

**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**

**MOTION RECORD
(returnable May 3, 2012)**

Date: May 3, 2012

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(current as of April 16, 2012)

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TAB 1

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

**NOTICE OF MOTION
(returnable May 3, 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 motion to a judge presiding over the Commercial List on May 3, 2012 (the "Return Date") at 4:30 p.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 Third Report of PricewaterhouseCoopers Inc. ("PwC"), in its capacity as the Court-appointed monitor of the Applicants (in such capacity, the "Monitor") dated May 3, 2012 (the "Third 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**”)) to May 8, 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 \$4,370,000 to \$4,525,000; and
- (e) 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 3 of the Order of the Honourable Justice Brown made April 20, 2012 (the “**April 20 Order**”), the Stay Period was extended to May 4, 2012;
- (c) the Applicants require an extension of the Stay Period to May 8, 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, including, without limitation, finalizing the pending financing for, and conducting, a sale and investor solicitation process (the “**SISP**”);
- (d) the thirteen-week cash flow projection, produced in conjunction with the Monitor and attached as Exhibit “A” to the Affidavit of Loreto Grimaldi, sworn May 3, 2012, projects that the Applicants presently have sufficient funding to continue operating (including payment of all accrued wages) until May 8, 2012 and (subject to Court approval) to conduct the SISP during that period;

- (e) based on the information available, creditors of the Applicants will not be materially prejudiced by an extension of the Stay Period until May 8, 2012;
- (f) 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;
- (g) pursuant to paragraph 31 of the Initial Order, as amended by the April 20 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 \$4,370,000 unless permitted by further Order of this Court;
- (h) the limit on the Applicants' authorized borrowing reflects the level of funding the DIP Lender had available to lend under the DIP Facility as at April 20, 2012;
- (i) the Cash Flows and the Amended and Restated DIP Loan Agreement, as defined in, and as approved by, the Order of the Honourable Justice Brown made April 16, 2012 both contemplate a DIP Facility as high as \$10,000,000, should the DIP Lender raise sufficient amounts to fund such facility;
- (j) the DIP Lender has advised that, since the date of the April 20 Order, it has received commitments and/or funding sufficient to increase the DIP Facility to \$4,525,000, and has conditional commitments for \$4,000,000 or more in additional funding;
- (k) the Applicants are therefore seeking to have their authorized borrowing under the DIP Facility increased to \$4,525,000 in the aggregate;
- (l) the Applicants will not be able to continue their operations or conduct the SISF without an increase in the amount of the DIP Facility to \$4,525,000;

- (m) increasing the amount of the DIP Facility to \$4,525,000 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;
- (n) the Monitor has filed with the Court its Third Report outlining, among others things: (i) the actions of the Monitor since the date of the Second Report dated April 19, 2012; and (ii) the Applicants' financial situation;
- (o) the Monitor supports the relief being sought by the Applicants;
- (p) neither the Applicants nor the Monitor are aware of any objections to the proposed relief sought herein;
- (q) the other grounds set out in the Third Report;
- (r) sections 11, 11.02 and 11.2 of the CCAA and the inherent and equitable jurisdiction of this Honourable Court;
- (s) 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
- (t) 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 May 3, 2012;
- (b) the Third Report; and

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

Date: May 3, 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 MOTION
(returnable May 3, 2012)**

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Lawyers for the Applicants

TAB 2

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.)	THURSDAY, THE 3 RD DAY
)	
JUSTICE BROWN)	OF MAY, 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.
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**APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

ORDER

THIS MOTION, made by PCAS Patient Care Automation Services Inc. and 2163279 Ontario Inc., doing business as Touchpoint (collectively, the "**Applicants**"), for an order, *inter alia*: (a) approving the Third Report of PricewaterhouseCoopers Inc. ("**PwC**"), in its capacity as the Court-appointed monitor of the Applicants (in such capacity, the "**Monitor**") dated May 3, 2012, filed (the "**Third 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**")) to May 8, 2012; and (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 \$4,370,000 to \$4,525,000, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Loreto Grimaldi, sworn May 3, 2012, filed, and the exhibits thereto and the Third 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 May 3, 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 Third 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, is hereby extended to and including May 8, 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 \$4,525,000 unless permitted by further Order of this Court.
5. **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 May 10, 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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

**AFFIDAVIT OF LORETO GRIMALDI
(sworn May 3, 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 Third Report (the "**Third 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 May 8, 2012; and
- (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 \$4,370,000 to \$4,525,000.

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. Pursuant to the Initial Order, PricewaterhouseCoopers Inc. was appointed as CCAA Monitor (the “**Monitor**”).

THE STAY PERIOD

5. Pursuant to paragraph 3 of the Order of the Honourable Justice Brown made April 20, 2012 (the “**April 20 Order**”), the Stay Period was extended to May 4, 2012;

6. An extension of the Stay Period until May 8, 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, including, without limitation, finalizing the financing required (as discussed in paragraph 14 below) to fund a sale and investor solicitation process (a “**SISP**”).

7. The Applicants’ thirteen-week cash flow projections produced in conjunction with the Monitor (The “**Cash Flows**”) project that the Applicants have sufficient funding to continue operating (including payment of all accrued wages) until May 8, 2012, and to conduct a SISP during that period. A copy the Cash Flows is attached as **Exhibit “A”** to this Affidavit.

8. The Monitor has indicated that it supports an extension of the Stay Period until May 8, 2012. I do not believe that any creditor of the Applicants will suffer any material prejudice if the Stay Period is extended until May 8, 2012.

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

10. Subject to finalization of the pending financing discussed in paragraph 14 below, the Applicants intend to return to Court on or before May 8, 2012 to seek a further extension of the Stay Period long enough to conduct a SISP.

THE DIP FACILITY

11. Pursuant to paragraph 31 of the Initial Order, as amended by the April 20 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 \$4,370,000 unless permitted by further Order of this Court.

12. Pursuant to paragraph 5 of the Order of the Honourable Justice Brown made April 16, 2012, the DIP Facility is to be on the terms and subject to the conditions set forth in the Amended and Restated DIP Loan Agreement between the Applicants and the DIP Lender (the "**DIP Loan Agreement**"). The Cash Flows and the Amended and Restated DIP Loan Agreement both contemplate a DIP Facility as high as \$10,000,000, should the DIP Lender raise sufficient amounts to fund such facility.

13. The DIP Lender has advised that, since the date of the April 20 Order, it has received commitments and/or funding sufficient to increase the DIP Facility to \$4,525,000. The Applicants are therefore seeking to have their authorized borrowing under the DIP Facility increased to \$4,525,000 in the aggregate.

14. The DIP Lender has also advised that it has a firm, but conditional commitment from a strategic financier for an additional \$3,000,000 in funding for the DIP Facility. The most

significant hurdle among the conditions to this new financing is that the DIP Lender must have an additional \$1,000,000 available to commit to the DIP Facility. There are a number of other parties who have made less firm commitments ranging from \$500,000 to \$4,950,000. Some of these are conditional on the DIP Lender receiving a significant investment like the \$3,000,000 commitment it just received, and some are so recent (received within the past 24 hours) that they simply need time to be firmed up. The DIP Lender has been working hard to firm up those other commitments to satisfy the main condition on the \$3,000,000. The Applicants are hopeful that this can be done prior to May 8.

15. I believe that the Applicants will not be able to continue their operations, finalize the funding required to conduct the SISP or initiate any restructuring efforts without an increase in the amount of the DIP Facility to \$4,525,000.

16. I believe that increasing the amount of the DIP Facility to \$4,525,000 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 current Stay Period and beyond.

SALE AND INVESTOR SOLICITATION PROCESS

17. The Applicants, the Monitor and the DIP Lender all agree that should the additional funding discussed in paragraph 14 above be received, there would be sufficient funding under the DIP Facility to initiate a SISP, and that such a process should therefore be initiated as soon as possible, subject to approval of the Court. The Applicants and the DIP Lender also believe that more funding will become available to the DIP Lender once a SISP is initiated and offers and bids are received therein.

18. The Applicants and the DIP Lender are of the view that the value proposition for the business and the assets of the Applicants, to this point a challenging unknown factor, will be sufficiently answered by the submission of bids to change the nature of the risk inherent in funding the DIP Facility through the DIP Lender. If, as is expected, topping bids are received in a SISP, then the further loans through the DIP Lender needed to fund the Applicants through to

closing will then become more in the nature of traditional bridge financing as opposed to an uncertain bet against the value of intangible assets not yet tested in the marketplace. The DIP Lender advises that it has already received offers that would provide sufficient funding under those circumstances.

19. Applicants intend to return to Court shortly to seek approval of a SISP and of the retention of an agent to conduct such SISP.

