undertakings and properties of the Applicants to secure the Applicants' obligations under the KERP (the "**KERP Charge**"); and

(f) sealing that Confidential Appendix to the First Report containing the unredacted KERP (the "**Confidential Appendix**") until further order of this Honourable Court.

Background

3. On March 23, 2012, the Applicants made an application under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") seeking court protection from their creditors, which was granted pursuant to the Initial Order.

4. Donald Waugh, the Chairman of the Applicants, swore an affidavit on March 22, 2012 (the "**March 22 Affidavit**") in support of the Initial Order. A copy of the March 22 Affidavit (without exhibits) is attached as **Exhibit "B"** to this Affidavit.

The Stay Period

5. Pursuant to paragraph 13 of the Initial Order, the Stay Period expires on April 21, 2012.

6. The extension of the Stay Period is necessary in order to provide stability to the Applicants' business while the Applicants, with the assistance of the Monitor, work diligently on formulating a restructuring plan which would maximize long term value for the benefit of all stakeholders.

7. As at the date of this Affidavit, the Applicants' cash flow projections produced in conjunction with the Monitor project that the Applicants will run out of sufficient funding to continue operating (including payment of all accrued wages) several days prior to the Expiry of the Stay Period. A copy of such cash flow projection is attached as **Exhibit "C"** to this Affidavit.

8. The Applicants and the DIP Lender are, however, in the midst of negotiations with parties for significant new funding to the DIP Lender, which funding is expected to be committed and/or received (subject only to adequate increase in the DIP Charge) by the Return Date. As detailed in the March 22, Affidavit, the DIP Lender was formed to raise debtor-in-possession funding from PCAS shareholders and other accredited investors (collectively, the "**DIP Financiers**") when other all other apparent opportunities for funding failed. PCAS, the DIP Lender, certain of the DIP Financiers and their respective advisors have continued to work tirelessly to raise additional funds for the DIP Facility. The fact that PCAS is a pre-revenue technology company with most of its worth in hard-to-value patents has made it challenging to obtain funding.

9. As indicated in the cash flow projections, additional funding will extend the period for which the Applicants will have sufficient funding to continue operating and thus determine the appropriate extension for the Stay Period.

10. It is the Applicants' intention to file a supplementary affidavit with the Court on or before the Return Date to provide evidence of the additional funding and thus of the length of extension of the Stay Period that the Applicants ultimately request (the "**Supplementary Affidavit**").

11. The Monitor has indicated that it supports an extension of the Stay Period for as long into the thirteen weeks of the cash flow projections as the Applicants have DIP Facility availability to continue operating. I do not believe that any creditor of the Applicants will suffer any material prejudice if the Stay Period is extended for the period for which the Applicants will have sufficient funding to continue operating.

12. Since the issuance of the Initial Order, the Applicants have acted, and continue to act, in good faith and with due diligence.

13. If, by the Return Date, the DIP Lender has not raised enough money to increase the DIP Facility by an amount sufficient to justify extending the Stay Period, the Applicants will seek to adjourn hearing of their motion for that aspect of the relief being sought.

The DIP Facility and the DIP Lender's Charge

14. Pursuant to paragraph 31 of the Initial Order, the Applicants were authorized and empowered to obtain and borrow under the DIP Facility from the DIP Lender in order to finance the Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility did not exceed the principal amount of $2,800,000 unless permitted by further Order of this Court.

15. Pursuant to paragraph 32 of the Initial Order, the DIP Facility was to be on the terms and subject to the conditions set forth in the loan agreement between the Applicants and the DIP Lender dated March 22, 2012 (the "**DIP Loan Agreement**"). The DIP Loan Agreement contemplated increases to the DIP Facility by subsequent amendment, so long as the DIP Lender's Charge is increased commensurately.

16. Under the terms of the Amended and Restated DIP Loan Agreement, the DIP Lender is prepared to provide the Applicants with additional financing by increasing the amount of the DIP Facility on the condition the Applicants obtain a corresponding increase in the amount of the DIP

Lender's Charge over all of the Applicants' assets, ranking first in priority to any existing claims other than: (a) the claims of certain secured creditors; and (b) the Administration Charge (as defined in the Initial Order). The proposed increase to the DIP Lender's Charge will accommodate both the increased lending commitment of the DIP Lender as well as the expenses and interest owing and accruing pursuant to the Amended and Restated DIP Loan Agreement, which accrue until the Maturity Date. A copy of the form of Amended and Restated DIP Loan Agreement is attached as **Exhibit "D"** to this Affidavit, and a blackline of the form of Amended and Restated DIP Loan Agreement against the DIP Loan Agreement is attached as **Exhibit "E"** to this Affidavit.

17. The amount by which the Applicants will seek to have their authorized borrowing increased (resulting in a commensurate increase in the DIP Charge) will be determined by how much additional funding is raised by the DIP Lender by the Return Date (as discussed in paragraph 8 above). As discussed in paragraph 10 above, the Supplementary Affidavit will provide evidence of the additional funding raised and thus the basis for the increase to the authorized borrowing that the Applicants' will ultimately request.

18. I believe that the Applicants will not be able to continue their operations or initiate any restructuring or going-concern sale efforts without an increase in the amount of the DIP Facility. The most immediate issue facing the Applicants is that payroll is due to be funded the day after the Return Date, and PCAS needs increased availability under the DIP Facility to make that payroll.

19. I believe that increasing the amount of the DIP Facility is favourable to the Applicants having regard to the circumstances and the increase in the amount of the DIP Facility is necessary and reasonable in the circumstances to ensure that the Applicants have a prudent and responsible level of liquidity so that they can meet post-filing obligations as they become due for the period of the initial stay and beyond.

Further Amendments to the DIP Loan Agreement

20. In order to attract additional investment in the DIP Lender for purposes of lending through the DIP Facility, the share conversion rights of the shareholders and other parties who

have funded the DIP Lender (the "**DIP Financiers**"), have been augmented in the Amended and Restated DIP Loan Agreement. Under the original terms of the DIP Loan Agreement, the DIP Lender has the right to convert all or any portion of the Indebtedness (as such term is defined in the DIP Loan Agreement) into fully paid and non-assessable common share of PCAS ("**Common Shares**") at a conversion rate equal to one Common Share for each $0.38 of Indebtedness so converted. Each DIP Financier received a convertible promissory note whereby it has the right to require the DIP Lender to (a) exercise its conversion rights under the DIP Loan Agreement and (b) direct that PCAS issue the converted Common Shares in the name of such DIP Financier (the "**Base Conversion Privilege**").

21. The Amended and Restated DIP Loan Agreement now limits the exercise of 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**").

22. In addition to the Base Conversion Privilege, the Amended and Restated DIP Loan Agreement now also gives the DIP Lender the following rights:

(a) the right, upon closing of a Refinancing Transaction, to convert all or any portion of the Indebtedness 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**");

(b) 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 DIP Financiers (in the same manner as the Base Conversion Privilege), and the Refinancing Success Fee would be shared *pro rata* among the DIP Financiers to the extent each DIP Financier has not exercised any Conversion Privilege.

23. Finally, in the case of a sale of all or substantially all of the assets, property and undertaking of the Applicants (a "**Sale**"), the Amended and Restated DIP Loan Agreement gives the DIP Financiers the right, subject to certain thresholds being met that ensure all creditors are paid, 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 decrease by the amount of any decrease in the Indebtedness resulting from the exercise of Conversion Privileges.

24. Other changes in the Amended and Restated DIP Loan Agreement include, without limitation, the introduction of certain restrictive covenants concerning changes of control (via changes of management or directors).

25. As described in the March 22 Affidavit, all DIP Financiers have entered or will enter into a pari passu priorities agreement, along with the DIP Lender, Castcan Investments Inc. and the Applicants (the "**Pari Passu Priorities Agreement**"). A copy of the form of Pari Passu Priorities Agreement is attached as **Exhibit "F"** to this Affidavit.

The KERP, the KERP Charge and Employee Retention

26. In order to ensure the continued participation of certain key employees of the Applicants, the Applicants have offered a limited number of key employees rights under the KERP. A copy of the form of KERP with the personal information of each of the twenty-two employees offered participation in the KERP (the "**KERP Participants**") redacted is attached as **Exhibit "G"** to

this Affidavit. A copy of the unredacted KERP will be attached as the Confidential Appendix to the First Report.

27. The KERP Participants will receive bonus payments as an incentive to continue their employment with PCAS for the duration of the CCAA proceedings. Pursuant to the KERP, the KERP Participants will receive the cash payments due under the KERP in the following instalments:

(a) 20% upon $8,000,000, in the aggregate, 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;

(b) 20% at the midway mark of the sale and investor solicitation process in respect of which the Applicants aim to seek approval of this Court in the coming weeks; and

(c) the balance upon the earliest of the closing of a Sale or Court approval and sanction of a plan of arrangement or compromise in the Applicants' CCAA proceedings.

28. In order to receive payments under the KERP, the KERP Participants cannot have resigned, been terminated with cause or have failed to perform his or her duties and responsibilities diligently, faithfully and honestly.

29. The list of the KERP Participants was formulated by PCAS in consultation with the Boards of Directors of the Applicants and the Monitor and was approved by the Boards of Directors of the Applicants. In the opinion of the Boards of Directors of the Applicants, all of the KERP Participants are critical to the Applicants' CCAA proceedings as they are experienced employees who have played critical roles in the restructuring initiatives taken to date and will play critical roles in the steps taken in the future.

30. The aggregate cash amount payable under the KERP is $500,000. In order to secure the amounts payable under the KERP, the Applicants are seeking an Order approving the KERP Charge in the maximum amount of $500,000. The KERP Charge is proposed to rank

immediately subsequent to 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).

31. In addition to the above cash payments, the KERP also contemplates issuing options to a subset of approximately twelve of the KERP Participants which would allow such KERP Participants to purchase Common Shares totalling, in the aggregate, 3.5% of the issued and outstanding shares of PCAS at a strike price of $0.01. These rights would be fully vested and not expire upon termination of employment, and would be exercisable at any time within 10 years.

32. The options issued to the selected KERP Participants would be part of a larger plan to issue options to purchase a total of 10% of the issued and outstanding shares of PCAS. In addition to the selected KERP Participants' options for 3.5%, the board of directors of PCAS (four of the five of whom joined after the date of the Initial Order) would, in the aggregate, receive options for 3.5% and certain DIP Financiers who have been material in the efforts to raise funding for the DIP Lender would, in the aggregate, receive options for 3%, all at the $0.01 strike price.

33. The KERP has been approved by the DIP Lender.

34. In addition to the KERP, PCAS also would like to apply the savings created by employee resignations to the salaries of certain remaining key, non-management, technology employees. There would be no negative effect on the cash flow projections and the Applicants feel it would help to mitigate the very immediate threat of losing key employees.

Sealing Confidential Appendix to the First Report

35. The Confidential Appendix to the First Report will contain individually identifiable personal and financial information of the KERP Participants. 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 to the First Report until further order of this Court.

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

SWORN BEFORE ME at the City of Vaughan, in the Province of Ontario, this 13th day of April, 2012.	
A commissioner of oaths, etc.	LORETO GRIMALDI

James Alexander Desjardins, a Commissioner, etc.,
Province of Ontario,
while a Student-at-Law.
Expires May 10, 2013.

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF PCAS PATIENT CARE AUTOMATION SERVICES INC. AND 2163279 ONTARIO INC. (the "Applicants")

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceedings commenced at Toronto

AFFIDAVIT OF LORETO GRIMALDI
(sworn April 16, 2012)

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Lawyers for the Applicants

TAB "D"

Attached is Exhibit "D" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 19th day of April, 2012

Commissioner for taking Affidavits, etc

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

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF PCAS PATIENT CARE AUTOMATION SERVICES INC. AND 2163279 ONTARIO INC. (the "Applicants")

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

AFFIDAVIT OF TOM FENTON
(sworn April 16, 2012)

I, **TOM FENTON**, of the City of Mississauga, in the Province of Ontario, **MAKE OATH AND SAY AS FOLLOWS:**

1. I am partner of the law firm Aird & Berlis LLP, lawyers in these proceedings for PCAS Patient Care Automation Services Inc. ("**PCAS**") and 2163279 Ontario Inc., doing business as Touchpoint ("**Touchpoint**", and together with PCAS, the "**Applicants**"). As such, I have personal knowledge of the matters to which I hereinafter depose in this Affidavit. Where I do not have personal knowledge of the matters set out herein, I have stated the source of my information and, in all such cases, believe it to be true.

2. This Affidavit is sworn further to the affidavit of Loreto Grimaldi, sworn April 13, 2012, filed (the "**April 16 Affidavit**"), and in support of a motion (the "**Motion**") by PCAS and Touchpoint (collectively, the "**Applicants**") for an order, among other things:

(a) approving the First Report (the "**First Report**") of PricewaterhouseCoopers Inc. ("**PwC**"), in its capacity as the Court-appointed monitor of the Applicants (in such capacity, the "**Monitor**") and approving the actions of the Monitor described therein;

(b) extending the Stay Period (as defined in the Initial Order of the Honourable Mr. Justice Morawetz granted on March 23, 2012 in these proceedings (the "**Initial Order**")) to April 23, 2012;

(c) increasing the amount the Applicants are currently authorized to borrow under a credit facility (the "**DIP Facility**") from 2320714 Ontario Inc. (the "**DIP Lender**") from $2,800,000 to $10,000,000;

(d) approving an amended and restated loan agreement between the Applicants and the DIP Lender dated on or about the Return Date (the "**Amended and Restated DIP Loan Agreement**");

(e) approving a key employee retention plan (the "**KERP**") offered by the Applicants to certain employees deemed critical to a successful restructuring and granting a charge on the current and future assets, undertakings and properties of the Applicants to secure the Applicants' obligations under the KERP (the "**KERP Charge**");

(f) sealing that Confidential Appendix to the First Report containing the unredacted KERP (the "**Confidential Appendix**") until further order of this Honourable Court; and

(g) authorizing PCAS to use savings created by the voluntary departure of employees (i.e other than by termination by PCAS) to raise wages of other essential, non-management employees in order to mitigate the risk of further loss of such employees.

3. The April 13 Affidavit was sworn without complete information on how much money the DIP Lender would have raised for the DIP Facility by the return date of the Motion (the "**Return Date**"). For that reason, the April 13 Affidavit anticipated that a supplementary affidavit would be sworn and file in support of the Motion which would provide updated evidence of funding for the DIP Facility. Such updated evidence would, in turn, support the Applicants' request for any material extension of the Stay Period insofar as it would demonstrate the Applicants' ability to

continue operations through the requested extension period in accordance with the Applicants' cash flow forecasts appended as Exhibit "C" to the April 13 Affidavit (the "**Cash Flows**").

4. Since April 13, 2012, the Applicants, the DIP Lender, certain DIP Financiers and their respective advisors have continued promising negotiations with multiple parties for significant additional funding of the DIP Lender that, when fully committed, would justify seeking a material extension of the Stay Period. I am advised by the Applicants and the Dip Lender that Commitments of this nature are expected within the next week, but have not yet been made.