UPDATE ON CUSTOMER MATTERS

20. In his affidavit sworn April 19, 2012 in support of the motion for the April 20 Order (the “**April 19 Affidavit**”), the Deputy Chairman of PCAS, Donald Waugh, described how, in October, 2011, PCAS had signed a 5-year customer Memorandum of Understanding (the “**MoU**”) with a national pharmacy retail chain in the United States (the “**US Chain**”) for potential large-scale purchase of PharmaTrust MedCentres. The April 19 Affidavit also described how PCAS management had recently met with executives from the US Chain at the US Chain’s head office and told the US Chain that PCAS was prepared to execute the current draft of a 90-page contract on essentially the same terms as in the MoU. At that time, the only outstanding material terms, from PCAS’ perspective, were to select certain dates for deliverables and completion of a third-party technology assessment.

21. As predicted PCAS provided the summary results of the technology assessment to the US Chain on Tuesday, April 24, 2012 and also advised the US Chain of its proposed timeline for deliverables.

22. The US Chain has since advised PCAS that it will continue to work, as scheduled, with PCAS on development and integration of the Pharmatrust MedCentre technology in accordance with the MOU. The US Chain stated, however, that, before it considers any definitive contract with PCAS, it will require, among other things, that: (a) PCAS secure sufficient funding to complete the deliverables under such a contract; and (b) it be known who gains or retains control of PCAS or the PCAS business in the CCAA proceedings. Despite this delay in execution of the a definitive contract, the Applicants are of the view that the tremendous potential value in the relationship with the US Chain remains.

23. The new strategic investor in the DIP Lender discussed in paragraph 14 above has received full disclosure of the current situation between PCAS and the US Chain.

PENDING AMENDMENTS TO DIP FACILITY

24. In addition to the condition that the DIP Lender have an additional \$1,000,000 available to commit to the DIP Facility, the new funds for the DIP Facility described in paragraph 14 are also conditional, among other things, on the following amendments to the terms of the DIP Facility:


- (a) the Refinancing Success Fee, is being raised from a maximum of 5% of the DIP Facility to a maximum of 10% of the DIP Facility (with the exact percentage depending, as before, on how much of indebtedness under the DIP Facility remains unconverted into common shares or warrants); and
- (b) the Base Conversion Privilege, exercisable prior to any refinancing, is now exercisable at a conversion price of \$0.275 per common share instead of \$0.38 per common share.

As with the last changes to the terms of the DIP Facility embodied in the Amended and Restated DIP Loan Agreement approved by order of the Honourable Justice Brown made April 16, 2012 (the "**Amended and Restated DIP Loan Agreement**"), these changes will apply to the whole DIP Facility and benefit equally all the DIP Financiers who have funded the DIP Lender.

25. It is the Applicants' intention to return very shortly before the Court to seek approval of a Second Amended and Restated DIP Loan Agreement (the "**Second Amended and Restated Loan Agreement**") incorporating the above amendments. A blackline of the form of Second Amended and Restated DIP Loan Agreement against the Amended and Restated DIP Loan Agreement is attached as **Exhibit "B"** to this Affidavit.

26. 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 3rd day of May, 2012.

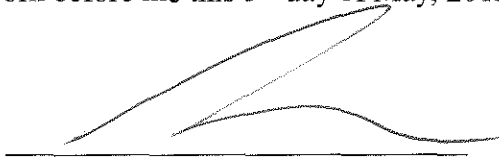

A commissioner of oaths, etc.

SAM BASSE


LORETO GRIMALDI

TAB A

Attached is Exhibit "A" Referred to in the
AFFIDAVIT OF LORETO GRIMALDI
Sworn before me this 3rd day of May, 2012

A handwritten signature in black ink, consisting of a series of loops and curves, positioned above a horizontal line.

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)

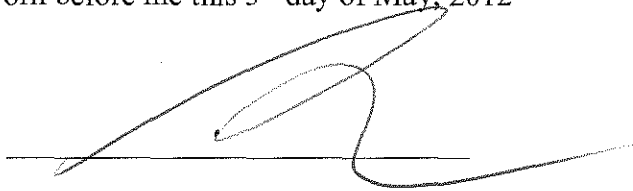
Week ended	Notes	Week 1 23-Mar-12 Actual	Week 2 30-Mar-12 Actual	Week 3 06-Apr-12 Actual	Week 4 13-Apr-12 Actual	Week 5 20-Apr-12 Actual	Week 6 27-Apr-12 Actual	Week 7 04-May-12 Forecast	Week 8 11-May-12 Forecast	Week 9 18-May-12 Forecast	Week 10 25-May-12 Forecast	Week 11 01-Jun-12 Forecast	Week 12 08-Jun-12 Forecast	Week 13 15-Jun-12 Forecast	Total
Receipts															
New AR Collections	3	-	-	15,282	19,429	11,200	5,217	5,000	5,000	5,000	5,000	5,000	5,000	5,000	86,126
Other Receipts / (Refunds)	4	-	-	-	(285)	-	-	-	-	-	-	-	-	-	(285)
SRED Recovery	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
HST Recovery	6	-	160,085	-	-	319,303	-	-	441,560	48,846	-	-	-	115,740	1,085,654
Total Receipts		-	160,085	15,282	19,144	330,503	5,217	5,000	446,680	53,846	5,000	5,000	5,000	120,740	1,171,497
Disbursements															
Employee and contractor costs	7	-	825,493	979,477	30,937	589,698	346,647	295,090	328,000	364,400	261,000	412,365	289,000	564,400	5,260,707
Operating costs	8	-	-	-	12,257	1,587	7,459	23,725	43,992	10,000	1,400	32,500	2,000	463,150	618,060
Lease costs	9	-	-	100,672	4,473	-	4,596	118,705	12,900	-	76,700	36,000	-	87,900	443,946
SG&A	10	-	-	114,959	66,726	36,007	11,415	23,955	135,070	20,631	21,200	42,000	49,400	203,070	726,434
DIP Interest	11	-	-	-	-	-	-	-	-	-	-	-	-	145,111	145,111
Principal payment	12	-	160,095	-	49,156	335	-	-	463,660	-	-	-	42,000	289,176	1,018,432
Professional Fees	13	-	200,000	116,476	69,866	30,097	24,896	125,495	142,375	112,375	127,375	112,375	70,000	349,785	1,491,116
HST Payments	14	-	-	15,251	14,264	7,061	12,250	37,830	31,765	10,680	21,060	28,665	15,860	115,103	309,569
Total Disbursements		-	1,185,578	1,326,835	241,679	661,016	407,263	634,600	1,177,762	516,066	508,735	665,905	466,260	2,237,695	10,033,414
Net cash flow		-	(1,025,493)	(1,311,553)	(222,535)	(330,513)	(402,046)	(629,600)	(731,102)	(464,220)	(503,735)	(660,905)	(463,260)	(2,116,955)	(8,961,917)
Beginning Cash		61,129	2,861,129	1,835,636	524,083	301,548	786,035	933,966	314,389	(66,714)	(530,933)	(1,034,668)	(1,695,573)	(2,156,633)	61,129
Change in Cash		-	(1,025,493)	(1,311,553)	(222,535)	(330,513)	(402,046)	(629,600)	(731,102)	(464,220)	(503,735)	(660,905)	(463,260)	(2,116,955)	(8,961,917)
DIP Draw / (Repayment)	15	2,800,000	-	-	-	815,000	550,000	10,000	350,000	-	-	-	-	-	4,525,000
Total Ending Cash		2,861,129	1,835,636	524,083	301,548	786,035	933,966	314,389	(66,714)	(530,933)	(1,034,668)	(1,695,573)	(2,156,833)	(4,275,788)	(4,275,788)
Cumulative Cash Invested		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Available Cash		2,861,129	1,835,636	524,083	301,548	786,035	933,966	314,389	(66,714)	(530,933)	(1,034,668)	(1,695,573)	(2,156,833)	(4,275,788)	(4,275,788)
Additional DIP Required		-	-	-	-	-	-	100,000	800,000	1,100,000	1,700,000	2,200,000	4,300,000	4,300,000	4,300,000
Accrued salaries		625,493	712,352	279,574	532,148	279,574	257,666	250,000	262,400	249,000	262,400	249,000	262,400	249,000	-
Net position		2,035,636	1,123,284	244,509	(230,600)	506,461	678,322	64,369	(329,114)	(779,933)	(1,297,068)	(1,944,573)	(2,421,233)	(4,524,788)	-
Headcount		209	209	154	154	140	140	140	140	140	140	140	140	140	140