5. For that reason, the Applicants will seek to adjourn their request for a material extension of the Stay Period and instead will be seeking a short extension to Monday, April 23, 2012, in order to remove any confusion caused by the Stay Period expiring on a weekend as it presently does, and to ensure the Applicants and the DIP Lender have as much time as possible to secure the required additional funding.

6. The Applicants will seek to have their authorized borrowings under the DIP Facility raised from $2,800,000 to the full $10,000,000 contemplated by the Cash Flows. The Applicants originally requested the lower authorized borrowing limit simply because that was all the money that had been raised and that could be committed by way of the DIP facility as at the date of the Initial Order (even though the Cash Flows have predicted from the beginning that $10,000,000 would be required for the thirteen weeks they covered). Since funding commitments for the DIP Lender have come, and are expected to continue to come, in stages from multiple parties, it is simply not economical to have to return to court each time the lending commitment is increased.

7. The Applicants can see no prejudice to any party that might be caused by raising the authorized borrowing limit beyond the current DIP Facility commitment. The DIP Lender's Charge (as defined in the Initial Order), securing repayment of the amounts borrowed by the Applicants under the DIP Facility, would only increased by the amount actually owing under the DIP Facility.

8. The Monitor has indicated that it supports both the extension of the Stay Period to April 23, 2012 and the increase in the authorized borrowing limit to $10,000,000.

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

SWORN BEFORE ME at the City of Toronto, in the Province of Ontario, this 16th day of April, 2012.	)))))))	
A commissioner of oaths, etc.	)	**TOM FENTON**

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF PCAS PATIENT CARE AUTOMATION SERVICES INC. AND 2163279 ONTARIO INC. (the "Applicants")

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

ONTARIO
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Proceedings commenced at Toronto

AFFIDAVIT OF TOM FENTON
(sworn April 16, 2012)

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Lawyers for the Applicants

12255292.1

TAB "E"

Attached is Exhibit "E" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 19th day of April, 2012

Commissioner for taking Affidavits, etc

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

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF PCAS PATIENT CARE AUTOMATION SERVICES INC. AND 2163279 ONTARIO INC. (the "Applicants")

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

AFFIDAVIT OF DONALD WAUGH

(sworn March 22, 2012)

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

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

I. NATURE OF APPLICATION AND RELIEF SOUGHT

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

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

(b) authorizing debtor-in-possession ("**DIP**") financing for the Applicants;

(c) authorizing the Applicants to prepare and file with the Court a plan of compromise or arrangement with their creditors; and

(d) appointing PricewaterhouseCoopers Inc. ("**PwCI**") as monitor of the Applicants.

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

II. BACKGROUND OF THE APPLICANTS AND THEIR BUSINESS

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

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

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

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

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

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

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

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

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

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

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

(a) 2910 Brighton Road, being the location of the head offices, and the base for all administration, as well as some engineering and warehousing;

(b) 2880 Brighton Road, used for manufacturing, drug warehousing, a licensed pharmacy and a call centre; and

(c) 2440 Winston Park Drive, used by the technology and infrastructure groups.

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

III. APPLICANTS' CURRENT FINANCIAL SITUATION

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

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

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

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

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

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

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

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

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

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

IV. STAKEHOLDERS

(a) RBC

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

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

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

made pursuant to the PPSA on November 15, 2011, pursuant to financing statement number 20111115 1622 1590 1296, reference file number 674381628 (the "**Touchpoint RBC GSA**"). RBC had also previously made a PPSA registration against Touchpoint's prior name "Direct Care Pharmacy Inc.", pursuant to financing statement number 20110411 1946 1531 6703, reference file number 669008358. A copy of the Touchpoint RBC Guarantee is attached as **Exhibit "I"** to this Affidavit, and a copy of the Touchpoint RBC GSA is attached as **Exhibit "J"** to this Affidavit.

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

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

(b) Kohl & Frisch

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

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

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

(c) Castcan

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

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

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

(d) Other Secured Creditors

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

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

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

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

(e) Landlords

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

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

(f) Government

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

(g) Employees

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

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

41. The Applicants have no pension plans.

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

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

(h) Trade Creditors

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

V. RESTRUCTURING UNDER CCAA PROTECTION

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

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

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

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

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

VI. STAY OF PROCEEDINGS

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

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

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

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

VII. THE PROPOSED MONITOR

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

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

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

VIII. FINANCING DURING CCAA PROCEEDINGS

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

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

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

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

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

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

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

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

IX. DIRECTORS' AND OFFICERS' CHARGE

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

62. The Directors, as a condition of their continued involvement with the Applicants, have indicated that their respective involvement is conditional upon the granting of an order under the CCAA which grants a charge on the Applicants' property in the maximum amount of $1,5000,000 (the "**Directors' Charge**"), approximately equal to three weeks wages plus accrued vacation pay, as security for the Applicants' indemnification for possible liabilities which may be incurred by such Directors and officers, which would rank fourth in priority behind the Administration Charge (as defined in the Order in connection with these proceedings), the Existing Secured Claims and the DIP Charge.

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

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

X. CONCLUSION

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

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

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

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

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

Puneet Soni

A commissioner of oaths, etc.

DONALD WAUGH

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

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

APPLICATION RECORD

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Lawyers for the Applicants

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TAB “F”

Attached is Exhibit "F" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 19th day of April, 2012

Commissioner for taking Affidavits, etc

PCAS Patient Care Automation Systems Inc.
13 Week CCAA Cash Flow Forecast
March 23 to June 15, 2012
(in Canadian dollars)

Week ended	Notes	Week 1 23-Mar-12	Week 2 30-Mar-12	Week 3 06-Apr-12	Week 4 13-Apr-12	Week 5 20-Apr-12	Week 6 27-Apr-12	Week 7 04-May-12	Week 8 11-May-12	Week 9 18-May-12	Week 10 25-May-12	Week 11 01-Jun-12	Week 12 08-Jun-12	Week 13 15-Jun-12	Total
		Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
Receipts															
New AR Collections	3	-	-	15,282	19,429	11,200	5,000	5,000	5,000	5,000	5,000	-	-	-	70,911
Other Receipts / (Refunds)	4	-	-	-	(285)	-	-	-	-	-	-	-	-	-	(285)
SRED Recovery	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
HST Recovery	6	-	160,085	-	-	319,303	-	-	441,680	69,426	-	-	-	161,607	1,152,101
Total Receipts		-	160,085	15,282	19,144	330,503	5,000	5,000	446,680	74,426	5,000	-	-	161,607	1,222,727
Disbursements															
Employee and contractor costs	7	-	825,493	979,477	30,937	587,676	278,700	366,665	306,700	368,700	278,700	416,665	306,700	568,700	5,315,113
Operating costs	8	-	-	-	12,257	25,025	1,400	34,300	2,000	294,054	51,400	123,848	52,000	89,548	685,832
Lease costs	9	-	-	100,672	4,473	12,900	65,300	50,900	-	87,450	91,700	38,000	-	-	451,395
SG&A	10	-	-	114,959	66,726	90,862	16,900	38,000	50,000	168,670	44,959	43,600	50,000	50,000	734,676
DIP Interest	11	-	-	-	-	-	-	-	-	-	-	-	-	145,760	145,760
Principal payment	12	-	160,085	-	43,156	-	-	-	483,680	-	-	-	42,000	289,511	1,018,432
Professional Fees	13	-	200,000	116,476	69,866	122,846	90,000	75,000	165,000	329,785	170,000	105,000	105,000	105,000	1,653,973
HST Payments	14	-	-	15,251	14,264	27,600	12,311	31,226	28,210	86,562	35,121	45,090	20,410	25,551	341,596
Total Disbursements		-	1,185,578	1,326,835	241,679	866,910	464,611	596,091	1,035,590	1,335,221	671,880	772,203	576,110	1,274,070	10,346,777
Net cash flow		-	(1,025,493)	(1,311,553)	(222,535)	(536,407)	(459,611)	(591,091)	(588,910)	(1,260,795)	(666,880)	(772,203)	(576,110)	(1,112,463)	(9,124,050)
Beginning Cash		61,129	2,861,129	1,835,636	524,083	301,548	1,335,141	875,530	284,439	(304,471)	(1,565,266)	(2,232,146)	(3,004,349)	(3,580,459)	61,129
Change in Cash		-	(1,025,493)	(1,311,553)	(222,535)	(536,407)	(459,611)	(591,091)	(588,910)	(1,260,795)	(666,880)	(772,203)	(576,110)	(1,112,463)	(9,124,050)
DIP Draw / (Repayment)	15	2,800,000	-	-	-	1,570,000	-	-	-	-	-	-	-	-	4,370,000
Total Ending Cash		2,861,129	1,835,636	524,083	301,548	1,335,141	875,530	284,439	(304,471)	(1,565,266)	(2,232,146)	(3,004,349)	(3,580,459)	(4,692,921)	(4,692,921)
Cumulative Cash Invested		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Available Cash		2,861,129	1,835,636	524,083	301,548	1,335,141	875,530	284,439	(304,471)	(1,565,266)	(2,232,146)	(3,004,349)	(3,580,459)	(4,692,921)	(4,692,921)
Additional DIP Required		-	-	-	-	-	-	-	400,000	1,600,000	2,300,000	3,100,000	3,600,000	4,700,000	4,700,000
Accrued salaries		825,493	712,352	266,700	531,676	266,700	266,700	266,700	266,700	266,700	266,700	266,700	266,700	266,700	-
Net position		2,035,636	1,123,284	257,383	(230,128)	1,068,441	608,830	17,739	(571,171)	(1,831,966)	(2,498,846)	(3,271,049)	(3,847,159)	(4,959,621)	-
Headcount		209	209	154	154	140	140	140	140	140	140	140	140	140	

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. The Company is currently operating at a minimum level of activity until the week of May 18 when some business activity will commence to replenish supplies of drugs and replacement parts for MedCentres.

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 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. Refunds relate to amounts incorrectly charged and are repaid to customers.

5 Scientific Research and Experimental Development ("SRED") tax credits for 2009 and 2010 were recovered on March 22. All SRED recoveries (including the not yet calcluated 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.

6 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.

7 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 wil 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 6 to 13. KERP of $500k will be paid - $100k in May and $400k in June.

8 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 MedCentures. These MedCentres provide a proof of concept for potential new investors and customers. Purchases are assumed on cash on delivery terms.

9 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. $151k has been included to clear liens on 2440 WPD.

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

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

12 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.

13 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.

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

15 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. The $1.6 million shown as available assumes that the Court will permit a release of funds from the DIP Lender to the Company.

TAB “G”

Attached is Exhibit "G" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 19th day of April, 2012

[signature]

Commissioner for taking Affidavits, etc

PCAS Patient Care Automation Services Inc.
2-2880 Brighton Road, Oakville, ON L6H 5S3
T 905.829.4343 TF: 866.414.9266 F 905.829.5504

March 14, 2012

Dear Fellow Shareholders,

Last week I communicated the situation that our company is in. With this letter I am providing our plan that is designed to stabilize, reorganize and refinance the company to move it out of the precarious situation it is in.

This week because we were able to factor our Scientific Tax Credit and Harmonized Sales Tax receivables we brought in $975,000 which allowed us to meet payroll. At the same time we terminated the contracts of 78 consultants and 47 employees to begin the process of reducing the company's burn. This is the first step in the rationalization of company spending. We have identified the necessity to make further cuts in spending over the next two months with the ultimate goal of bring down the monthly cash burn to less than $2 million a month.

That said today the company is out of cash and will not be able to continue as a going concern, including meeting future payrolls without a carefully planned, resourced, and practically executable rescue plan in place.

From our perspective, the company has immediate, mid-term and longer term financial requirements. We are viewing these as two week, six week and 13 week horizons. Our immediate need is to find access to $1.5 million in order to meet the next payroll and to meet the minimum commitments that will allow us to "keep the lights on". We must do this in order to prevent our key people, and with them the "intellectual property" that they represent, from walking out the door. Assuming that the immediate need is met we will need a further $5 million to keep us going for the following 6 weeks, and a further $3.5 million to keep us going for the final five weeks to our full 13 week duration.

We have undertaken our analysis of company expenses, and have identified the need to further reduce costs including both our headcount and all extraneous expenses. From our analysis we can get the company down to a burn of less than $2 million a month within this three month period leaving 140 employees in place.

While we go through this process of planning and preparing the recovery plan for our business it is vital that we are able to protect the company from our current creditors forcing action on the company that may push us into bankruptcy. To that end the company is filing a Notice of Intention to make a proposal under the Bankruptcy Insolvency Act ("BIA") rather than risk having a course of action forced upon us by one of the company's creditors.

The BIA provides for an automatic statutory stay of proceedings without a court application. The BIA offers a prescribed timetable for insolvency which we have determined to be in the best interest of the corporation.

There are two routes for a company to proceed through our chosen BIA process. The first is for us to be able to refinance the company and repay our debtors; and, the second is to sell the business. In either case our goal is to work in the best interests of the corporation.

PCAS
2-2880 Brighton Road, Oakville, ON L6H 5S3
905.829.4343 866.414.9266 905.829.5504

We anticipate that the restructuring proceedings will be conducted over a three month period, which is the long-term horizon I identified earlier. In order to ensure that the business can continue to operation under the BIA, we will need to demonstrate that corporation has a plan to finance the restructuring process. In order to achieve this will need to put in place funding of approximately $10 million dollars.

This type of financing is known as Debtor-In-Possession, or "DIP" financing. DIP financing is a special form of financing provided for companies restructuring under creditor protection, and gives the providers of the financing special rights and privileges above other lenders and shareholders. It gives a troubled company a new start, albeit under strict conditions.

In some cases the court will approve DIP financing to the debtor and grant super priority charges over the assets of the debtor in favour of the DIP lender. This may be done in an initial court order at the start of the restructuring, or subsequently. With limited exceptions, funds from DIP financing cannot be used to repay existing creditors, but is intended solely to keep the businesses operating as a going concern for the period of the BIA restructuring.

Generally speaking there is very little in the way of a DIP financing market available to us in Canada, and insufficient time for the due diligence process a new lender unfamiliar with the company would require. In most cases, DIP lenders are existing shareholders, secured lenders or potential buyers of a business wishing to preserve value in advance of a sale process. PCAS' secured lender, the Royal Bank of Canada, has declined to provide further funding. As such PCAS must make its own arrangements for a DIP facility. The company must therefore once again use its own resources and network to raise the financing necessary to take us through this process and set us on the track to positive cash flow.

To this end, we are today reaching out to our shareholders asking for their support through this process. To fund the DIP financing we are establishing a Special Purpose Vehicle ("SPV") which we are asking our shareholders to subscribe to. The SPV is a separately incorporated company and will represent the DIP Holders. The SPV will hold the money subscribed in a trustee account specifically set aside at Aird & Berlis, PCAS' external counsel, and used only for the DIP financing. Subject to court approval the DIP financing carries an interest rate of 15% (annualized), and will be secured by the court-ordered DIP charge (subordinate to RBC and Castcan Investments Inc.).

Those shareholders of PCAS who choose to participate in the DIP facility will receive a secured promissory note from the SPV referencing the amount of their participation. The face value of the promissory note will be convertible (at the holders' option) into common shares of the PCAS. This conversion will occur in $1000 increments at a PCAS share price of $.38. In the event that the business passes to the hands of a new owner/s the DIP debenture holders may be able to exercise their conversion rights or the DIP funding will be repaid, with interest, in cash.

The participants in the DIP financing will be high-ranking secured creditors, and will be paid back before all other unsecured creditors. Therefore the recovery by those who participate in the DIP financing is arguably assured if you believe that the company is worth more than ten million dollars. At the same time, because of the convertible option available via the promissory note, the DIP facility offers its participants the upside potential to participate in the refinancing of the company if they so choose.

PCAS Patient Care Automation Services Inc.
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PCASinc.com

The strength of this company has always been its ability to bring together truly gifted people and visionary financiers that share a common vision of creating a technology that can change the way people receive healthcare services and interact with the healthcare system. We have done this. Our systems are in deployment today, delivering pharmacy services, fulfilling prescriptions and delivering medications. We have real customers using our MedCentres and paying us for their prescriptions every day. We have large international customers who want our system, and are prepared to pay for them. The vision of our company remains as clear as ever.

Today we are facing an immediate and urgent crisis – but one that we strongly believe is short term. We continue to see significant interest in the business once it has refocused and rebased itself, and we are confident that the 3 months that our planned actions will give us provides enough time to turn the company around and place it back on a sound financial footing.

We have structured our proposal to raise up to $10 million in funding in a way that we believe gives shareholders and other participants significant potential benefit in recognition of their support for the business at this difficult time, while offering protection in the form of the priority of the DIP charge over the assets of the Company.

We are asking you, as shareholders that understand our company and have backed us before, to support us again through participating in the DIP financing. We ask you to again support the core team that has worked so hard for you over the years and delivered so much to date. By giving us the time we need to right size the business and set a course for future success, we will get the company back on track and deliver for all of you on the opportunities and vision that you originally invested in.

If you are interested in participating in the DIP facility (the relevant documents are attached) kindly complete the forms where indicated and return them to PCAS by no later than 6PM on Thursday March 15, 2012 together with payment by wire transfer to the trust account of Aird & Berlis LLP as follows:

Aird & Berlis LLP Trust Account	The Toronto Dominion Bank
Transit No: 10202	King & Bay Branch, TD Centre
Swift Code: TDOMCATTTOR	55 King Street West
ABA No: 026009593	Toronto, Ontario
Canadian Dollar Trust Account No: 5221548	M5K 1A2

In the meantime, should you have any questions about the investment or the documentation, please contact investorrelations@pcasinc.com.

Thank you,

Don Waugh – Executive Chairman, Director and Co-Founder
Luc Villineuve – President

TAB "H"

Attached is Exhibit "H" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 19th day of April, 2012

Commissioner for taking Affidavits, etc

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Dear Fellow Shareholder

During each of our shareholder calls held over the last 72 hours, there were a number of questions raised and information requested, and we are writing to you now to address some of those questions.

It was requested that we provide the latest financial information available on the company. We are still in the process of finalizing the 2011 results, and are in the process of having them audited, but in response to the request by many shareholders we are attaching the full and audited results for 2010 (these were part of the meeting materials distributed to all shareholders for last May's AGM) and the current draft results for 2011. We would ask shareholders to me mindful that the 2011 results are neither audited nor finalized, and may be subject to alteration or adjustment in the audit process.

We are also attaching an indicative balance sheet and income statement prepared as at 15th March 2012. Shareholders are asked to be aware that this information has been prepared in the middle of a monthly cycle rather than at the end of month as would normally be the case. As a result these specific statements may not contain all relevant information as we are still processing the incoming entries for the month that may impact these statements, however at the request of shareholders we have prepared these draft statements on a best endeavors basis and should be viewed as indicative only.

Shareholders also requested a copy of the current share register – as this register contains personal information protected by privacy laws, we release it to shareholders on an individual request basis (as its circulation is strictly prohibited under the company's confidential information clauses under the shareholders NDA). If any shareholder wishes to inspect the register physically or electronically we would ask that they lodge a formal request either in writing or via e-mail (to investor.relations@pcasinc.com) and we can process that request and arrange for a viewing.

It was also asked that we make clear to all shareholders the opportunity for shareholders to support the company through the DIP facility described in the 14th March 2012 shareholder communication. Although the company must be able to show it can sustain itself as a going concern through the early stages of court filings for the bankruptcy process – this can be achieved with as little as $2 million, although this would still leave the company in a very precarious position in that we would still need to find the remaining $8 million to fund the entire 12-week process under our revised business plan and cashflow forecasts. We currently have indicative commitments for up to $2.5 million from existing shareholders and new potential financial backers. We are working to convert these indications of support into firm commitments (roughly $500,000 are firm commitments to date).

We have some 550 shareholders. If every shareholder were able to commit to just 15% of their existing holding for the DIP facility we would easily raise the funds required – and every little bit helps as they are all adding up. All we ask at this stage is a confirmed commitment, by e-mail (which can be sent to investor.realations@pcasinc.com), to participate in the funding and to what level, and we will follow up with appropriate final documentation for signature (similar to the documents circulated on 14th March 2012) and details of how to make payment.

The final question asked on the call was about how people could help practically or nominate people for the Board when we reconstitute it at the next shareholder meeting on 28th March 2012.

We will shortly be sending a formal notice of meeting, proxy and other relevant shareholder documentation for this meeting, including an invitation for nominations to the Board asking for the nomination to be supported by a short biography of each candidate. All suitable and qualifying candidates will be put to shareholders at the meeting to be voted on. Consistent with emerging global governance practices, we will elect the Board individually (member by member) rather than as a single "slate" as has happened in the past.

Separate to that process, and in advance of it, a suggestion was made on the shareholder call that a voluntary advisory group of shareholders be formed to assist the new Board and the Executive Chairman and Senior Management with guidance and opinion during this period while we work to get the company back on track. This will be a demanding role for the members of the group over the coming weeks, but would be extremely valuable to the company.

For this group to be effective it should be relatively small, and focused on adding value and perspective to the decisions and decision-making process that we currently and imminently face. To this end we would particularly like to invite anyone that can provide us meaningful input in the following areas:

- Board Renewal and Corporate Governance
- Corporate Restructuring and Bankruptcy; and Related Transaction Experience in Distressed Sales and Controlled Auctions
- Accounting and Finance
- Financing and Fundraising

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In the interests of the independence of this group, and to provide a balanced and objective view, it will be important to prioritize for this group, shareholders who have not been actively involved in promoting the recent changes at the company.

If any shareholder feels that they could and would assist the company in this way over the coming weeks please could you contact Mr Waugh directly at the company or again via the Investor Relations e-mail address (at investor.relations@pcasinc.com). Final decisions on advisory board membership will rest with the Executive Chairman and his new Board members.

Thank you again for your continued support during this very difficult time for our company – we welcome all your support however you are able to offer it.

Yours faithfully

PCAS Patient Care Automation Services Inc.

TAB “I”

Attached is Exhibit "I" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 19th day of April, 2012

Commissioner for taking Affidavits, etc

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PCASinc.com

Dear Fellow Shareholder

As the deadline for our company to be able to survive and remain in control of our own future looms I am writing to you again to ask for your assistance and support to buy the company time to find a solution to the problems we face.

Tomorrow we must meet a payroll payment, and other bills the company faces are outstanding and overdue. We badly need to file a Notice of Intent to enter into a restructuring process under the Bankruptcy and Insolvency Act (BIA) to provide us with protection from our creditors for a period of time so that we can restructure the business and refinance it. The Notice of Intent will give us this protection immediately, and the BIA process will give us three months to restructure and find a solution to our current financial issues.

We cannot file this notice without being able to demonstrate that we have financing in place to maintain the business as a going concern during the process. In order to file the Notice of Intent our Trustees will need to see that we have a secure Debtor-in-Possession (DIP) facility of at least $2 million available to us immediately. In order to complete the entire process we will need between $7.5 million and $10 million.

If we do not get this funding, and cannot enter the BIA process voluntarily, it is almost certain that we will immediately lose much of the value in the business as we lose our people through not being able to pay them and will imminently be forced into bankruptcy proceedings by our creditors resulting in the probable liquidation of the company.

This DIP facility represents a secure form of lending that offers significant protection for its participants during a bankruptcy process. The facility will rank well above most other obligations of the company and will be among the first of the company's indebtedness that is repaid. The facility has been designed to offer investors the potential of either, at their choice, (i) claiming cash payment of principle and accrued interest; or, (ii) converting principle and accrued interest into shares at $0.38 per share (with a mechanism to adjust this price downwards if the company sells shares at a lower price in the immediate future).

We have many parties interested in refinancing the business, but unfortunately none in a position to move as quickly as the company needs.

I am therefore appealing again to all our shareholders to support us in this DIP financing.

We have over 550 individual shareholders. If everyone was able to lend $20,000 into the DIP facility we would more than easily cover it.

We have over $67 million invested in our company to date, so another way to look at it is that we are asking shareholders to lend the company just 15% of what they have already invested.

To date we have received indicative verbal and e-mail commitments to provide some $2.695 million, and I must thank those shareholders that have offered these commitments, but sadly at this time we now need more than indicative commitments – we need money in the bank to allow us to file for the protections we need. We need that money TODAY.

Any shareholders that are able to assist us in this truly difficult time should advise the company at once by contacting us by telephone on 905 829 4343, or by e-mail at investor.relations@pcasinc.com, and please arrange payment TODAY to our external lawyers trust account, the wire details of which are as follows:

Aird & Berlis LLP Trust Account	The Toronto Dominion Bank
Transit No: 10202	King & Bay Branch, TD Centre
Swift Code: TDOMCATTTOR	55 King Street West
ABA No: 026009593	Toronto, Ontario
Canadian Dollar Trust Account No: 5221548	M5K 1A2

We will follow up with each investor individually with the paperwork to support their participation in the financing.

In the event that we do not get enough money to enter the BIA proceedings all money paid into the DIP facility will be returned to investors immediately.

This company was founded and has thrived on a vision that was shared not just between the founders, but with all of our employees and all of our backers – you, our shareholders. We have achieved so much, and today the vision is a reality with our systems working in the community dispensing medications and providing pharmacy services on a daily basis, around the clock. We are working closely with customers that include some of the world's biggest companies. We are working to a clear plan to make the company cash generative and self supporting. It would be a true tragedy for all of us for the company to fail now, so I appeal to any and all investors to support is in this financing in any way and to any extent that you can.

Thank you

Don Waugh

TAB “J”

Attached is Exhibit "J" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 19th day of April, 2012

Commissioner for taking Affidavits, etc

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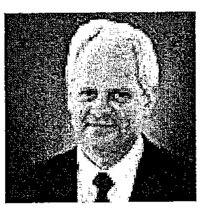
PCASinc.com

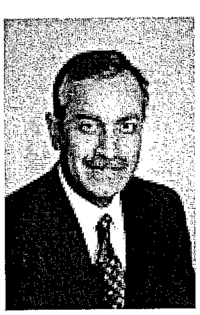
Dear Fellow Shareholder,

In our last update to you, on 26th March 2012, we advised you of the newly constituted Board of the company. At the time that we sent you that update we did not have full biographies of the new members of our Board to share with you, but we are pleased now to be able to share summary biographies of our Board with you.

Kym Anthony
Chairman
Mr. G.F. Kym Anthony is an experienced and successful capital markets executive with over 30 years in the financial services and investment banking industries. He rose through the senior executive ranks of CIBC and its investment bank unit, Wood Gundy. He later became the Chair and Chief Executive Officer of TD Securities and a Vice-Chair of TD Bank, where he led the creation and development of TD Securities. Mr. Anthony was also the President and Chief Executive Officer of National Bank Financial, the investment banking and capital markets unit of National Bank of Canada for six years and CEO of Dundee Securities. Mr. Anthony has held a number of senior positions in the financial services industry, including being Chair of the Investment Dealers Association of Canada, and serves on several corporate and nonprofit boards. Mr. Anthony is also currently Executive Chair of Broadacre Agriculture and DFG Investment Advisors, Chairman of Prometic Life Sciences and a board member of ComDev International. Mr. Anthony received his BA from Simon Fraser University and his MBA in 1980 from the University of Western Ontario where he was the gold medallist.



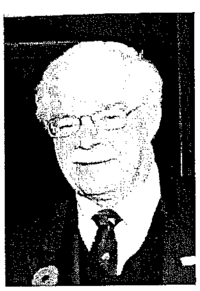
Donald Waugh
Deputy Chairman and Co-Founder
Mr. Waugh was previously responsible for leading the strategic direction of the company. Prior to the startup of PCAS in 2006, he had built three successful technology companies - Quasametrics, a developer of storage systems for the computer market place founded in 1994; Coolwater Ltd., an Internet access and marketing company, whose clients included Royal Bank of Canada, JVC Canada and Echoworx Corporation, a pioneer in secure email technology founded in 2000. In addition to his current responsibilities with PCAS, Mr. Waugh is Chairman of the Board of Applied Recognition Inc., a company that specializes in the application of face-recognition technology. He began his career as a Certified Management Accountant and was involved in overseas development work for the International Development Research Centre before becoming Chief Financial Officer of the Institute for Space and Terrestrial Research.



Farouk Ahamed, CA, ICD.D
Director
Mr. Ahamed is President of ADF Invescap Inc and provides transactional advisory services to growth oriented companies on mergers, acquisitions, divestitures, financings, recapitalizations and shareholder value improvement. Mr. Ahamed is a retired partner of Ernst & Young LLP and Senior Vice President of Ernst & Young

Orenda Corporate Finance Inc. with over 30 years of financial and transaction advisory experience. He graduated from Wilfrid Laurier University (Hons. BBA 1980), obtained his CA designation in 1983 and the ICD.D in 2010. Mr. Ahamed has completed the Executive Development Program at the Kellogg School of Management, Northwestern University and the Harvard Business School Executive Education Program. He is currently the Chair of the Board of Governors of Wilfrid Laurier University, on the board of Gore Mutual Insurance Company and on the Dean's Advisory Council for Wilfrid Laurier University's School of Business and Economics. Mr. Ahamed's other community service involvements have included serving on the boards of the Freeport Hospital, the Social Planning Council of K-W, the Waterloo-Wellington CA Association and His Highness Aga Khan Council and Economic Planning Board, Ontario.

Wayne C. Fox
Director
Wayne Fox retired from CIBC effective September 1, 2005. He was formerly Vice Chair and Chief Risk Officer responsible for Treasury, Balance Sheet and Risk Management of CIBC. Prior to his appointment as Vice Chair in 1999, Mr. Fox worked with CIBC's wholesale banking and brokerage businesses for 28 years, previously as head of CIBC World Markets global capital markets activities. Mr. Fox is chair of the Board of Directors of the TMX Group Inc. In addition, he was formerly a member of the Board of Governors of the Bourse de Montreal, Canadian Investor Protection Fund, World Federation of Exchanges, McMaster University, Appleby College, CanadaHelps.org Inc, and Junior Achievement of Central Ontario. Mr. Fox holds a BA from the University of Waterloo (1971), a MBA from McMaster University (1973) and completed the Advanced Management Program at the University of Pennsylvania's Wharton School of Business (1992). He is also designated C. Director from McMaster University - The Directors College (2006) and Honorary Doctor of Laws (LLD) from McMaster University (2007), and a member of the Accounting Standards Oversight Council (AcSOC).