Notes and assumptions

- Cash Flow Statement is based on Assumptions regarding future events. actual results will vary from the information presented even if the Hypothetical Assumptions occur, and the variations may be material. This Cash-Flow Statement has been prepared solely for the purpose described in Note 2 and readers are cautioned that it may not be appropriate for other purposes.
- The Cash Flow Statement is prepared assuming a going-concern sales process for the Company. The Cash-flow Statement is based on the assumptions detailed below. The Company is working diligently to identify and implement various contingency plans to further reduce costs during the forecast period. The Company is currently operating at a minimum level of activity until the week of June 15 when some business activity will commence to replenish supplies of drugs and replacement parts for MedCentres.
- 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.
- 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.
- Scientific Research and Experimental Development ("SRED") tax credits for 2009 and 2010 were recovered on March 22. All SRED recoveries (including the not yet calculated 2011 credit) have been pledged as security or factored for loans from RBC and Castcan Investments. Accordingly, the repayments of these loans are shown as disbursements in the Cash Flow Statement.
- HST recovery is recoverable excise sales tax resulting from expenditures by PCAS and TouchPoint. The PCAS amounts are regular monthly recoveries assumed to come in six (6) weeks after filed. However, Touchpoint has filed an annual return for 2011 and anticipates a recovery of \$441,630 during the forecast period which has been pledged as security on a loan from Castcan Investments Inc. and is forecast to be repaid upon receipt in the normal course.
- Employee and contractor costs are forecast to be reduced post-filing limiting remaining staff to those required to maintain the technical knowhow and integrity of the network and installed MedCentres. Vacation pay remains accrued and is not assumed to be paid during the forecast period. Benefits, including healthcare insurance will be paid for remaining employees. There are no defined benefit or defined contribution pension schemes in the Company. Additionally, certain key contractors will be retained to negotiate a contract with major customer, project manage the technology infrastructure build for that customer and assist with critical tax and accounting work for the Company. The Company is analyzing various options to further reduce costs during the forecast period. 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.
- Operating costs include purchases of drug and packaging inventories in TouchPoint, start up costs for new MedCentres, data centre costs and communications links between head office and remote MedCentres. These MedCentres provide a proof of concept for potential new investors and customers. Purchases are assumed on cash on delivery terms.
- Lease costs include the rent for the monthly cost of the buildings occupied by PCAS, the equipment leases for specialist IT equipment and office printers. \$151k has been included to clear liens on 2440 WPD.
- SG&A includes amounts expected to be incurred for utilities, insurance, telephones and communication, office supplies and services, travel and security.
- DIP Interest has been calculated as 15% of the drawn down balance and paid at the end of the 13 week period.
- Principal repayments the RBC SRED loan is paid as the SRED recovery is made and the Castcan Investment loan is repaid as the SRED and HST is recovered.
- Professional fees are assumed to be incurred for PCAS legal counsel at \$30k per week (increasing to \$40k / week if court appearance is needed) with a retainer of \$75k. The Monitor is assumed incur fees of \$20k per week (increasing to \$40k / week if court appearance is needed) for monitoring costs with a retainer of \$75k. The cost of running a sales process is estimated at \$150k for a 4 week process. Monitor's counsel's fees are forecast at \$20k per week (increasing to \$30k / week if court appearance is needed) with a \$50k retainer. Additionally, other professional fee costs include 2011 SRED consultancy fees (\$50k), 2011 Audit fee (\$175k) and \$15k per month legal costs of patents.
- HST disbursements are incurred based on the timing of cash disbursements.
- The Company is working to obtain additional DIP financing in order to fund a sales process, however at this time the amount and timing of this funding is not confirmed.

TAB B

Attached is Exhibit "B" Referred to in the
AFFIDAVIT OF LORETO GRIMALDI
Sworn before me this 3rd day of May, 2012

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Commissioner for taking Affidavits, etc

SECOND AMENDED AND RESTATED DIP LOAN AGREEMENT

THIS SECOND AMENDED AND RESTATED DIP LOAN AGREEMENT made as of the 22nd day of March, 2012.

B E T W E E N:

2320714 ONTARIO INC.

(herein called the "**Lender**"),

- and -

PCAS PATIENT CARE AUTOMATION SERVICES INC.

(herein called the "**Borrower**")

BACKGROUND:

A. The Borrower, together with 2163279 Ontario Inc. ("**Touchpoint**") (the Borrower and Touchpoint collectively hereinafter referred to as "**PharmaTrust**"), obtained protection under the CCAA (as hereinafter defined) on March 23, 2012 pursuant to an initial order (the "**Initial Order**") made the Court (as hereinafter defined).

B. The Borrower requires interim funding in order to continue its business operations pending the development of a restructuring plan that it would then be able to present to its stakeholders, including its secured creditors, unsecured creditors and shareholders.

C. The Lender has been established for the purpose of making advances to the Borrower under the DIP Loan Facility (as hereinafter defined).

D. It is intended that shareholders of the Borrower and other investors who wish to participate in the DIP Loan Facility shall do so by making loans to the Lender, the proceeds of which will subsequently be advanced to the Borrower under the DIP Loan Facility upon the approval of the Court.

E. It is intended that this Agreement set forth the terms and conditions relating to the DIP Loan Facility and, to the extent provided, certain rights to be granted by the Borrower to the DIP Financiers.

THIS AGREEMENT WITNESSES that, in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto covenant and agree as follows:

ARTICLE 1 - INTERPRETATION

1.01 Defined Terms

The following terms shall for all purposes of this agreement, or any amendment hereto, have the respective meanings set forth below unless the context otherwise specifies or requires or unless otherwise defined herein:

"Approval Order" means the anticipated Order (or Orders, collectively) of the Court, among other things, approving the DIP Loan and granting the DIP Charge in an amount sufficient to secure all obligations of the Obligors hereunder, all in a form satisfactory to the Lender;

"Banking Day" means any day other than a Saturday or a Sunday on which banks generally are open for business in Toronto, Ontario;

"Base Conversion Privilege" has the meaning set out in Section 5.02;

"BIA" means the *Bankruptcy and Insolvency Act* (Canada);

"Cash Flows" means the cash flow statement of the Borrower attached hereto as **Schedule "A"**, as may be revised from time to time with the approval of the Lender;

"CCAA" means the *Companies' Creditors Arrangement Act*;

"CCAA Proceedings" means the CCAA proceedings of the Borrower;

"CCAA Monitor" means the Monitor appointed in the CCAA Proceedings;

"Collateral" means all present and future property, assets and undertaking of the Debtor pledged, assigned, mortgaged, charged, hypothecated or made subject to a security interest pursuant to the DIP Charge;

"Common Shares" means shares of common stock of the Borrower;

"Conversion Privilege Expiry Date" means the date specified in a notice given by the Borrower to the Lender and the DIP Financiers by which the DIP Financiers shall be required to exercise its conversion privilege, failing which the conversion privileges contained herein shall expire;

"Converted Amount" means with respect to the exercise by a DIP Financier of any conversion privilege provided herein, the amount of the DIP Funding Loan owing to the DIP Financier which the DIP Financier has decided to convert, and so designates in the exercise notice given to the Borrower and the Lender as the amount to be converted, in the exercise of such conversion privilege;

"Court" means the Ontario Superior Court of Justice (Commercial List);

"Court Officer" means PricewaterhouseCoopers Inc. in its capacity as Proposal Trustee or CCAA Monitor, whichever is applicable;

"Default" means any event which is or which, with the passage of time, the giving of notice or both, would be an Event of Default;

"DIP Charge" means a Court-ordered super-priority security interest and charge in and over all of the existing and after-acquired real and personal, tangible and intangible, assets of the Borrower in favour of (i) the Lender and (ii) the DIP Financiers, pro rata, securing the Borrower's obligations hereunder, subordinate to (x) an administration charge in respect of the professional costs and expenses of the Borrower and the Court Officer, and (y) the Permitted Liens in favour of the Royal Bank of Canada and Castcan Investments Inc., in trust, and perfected purchase money security interests existing as at the date of hereof;

"DIP Financiers" mean, at any time, those third parties, whether shareholders of the Borrower or other investors (but in all cases persons who qualify as accredited investors for the purposes of NI-45-106 or such other similar, applicable securities law), who at such time have made a DIP Funding Loan to the Lender in order to participate in the DIP Loan Facility;

"DIP Funding Loan" means a loan made by a DIP Financier to the Lender, the proceeds of which are used by the Lender to make advances to the Borrower under the DIP Loan Facility.