Jim P. McClocklin
Director
Mr. McClocklin has many years of experience in the financial services industry and has held senior executive positions in the banking, trust, mortgage financing, commercial lending and brokerage community. He is currently Director and Governor of the Royal Agricultural Winter Fair and is on the Board of Governors of St. Andrew's College. After graduating from Cornell University as president of his year, Mr. McClocklin achieved success in many corporate and entrepreneurial companies. Mr. McClocklin was Chairman and Co-Founder of Harrington Lane Inc., a global consulting firm in the High Net Worth Market. The firm developed the CECAP process for continuing education on behalf of the IDA for Canada. Prior to forming Harrington Lane, Mr. McClocklin was a Senior Vice President at Merrill Lynch Canada, and became Senior Vice President of Training and Development at CIBC Wood Gundy. Since leaving his position as Executive Vice President and Co-Head Retail of Dundee Securities in 2008, he became Chairman and Co-Founder of Linell Capital Inc., a Canadian based private equity finance company. Mr. McClocklin has a strong business focus on strategic and tactical planning, compliance, corporate governance and business plan execution. Known for his integrity, professionalism

and commitment to excellence he has lectured at various institutions including Simon Fraser University in their GAWM, MBA program.

This Board will stand until the Annual General Meeting. At the AGM shareholders will be asked to vote on nominations to the Board for the longer term.

In the meantime, as indicated in our previous shareholder updates, the Board is focusing on assisting and directing Management to pursue, among other tasks, four key work streams:

1) Finalizing, validating and executing a complete restructuring plan, including the appointment of a Chief Restructuring Officer, working under the supervision of PwC, the Court-approved monitor;
2) Raising the remaining $7.1 million of Debtor-in-*Possession* financing to provide a total available DIP funding of $10 million to bring the Company to a position where it can fund up to the 3 month period that the Board feels will provide adequate time to allow for proper consideration of all strategic alternatives for the Company, and a long-term solution for the Company's financial issues;
3) Exploring both existing and new potential sources of financing for the Company to fund its way out of CCAA protection intact as a going concern;
4) Identifying and pursuing potential purchasers of the business as a going concern with a view to where possible, returning value to existing shareholders. We are working with PwC Corporate Finance in this regard.

Clearly all of these matters are very important to the Company at this time. We have made further progress with our restructuring, and have further reduced our headcount down to 150 people. We are now at roughly a third of the number of employees we had two months ago, and almost half of the full time employees. We have identified a highly experienced and well regarded Chief Restructuring Officer and are working with him to bring him into the business at the right time and in a managed way.

We would, however, particularly like to draw shareholders' attention to the second point on our list of focuses. We MUST focus on getting in the remainder of the Debtor-in-Possession financing that we are seeking if we are to give the Company any form of reasonable chance to pull out of this crisis and get back on track to deliver for our customers, our employees and, not least, for all of us as shareholders.

To this end we would again ask shareholders and non-shareholders alike, if you are able to support the Company through funding the DIP facility in any way possible do please come forward. With over 550 shareholders and over 153 million shares outstanding this should be a manageable challenge. Accepting that we are not all in the same personal or financial position the $7 million we need to raise for the DIP represents just 4.5 cents a share or $12,750 in average per shareholder.

The DIP loan facility is secured by a high ranking priority security interest, and would be repaid before all other unsecured creditors. As such, it represents a financially secure way to offer shareholders a mechanism to assist PCAS in addressing this crisis.

We have been advised by the Chairman and officers of the DIP Lending Special Purpose Vehicle that they will be writing to all PCAS shareholders to explain the structure and operation of the DIP facility, and to outline their activities and perspective with regards to raising the outstanding balance of the DIP financing. We will work with them to facilitate getting this communication to all shareholders as quickly as possible.

Anyone who is able to support PCAS by lending money into the DIP financing facility should contact the Company by telephone on 905 829 4343, or by e-mail at investor.relations@pcasinc.com, and we will be happy to assist you with all the information you need to participate or put you in touch with the representatives of the DIP lending facility.

Thank you all, again, for your continued support of our company, particularly given the very difficult times we are in.

Yours faithfully,

Kym Anthony	Don Waugh
Chairman of the Board	Deputy Chairman and co-Founder

TAB “K”

Attached is Exhibit "K" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 19th day of April, 2012

Commissioner for taking Affidavits, etc

PCAS™ Patient Care Automation Services Inc.
2-2880 Brighton Road, Oakville, ON L6H 5S3
T: 905.829.4343 TF: 866.414.9266 F: 905.829.5504
PCASInc.com

April 2, 2012

Dear Fellow Shareholder,

We contacted all shareholders on Friday, 30th March, with information about the new Board of the Company and a brief update on work to restructure the business to date.

In that update we indicated that the DIP Lending Special Purpose Vehicle had advised the Company that it would prepare a letter to explain the structure and operation of the DIP Facility, and to outline its perspective with regards to raising the outstanding balance of the DIP financing. We are pleased today to be able to provide you with that letter from the DIP Lending Special Purpose Vehicle, which also includes a FAQ attachment addressing certain questions related to the DIP lending structure in greater detail. The Company continues to have an urgent need for interim financing to enable it to continue with the restructuring process under the CCAA. Accordingly, the Company continues to solicit interim financing by means of the DIP Loan. The Company and the board of the DIP Lending Special Purpose Vehicle have negotiated enhanced terms to the DIP funding programme, which they believe will increase the attractiveness of participating in the DIP Loan. The Company encloses a summary Offering Memorandum outlining the enhanced terms for investors in the DIP Lending Facility with some additional terms that are being added to the DIP Lending Facility. These enhanced terms apply to all existing and future prospective DIP lenders to provide a further incentive to all DIP lenders through the DIP Lending Facility.

The new additional terms now offer to all DIP lenders the potential of an enhanced return for their investment under certain circumstances in recognition for their support for the Company during this extremely challenging time, and are similar in nature to incentives offered in certain other DIP transactions in Canada. Given the current situation, the PCAS Board believes these additional terms are fair and reasonable for DIP lenders and would therefore encourage ALL shareholders to please consider immediate participation in the DIP Lending Facility if at all possible.

The Board of PCAS wishes it to be known that all members of the Board will also be participating in the DIP to the best of their ability.

Given the current financial situation of the Company it is imperative that further funding is committed to the DIP Facility within the next 48 hours, and so the company and the DIP Lending Special Purpose Vehicle are appealing to existing shareholders and other potential funders requesting their urgent assistance in this matter.

As indicated previously, anyone who is able to support PCAS by lending money into the DIP Lending Facility should contact the Company by telephone on (905) 829-4343, or by e-mail at investor.relations@pcasinc.com, and we will be happy to assist you with all the information you need to participate or put you in touch with the representatives of the DIP Lending Facility.

We would urge you again to please act swiftly if you can to support your company in this manner if you can.

Yours faithfully,

Kym Anthony
Chairman of the Board

Don Waugh
Deputy Chairman of the Board

TAB “L”

Attached is Exhibit "L" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 19^{th} day of April, 2012

Commissioner for taking Affidavits, etc

LETTERHEAD OF 2320714 ONTARIO INC.
c/o Grundy, Cass & Campbell Professional Corporation
P.O. Box 11, Suite 3150, 100 Wellington Street West
Toronto-Dominion Centre
Toronto, ON M5K 1A1

April 2, 2012

Dear PCAS Shareholder:

Re: PCAS Patient Care Automation Services Inc. ("PCAS") and 2163279 Ontario Inc. o/a Touchpoint (collectively, both companies hereinafter referred to as "PharmaTrust")

As you know, PharmaTrust applied for and obtained protection under the *Companies' Creditors Arrangement Act* (the "**CCAA**") on Friday, March 23, 2012. At that time, critical emergency funding for PharmaTrust was arranged through 2320714 Ontario Inc. (the "**DIP Lender**") based on funds advanced from several sources, including existing shareholders. Total funds raised to date are in the amount of $3,205,000 that PharmaTrust and their Court-appointed Monitor, PricewaterhouseCoopers Inc., confirm will provide necessary funding through to on or about April 6, 2012.

The DIP Lender is now represented by Grundy Cass Professional Corporation (Douglas Grundy, Telephone: 416-849-8007) as corporate counsel and by Thornton Grout Finnigan LLP (Robert Thornton, Telephone: 416-304-0560) as insolvency/restructuring counsel.

The DIP Lender has been established to enable PharmaTrust to raise sufficient interim financing on a secured priority basis. This interim financing is intended to enable PharmaTrust to execute on its business plan and thereby preserve value to the extent possible for the largest existing group of stakeholders, being the investing shareholders of PCAS.

The purpose of this letter is to explain how the CCAA process and the DIP loan works. DIP financing of $10 million has been budgeted through a 13 week post-filing period. The DIP Lender is looking to raise at least an additional $7 million. This additional funding will be added to the existing DIP Loan and will be subject to the DIP Charge granted by the Court in the CCAA proceedings. The DIP Loan will provide interim financing to fund the operating needs of PharmaTrust through to the completion of an investor solicitation process and/or a sales process such that the PharmaTrust business survives as a going concern, albeit on a restructured basis. Under this process, one of three outcomes will likely occur:

(a) a restructuring of the ownership and obligations of PharmaTrust will occur that either will see the DIP Lender repaid or that will allow the investors who have funded the DIP Loan to convert their investment into an acceptable level of ownership or other financial interest in the restructured and refinanced entity;

(b) the assets of PharmaTrust will be sold through a sale process which will include the participation of the DIP Lender through a stalking horse bid and the DIP loans plus professional costs of the DIP Lender will be repaid (in the case of the DIP Loans with a 15% per annum return and possibly also including a break fee); or

(c) the DIP Lender will own the property, assets and undertakings of PharmaTrust outright.

There are both positive and defensive reasons to participate in the DIP loan.

Viewed defensively, providing PharmaTrust with critical interim financing maximizes the likelihood that PharmaTrust can be restructured as going concerns thereby potentially preserving value for the existing shareholders.

Alternatively, those who participate in the DIP loan will likely either recover their advances plus a premium (provided the assets, in particular the intellectual property of PharmaTrust, is worth at least the value of the total DIP loans plus approximately $902,017 owed to the other secured creditors) or the DIP Lenders will own PharmaTrust outright as a result of the DIP Lender being the successful bidder in a sales process that will likely be conducted as part of the CCAA process.

We enclose a frequently asked questions fact sheet ("**FAQ Sheet**") which addresses specific issues regarding this opportunity.

We encourage you to contact the following if you require more information regarding the role of the DIP Lender:

George Swan
President of the DIP Lender
Telephone: 416-214-0885
Email: gswan@forstargroup.com

Doug Grundy
Corporate Counsel for the DIP Lender
Telephone: 416-849-8007
Email: dgrundy@grundycass.com

Robert Thornton
Restructuring Counsel for the DIP Lender
Telephone: 416-304-0560
Email: rthornton@tgf.ca

Yours very truly,

2320714 ONTARIO INC.

Per: George Swan
President

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Frequently Asked Questions Regarding the DIP Lender, the DIP Loan and the CCAA Process of PCAS and 2320714 Ontario Inc. (collectively, "PharmaTrust")

1. **Who is the DIP Lender?**

   The DIP Lender is 2320714 Ontario Inc. One share has been issued to George Swan, who holds that share in trust on a *pro rata* basis for all of the investors who have loaned funds to the DIP Lender. The directors are George Swan and John Panneton (brief biographies are annexed). George Swan is the President of the DIP Lender. Certain PharmaTrust shareholders and other investors have advanced funds to the DIP Lender. The DIP Lender has advanced, or will advance, those funds to PharmaTrust in accordance with the DIP loan (the "**DIP Loan**") and charge approved by the Order of the Honourable Justice Morawetz dated March 23, 2012 (the "**Initial Order**").

2. **Why was the DIP created and how is it different from a traditional DIP loan?**

   Any company in CCAA requires liquidity to continue in operation. Since PharmaTrust generates no significant revenue at this point, liquidity in the form of the DIP Loan was required in order to avoid a liquidation in bankruptcy and to allow PharmaTrust to continue on a going concern basis while a restructuring plan is developed.

   Unlike the situation in most traditional CCAA proceedings, the major stakeholders in this case are the shareholders of PCAS. They have contributed over $70 million to PharmaTrust to date. This amount is significantly greater than the exposure of PharmaTrust's secured and unsecured creditors. This DIP Loan is unusual in that one of its main objectives is to try to preserve value, to the extent possible, for the existing shareholders of PCAS.

3. **How is the DIP Loan secured and what is its priority?**

   Under the Initial Order, the DIP Loan is supported by a charge over all of the property, assets and undertaking of PharmaTrust subordinate only to (a) the existing secured creditors, namely:

Secured Creditor	**Amount Outstanding**
Royal Bank	$416,667
Castcan Investments	$441,680
Kohl & Frisch Limited	$43,670
Total:	$902,017

$

and (b) a $500,000 Administration Charge that covers any unpaid amounts owing to PharmaTrust's counsel, the Monitor and the Monitor's counsel, all of whom are paid on a regular basis by PharmaTrust.

4. **What is the purpose of the DIP Loan?**

The DIP Loan is to fund critical operating expenses of PharmaTrust through a sufficient period to run a process to either (a) obtain new investment to bridge PharmaTrust through to self-sustaining revenue production or (b) complete a sales process. These initiatives would be Court approved and run contemporaneously. The Monitor and PharmaTrust have estimated that $10 million of DIP financing will be required to continue the operations of PharmaTrust for a 13 week period to complete these initiatives. PharmaTrust believes that it will be able to capitalize on significant immediate opportunities and to achieve identified objectives within that time frame that will add significant value to the Companies.

5. **What happens if the DIP Loan is exhausted?**

The CCAA Restructuring process will only continue so long as PharmaTrust has funding available to allow it to pay their post-filing obligations as they become due. The Monitor, as an independent court officer, will not allow the process to continue without access to necessary funding.

If adequate financing is not in place, it is likely that the CCAA Proceeding will be converted into a bankruptcy or a receivership where a trustee in bankruptcy or a receiver appointed and supervised by the Court (in either case, probably the Monitor in a new role) will liquidate the assets and then apply the proceeds of sale in the order of legal priorities (generally speaking, secured creditors – including the DIP Loan- first, then unsecured creditors and, lastly, shareholders). In other words, the DIP Lender will recover its loans prior to any recovery by unsecured creditors or the existing shareholders. Also, because of the priority of the DIP Charge, the DIP Lender will have a significant degree of influence over the realization process.

If this scenario occurs, it is likely that the PCAS shareholders will receive little, if any, value for their existing shareholder investment.