"DIP Loan Facility" has the meaning set out in Section 2.01;

"DIP Loan" means monies lent by the Lender to the Borrower under the DIP Loan Facility;

"Event of Default" means any one of the events set forth in Section 9.01;

"Excess Amount" has the meaning set out in Section 3.04;

"First Stage Warrants" means warrants issued by the Borrower to a DIP Financier, each such warrant to be exercisable at any time within three years from the date of issue, each such warrant to entitle the DIP Financier to purchase one Common Share from the Borrower upon payment of the Refinancing Exercise Price for such Common Share and each such warrant to further entitle the DIP Financier to receive, on the exercise of each such First Stage Warrant, one Second Stage Warrant;

"Funding Threshold" has the meaning set out in Section 5.07;

"Governmental Authority" means, without limitation, any domestic or foreign government, whether national, federal, provincial, state, municipal or other political subdivision of any of the foregoing, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any corporation

or other entity owned or controlled (through stock or capital ownership or otherwise) by any of the foregoing;

"Guarantors" means, collectively, Touchpoint and any other affiliate of the Borrower who may make guarantees of the Borrower's obligations hereunder in favour to the Lender, and, each, a **"Guarantor"**;

"Indebtedness" means any and all principal, interest, fees or expenses owing by the Borrower to the Lender pursuant to this agreement;

"Interest Cap" has the meaning set out in Section 3.04;

"Liens" means any and all liens, pledges, charges, mortgages, security interests, hypothecs and other encumbrances which now or in the future may affect all or any portion of the Collateral;

"Loan Documents" means this agreement and any document delivered in connection with this agreement;

"Maturity Date" means the earliest of

- (i) the date that is three months from the date of the initial advance under the DIP Loan Facility;
- (ii) the effective date of any Court-approved proposal under the BIA or plan of arrangement under the CCAA;
- (iii) the closing date of a sale of all or substantially all of the assets of the Borrower; and
- (iv) the occurrence of any Event of Default,

which Maturity Date may be extended only at the sole option and discretion of the Lender;

"NI-45-106" has the meaning set out in Section 5.05(a);

"Non-Converting DIP Financiers" has the meaning set out in Section 5.07.

"Obligors" means, collectively, the Borrower and the Guarantors and, each, an **"Obligor"**;

"Permitted Liens" means the Liens which have been, or in the future are, permitted or consented to in writing by the Lender, including, without limitation,

- (a) any such current and future Liens the particulars of which are listed in **Schedule "B"** to this agreement
- (b) Liens incurred or pledges and deposits made in connection with workmen's compensation, employment insurance, old-age pension and similar legislation;

- (c) Liens securing the performance of bids, tenders, leases; contracts (other than for the repayment of borrowed money), expropriation proceedings, public or statutory obligations of like nature and Liens in connection with surety or appeal bonds and costs of litigation incurred as an incident to and in the ordinary course of business;
- (d) statutory Liens of landlords, undetermined or inchoate Liens and other Liens imposed by law, such as carriers', warehousemen's, mechanics', construction, materialmen's and vendors' Liens, incurred in the ordinary course of business;
- (e) Liens securing the payment of taxes, assessments and governmental charges or levies, either (i) not delinquent or (ii) being contested in good faith by appropriate proceedings and for which adequate reserves are being maintained;
- (f) permits, rights-of-way, zoning restrictions, easements, licenses, reservations, restrictions on the use of real property or minor irregularities or minor title defects incidental thereto which do not in the aggregate materially detract from the value of the property or assets of the Borrower taken as a whole or materially impair the operation of the business of the Borrower taken as a whole;
- (g) Liens arising out of the leasing of personal property by the Borrower in the ordinary course of business;
- (h) security given in the ordinary course of business by the Borrower to a public utility or any municipality or governmental or public authority in connection with operations of the Borrower other than in connection with borrowed money; and
- (i) Liens in favour of the Lender created under the Loan Documents or the DIP Charge;

"PPSA" means the *Personal Property Security Act* (Ontario);

"Prepayment Date" has the meaning set out in Section 4.02;

"Proposal Proceedings" means BIA proposal proceedings of the Borrower;

"Proposal Trustee" means the proposal trustee appointed in the Proposal Proceedings;

"Refinancing Conversion Exercise Period" means in respect of a Refinancing Transaction, the ten (10) Business Days immediately preceding the Refinancing Transaction Closing Date;

"Refinancing Conversion Privileges" has the meaning set out in Section 5.03;

"Refinancing Equity Conversion Privilege" has the meaning set out in Section 5.03;

"Refinancing Exercise Price" means the price per Common Share that results from the value placed upon the outstanding Common Shares of the Borrower in connection with a Refinancing Transaction;

"Refinancing Party" means the person or entity, or persons or entities, who enter into a Refinancing Transaction with the Borrower;

"Refinancing Securities" means the securities issued by the Borrower to the Refinancing Party on completion of a Refinancing Transaction in whatever form, including warrants, options, convertible notes, convertible debentures or convertible preferred shares;

"Refinancing Securities Conversion Privilege" has the meaning set out in Section 5.03.

"Refinancing Transaction" means a financing transaction entered into by the Borrower which results in the provision of loans to the Borrower or the sale of the equity by the Borrower sufficient in amount to enable the Borrower to repay all of the advances under the DIP Loan Facility and to provide sufficient working capital to enable PharmaTrust to obtain an approval order under the CCAA approving a plan of arrangement or compromise presented by PharmaTrust;

"Refinancing Transaction Closing Date" means the date on which a Refinancing Transaction shall be completed;

"Restructuring Proceedings" means the Proposal Proceedings or the CCAA Proceedings, as applicable;

"Sale" has the meaning set out in Section 5.07;

"Sale Warrants" has the meaning set out in Section 5.07;

"Second Stage Warrants" means warrants issued by the Borrower to a DIP Financier (to be issued on a one-for-one basis on the exercise of the First Stage Warrants), each such warrant to be exercisable at any time within three years from the date of issue and each such warrant to entitle the DIP Financier to purchase one Common Share from the Borrower upon payment of the Refinancing Exercise Price for such Common Share;

"Subscription Price" has the meaning set out in Section 5.03(b); and

"Touchpoint" means 2163279 Ontario Inc.

1.02 Applicable Law

This agreement and all documents delivered pursuant hereto shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and the parties hereto do hereby attorn to the jurisdiction of the courts of the Province of Ontario.

1.03 Consents and Approvals

Whenever the consent or approval of a party hereto is required in a particular circumstance, such consent or approval shall not be unreasonably withheld or delayed by such party.

1.04 **Plural and Singular**

Where the context so requires, words importing the singular number shall include the plural and vice versa.

1.05 **Headings**

The division of this agreement into Articles and Sections and the insertion of headings in this agreement are for convenience of reference only and shall not affect the construction or interpretation of this agreement.

1.06 **Currency**

All monetary amounts in this agreement refer to Canadian Dollars unless otherwise specified.

1.07 **Other Usages**

References to "this agreement", "the agreement", "hereof", "herein", "hereto" and like references refer to this agreement and not to any particular Article, Section or other subdivision of this agreement.

1.08 **Time of the Essence**

Time shall in all respects be of the essence of this agreement and no extension or variation of this agreement or of any obligation hereunder shall operate as a waiver of this provision.

ARTICLE 2 -- DIP LOAN FACILITY

2.01 **Establishment of DIP Loan Facility**

Subject to the terms and conditions hereof and based and relying on the representations and warranties of the Borrower set forth in Article 6 hereof, the Lender hereby establishes in favour of the Borrower a non-revolving debtor-in-possession term loan facility (the "**DIP Loan Facility**"). It is the intention of the Borrower and the Lender that the DIP Loan Facility be of an amount necessary to fund the cash flow requirements of PharmaTrust during the Restructuring Proceedings, such amount estimated at the outset of the Restructuring Proceedings to be \$10,000,000. It is acknowledged by the Borrower and the Lender that the Lender shall obtain the funds required to fund the DIP Loan Facility from loans made to the Lender by DIP Financiers. The Lender's obligation to make advances to the Borrower under the DIP Loan Facility shall be subject to DIP Financiers providing sufficient funding to the Lender and subject to the approval of the Court and such advances being secured by the DIP Charge. Subject thereto, advances will be made in accordance with the Cash Flows and on request therefor by the Borrower, each such request to be provided to the Lender on not less than two (2) Business Days advance written notice.

2.02 **Time and Place of Payments**

Unless otherwise expressly provided herein, the Borrower shall make all payments pursuant to this agreement or pursuant to any document, instrument or agreement delivered pursuant hereto by

delivery of a cheque or wire transfer to the Lender before 1:00 p.m. (Toronto time) on the day specified for payment. Any such payment received on the day specified for such payment but after 1:00 p.m. (Toronto time) thereon shall be deemed to have been received prior to 1:00 p.m. (Toronto time) on the Banking Day immediately following such day specified for payment.

2.03 Evidence of Indebtedness

The Lender shall maintain records wherein the Lender shall record the amount of outstanding advances, each payment of principal and interest on account of the DIP Loan and all other amounts becoming due to and being paid to the Lender hereunder. The Lender's records constitute, in the absence of manifest error, prima facie evidence of the indebtedness of the Borrower to the Lender pursuant to this agreement.

ARTICLE 3 - INTEREST AND FEES

3.01 Interest Rates

Subject to Section 3.04 hereof, the principal amount outstanding from time to time under the DIP Loan Facility and the amount of overdue interest from time to time shall bear interest at a rate equal to fifteen percent (15%) per annum.

3.02 Calculation of Interest

Interest on the outstanding principal amount from time to time of the DIP Loan and on the amount of overdue interest thereon from time to time shall accrue from day to day (both before and after maturity and as well after as before judgment), shall be calculated on the basis of the actual number of days elapsed divided by the actual number of days in the year and shall be compounded monthly.

3.03 Payment of Interest

Interest, calculated at the aforesaid rate and in the aforesaid manner on the unpaid portion from time to time outstanding under the DIP Facility shall be payable to the Lender in arrears on the Maturity Date.

3.04 Maximum Rate of Return

Notwithstanding any other provision of this agreement and in order to ensure that the arrangements provided for in this agreement comply with the provisions of Section 347 of the *Criminal Code* (Canada), the interest (for this purpose, as such term is defined in Section 347 of the *Criminal Code*) paid or payable to a DIP Financier in respect of the DIP Loan shall not exceed sixty percent (60%) over an annualized one year period (the "**Interest Cap**"). Any such interest payable or owing to a DIP Financier in excess of the Interest Cap (herein, the "**Excess Amount**") shall be reduced so that the amount thereof does not exceed the Interest Cap and any Excess Amount shall be payable to the Borrower.

ARTICLE 4- REPAYMENTS AND PREPAYMENTS

4.01 Repayment of the DIP Loan Facility

The principal amount of the DIP Loan then outstanding, together with all accrued and unpaid interest and other amounts payable under this agreement shall be due and payable in full by the Borrower to the Lender on the Maturity Date.

4.02 Prepayment and Early Termination

The Borrower shall be entitled to prepay the whole of the principal amount of the DIP Loan then outstanding, together with all accrued and unpaid interest and other amounts payable under this agreement at any time as may be specified by the Borrower (the "**Prepayment Date**") in a written notice to the Lender at least five (5) days before such Prepayment Date.

ARTICLE 5 – CONVERSION PRIVILEGES OF DIP FINANCIERS

5.01 Conversion Privileges for the Benefit of the DIP Financiers

In connection with the DIP Loan Facility and the DIP Funding Loans provided by DIP Financiers to the Lender in order to participate in and fund the DIP Loan Facility, the Borrower agrees to provide the conversion privileges set forth in this Article 5. It is the intention of the Borrower and the Lender that the conversion privileges provided for herein benefit and belong to the DIP Financiers. Accordingly, the Borrower acknowledges and agrees that the Lender is acting as agent for and on behalf of the DIP Financiers in entering into this agreement with respect to the grant of these conversion privileges. The Borrower further acknowledges and agrees that the DIP Financiers shall be entitled to exercise and enforce such conversion privileges directly against the Borrower, in the name of and without the participation of the Lender, notwithstanding that the DIP Financiers are not parties to this agreement.

5.02 Base Conversion Privilege

At any time prior to Refinancing Transaction Closing Date, a DIP Financier may, at its option, convert (herein the "**Base Conversion Privilege**") all, or a part, of the amount owing to such DIP Financier under the DIP Funding Loan made by the DIP Financier into Common Shares. If a DIP Financier elects to exercise the Base Conversion Privilege, the number of Common Shares into which the Converted Amount shall convert shall be equal to the number obtained by dividing the Converted Amount by ~~\$0.38~~0.275, provided that if such number is not a whole number, the number of Common Shares into which the Converted Amount shall be converted shall be rounded down to the nearest whole number. In order to exercise the Base Conversion Privilege, a DIP Financier shall deliver an irrevocable written notice to the Borrower and the Lender on or before the fifth (5th) Business Day prior to the Refinancing Transaction Closing Date, which notice shall state that the DIP Financier is exercising the Base Conversion Privilege and which notice shall designate the amount of the DIP Funding Loan that shall be converted pursuant to the exercise of such conversion privilege. The Converted Amount shall then be converted into Common Shares pursuant to the provisions hereof on the fifth (5th) Business Day following the date on which such notice is received by the Borrower and the Lender.

5.03 Refinancing Conversion Privilege

During the Refinancing Conversion Exercise Period, to the extent that a DIP Financier has not exercised any other conversion privilege set forth herein, the DIP Financier may, at its option, convert (herein the “**Refinancing Conversion Privileges**”) all, or a part, of the amount owing to such DIP Financier under its DIP Funding Loan into (a) Common Shares and First Stage Warrants (herein the “**Refinancing Equity Conversion Privilege**”); or (b) Refinancing Securities (herein the “**Refinancing Securities Conversion Privilege**”). Such Refinancing Conversion Privileges shall have the following attributes:

- (a) Refinancing Equity Conversion Privilege. If the DIP Financier elects to exercise the Refinancing Equity Conversion Privilege, the number of Common Shares into which the Converted Amount shall convert shall be equal to the number obtained by dividing the Converted Amount by the Refinancing Exercise Price, provided that if such number is not a whole number, the number of Common Shares into which the Converted Amount shall be converted shall be rounded down to the nearest whole number. The number of First Stage Warrants that the DIP Financier will receive upon exercise of the Refinancing Conversion Privilege shall be equal to 1.5 times the number of Common Shares received upon such conversion, provided that if such number is not a whole number, the number of First Stage Warrants shall be rounded down to the nearest whole number. *[For clarity and by way of example, if at the time of the Refinancing Transaction the Refinancing Exercise Price is \$0.38 per Common Share, then upon conversion of \$1,000, the Holder would receive 2,631 Common Shares ($\$1,000/\0.38) and the DIP Financier would receive 3,946 First Stage Warrants ($2,631 \times 1.5$). Upon the exercise (in full) of the First Stage Warrants, the DIP Financier would receive 3,946 Common Shares and 3,946 Second Stage Warrants. The exercise price of the First Stage Warrants and the exercise price of the Second Stage Warrants would, in each case, be \$0.38 per warrant.]* In order to exercise the Refinancing Equity Conversion Privilege, the DIP Financier shall deliver an irrevocable written notice to the Borrower and the Lender during the Refinancing Conversion Exercise Period, which notice shall state that the DIP Financier is exercising the Refinancing Conversion Privilege and which notice shall designate the amount of the DIP Funding Loan that shall be converted pursuant to the exercise of such conversion privilege. The Converted Amount shall be converted into Common Shares and First Stage Warrants pursuant to the provisions hereof on the fifth (5th) Business Day following the date on which such notice is received by the Borrower and the Lender.
- (b) Refinancing Securities Conversion Privilege. If the DIP Financier elects to exercise the Refinancing Securities Conversion Privilege, the DIP Financier shall be entitled to subscribe for and purchase the Refinancing Securities at the same price (the “**Subscription Price**”) and upon the same terms as the Refinancing Party, with the result that the number of Refinancing Securities into which the Converted Amount shall convert shall be equal to the number obtained by dividing the Converted Amount by the Subscription Price, provided that if such number is not a whole number, the number of Refinancing Securities into which the Converted Amount shall be converted shall be rounded down to the nearest whole number. Notwithstanding the foregoing, to the extent that any DIP Financiers exercise the Refinancing Securities Conversion Privilege, the Borrower shall make such adjustments as are then necessary after giving effect to the exercise of such conversion

privilege by the DIP Financiers so as to ensure that the ownership or equity interest acquired by the Refinancing Party, or to be acquired by the Refinancing Party upon the conversion of the Refinancing Securities, is not diluted from that ownership or equity interest which the Refinancing Party would otherwise acquire if none of the DIP Financiers had exercised the Refinancing Securities Conversion Privilege. To the extent that the Refinancing Securities are debt securities, all of the Refinancing Securities shall rank and shall, to the extent secured, share such security on a pari passu basis. In order to exercise the Refinancing Securities Conversion Privilege, the DIP Financier shall deliver an irrevocable written notice to the Borrower and the Lender during the Refinancing Conversion Exercise Period, which notice shall state that the DIP Financier is exercising the Refinancing Securities Conversion Privilege and which notice shall designate the amount of the DIP Funding Loan that shall be converted pursuant to the exercise of such conversion privilege. The Converted Amount shall be converted into Refinancing Securities pursuant to the provisions hereof on the Refinancing Transaction Closing Date.

5.04 Refinancing Success Fee

To the extent that the DIP Financier has not exercised any conversion privilege set forth herein upon completion of a Refinancing Transaction and instead receives payment of the amount due to the DIP Financier under the DIP Funding Loan made by the DIP Financier, the DIP Financier shall be entitled to receive (subject to the limitation set forth in Section 3.04 hereof), in addition to and together with the amount owing under the DIP Funding Loan, a success fee which shall be an amount which is equal to the product obtained when (i) the principal amount of the DIP Funding Loan repaid to the DIP Financier is divided by the aggregate amount of the DIP Loan, is then multiplied by (ii) that amount which is equal to ~~five~~ten percent (~~5~~10%) of the aggregate amount of the DIP Loan.