A bankruptcy/receivership is the worst case outcome for the shareholders as all claims rank prior to the shareholders. The shareholders should therefore be very motivated to avoid this result.

6. **What is meant by an "investor solicitation and/or a sales process"?**

Before PharmaTrust exhausts its available liquidity, PharmaTrust, with the support of the Monitor, will likely seek Court approval to run a sales process in tandem with a solicitation for further investment. A data room will be established and potential investors and purchasers will be invited to do due diligence and make proposals to PharmaTrust and the Monitor to either acquire the assets of PharmaTrust outright (most likely) or to invest in PharmaTrust, possibly by way of being a sponsor/financier of a restructuring plan.

7. **What is the difference between a restructuring plan and a sale?**

In a sale, a new third party will acquire the property, assets and undertaking of PharmaTrust free and clear of all encumbrances and the proceeds of sale will be applied in accordance with their legal priorities.

In a restructuring plan, PharmaTrust will offer an arrangement or compromise to its stakeholders (usually its secured and unsecured creditors but in this case most likely the DIP Lender, the unsecured creditors and possibly the shareholders) to restructure the ownership of and other interests in PharmaTrust including whatever enticement is necessary for a third party financier to bridge PharmaTrust through to revenue generation and profitability.

Because of its secured priority position, the DIP Lender will have an important role to play, and will be in a position of influence, regarding the potential outcomes from either process.

8. **How would the DIP Lender be protected in a sale process?**

The DIP Lender will work with PharmaTrust and the Monitor to design a sale process, in the event there is no viable restructuring alternative, to ensure that the return for all stakeholders is maximized. Such a plan will:

(a) include a "stalking horse" bid to be submitted on the part of the DIP Lender in an amount equal to the secured debt, including the DIP Loans made to that point (a stalking horse bid is an opening and publically disclosed floor bid submitted by an investor suitable to the stakeholders- in this case, the DIP Lender- that guarantees a minimum bid to acquire the assets);

(b) recognize the ability of the DIP Lender to credit bid its loans in such process (a credit bid is one where the bidder is allowed to "pay itself" from the proceeds without putting up more actual cash to do so);

(c) incorporate a reasonable break free, to be negotiated, for the DIP Lender as the stalking horse bidder (this amount is to compensate the stalking horse bidder for its time, effort and costs incurred in submitting the opening bid in the event its bid is unsuccessful); and

(d) include an auction component in the event a topping bid is received (a bid greater than the opening stalking horse bid plus the break fee) giving the option to the DIP Lender or significant participants in the DIP Loan to engage in an auction if there are multiple potential bidders. The winner of the auction will be the successful bidder to acquire the assets of PharmaTrust.

Such a process would ensure that either:

(i) a third party bidder offers a cash bid sufficient to repay the DIP Loans in full, including all legal and other professional costs, a 15% premium and a reasonable break fee; or

(ii) the DIP Lender becomes the success bidder whereupon the DIP Lender could either own the assets of PharmaTrust outright or the DIP Loan could be converted on favourable terms as part of some restructuring.

9. How risky is the DIP Loan?

Each potential contributor to or participant in the DIP Loan should satisfy itself as to the value of the underlying assets in PharmaTrust. If these assets are worth a sufficient amount that a third party bidder in a sales process would offer an amount in excess of the secured claims (including the DIP Loan of $10 million), then there is little risk associated with the DIP. However, unlike many CCAA and DIP Loan examples, the underlying valuable assets in this case are primarily intellectual property and future business prospects, which assets are difficult to value. PharmaTrust advises that most of the $70 million invested to date has been primarily used to fund the development of its intellectual property.

10. What happens to my existing investment as a PCAS shareholder if the additional funds needed to complete a reasonable investor solicitation and/or sales process are not found?

Shareholders are at the bottom of all legal priorities. Without access to funding to continue in operations, the assets of PharmaTrust will be sold in a truncated process and creditors will be paid in accordance with their legal priorities. Shareholders will be paid last, if at all.

TAB "M"

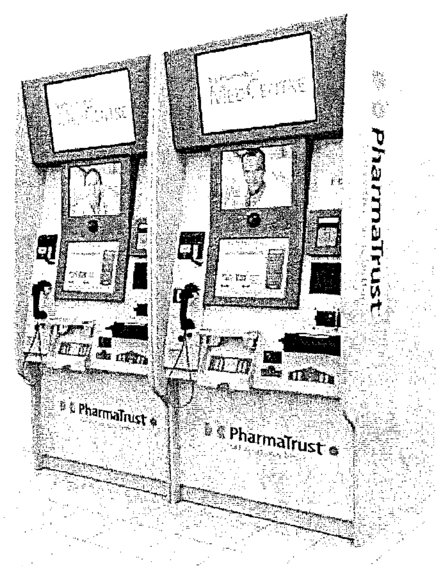
Attached is Exhibit "M" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 19th day of April, 2012

Commissioner for taking Affidavits, etc

APRIL 2012

PharmaTrust™

Healthcare...Everywhere



INFORMATION MEMORANDUM

This Information Memorandum contains certain pertinent information relevant for participants and potential participants (the participants and the potential participants together referred to here in as "**Participants**") in the debtor-in-possession financing (the "**DIP**") of PCAS Patient Care Automation Services Inc. (the "**Company**" or "**PCAS**") as a result of the CCAA Proceedings discussed below. The DIP loan arrangments are discussed in more detail below.

CCAA PROCEEDINGS

On March 23, 2012, PCAS Patient Care Automation Services Inc. and 2163279 Ontario Inc. conducting business as Touchpoint (collectively, the "**Applicants**") made an application for an order for protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") for:

a. staying all proceedings and remedies taken or which might be taken in respect of the Applicants or any of their property;

b. authorizing the Applicants to prepare and file with the Court a plan of compromise or arrangement with their their creditors;

c. appointing PricewaterhouseCoopers Inc. as monitor of the Applicants (the "**Monitor**");

d. approving a debtor-in-possession financing facility (the "**DIP Facility**") with 2310714 Ontario Inc. in the principal amount of $2,800,000 and granting a priority charge (the "**DIP Charge**") over the assets, properties and undertakings of the Applicants (collectively, the "**Property**") to secure repayment of the amounts borrowed by the Applicants under the DIP Facility;

e. granting a priority charge over the Property in the principal amount of $500,000 to secure the fees and disbursements of counsel to the Applicants, the Monitor and counsel to the Monitor (the "**Administration Charge**");

f. granting a priority charge over the Property in the principal amount of $1,500,000 in order to protect the Applicants' directors and officers from certain potential liabilities (the "**D&O Charge**"); and

g. granting such further and other relief as counsel may request and the Court may permit.

On March 23, 2012, the Court granted an initial order (the "**Initial Order**") pursuant to the CCAA granting the relief sought and staying all proceedings against the Applicants until April 21, 2012, or such later date as the Court may order (the "**Stay Period**").

The CCAA Arrangement documents can be viewed on the Monitor's web site found at www.pwc.com/ca/en/car/pcas.

DIP LOAN FACILITY ARRANGEMENTS

To facilitate critical emergency funding for PCAS, 2320714 Ontario Inc. (the "**DIP Lender**") was formed under the laws of the Province of Ontario on March 15, 2012 to act as the vehicle through which interim funding would be made avialable to PCAS. As of April 2, 2012 (based on funds advanced from several sources, including existing shareholders of PCAS - and described herein as the "**DIP Financiers**"), a total of $3,205,000 has been raised by PCAS and such monies have been, or will be, advanced by the DIP Lender in order that PCAS and its court-approved Monitor can fund certain obligations of PCAS. PCAS is looking to raise an additional $7 million to fund the budgeted expenses through a 13 week post CCAA filing period. All funds raised will be secured by an expanded DIP Charge.

Each of the DIP financiers ("**DIP Financiers**"), of which there are approximately 40 in number to date, has received a convertible promissory note secured by a general security agreement, and has entered into a pari passu priorities agreement between the DIP Financiers, the DIP Lender, PCAS, Touchpoint and Castcan Investments Inc. (in its capacity as a senior secured lender to PCAS). Each promissory note can be converted by a DIP Financier by instructing the DIP Lender to exercise its own conversion rights under the DIP Loan Agreement, and to direct that the resulting shares in PCAS be issued in the name of the converting DIP Financier. The conversion price is $0.38 per common share.

In addition, several other enhancements to the DIP Facility are being made today. The following summarizes the new conversion and/or participation features that will be added to the DIP Facility for two foreseeable scenarios, namely (i) a refinancing of PCAS or (ii) a sale process in which PCAS' assets or undertaking are sold. Both are designed to enhance the attractiveness and return to the DIP Financiers.

1. Refinancing of PCAS:

Under this scenario, the existing DIP Facility will have added to it an enhancement to allow for greater upside for the DIP Financiers, as follows:

Scenario 1 (a DIP Financier wishes to convert into PCAS equity at his/her election upon a PCAS Refinancing):

*Upon a refinancing of PCAS with new money, a DIP Financier shall be entitled to convert his or her DIP loan (together with accrued interest) at a price per share equal to the valuation level of the new financing. For example, if a third party financing valued PCAS at $0.38 per share and the DIP Financier had $1,000 of principal (leaving interest aside) of DIP loan to convert, then such DIP Financier could convert (at the closing of the new money round) into PCAS equity as follows: $1000/$0.38. In this scenario, the DIP Financier would receive 2,631 shares on conversion of his/her DIP Loan. Such investor would also then receive bonus warrants ("First Stage Warrants") equal to 1.5 times the number of shares received on conversion (i.e. 3,946 warrants) with such warrants having an exercise price equal to the new financing round (again in this example $0.38) with such warrants exercisable for three (3) years from issuance. If such DIP Financier exercises his/her First Stage Warrants (or part thereof), the investor will be granted another set of warrants ("Second Stage Warrants") equal to the same number of First Stage Warrants exercised (i.e. the Second Stage Warrant grant is directly tied to the exercise of the First Stage Warrants). The strike price shall be the same exercise price attached to the First Stage Warrants (again $0.38 in this example) and the term of the Second Stage Warrants shall be three (3) years from the date of issuance thereof.

Scenario 2 (a DIP Financier does not wish to convert and wishes merely to be repaid his/her DIP loan upon a PCAS Refinancing):

*Under this scenario, the DIP Financier would only receive his or her principal amount of DIP loan plus interest at 15% as well as a pro rata entitlement to a success fee to be shared with the other non-converting DIP Financiers. It is anticipated that the success fee would be $500,000 in respect to the full $10 million DIP Facility.

2. PCAS Sale:

Under this scenario, to create further upside for DIP Financiers, it is contemplated that they would be granted a warrant to acquire additional common shares of PCAS so that the DIP Financiers receive additional financial benefit on a successful sale.

The warrants would be issued only after the CCAA sanctioned sales process allowed for the repayment of all DIP loans, including all interest thereon, the expenses of the CCAA proceedings including, but not limited to, professional fees and key employee retention payments ("**KERPs**") and the repayment of all secured and unsecured creditors (herein, the "**Funding Threshold**"). As soon as the Funding Threshold is achieved (if achieved), the DIP Financiers (as a group) would receive a warrant ("**Warrant**") that would be immediately exercisable for 25% of the equity of PCAS. Each DIP Financier's interest in such Warrant would be pro rata to his/her participation in the DIP Facility. The exercise price of the Warrant would be $1 in the aggregate.

In any scenario discussed above, any return to a DIP Financier would be capped to ensure, if necessary, that the actual interest rate payable to a DIP Financier does not exceed sixty percent (60%) over an annualized one year period.

INFORMATION

This Information Memorandum is intended only to provide information to Participants that such Participants may be consider helpful in the normal course of their respective due diligence activities and is not to be relied upon on its own in respect of a decision to participate in the DIP. Participants are advised to consult with their own legal and financial advisers concerning the decision to participate in the DIP and the information contained in the Information Memorandum.

Participants are advised that, except where the contrary is indicated, all references to dollars contained in this Information Memorandum are to Canadian (CDN) dollars.

RESPONSIBILITY

Except as otherwise expressly required by applicable law or as agreed to in contract, no representation, warranty, or undertaking (express or implied) is made and no responsibilities or liabilities of any kind or nature whatsoever are accepted by the Company or the Agents as to the accuracy or completeness of the information contained in this Information Memorandum or any other information provided by the Company in connection with the Offering.

RESALE RESTRICTIONS ON COMPANY SECURITIES

PCAS is a Canadian domiciled private non-reporting company and there is currently no market for the common shares of the Company (the "**Common Shares**"). Any such Common Shares that a Participant may become eligible to hold as a result of its participation in the DIP will be subject to this absence of market, to resale restrictions prescribed by applicable securities laws, and to resale restrictions contained in shareholder's agreement governing the affairs of the Company and its shareholders.

CANADIAN TAX CONSIDERATIONS AND ELIGIBILITY FOR INVESTMENT

Participants should consult their own legal and tax advisers with respect to the tax consequences of participation in the DIP Facility.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

This Information Memorandum contains certain statements as to future plans, prospect and operations in future years. These statements are based on the Company's current business plan and the underlying assumptions therefore, which may change from time to time. Participants are referred to the following discussion for a summary of the factors that could cause actual results to vary from any forward looking information contained in this Information Memorandum and the policy of the Company with respect to updating investors as to any developments with respect to such information.

Certain statements contained in this Information Memorandum and any amendment or supplement hereto constitute forward-looking statements. All statements other than statements of historical fact may be forward-looking statements. These statements relate to, but are not limited to, the Company's expectations, anticipations, estimates, intentions, plans or beliefs, including estimates, guidance, forecasts and projections relating to revenue, deployment of MedCentre™ units, regulatory changes, operating cash flow and earnings and other economic metrics relating to MedCentre™ units, adoption rates (number of prescriptions captured in a particular location), capital costs, dispensing costs and PharmaTrust's potential markets and all other statements that are not historical facts. These statements are based on certain assumptions and factors and are subject to risks that could cause actual results, performance or achievements to be materially different from any future results, performance or achievement that may be expressed or implied by such forward-looking statements. Forward-looking statements are provided for the purpose of providing information about management's current expectations, goals and plans. Participants are cautioned that such information may not be appropriate for other purposes. Forward-looking statements are often, but not always, identified by use of words such as "may", "will", "should", "could", "seek", "anticipate", "contemplate", "continue", "expect", "intend", "plan", "potential", "believe", "estimate" and similar expressions. Such statements reflect the Company's current views and beliefs with respect to future events and assumptions, are subject to risks and uncertainties, and are based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political, legal, regulatory and social uncertainties and contingencies. Many factors could cause actual results, performance or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements.

Although the forward-looking statements contained herein are based upon what the Company believes to be reasonable assumptions, the Company cannot assure that actual results will be consistent with these forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking statements. Forward-looking statements contained herein are made as of the date hereof, unless otherwise specified herein, and the Company assumes no obligation to update or revise them to reflect new events or circumstances. Before making any investment decisions and for a detailed discussion of these assumptions, factors and risks, readers are cautioned to engage in and conduct appropriate due diligence activities.