5.05 Condition to the Exercise of any Conversion Privilege

As a precondition to the exercise of any of the conversion privileges set forth herein, the DIP Financier shall be required to confirm that:

- (a) if a Canadian resident, the DIP Financier is an "accredited investor" as defined in *National Instrument 45-106 – Prospectus and Registration Exemptions* ("NI-45-106") or fits within another available exemption set forth in NI-45-106;
- (b) if a United States resident, the DIP Financier is an "accredited investor" as defined under Rule 506 of Regulation D under the *United States Securities Act of 1933*;
- (c) If a resident of any other jurisdiction, the DIP Financier confirms that the exercise of the conversion privilege may be completed by the Borrower without the necessity of the filing of any document with or obtaining any approval from or effecting any registration with any governmental entity or similar regulatory authority having jurisdiction over the DIP Financier or the Borrower and will not cause the Borrower to become subject to or comply with any disclosure, prospectus or reporting requirements under any applicable laws in the DIP Financier's jurisdiction of residence or domicile.

5.06 Payment of Subscription Price for Common Shares

The subscription price for any Common Shares issuable upon the exercise of a conversion privilege herein will be satisfied in full by a reduction of the amount owing by the Borrower to the Lender under the DIP Loan Facility, such reduction to be equal to the Converted Amount, and by a corresponding reduction of the amount owing by the Lender to the DIP Financier under the corresponding DIP Funding Loan.

5.07 Entitlement to Warrants Upon Sale of Assets of PharmaTrust

In the event that all or substantially all of the undertaking, property and assets of PharmaTrust are sold to one or more parties (herein a "**Sale**") and subject to the condition set forth in the following sentence, the DIP Financiers that have not exercised a conversion privilege (collectively, the "**Non-Converting DIP Financiers**") shall be entitled to receive from the Borrower warrants ("**Sale Warrants**") to acquire Common Shares. A Sale Warrant will be issued to each Non-Converting DIP Financier if, and only if, the Sale allows for the repayment of all amounts outstanding at the time of completion of the Sale under the DIP Loan Facility (including all principal and interest thereon), the expenses of the proceedings under the CCAA (including, but not limited to, professional fees and key employee retention payments), and all amounts owing to the secured and unsecured creditors of PharmaTrust (the "**Funding Threshold**"). If the Funding Threshold is achieved, then the Sale Warrants will entitle the Non-Converting DIP Financiers to subscribe for Common Shares. The aggregate number of Common Shares to be issued to the Non-Converting DIP Financiers upon the full exercise of all of the Sale Warrants shall be that number of Common Shares which, upon issuance, will represent a percentage of the outstanding Common Shares after the exercise of the Sale Warrants equal to: (a) the aggregate amount of the DIP Funding Loans converted to Sale Warrants divided by the aggregate amount of the DIP Loan prior to any conversions; times (b) that number of Commons Shares that would represent 25% of the outstanding Common Shares after the exercise of the Sale Warrants. The exercise price of each Sale Warrant shall be \$1.00.

5.08 Issue of Share Certificates

As promptly as practicable after the exercise of a conversion privilege or a Sale Warrant by a DIP Financier, the Borrower shall issue to such DIP Financier a certificate or certificates representing the number of fully paid and non-assessable Common Shares to which the DIP Financier is entitled.

5.09 Subdivision, etc.

If the Borrower at any time subdivides or consolidates the shares issuable upon conversion, any DIP Financier who thereafter exercises a conversion privilege provided herein shall thereafter be entitled on conversion to receive the shares to which it was before such subdivision or consolidation entitled, as subdivided or consolidated, and the conversion rate of the Converted Amount shall be adjusted accordingly. Any such adjustment shall become effective on the date and at the time that such subdivision or consolidation becomes effective.

5.10 Reclassification, etc.

In case of:

- (a) any reclassification or change of shares issuable upon conversion;
- (b) any consolidation, merger or amalgamation of the Borrower with or into another corporation or corporations;
- (c) the Borrower paying any stock dividend or stock dividends or making any other distribution other than dividends in the ordinary course upon its common shares;
- (d) the sale of the properties and assets of the Borrower substantially as an entirety to any other corporation or corporations followed by a winding-up of the Borrower or a distribution of its assets to the shareholders; or
- (e) the sale of the properties and assets of the Borrower substantially as an entirety to another person or persons in exchange for securities in or of such other person or persons or any affiliate thereof;

the Lender shall have the right thereafter to convert the Indebtedness (or any portion thereof) into the kind and amount of shares or other securities and property (or the applicable portion thereof) receivable on such reclassification, change, consolidation, merger, amalgamation, stock dividend or other distribution upon the common shares or sale that the Lender would have been entitled to receive thereupon had the Lender been the registered holder of the number of shares into which such Indebtedness might have been converted immediately prior thereto. The provisions of this section shall similarly apply to successive reclassifications and changes of shares and to successive consolidations, mergers, amalgamations and sales.

ARTICLE 6 - REPRESENTATIONS AND WARRANTIES

6.01 Representations and Warranties

To induce the Lender to enter into this agreement, the Borrower hereby represents and warrants to the Lender as follows and acknowledges and confirms that the Lender is relying upon such representations and warranties in providing the DIP Loan hereunder:

- (a) **Status and Power.** The Borrower is a corporation duly incorporated and organized and validly subsisting under the laws of the jurisdiction of its

incorporation and is duly qualified, registered or licensed in all jurisdictions where such qualification, registration or licensing is required to the extent that it is material. The Borrower has all requisite corporate capacity, power and authority to own, hold under licence or lease its properties, to carry on its business as now conducted and to otherwise enter into, and carry out the transactions contemplated by the Loan Documents.

- (b) **Authorization and Enforcement of Documents.** All necessary action, corporate or otherwise, has been taken by the Borrower to authorize the execution, delivery and performance of the Loan Documents and the Borrower has duly executed and delivered each Loan Document to which it is a party. Each Loan Document to which the Borrower is party is a legal, valid and binding obligation of the Borrower enforceable against the Borrower by the Lender in accordance with its terms.
- (c) **Compliance with Other Instruments.** The execution, delivery and performance of the Loan Documents and the consummation of the transactions contemplated herein and therein do not and will not conflict with, result in any breach or violation of, or constitute a default under, the terms, conditions or provisions of the constating documents or by-laws of the Borrower or of any law, regulation, judgment, decree or order binding on or applicable to the Borrower or by which the Borrower benefits or to which any of its property is subject or of any material agreement, lease, licence, permit or other instrument to which the Borrower is a party or is otherwise bound or by which the Borrower benefits or to which any of its property is subject and does not require the consent or approval of any other party, or any governmental body, agency or authority.
- (d) **Permits.** The Borrower has all necessary permits, patents, copyrights, trademarks, tradenames and agreements for the operation of their business and will duly perform and observe all of the terms and conditions thereof.
- (e) **Subsidiaries.** The Borrower has no direct or indirect subsidiary other than the Guarantors.
- (f) **Litigation.** Other than disclosed to the Lender in writing, there are no actions, suits, inquiries, claims or proceedings (whether or not purportedly on behalf of any Obligor) pending or threatened against or affecting the Borrower before any Governmental Authority or court or before any private arbitrator, mediator or referee which in any case or in the aggregate may result in any material adverse change:
 - (i) in the condition, financial or otherwise, of the Borrower; or
 - (ii) in the ability of the Borrower to perform its obligations under any Loan Document.
- (g) **Other Instruments in Good Standing.** Other than as disclosed in writing to the Lender, the Borrower is not in default of any obligations under any material

agreement, lease, licence, permit or other instrument to which the Borrower is a party.

- (h) **Compliance with Laws.** Other than as disclosed in writing to the Lender, the Borrower is not in violation of any mortgage, franchise, licence, judgment, decree, order, statute, rule or regulation relating in any way to the Borrower, to the operation of its business or to its property or assets and which would have a material effect on the condition, financial or otherwise, of the Borrower.
- (i) **Taxes.** All taxes (including income tax, capital tax, payroll taxes, employer health tax, workers' compensation payments, property taxes, customs duties and land transfer taxes), duties, royalties, levies, imposts, assessments, deductions, charges or withholdings and all liabilities with respect thereto including any penalty and interest payable with respect thereto (collectively, "**Taxes**") due and payable or required to be collected or withheld and remitted, by the Borrower have been paid, collected or withheld and remitted as applicable. All tax returns, declarations, remittances and filings required to be filed by the Borrower have been filed with all appropriate Governmental Authorities and all such returns, declarations, remittances and filings are complete and accurate and no material fact or facts have been omitted therefrom which would make any of them misleading. To the knowledge of the Borrower, except as disclosed to the Lender in writing, no examination of any tax return of the Borrower is currently in progress and there are no issues or disputes outstanding with any Governmental Authority respecting any taxes that have been paid, or may be payable, by the Borrower. There are no agreements, waivers or other arrangements with any taxation authority providing for an extension of time for any assessment or reassessment of taxes with respect to the Borrower.
- (j) **Governmental Proceedings.** No legal or governmental proceedings or inquiries by any Governmental Authority are pending to which the Borrower or any of the Guarantors are a party or to which their respective property is subject that would result in the revocation or modification of any certificate, authorization, permit or license necessary to conduct the business now owned or operated by the Borrower or the Guarantors, and no such proceedings have been threatened against or, to the knowledge of the Borrower, are contemplated with respect to the Borrower or any of the Guarantors or their respective properties and assets.
- (k) **Environmental Laws.** The Borrower and the Guarantors: (i) are in compliance with any and all applicable foreign, federal, provincial, state and local laws and regulations relating to the protection of human health and safety, conservation, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("**Environmental Laws**"); (ii) have received all material permits, licenses or other approvals required of any of them under applicable Environmental Laws to conduct their business; and (iii) are in compliance with all terms and conditions of any such permit, license or approval. There have been no past, and, to the knowledge of the Borrower, there are no pending or threatened claims, complaints, notices or requests for information received by the Borrower or any of the Guarantors with

respect to any alleged violation of any Environmental Laws and no conditions exist at, on or under any property now or previously owned, operated, leased or contracted to perform work by the Borrower or the Guarantors which, with the passage of time, or the giving of notice or both, would give rise to liability under any Environmental Laws. There are no orders, rulings or directives issued, pending or threatened against the Borrower or any of the Guarantors under or pursuant to any Environmental Laws requiring any work, repairs, construction or capital expenditures with respect to the property or assets of the Borrower or any of the Guarantors.