DEBTOR IN POSSESSION LOAN TERMS

Lender: 2320714 Ontario Inc. (the "**DIP Lender**").

Borrower: PCAS Patient Care Automation Services Inc.

Principal: $10 million.

Coupon: 15% annualized.

Term to Maturity: The earliest of:

1) The date that is 3 months from the date of the initial advance under the DIP loan facility;
2) The effective date of any Court approved proposal or plan of arrangement under the CCAA;
3) The closing date of a sale of all or substantially all of the assets of the borrower; and
4) The occurrence of any event of default under the DIP loan agreement

Use of Proceeds: To fund PCAS' additional budget expenses through a 13 week post-CCAA filing period (and over and above the $3,205,000 in DIP funds raised to date and already used or earmarked by PCAS and its court-approved Monitor to pay critical PCAS financial commitments).

See also "CCAA Proceedings" on page 2 for more details.

Original Conversion Option: Principal and interest, at holders option, can be converted to Common Shares in PCAS at a conversion price of $0.38 in increments of $1,000.

Additional Conversion Options: Additional conversion options are being ascribed to the DIP financiers as follows:

1) **<u>In the event of a refinancing of PCAS</u>**, and upon such refinancing with new money, a DIP Financier shall be entitled to convert his or her DIP loan (together with accrued interest) at a price per share equal to the valuation level of the new financing.

   For example, if a third party financing valued PCAS at $0.38 per share and the DIP Financier had $1,000 of principal (leaving interest aside) of DIP loan to convert, then such DIP Financier could convert (at the closing of the new money round) into PCAS equity as follows: $1000/$0.38.

   In this scenario, the DIP Financier would receive 2,631 shares on conversion of his/her DIP Loan. Such investor would also then receive bonus warrants ("First Stage Warrants") equal to 1.5 times the number of shares received on conversion (i.e. 3,946 warrants) with such warrants having an exercise price equal to the new financing round (again in this example $0.38) with such warrants exercisable for three (3) years from issuance.

If such DIP Financier exercises his/her First Stage Warrants (or part thereof), the investor will be granted another set of warrants ("Second Stage Warrants") equal to the same number of First Stage Warrants exercised (i.e. the Second Stage Warrant grant is directly tied to the exercise of the First Stage Warrants). The strike price shall be the same exercise price attached to the First Stage Warrants (again $0.38 in this example) and the term of the Second Stage Warrants shall be three (3) years from the date of issuance thereof.

2) **In the event of a refinancing of PCAS**, and upon such refinancing with new money, should the DIP financier not wish to convert and wishes merely to be repaid his or her DIP loan, the DIP Financier would only receive his or her principal amount of DIP loan plus interest at 15% as well as a pro rata entitlement to a success fee to be shared with the other non-converting DIP Financiers.

   It is anticipated that the success fee would be $500,000 in respect to the full $10 million DIP Facility.

3) **In the event of a sale of PCAS**, to create further upside for DIP Financiers, it is contemplated that they would be granted a warrant to acquire additional common shares of PCAS so that the DIP Financiers receive additional financial benefit on a successful sale.

   The warrants would be issued only after the CCAA sanctioned sales process allowed for the repayment of all DIP loans, including all interest thereon, the expenses of the CCAA proceedings including, but not limited to, professional fees and key employee retention payments ("KERPs") and the repayment of all secured and unsecured creditors (herein, the "Funding Threshold"). As soon as the Funding Threshold is achieved (if achieved), the DIP Financiers (as a group) would receive a warrant ("Warrant") that would be immediately exercisable for 25% of the equity of PCAS. Each DIP Financier's interest in such Warrant would be pro rata to his/her participation in the DIP Facility. The exercise price of the Warrant would be $1 in the aggregate.

In any scenario discussed above, any return to a DIP Financier would be capped to ensure, if necessary, that the actual interest rate payable to a DIP Financier does not exceed sixty percent (60%) over an annualized one year period.

Risk Factors:

A prospecitve investor should carefully consider the risks set out in this Information Memorandum which are described under the heading "Risk Factors" elsewhere in this Information Memorandum.

END OF TERMS

Executive summary

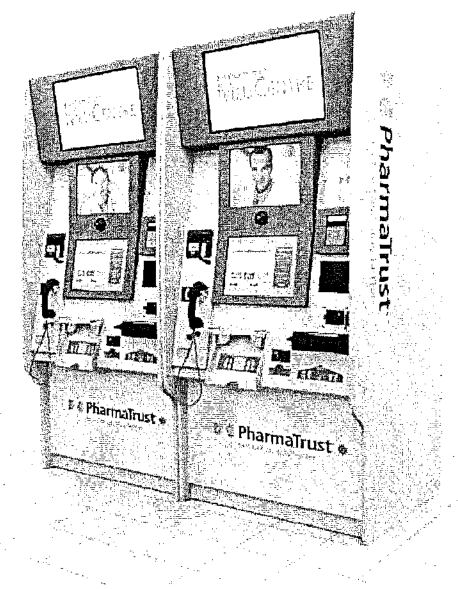
The Company

PCAS Patient Care Automation Services Inc. ("PharmaTrust" or the "Company"), established in 2006 and headquartered in Oakville, Ontario, is a healthcare technology company that has developed and is rapidly commercializing a unique, automated pharmacy dispensing platform poised to revolutionize the way pharmacy is practiced and prescriptions are dispensed.

The Company's principal technology and product is 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.

The Company has raised over $67 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 leading families along with a number of US investors.

The *MedCentre*™



The Company believes that the *MedCentre*™ is currently the only commercial, scalable, platform-enabled and fully-automated remote dispensing solution for pharmaceuticals available today. The *MedCentre*™ facilitates live pharmacist 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 approximately 2,500 separate items.

At scale, the *MedCentre*™ value proposition offers the potential to lower the cost of dispensing prescriptions and expand access to care while providing significant improvements in convenience for patients while improving drug-utilization, compliance and patient safety. The *MedCentre*™ provides benefits to all major stakeholders in the pharmacy dispensing value chain including patients, pharmacies, pharmacists, physicians, governments and payers.

The *MedCentre*™ is a field-tested, customer-validated technology with a unique first-mover advantage. PharmaTrust has successfully completed 5 test *MedCentre*™ trials in Canadian hospital and clinical settings and is progressing to the full-scale commercial deployment of the *MedCentre*™ and its platform.

Current deployments and orders

The Company had 18 *MedCentres*™ deployed by the end of 2011. PharmaTrust is in ongoing discussions with numerous potential partners including hospitals, medical clinics, retailers, employer sites, retail pharmacies, and other strategic partners to initiate pilot programs as an interim step to broader deployment upon successful pilots and favorable regulatory changes.

On October 25, 2011, PharmaTrust signed a 5-year customer Memorandum of Understanding ("MoU") with a US National Drugstore Retailer that is expected to drive substantial growth for the Company and provide strong visibility into *MedCentre*™ deployments and future revenue. Assuming successful pilots and adoption rates, and the entering into of a definitive agreement, the US National Drugstore Retailer will be contractually committed to:

- Purchase of up to 2,900 *MedCentre*™ units from 2012-2014 in return for preferred customer status representing up to $438 million of revenue from 2012-2014
- Fixed pricing across the 5-year period

PharmaTrust has identified not less than 15 additional large enterprise clients who could collectively represent 9,600 deployments – the Company has initiated preliminary discussions with such potential clients, several of which have indicated interest in participating in pilot projects.

The recently signed MoU represents approximately 81% of projected deployments and a similar percentage of projected revenues in the 2012-2014 projection period.

Regulatory landscape

PharmaTrust is well-positioned to capitalize on both social and commercial market trends and regulatory responses to these pressures. PCAS believes there is significant market potential with global application, as the global market for prescriptions was estimated at approximately $878 billion in 2010 and growing at a 6.2% CAGR, with double-digit CAGRs in emerging countries like India and China.

Regulatory trends also support PharmaTrust's business model as governments seek to reduce the cost of healthcare provision in part through making greater use of pharmacy as a source of healthcare provision in the community and seek to promote wider access to and use of advice driven self medication for minor ailments.

Governments in Canada, the US, the UK and several other countries have taken or are considering legislative steps to permit remote dispensing and the Company has received significant interest from numerous foreign countries and/or governments inquiring about deploying *MedCentres*™ and utilizing the PharmaTrust technology platform.

PharmaTrust platform technology solution

This technology platform, called the PharmaTrust *Healthcare…Everywhere*™ platform, provides an information technology infrastructure for the *MedCentre*™ to operate on, but can support other completary technologies in development or planned by the company as well as offering the ability to collect and integrate data from other third party systems and sources.

In addition to the *MedCentre*™, plans for the PharmaTrust *Healthcare…Everywhere*™ platform also include the *MedHome*™, an interactive home-based medication adherence and "monitored dose" drug tracking system incorporating medication reminder and patient monitoring systems, and the PharmaNet PharmaTrust Network, both of which are in the early stages of development.

This platform provides patients and healthcare professionals with access to medical, prescription and compliance information.

Recent developments at the Company

Since the beginning of 2012 there has been a significant review of immediate strategic objective at the Company, and a number of changes have been implemented at the Board and senior management levels.

In light of the CCAA Proceedings, the Company has refocused the business and reassessed the deployment of resources to best prioritize the opportunities that it faces. In order to achieve this objective, resourcing has been withdrawn from non-core activities related to medium to long term growth of the business as a corporate entity. The business has refocused significantly on the specific tasks necessary to complete and fully commercialize the platform based system targeted at larger enterprises who wish to, and have the potential to, deploy PharmaTrust technologies at scale.

As part of the restructuring to achieve this, the Company has reduced the size and scope of the business, and focused resources on delivering workable solutions to the specific requirements of large enterprise clients, initially in the US and Canada, in as short as possible a time-frame. With potential clients already engaged and contracts in advanced stages of preparation, the Company believes that this is the fastest and most efficient route to significant revenue generation and profit potential.

Once the enterprise solution has been completed and full commercial deployment of PCAS' technology is underway, the Company will then look at addressing the international opportunities available to it in a prioritized and strategic manner to best deploy the additional resources that will at that stage be available to the business.

Investment highlights

Unique value proposition and attractive economics for clients

- *MedCentre*™ is currently the only known full-service commercial pharmacist-controlled, customer-interactive, prescription dispensing unit to offer a complete, safe, scalable and fully-automated remote dispensing solution for prescription drugs and over-the-counter ("OTC") medications
- *MedCentres*™ provide access to prescription and OTC medication at locations in the community and inside and outside the current retail pharmacy setting. Benefits to patients include:
  - Convenient access on a 24/7 basis
  - Safe and secure dispensing environment with technology built to reduce dispensing error rates
  - Ability to easily interface with pharmacists including those with different specialties and language backgrounds
- Substantially improves pharmacy economics for clients
  - Extends hours of operation to 24/7
  - Expands number of available pharmacy locations
  - Ensures adequate pharmacists and dispensing capacity across the pharmacy infrastructure at peak times
  - Less expensive to deploy and operate than a "bricks and mortar" pharmacy
- *MedCentres*™ connect across a scalable platform to address direct patient access to pharmacists that competitive products have been unable to address
- The technology enables real-time data collection and connection with payers and providers to help manage and coordinate more accountable care which is critical for the next generation of healthcare; technology directly addresses the requirements of the evidence-based treatment plans that are seen as forming the core of future medication formulary management
- Attractive commercial and economic model for both PharmaTrust and clients under all deployment scenarios

Substantial opportunity to capitalize on current healthcare industry and demographic trends

- PharmaTrust's global addressable market is poised to grow larger in the future:
  - Healthcare costs, including consumption of prescription medications, are expected to continue to rise due to a longer living and aging population and, in many countries, greater access to healthcare and a greater use of drug therapies
  - Governments and private payers are seeking innovative ways to contain escalating healthcare costs while at the same time ensuring access to adequate care
  - Increase in consumerism and the more active role that patients are playing in healthcare decision-making process given increasing responsibility for bearing its costs are driving demand to receive services in more convenient settings
  - Expected increase in population with insurance or some alternative form of healthcare funding is increasing demand for drugs and greater access to healthcare services which is putting further pressure on existing pharmacy locations and the limited supply of pharmacists
  - Increased use of drug therapies in non-clinical environments and the increased use of complicated medication-based treatment plans are driving demand for patient support, compliance monitoring at point of dosage and enhanced accountability in care

Field-tested and customer validated technology with first-mover advantage

- Third-generation *MedCentre*™ units are currently being deployed and will feature enhancements planned over the next 18 months with the fourth-generation targeted for deployment in 2014, ensuring strong future product development, demand and deployments
- 18 units had been deployed by the end of 2011
- Technological leadership will position the Company to be the first-mover in attracting strategic partners (e.g. hospitals, retail pharmacies, etc.) and securing the majority of the key high traffic sites across target markets
- Significant capital invested and research and development completed to date have resulted in the filing of numerous patent applications to help protect technology first-mover advantage

Anchor and flagship customer MOU in place with several more in active discussion

- PharmaTrust recently signed a 5-year customer MOU with a US National Drugstore Retailer that will drive substantial growth for the Company and provide strong visibility into future revenue and *MedCentre*™ deployments
  - Signed long-term MOU on October 25, 2011 which, based on successful pilots and adoption trends, and subject to signing a definitive agreement, would lead to contractual commitments from the US National Drugstore Retailer to:
    - Purchase of up to 2,900 units from 2012-2014 in return for preferred customer status
    - Fixed pricing across the 5-year period
  - This customer made an initial equity investment of $5 million in 2010
  - The customer's initial investment, and long-term intentions towards and support for the business, validates PharmaTrust's *MedCentre*™ technology and platform and provides an important client reference for potential customers
- The Company is in discussions for extended pilot programs with two large Canadian retailers. These discussion are expected to be completed imminently with the pilot programs expected to commence shortly thereafter

Attractive financial model with strong revenue and deployment visibility

Assuming a successful pilot and adoption rates, the signed MoU above will represent approximately $438 million of revenue from 2012-2014, representing approximately 81% of deployments and a similar precentage of projected revenue in that same period providing strong visibility into the sources of the potential growth of the business. PharmaTrust is currently in active discussions with another 15 large enterprise clients which could collectively represent 9,400 deployments.

- Attractive margin profile and return on capital employed
- Signed MoU and sales pipeline provide the basis for strong potential revenue visibility in the short to medium-term

Regulatory trends support PharmaTrust's business model

- Governments in Canada, the US, the UK and several other countries have taken or are considering legislative steps to permit remote dispensing with many recent announcements and actions pointing to an acceleration in activity
  - **Canada** – Remote dispensing of prescriptions is now legal in the Province of Ontario, while British Columbia, Manitoba and Saskatchewan all have approvals pending

- **USA** – The States of Illinois, Missouri, Wisconsin, North Dakota, Iowa, Montana and Oregon have already approved remote dispensing in remote areas or specific venues and the trend is growing nationally with further regulatory reform planned by legislatures or targeted by the Company in 7 additional states during 2012

- The Company maintains an active effort and dialogue to assist state and federal authorities in evaluating and promoting remote dispensing legislation
- Process for regulatory accreditation of each deployed *MedCentre*™ reduced to 14-30 days in Ontario ensuring rapid deployment and ability to scale business with future *MedCentres*™

Significant market potential with global application

- Global market for prescriptions estimated to total $878 billion in 2010
  - IMS Health forecasts 2009-2014 CAGR of approximately 6.2% globally and 23.2% and 14.8% for emerging countries like China and India, respectively
- PharmaTrust is initially focused on implementing its products in Canada (beginning with Ontario), the states that have approved or are focused on approving remote dispensing regulation in the US and in the UK where, collectively, approximately 5.0 billion prescriptions were written in 2010
- The global emerging markets offer a significant growth opportunity for the business. Management believes there is the potential for remote dispensing technology to provide an alternative route to building widespread pharmacy infrastructure on a significantly faster timeframe compared with building new traditional "bricks and mortar" retail pharmacies
- The Company has received international inquiries from China, Singapore, The Netherlands, Philippines, Saudi Arabia and a variety of other countries and/or governments. The company is currently focused on pursuing growth opportunities in its three core markets but expects significant future global opportunities
- Management believes that none of the existing technology solutions currently available or known to be under development, incorporate the combination of patient safety, patient convenience, enhanced patient counseling by a pharmacist in real-time and dispensed patient medication information accessible from a central database.

Risk Factors

- You should carefully consider the risks described below, which must be read in conjunction with the detailed information appearing elsewhere in this Information Memorandum, and all other information contained in this Information Memorandum before participating in the DIP Facility. The risks and uncertainties described below and elsewhere in this Information Memorandum are those the Company currently believes to be material, but they are not the only ones the Company faces. If any of the following risks, or any other risks and uncertainties that the Company have not yet identified or that the Company currently considers not to be material, actually occur or become material risks, the Company's business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected.
- Many risks, uncertainties and other factors could cause the actual results of the Company to differ materially from the results, performance, achievements or developments expressed or implied by any forward-looking statements contained herein. These risks, uncertainties and other factors include, but are not limited to: legal and regulatory change and/or lack thereof; lack of consumer or partner adoption of Remote Dispensing Units (RDUs) generally and the Company's products in particular, including lack of sufficient speed of adoption to allow for capital to be raised; significant competition from other companies and new technologies; lack of legislative and regulatory change permitting or embracing remote dispensing or PharmaTrust technologies or systems; competitive pricing practices; rapidly changing technologies; evolving industry standards; frequent new product introductions; short product life cycles and other trends and industry characteristics affecting the broader healthcare industry; potential penalties, damages or cancelled customer contracts from failure to meet delivery and installation deadlines; defects or errors in the Company's current or planned products; fluctuations in foreign currency exchange rates; higher operational and financial risks associated with the Company's efforts to expand internationally; a failure to protect the Company's intellectual property rights; adverse judgments or settlements arising out of disputes regarding intellectual property, including those relating to the protection of PharmaTrust's intellectual property and infringement claims from third parties; failure to operate or integrate strategic acquisitions successfully, or failure to consummate or succeed with strategic alliances; or the Company's potential inability to attract or retain the personnel necessary to achieve its business objectives or to maintain an effective risk management strategy. This list is not an exhaustive list of the risk factors; these and other risks to the business are outlined below in more detail.
- **CCAA Proceedings**
  - The CCAA Restructuring process will only continue so long as PCAS has funding available to allow it to pay their post-filing obligations as they become due. The Monitor, as an independent court officer, will not allow the process to continue without access to necessary funding.
  - If adequate financing is not in place, it is likely that the CCAA Proceeding will be converted into a bankruptcy or a receivership where a trustee in bankruptcy or a receiver appointed and supervised by the Court (in either case, probably the Monitor in a new role) will liquidate the assets and then apply the proceeds of sale in the order of legal priorities (generally speaking, secured creditors – including the DIP Loan- first, then unsecured creditors and, lastly, shareholders). In other words, the DIP Lender will recover its loans prior to any recovery by unsecured creditors or the existing shareholders. Also, because of the priority of the DIP Charge, the DIP Lender will have a significant degree of influence over the realization process.
  - If this scenario occurs, it is likely that the PCAS shareholders will receive little, if any, value for their existing shareholder investment.
  - A bankruptcy/receivership is the worst case outcome for the shareholders as all claims rank prior to the shareholders. The shareholders should therefore be very motivated to avoid this result.

- **Need for Additional DIP Funding**
  - The Company has raised $3,205,00 in DIP funding to date, but requires approximately another $7 million to allow the Company to fund its operations through its budgeted 13 week post-CCAA filing period. There can be no assurance that the balance of the DIP loans will be raised and the failure to raise such additional DIP funding could have a materially adverse effect on PCAS. The funds raised to date are sufficient only to carry the Company through its key payment obligations through approximately April 6, 2012.
- **Regulatory Change, or Lack Thereof, Could Restrict the Company's Ability to Conduct its Business and/or materially and Adversely Affect the Company's Financial Forecast**
  - Numerous laws and regulations affect the Company's business and operations. The full deployment of the Company's products in its currently targeted markets requires, and the Company's financial forecasts assume, favourable regulatory changes in several of those markets including, among others, the US, the UK and across Canada. Should the Company not be successful in obtaining favourable regulatory changes in the UK or in states other than Illinois, the Company's business prospects in those jurisdictions would be significantly undermined, and this could have a material adverse effect on the business as well as on the Financial Forecast contained herein. See "Regulatory Environment".
- **Claims May be Made by Other Companies that PCAS infringes their Intellectual Property Rights**
  - The Company has identified two (2) US patents having claims that might be infringed by MedCentres™. The Company, however, has received a freedom to operate opinion from its legal counsel stating, with express limitations, that a MedCentre™ implementation likely to be operated in US markets will not infringe some claims in the two (2) US patents, and that the remaining claims in the two (2) US patents are invalid in light of prior art. Notwithstanding the freedom to operate opinion, the MedCentres™, or the Company's other product candidates, might be found to infringe a valid claim of a third party patent. Such a third party patent holder may initiate patent litigation against the Company in the United States, and may also litigate in another country where a patent corresponding to the US patent had been obtained.
  - In addition to the foregoing, as of the date of this Information Memorandum, the Company is aware of (i) an Australian-based company, Express Rx Ltd., that has filed patents in relation to a RDU under the trade name Bluepoint Technologies, (ii) an Italian-based company, Pharmasystem srl, which offer products and services which are similar to the MedCentre™, and (iii) a Colorado based company, Concept Medical Technologies, Inc. ("CMTI") that has filed patents which are similar to the Company's MedHomeTM device. The competing product of CMTI is branded MedAssure. PCAS is currently investigating and assessing these competing technologies, and may pursue partnership or acquisition strategies with some or all of them, if warranted.
- **Company Not Currently Profitable**
  - The Company is not currently profitable and does not expect to be in the near term. There can be no assurance that the Company will ever become profitable and/or produce any return on its invested capital.
- **Payment of Dividends Unlikely**
  - Assuming that the amendments to the Company's constating documents are approved by the shareholders, there is no assurance that the Company will pay dividends on its Class A Shares in the foreseeable future, or at all. See "Class A Shares".

- **Absence of a Market**
  - There is currently no market through which the Class A Shares or DIP loans can be sold. Furthermore, an active trading market for the Company's Class A Shares or DIP loans may never develop or, if developed, may not be maintained. Investors may be unable to sell their securities unless a market can be established or maintained. The securities of the Company are subject to resale restrictions under applicable securities laws and are further restricted by the terms of the Shareholder Agreement and the Company's constating documents.
- **Failure to Obtain Statutory or Regulatory Changes Needed to Operate Could Restrict the Company's Ability to Conduct its Business**
  - As stated, numerous laws and regulations affect the Company's business and operations including, but not limited to: pharmacy, physician and hospital statutes and regulations on all aspects of professional conduct; scopes of practice; authorized acts; restricted acts; dispensing fees; drug reimbursement; allowed premises and many unknown factors. The exact outcomes of any regulatory change initiatives that PCAS customers and/or PharmaTrust are hopeful will be forthcoming are unknowable at this time. Regulatory bodies of all kinds are often self-governed and frequently have regulatory powers. Their agreement may or may not be needed to enable the Company and/or its partners or customers to operate in a given country or region.
- **Partners and/or Customers May Not Utilize the Products or Services with Sufficient Volume or Speed**
  - Company revenues depend ultimately on the belief by its customers that the consumer adoption of MedCentres™ in the future will be significant enough to pay for the costs of deployment and operation of the technology. Should the potential addressable market for RDUs not develop or should PharmaTrust customers not use the PharmaTrust products in sufficient numbers over time or in any trials that the customers or the Company may run, customers and potential customers of the Company may choose not to invest in the Company's products. Furthermore, the Company's financial forecasts are dependent on the large scale deployment of MedCentres™ by certain customers of the Company and the failure of these customers to deploy MedCentres™ in large scale could have a materially adverse effect of the Company.
- **Security and Reputational Risks**
  - Management believes that the Company's customers will adopt the products if they believe them to be safe and secure. Hackers or other ill-intended persons utilizing the internet may defeat the security measures the Company has put in place. Customers, employees or agents may wilfully or inadvertently mis-configure or fail to deploy the required security measures to prevent such persons or systems from breaching the customer's security systems. These events may cause reputational harm to the Company and may affect revenues and customer retention / acquisition.
- **Defects and Errors**
  - The Company's products may have inherent manufacturing defects not found by the existing testing procedures. Patient safety may be compromised by systemic failure, operator error, third party errors and /or any combination thereof resulting in personal harm. Such incidents may incur liability to the Company and impair the Company substantially and/or permanently.
- **Loss of Key Management Could Adversely Affect the Company's Business**
  - The Company's success is materially dependent upon a number of key managers in key leadership positions – such as in technology, research and development, finance and executive management. Future operations could be materially adversely affected if the services of any one of such key managers cease to be available.

- **Changes in Technology Could Cause the Products and Services to Become Obsolete**
  - The Company relies heavily on its technology – which is subject to rapid change and evolving industry standards. To be successful, it must adapt to this rapidly evolving market by continually improving the responsiveness, functionality and features of its products and services to meet its customers' changing needs. The Company may not be successful in developing or acquiring technology which is competitive and responsive to the needs of its customers and might lack sufficient resources to continue making the necessary investments in technology to challenge its competitors. Without the timely introduction of new products and enhancements that take advantage of the latest technology, the Company's products and services could become obsolete over time and the Company could thus lose a number of its clients and customers. There could be unanticipated technological developments at any point that could disrupt the potential deployment, or displace altogether, RDUs or MedCentres™.
- **If the Company is Unable to Protect Its Intellectual Property Rights or Successfully Defend Claims of Infringement, it May not be Able to Compete Effectively**
  - PCAS is seeking to protect its intellectual property and similar proprietary rights through a combination of patents, copyrights, trade secrets and trademarks, as well as confidentiality agreements and other contractual arrangements with its employees, contractors, affiliates, business partners and clients. In connection with the freedom to operate opinion obtained by the Company in respect of two (2) US patents, the Company has become aware of prior art that will likely have an impact upon its ability to obtain broad issued claims based on its earliest patent applications directed to its methods of dispensing drugs. In the absence of such claims, third parties may use these or similar methods without infringing any of the Company's intellectual property. However, third parties may copy or otherwise obtain and use information and proprietary technology without authorization or otherwise misappropriate upon the Company's intellectual property rights. In addition, the Company may not be able to deter current and former employees, contractors and other parties from breaching confidentiality agreements and misappropriating proprietary information. While the Company attempts to ensure that its intellectual property is protected, its business partners, consultants or other third parties may take actions that could materially and adversely affect its rights or the value of the intellectual property, similar proprietary rights or reputation.
  - In addition to the foregoing, as of the date of this Information Memorandum, the Company is aware of (i) an Australian based company, Express Rx Ltd., that has filed patents in relation to a RDU under the trade name Bluepoint Technologies (ii) Pharmasystem srl (Italy) which offer products and services which are similar to the MedCentre™ and (iii) a Colorado based company, Concept Medical Technologies, Inc. that has filed a patent(s) which are similar to the Company's MedHomeTM device. The competing product of this company is branded MedAssure. PCAS is currently investigating and assessing these competing technologies, and may pursue partnership or acquisition strategies with some or all of them, if warranted.
- **Patents and Proprietary Technology**
  - Competitors may have filed patent applications, or hold issued patents, relating to apparatus or methods competitive with those the Company is currently developing or will develop. The patents of the Company's competitors may impair the Company's ability to do business. The Company's patent applications may not be approved or approved as desired. Even if patents eventually issue from these applications, the scope and enforceability of any patents cannot be predicted with certainty. Issued patents may be challenged or invalidated on various grounds, including on the basis of pre-existing technology or failing to properly name inventors. If an issued patent is invalidated, the Company will lose the ability to exclude others from making, selling or using the invention claimed. Others may independently develop similar apparatus or methods or duplicate any of the Company's unpatented apparatus or methods.

The Company's success will depend, in part, on its ability in the future to obtain patents, protect patents, protect trade secrets and other proprietary information and operate without infringing on the proprietary rights of others. Patent protection is uncertain and involves many complex legal, scientific and technical questions. There is no clear law or policy involving the degree of patent protection afforded under patents. As a result, the scope of patents issued to the Company may not successfully prevent third parties from developing similar or competitive products. The Company's practice is to enter into confidentiality agreements with its employees, suppliers and distributors. However, these confidentiality agreements may be breached, and the Company may not have adequate remedies for such breaches. Others may independently develop substantially equivalent proprietary information without infringing upon any proprietary technology belonging to the Company. Third parties may otherwise gain access to the Company's proprietary information and adopt it in a competitive manner. Claims by these companies that the Company infringes their proprietary technology may result in liability for damages or impede the Company's development and commercialization efforts for the Company's apparatus and methods. It is not uncommon for competitors to advance such claims for strategic purposes.

- **Patent or Other Litigation**
  - Patent or other types of litigation and disputes, with or without merit, is time-consuming and costly and may significantly impact the Company's financial condition and results of operations, even if the Company were to prevail. The Company may have to make material payments in connection with successful claims against the Company or settlement of such claims. The Company recently settled litigation involving a challenge to one of the Company's material patent applications. See "Legal Proceedings". An adverse outcome in litigation or similar proceeding could subject the Company to significant liabilities to third parties. The Company may also have to indemnify certain customers of the Company if it is determined that the Company infringed upon another party's intellectual property. The Company has not incorporated such potential costs in any of its financial forecasts.
- **Supplier Risks**
  - PCAS currently outsources substantially all manufacturing of the MedCentre™ components. The Company conducts light only assembly and performs pre-delivery testing for each MedCentre™. Accordingly, the Company is dependent on the supply of parts and components from various suppliers. There can be no assurance that these supplier arrangements will always be available or available on terms favourable to the Company and, if there were a material disruption in the supply of such parts/components, the Company's business could be materially adversely affected. There can also be no assurance that such supplier arrangements will last indefinitely or that such supplier arrangements may not be terminated, all of which could have a material adverse effect on PCAS. In addition, key suppliers and/or the Company itself may not have or be able to source significant manufacturing capacity or component parts to support the Company's expansion plans in the forecast for the large scale deployment of MedCentres™.
- **Access to Pharmacists**
  - The Company currently has several pharmacists on staff who are required to support the MedCentre™. There can be no assurance that PCAS will be able to hire additional pharmacists to support the MedCentre™, when and if required, but especially if there is a significant deployment of MedCentres™ over a short period of time.
- **Competition**
  - The pharmaceutical and medical technology industries are characterized by rapidly changing technology and intense competition. While the Company believes, based on its current knowledge of competitive remote dispensing systems in the market today, that none of the competitive systems currently available or known to be under development incorporate the combination of patient safety and patient convenience as the MedCentre™, there can be no assurance that a competitor will not develop a superior or more cost effective RDU.