- (l) **Insurance.** The assets of the Borrower and its businesses and operations are insured against loss, damage and appropriation with responsible insurers on the basis consistent with insurance obtained by reasonably prudent participants in comparable businesses, and such coverage is in full force and effect, and the Borrower has not failed to promptly give any notice of any claim thereunder.
- (m) **Full Disclosure.** The Borrower is not aware of any fact which it has not disclosed or caused to be disclosed to the Lender in writing which might materially adversely affect the business, operations, investments, property or prospects of any Obligor, or materially adversely affect the ability of any Obligor to observe and perform its obligations hereunder or relating to the DIP Loan.

6.02 Survival of Representations and Warranties

All of the representations and warranties of the Borrower contained in Section 6.01 shall survive the execution and delivery of this agreement notwithstanding any investigation made at any time by or on behalf of the Lender.

ARTICLE 7 – CONDITIONS PRECEDENT

7.01 Loan Documents

The Lender's obligations to advance credit under this agreement shall be conditional on, as the case may be, satisfaction of the following conditions or the execution and delivery of each of the following by each relevant party (concurrently with execution and delivery of this agreement, unless otherwise specified):

- (a) this agreement executed and delivered by all Obligor;
- (b) a general security agreement executed and delivered by the Borrower in a form satisfactory to the Lender;
- (c) a guarantee of the obligations of the Borrower hereunder executed and delivered by Touchpoint in a form satisfactory to the Lender;
- (d) a general security agreement executed and delivered by Touchpoint in a form satisfactory to the Lender;

- (e) issuance and entering of the Approval Order, and no motion to stay or vary, or to seek leave to appeal, the Approval Order shall be pending.

ARTICLE 8 - COVENANTS

8.01 Covenants

The Borrower hereby covenants and agrees with the Lender that, so long as there is any outstanding indebtedness or obligations hereunder and unless the Lender otherwise expressly consents in writing:

- (a) **Financial Reporting.** The Borrower shall provide the Lender: (a) weekly reports of cash collections, deposits, sales and generation of accounts receivable and disbursements; and (b) such other information as the Lender may require in its discretion, all in form and substance satisfactory to the Lender, and the Borrower specifically authorizes the Lender to divulge such information to the DIP Financiers.
- (b) **Conduct of Business.** The Borrower shall conduct its business in such a manner so as to comply in all material respects with all applicable laws and regulations. The Borrower shall carry on and conduct its business in a proper and efficient manner and will keep or cause to be kept proper books of account and shall make therein true and accurate entries of all dealings and transactions in relation to such business, and shall make or cause to be made such books of account available for inspection by the Lender and its representatives during normal business hours.
- (c) **Access.** The Borrower shall provide the Lender with reasonable access during normal business hours to any and all Collateral, any and all locations where any of the Obligors' assets may be located and any and all books and records and/or computer systems in connection with their operations.
- (d) **Reporting by Court Officer.** The Borrower covenants and agrees to authorize the Court Officer to provide the Lender, where reasonably required by the Lender, with copies of all documents, records, reports and information received or prepared by the Court Officer, to fully disclose to the Lender, whether verbally or in writing, where reasonably required by the Lender, all matters arising out of its engagement relating to the operations of the business, and to advise the Lender immediately of any situation that could materially affect the Lender's interests or rights under the Loan Documents. The Borrower specifically waives any right of confidentiality with respect to any such confidential information provided by the Borrower to the Court Officer. The Borrower specifically authorizes the Lender to divulge such information to the DIP Financiers or pursuant to any Court proceeding commenced by, or to which the Lender is a party or in connection with the exercise of any of the Lender's remedies against the Obligors including, without limitation, enforcing its security, or to any potential assignee of the Lender's rights under the Loan Documents.

- (e) **Use of Proceeds.** The proceeds of the Loan will be used by the Borrower in accordance with the Cash Flows.
- (f) **Material Change.** The Borrower shall promptly notify the Lender, and shall authorize and direct the Court Officer to promptly notify the Lender, of any material change in the financial condition, business or business prospects of any Obligor or in the ability of any Obligor to satisfy its obligations under any Loan Document. For greater certainty, the Borrower shall forthwith advise the Lender of all material decisions regarding the Restructuring Proceedings, of all material decisions relating to its customers or any significant potential customer and of all material decisions relating to any proposed sale or Refinancing Transaction or any process to be undertaken in relation thereto. The Borrower shall not engage, or terminate the engagement of, any chief restructuring officer without the consent of the Lender, such consent not to be unreasonably withheld by the Lender.
- (g) **Reimbursement.** The Borrower shall reimburse the Lender, in arrears on the Maturity Date unless otherwise agreed whereupon such reimbursement shall be upon request, for all reasonable costs, charges and expenses (including legal fees and disbursements on a full indemnity basis) incurred by the Lender or the DIP Financiers, or on any of their behalves, (i) in the development, preparation, negotiation and execution of this agreement and any amendment hereto and all documentation ancillary to the completion of the transactions contemplated by this agreement, (ii) in connection with the Restructuring Proceedings or (iii) in interpreting and enforcing the rights of the Lender under this agreement or any other documentation ancillary to the completion of the transactions contemplated by this agreement.
- (h) **Notice of Default.** The Borrower shall promptly notify the Lender of the occurrence of any Default or Event of Default and shall concurrently deliver to the Lender a detailed statement of a senior officer of the Borrower of the steps, if any, being taken to cure or remedy such Default or Event of Default.

Notwithstanding any reporting or access obligations of the Borrower hereunder or under any other Loan Document, the Lender acknowledges that, in light of the Lender's stated intention to bid for certain of the Borrower's assets in the sales process to be conducted by the Court Officer, the Lender's access to information concerning third-party bids in such sales process may be restricted by the Court Officer (acting reasonably, and with direction of the Court where required), to preserve the integrity of such sales process.

8.02 Lender Entitled to Perform Covenants

If any Obligor shall fail to perform any covenant on its part contained in section 8.01, the Lender may, in its discretion, perform any of the said covenants capable of being performed by it and, if any such covenant requires the payment or expenditure of money, the Lender may make such payments but shall be under no obligation so to do. All sums so expended by the Lender shall be payable by the Borrower on demand and shall bear interest at twelve percent (12.0%) per annum

from the date of such expenditure until paid, but no such performance or payment shall be deemed to relieve the Borrower from any default hereunder.

8.03 Restrictive Covenants

The Borrower hereby covenants and agrees with the Lender that, until all advances outstanding hereunder have been repaid in full and the Loan Facility has been terminated, and unless the Lender has otherwise given its prior written consent thereto:

- (a) **Cash Flows.** The Borrower shall not permit:
 - (i) actual cash flows for any given week to be lower than forecasted for that week in the Cash Flows by more than 20%, tested weekly;
 - (ii) the cumulative net cash flows for any rolling three week period to be lower than forecasted in the Cash Flows by more than 15%, tested weekly;
- (b) **Borrowing.** The Borrower shall not borrow any material money, incur any material indebtedness or repay any indebtedness outside of the ordinary course of business.
- (c) **Liens.** The Borrower shall not enter into or grant, create, assume or suffer to exist any Lien affecting any of its property, assets or undertaking, save and except only for the Permitted Liens.
- (d) **Nature of Business.** The Borrower shall not change the nature of its business carried on as at the date of this agreement, discontinue any of their material businesses, enter into any transaction or material contract not in the ordinary course of business or engage in any business enterprise or activity different from that carried on as of the date hereof.
- (e) **No Change of Management.** The Borrower shall not permit there to be any change in the Board of Directors or senior management of the Borrower without the prior consent of the Lender, which consent shall not be unreasonably withheld by the Lender.
- (f) **Insolvency.** The Borrower shall not:
 - (i) make an assignment of its property for the general benefit of its creditors under the BIA;
 - (ii) institute any proceeding, other than the Restructuring Proceedings, seeking liquidation, dissolution, winding-up, reorganization, compromise, arrangement, adjustment, protection, moratorium, relief, stay of proceedings of creditors generally (or any class of creditors), or composition of it or its debts or any other relief, under any federal, provincial or foreign law now or hereafter in effect relating to bankruptcy, winding-up, insolvency, reorganization, receivership, plans of

arrangement or relief or protection of debtors (including the BIA, the CCAA and any applicable corporations legislation) or at common law or in equity, or file an answer admitting the material allegations of a petition filed against it in any such proceeding;

- (iii) apply for the appointment of, or the taking of possession by, a receiver, interim receiver, receiver/manager, liquidator or other similar official for it or any substantial part of its property;
- (iv) seek or consent to any proposal, plan of reorganization or liquidation without the prior approval of the Lender; or
- (v) threaten to do any of the foregoing, or take any action, corporate or otherwise, to approve, effect, consent to or authorize any of the actions described in this section 8.03(e), or otherwise act in furtherance thereof or fail to act in a timely and appropriate manner in defence thereof.