In addition, some of these competitors may include companies that have access to financial, technical and marketing resources significantly greater than the Company's and substantially greater experience in research and development and developing, manufacturing and distributing products.

- **Changes in Applicable Laws**
  - The Company could be affected by changes in applicable laws including, but not limited to, changes in tax laws that could materially adversely affect the Company.
- **Deployment & Timing Commitments**
  - The Company's plans and expectations depend on successful deployment of MedCentres™, which in turn depends on obtaining binding commitments from potential partners. There is no assurance that discussions with partners and potential partners will result in any binding commitments. The contracts and LOIs that the Company has in place with potential customers and for those potential customers the Company is in discussions respect to the deployment of MedCentres™ are all conditional upon favourable regulations being passed (where necessary), securing suitable third party sites for deployment, successful execution by the Company of pilots and initial deployment of MedCentres™ and entering into definitive agreements in respect to such sites. Accordingly, if one or more of these conditions are not met, or if partners or potential partners do not enter into a sufficient number of binding commitments, this could have a material adverse affect on the Company.
  - In addition to the foregoing, the Company's ability to deploy MedCentres™ is dependent on the ability of the Company to stabilize all software and technology components and interfaces of the MedCentre™ so that the MedCentre™ can be become commercially scaleable.

RIGHTS OF ACTION FOR DAMAGES OR RESCISSION

- Securities legislation in certain of the Canadian Jurisdictions provides certain purchasers of securities pursuant to an Offering Memorandum (such as this Information Memorandum) with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, where the Offering Memorandum and any amendment thereto contains a "misrepresentation", as defined in the applicable securities legislation. A "misrepresentation" is generally defined in the applicable securities legislation to mean an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by applicable securities legislation.
- The following is a summary of the rights of action for damages or rescission, or both, available to purchasers resident in Ontario. Investors should refer to the applicable provisions of the securities legislation of their province for the particulars of these rights or consult with a legal adviser.

Ontario

- In Ontario, where there is reliance on the exemption from the prospectus requirements contained in section 2.3 of NI 45-106 (the "accredited investor exemption") or section 2.10 of NI 45-106, section 130.1 of the Securities Act (Ontario) (the "Ontario Act") provides that every purchaser of securities pursuant to an Information Memorandum (such as this Information Memorandum) shall have a statutory right of action for damages or rescission against the issuer and any selling security holder on whose behalf the distribution is made in the event that the Information Memorandum contains a misrepresentation, as defined in the Ontario Act.

A purchaser who purchases securities offered by the Information Memorandum during the period of distribution has, without regard to whether the purchaser relied upon the misrepresentation, a right of action for damages or, alternatively, while still the owner of the securities, for rescission against the issuer and any selling security holder provided that:

- if the purchaser exercises its right of rescission, it shall cease to have a right of action for damages as against the issuer and the selling security holders, if any;
- the issuer and the selling security holders, if any, will not be liable if they prove that the purchaser purchased the securities with knowledge of the misrepresentation;
- the issuer and the selling security holders, if any, will not be liable for all or any portion of damages that they prove do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon;
- the issuer and the selling security holders, if any, will not be liable for a misrepresentation in forward-looking information ("FLI") if they prove that:
  - the Information Memorandum contains, proximate to the FLI, reasonable cautionary language identifying the FLI as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection set out in the FLI, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the FLI; and
  - the issuer had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the FLI; and
- in no case shall the amount recoverable exceed the price at which the securities were offered.

- Section 138 of the Ontario Act provides that no action shall be commenced to enforce these rights more than:
  - in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
  - in the case of an action for damages, the earlier of:
    - 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action; or
    - three years after the date of the transaction that gave rise to the cause of action.
- The rights referred to in section 130.1 of the Ontario Act do not apply in respect of an Information Memorandum (such as this Information Memorandum) delivered to a prospective purchaser in connection with a distribution made in reliance on the accredited investor exemption if the prospective purchaser is:
  - a Canadian financial institution or a Schedule III bank (each as defined in section 1.1 of NI 45-106);
  - the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada); or
  - a subsidiary of any person referred to in paragraphs (a) and (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.
- The foregoing summary is subject to the express provisions of the Ontario Act and the rules, regulations and other instruments thereunder, and reference should be made to the complete text of such provisions. Such provisions may contain limitations and statutory defences on which the Fund may rely.

- The rights of action discussed above are in addition to and without derogation from any other right or remedy which purchasers may have at law.

TAB “N”

Attached is Exhibit "N" Referred to in the
AFFIDAVIT OF DONALD WAUGH
Sworn before me this 19th day of April, 2012

Commissioner for taking Affidavits, etc

2320714 ONTARIO INC.
c/o **Grundy, Cass & Campbell Professional Corporation**
P.O. Box 11, Suite 3150,100 Wellington Street West
Toronto-Dominion Centre
Toronto, ON M5K 1A1

April 17, 2012

PharmaTrust DIP Lender Up-date to PCAS Shareholders

Dear PCAS Shareholder:

As you know, PharmaTrust obtained protection under the *Companies' Creditors Arrangement Act* (the "CCAA") on Friday, March 23, 2012. Since that time, 2320714 Ontario Inc. (the **"DIP Lender")** has been the sole source of emergency funding to PharmaTrust. The objective of the DIP is to preserve as much value as possible for the existing investing shareholders of PCAS. In other words, to avoid a bankruptcy which could result in the PCAS shareholders receiving little or nothing on their investment.

The DIP Lender was established to enable PharmaTrust to raise necessary interim financing, on a secured priority basis, to provide PharmaTrust with sufficient time to properly evaluate the options of either allowing PharmaTrust to continue to execute its business plan, including seeking further investors, or to effect a sale of the business. Both these initiatives must be Court approved and run contemporaneously. The Monitor and PharmaTrust estimated that $10 million of DIP financing would be required to continue the operations of PharmaTrust for a 13 week period to complete these initiatives.

Almost $3.8 million has been raised to over the past 4 weeks by the DIP Lender. Approximately 60% or $2.2 million of this amount has come from investors who were not already PCAS shareholders. Since the DIP Lender has its own independent counsel: corporate (Doug Grundy of Grundy, Cass & Campbell) and insolvency (Robert Thornton of Thornton Grout Finnigan LLP), we felt it important that PCAS shareholders be made aware of the following:

- The funds currently on deposit with the DIP Lender are only sufficient to provide required funding through Wednesday April 18, 2012.
- The Court, which is supervising the CCAA proceedings, insists that the DIP Lender have sufficient funds to enable it to continue to provide interim funding to PCAS for the duration of the time required to complete a restructuring plan. To continue existing operations until June 5, the minimum time required to complete a restructuring plan, PCAS requires an additional $6.2 million.

We are writing this letter to enlist the immediate financial support for the DIP Loan Facility from existing PCAS shareholders who have not yet participated in the facility to date as well as from those who have participated to increase their financial participation. In making this request, we are again outlining the terms of the current DIP Financing Package (see attachment).

You should be aware that, in addition to the substantial customer with whom the Company already has an executed Memorandum of Understanding, a number of other strategic investors and customers have expressed an interest in the company. Discussions are ongoing with a large Canadian drug store chain, a large Canadian drug manufacturer, a large Canadian medical services provider and two overseas third party investors. However, without immediate additional financing, the Company will not be able to continue in operation long enough to finalize transactions with any of these parties.

When the DIP Lender, PCAS and the Monitor attended Court yesterday, the Court was concerned about the lack of funding for a complete restructuring process. The fact that the full amount of DIP had not yet been raised has prevented the sale/investor process from commencing and this clearly concerns the Court. The Judge told all counsel that on Wednesday he wants the Monitor to confirm that the DIP Lender has raised sufficient money to fund obligations until Saturday, April 21 ($200,000 is required for this). He also insisted that Counsel for PharmaTrust and the DIP Lender return on Friday morning to discuss the status of the DIP Lender's attempts plans to raise the balance of the $10 million or approximately $6 million. The Judge wants to review these materials ahead of the Friday April 20th meeting so requested back up documents be given to him on Thursday afternoon. Accordingly, the DIP Lender's immediate priority is to present the Judge with convincing evidence that it has raised, or can in short order raise, at least an additional $6 million to avoid a bankruptcy or receivership that will mean a loss of significant value for PCAS shareholders.

If these funds can be raised or committed immediately, one of three outcomes listed below is likely to occur by June 5.

1. a restructuring of the ownership and obligations of PharmaTrust will occur that either will see the DIP Lender repaid or allow the investors who have funded the DIP Loan to convert their investment into an acceptable level of ownership or other financial interest in the restructured and refinanced entity;

2. the assets of PharmaTrust will be sold through a sale process which will include the participation of the DIP Lender through a stalking horse bid and the DIP loans plus professional costs of the DIP Lender will be repaid (in the case of the DIP Loans with a 15% per annum return and possibly also including a 5% break fee); or

3. The DIP Lender will own the property, assets and undertakings of PharmaTrust outright by virtue of being the successful bidder through the auction.

If significant funds cannot be raised or committed this week, however, the likely result will be bankruptcy and/or a receivership. In such event, the DIP Lenders will have significant influence over the realization process.

It is important to remember that the DIP funding is done on a secured basis, with a charge over all of the assets of PCAS, including its intellectual property, unlike your initial investment, which was an equity investment with no such priority. Furthermore, PCAS has offered very attractive terms for the DIP loans that should be compelling to investors if one believes fundamentally that the assets of the company are worth significantly more than the $10 million being sought as a total DIP loan.

The CCAA Restructuring process can only continue if PharmaTrust has funding available to allow it to pay their post-filing obligations as they become due as well as the financial resources and time to pursue the two options for the Company. The Monitor, as an independent court officer, and the Court will not allow the process to continue without access to necessary funding. If adequate financing is not in place, the CCAA Proceedings will be converted into a bankruptcy and/or a receivership that will liquidate the assets and then apply the proceeds of sale in the order of legal priorities. The DIP Lender will recover its loans prior to any recovery by unsecured creditors and existing shareholders. Also, because of the priority of the DIP Charge, the DIP Lender will have a significant degree of influence over the realization process. As previously mentioned, bankruptcy/receivership is the worst outcome for PCAS shareholders as all claims rank ahead of them.

The DIP Loan is unusual in that one of its main objectives is to try to preserve value, to the extent possible, for the existing shareholders of PCAS. Unlike the situation in most CCAA proceedings, the major stakeholders in this case are the shareholders of PCAS who have contributed over $66 million to PharmaTrust to create its IP and business systems. This amount is significantly greater than the exposure of PharmaTrust's secured and unsecured creditors.

The April 2nd Term Sheet for the DIP financing is attached. Please feel free to contact Doug Grundy (416-849-8007), Bob Thornton (416-304-0560) or myself (416-214-0885) with any questions. As time is of the essence, this matter needs your immediate and prompt attention. Without significant financial support from PCAS shareholders, the necessary financial infrastructure will not be in place to allow the Company to consider the alternatives available to maximize shareholder value that was, of course, the reason for establishing the DIP as an independent arms length entity.

Since it is clearly in the interest of all PCAS shareholders to avoid this result, we are writing to you once again to encourage your immediate financial participation to the maximum extent possible.

For those shareholders who have already advanced funds to the DIP, now that the Court has approved the enhanced terms (which it did yesterday), the documents reflecting investor advances will be distributed this week.

Yours very truly

George R Swan

President

c.c John Panneton, Director

Douglas Grundy, Grundy, Cass and Campbell

Robert Thornton, Thornton Finnigan Grout

FEATURES OF DIP LOAN PARTICIPATION

Each investor who participates in the DIP Loan Facility will do so through the vehicle of the DIP Lender. Investors will make loans to the DIP Lender who will, in turn, advance monies to PCAS pursuant to the Court-approve DIP Loan.

The DIP Loan earns interest at a rate equal to 15% per annum. That interest will then be flowed through to the investors who have made advances to the DIP Lender in order to participate in the DIP Loan Facility.

Conversion Rights of DIP Investors

1. Base Conversion Privilege – Each investor will be entitled to convert its DIP Funding Loan into Common Shares of PCAS, at a conversion rate of $0.38 per Common Share.

2. Refinancing Conversion Privileges – In the event that PCAS is successful in completing a refinancing transaction that will allow it to emerge from CCAA protection and fund future operations, DIP investors will be entitled to choose from two conversion privileges:

    1. Refinancing Equity Conversion Privilege – The DIP Funding Loan can be converted into Common Shares and First Stage Warrants. The basis for conversion will be established by the value placed on PCAS by the refinancing transaction (the "Refinancing Exercise Price"). The number of First Stage Warrants will be equal to 1.5 times the number of Common Shares issued on conversion. First Stage Warrants will be exercisable at the Refinancing Exercise Price and will entitle the investor to Common Shares and, if exercised, Second Stage Warrants. The number of Second Stage Warrants will be the same as the number of Common Shares acquired through the exercise of the First Stage Warrants. The exercise price of the Second Stage Warrants will again be the Refinancing Exercise Price. First Stage Warrants and Second Stage Warrants will be three year warrants.

    2. Refinancing Securities Conversion Privilege – The DIP Funding Loan can be converted into the same securities as are acquired by the refinancing party in the refinancing transaction – same terms, same price. There are no warrants attached to this conversion privilege unless warrants are part of the refinancing securities.

3. Success Fee – If the investor chooses not to exercise a conversion privilege but instead is repaid through the refinancing transaction, the investor will be entitled to a bonus of 5% on the amount of the investor's DIP Financing Loan. This is in addition to the repayment of Principal and interest.

4. Sale Warrant – If instead of a refinancing transaction, there occurs a sale of all or substantially all of the assets of PCAS which results in all of the creditors being paid (secured, DIP Loan and

unscecured) and in an excess that would be distributed to shareholders, the investors will be entitled to a Sale Warrant that will allow them, upon payment of a nominal amount, to purchase Common Shares so that following the issuance of the Common Shares the DIP investors (assuming all exercise the warrant) will hold 25% of the equity of PCAS prior to the distribution of the excess sale proceeds.

5. All arrangements are subject to the usury provisions of the Criminal Code that limit interest (broadly defined to include interest, charges and expenses) to a 60% annualized return.

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

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

RETURN MOTION RECORD
(Returnable April 20, 2012)

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