ARTICLE 9 - DEFAULT AND REMEDIES

9.01 Events of Default

Upon the occurrence of any one or more of the following events:

- (a) the non-satisfaction of any of the conditions set out in section 7.01 to this agreement;
- (b) the non-payment of any amount due hereunder which is not paid within five (5) Banking Days after written notice to do so by the Lender;
- (c) any representation or warranty made by any Obligor in this agreement or any Loan Document proves to have been incorrect in any material respect when made or furnished;
- (d) there occurs any breach of any covenant or term of this agreement, including without limitation, the covenant to maintain cash flows in accordance with the Cash Flows;
- (e) a new breach or failure of due observance or performance by any Obligor of any covenant, obligation or provision of any Loan Document other than those heretofore dealt with in this section 9.01, or of any other document, agreement or instrument delivered pursuant hereto or referred to herein which is not remedied by such Obligor within ten (10) Banking Days after (i) such breach or failure shall first have become known to any officer of the Obligor or (ii) written notice from the Lender to do so shall have been received by the Borrower;
- (f) if there occurs, in the opinion of the Lender, acting reasonably, a materially adverse change in the financial condition or operation of any Obligor;

- (g) if the stay of proceedings in favour of the Borrower in the Restructuring Proceedings is lifted, expires or ceases to be in effect;
- (h) if the Court-ordered sales process or the powers of the Court Officer are revoked or amended by any Court order in any manner other than as may be acceptable to the Lender; or
- (i) if the Court makes any order (subsequent to the Approval Order) which affects the priority of the DIP Charge, in any manner other than as may be acceptable to the Lender and the DIP Financiers,

the Lender may, by notice to the Borrower, declare all indebtedness of the Borrower to the Lender pursuant to this agreement to be immediately due and payable whereupon all such indebtedness shall immediately become and be due and payable without further demand or other notice of any kind, all of which are expressly waived by the Borrower. The Lender shall thereafter be entitled to take any action, remedy or proceeding authorized pursuant to the Loan Documents, at law or in equity, subject to the Approval Order.

ARTICLE 10 - MISCELLANEOUS

10.01 Reservation of Rights

The Lender's rights and remedies against the Borrower and its property, undertaking and assets under this agreement are in addition to and not in substitution for the Lender's rights and remedies as such may have existed prior to this agreement.

10.02 Waivers and Amendments

No failure or delay by the Lender in exercising any right hereunder shall operate as a waiver of such right nor shall any single or partial exercise of any power or right hereunder preclude its further exercise or the exercise of any other power or right. Any waiver by the Lender of the strict observance, performance or compliance with any term, covenant or condition of this agreement is not a waiver of any subsequent default and any indulgence by the Lender with respect to any failure to strictly observe, perform or comply with any term, covenant or condition of this agreement is not a waiver of the entire term, covenant or condition or any subsequent default. Any term, covenant, agreement or condition of this agreement may only be amended with the unanimous consent of all of the parties hereto or compliance therewith may only be waived (either generally or in a particular instance and either retroactively or prospectively) by the Lender.

10.03 Notices

All notices and other communications provided for herein shall be in writing and shall be personally delivered to the addressee or if the addressee is a corporation, to an officer or other responsible employee of the addressee, or sent by telefacsimile or other direct written electronic means, charges prepaid, at or to the applicable addresses, email addresses or telefacsimile numbers, as the case may be, set opposite the party's name on a signature page hereof or at or to such other address or addresses, email addresses, telefacsimile number or numbers as any party hereto may from time to time designate to the other parties in such manner, together with a copy to

the addressee's counsel of record in the Restructuring Proceedings. Any communication which is personally delivered as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a Banking Day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Banking Day next following such date of delivery. Any communication which is transmitted by telefacsimile or other direct written electronic means as aforesaid shall be deemed to have been validly and effectively given on the date of transmission if such date is a Banking Day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Banking Day next following such date of transmission.

10.04 Severability

Any provision hereof which is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof.

10.05 Successors and Assigns

This agreement shall enure to the benefit of and shall be binding upon the parties hereto and their respective successors and permitted assigns.

10.06 Assignment

Neither this agreement, any Loan Document nor the benefit thereof may be assigned by the Borrower. The rights and obligations of the Lender hereunder and under any Loan Document may be assigned or participated by the Lender in whole or in part at the Lender's sole discretion, without any notice or consent of the Borrower, and the Borrower hereby covenants and agrees to execute and deliver to the Lender or to whom the Lender may direct all acknowledgements or other documents reasonably required by the Lender in connection with any such assignment.

10.07 Further Assurances

The Borrower shall do, execute and deliver or shall cause to be done, executed or delivered all such further acts, documents and things as the Lender may reasonably request for the purpose of giving effect to this agreement and to each and every provision hereof.

10.08 Entire Agreement and Paramountcy

This agreement and the agreements referred to herein and delivered pursuant hereto constitute the entire agreement between the parties hereto and supersede any prior agreements, undertakings, declarations, representations and understandings, both written and verbal, in respect of the subject matter hereof.

10.09 **Pari Passu Priority Agreement**

The parties hereto acknowledge and agree that the rights and obligations contemplated herein are subject to the terms of a Pari Passu Priority Agreement dated as of the date hereof among the Lender, the Borrower, Touchpoint, Castcan Investments Inc. and the DIP Financiers.

10.10 **Counterparts**

This agreement may be executed in one or more counterparts and by facsimile transmission or emailed PDF, each of which shall be deemed to be an original and all of which, when taken together, shall constitute one and the same agreement.

IN WITNESS WHEREOF the parties hereto have executed this agreement.

<hr/>		2320714 ONTARIO INC.	
<hr/>			c/s
		By: <hr/>	
Attention:	<hr/>	Name:	
Telefax:	<hr/>	Title:	
		I have authority to bind the Corporation	

2-2880 Brighton Road		PCAS PATIENT CARE AUTOMATION	
Oakville, Ontario L6H 5S3		SERVICE INC.	
			c/s
Attention:	Loreto Grimaldi	By: <hr/>	
Telefax:	905.829.5504	Name:	
		Title:	
		I have authority to bind the Corporation	

SCHEDULE "A"

CASH FLOWS

SCHEDULE "B"

PERMITTED LIENS

- (a) Security granted in favour of Royal Bank of Canada, registered pursuant to the Ontario *Personal Property Security Act* (the "**PPSA**") under reference file number 669008349.
- (b) Security granted in favour of Kohl & Frisch Limited, registered pursuant to the *PPSA* under reference file number 642941379.
- (c) Security granted in favour of IBM Canada Limited, registered pursuant to the *PPSA* under reference file number 666667611.
- (d) Security granted in favour of Castcan Investments Inc., In Trust, registered pursuant to the *PPSA* under reference file numbers 676656324 and 676656333.

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Input:	
Document 1 ID	file:///K:/Grundy Cass & Campbell Client Files/- D - F\Forstar Group - 540\Pharma Trust - 1773\DIP Lender - Debtor Documents\Execution Copies of Loan Documents\DIP Loan Agreement - PCAS - Execution Copy.doc
Description	DIP Loan Agreement - PCAS - Execution Copy
Document 2 ID	file:///K:/Grundy Cass & Campbell Client Files/- D - F\Forstar Group - 540\Pharma Trust - 1773\DIP Lender - Debtor Documents\DIP Loan Agreement - PCAS - Second Amended Ver.doc
Description	DIP Loan Agreement - PCAS - Second Amended Ver
Rendering set	Standard

Legend:	
<u>Insertion</u>	
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Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	5
Deletions	3
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	8

**TER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
S, 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 May 3, 2012)**

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Lawyers for the Applicants

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

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

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

**MOTION RECORD
(Returnable May 3, 2012)**

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