

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

FOURTH REPORT OF THE MONITOR

May 7, 2012

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

**ONTARIO
SUPERIOR COURT OF JUSTICE - COMMERCIAL LIST**

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

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

APPLICANTS

FOURTH REPORT OF PRICEWATERHOUSECOOPERS INC.

In its capacity as Monitor of the Applicants

May 7, 2012

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I. INTRODUCTION

1. On March 23, 2012 (the “**Filing Date**”), PCAS Patient Care Automation Services Inc. (“**PCAS**”) and 2163279 Ontario Inc. (“**Touchpoint**”) (collectively, the “**Company**” or the “**Applicants**”) made an application under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (“**CCAA**”) and an initial order (the “**Initial Order**”) was granted by the Honourable Mr. Justice Morawetz of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) granting, *inter alia*, a stay of proceedings against the Applicants to April 21, 2012 (the “**Stay Period**”) and appointing PricewaterhouseCoopers Inc. (“**PwC**”) as the monitor (the “**Monitor**”). The proceedings commenced by the Company under the CCAA are referred to herein as the “**CCAA Proceedings**”.
2. PwC was previously retained by the Company to act as financial advisor to assist management and the board of directors to review strategic alternatives available to the Company for the resolution of its liquidity concerns.
3. On April 16, 2012, this Court granted an Order (the “**April 16 Order**”) which provided, *intra alia*, for approval of the Amended and Restated DIP Agreement, an increase in the limit of the DIP Facility from \$2,800,000 to \$3,800,000 and approval of the KERP and KERP Charge (all as defined therein).
4. On April 20, 2012, this Court granted an Order (the “**April 20 Order**”) which provided, *intra alia*, for an increase in the DIP Facility from \$3,800,000 to \$4,370,000 and extended the stay of proceedings to May 4, 2012.
5. On May 3, 2012, this Court granted an Order (the “**May 3 Order**”) which provided, *intra alia*, for an increase in the DIP Facility from \$4,370,000 to \$4,525,000 and extended the stay of proceedings to May 8, 2012.

II. PURPOSE OF REPORT

6. In conjunction with the Company’s application for relief under the CCAA, on March 23, 2012, PwC in its capacity as proposed Monitor filed the Proposed Monitor’s Report with this Court. Subsequently, on April 15, 2012, the Monitor filed the First Report with this Court. On April 19, 2012, the Monitor filed the Second Report with this Court. On May 3, 2012, the Monitor filed the Third Report with this Court, attached hereto as **Appendix “A”**.
7. The purpose of this report (the “**Fourth Report**”) is to:

- a) Provide this Court with a summary of the following:
- (i) The Monitor's activities since the date of the May 3 Order;
 - (ii) Update on the activities of the Company since the May 3 Order;
 - (iii) The Company's request to increase the limit of the DIP Facility from \$4,525,000 to \$6,000,000;
 - (iv) The Company's Cash Flow Variance Analysis for the period March 23 to May 4, 2012;
 - (v) The May 7 Revised Forecast (as defined below) for the period May 5 to June 15, 2012;
 - (vi) The Company's request for an extension of the stay of proceedings (the "**Extension**") to May 28, 2012;
 - (vii) The Company's efforts to raise additional DIP financing and discussions with interested parties; and
 - (viii) The Monitor's view on the continuation of the CCAA proceedings.
- b) Recommend that this Court issue an order:
- (i) Approving the activities of the Monitor as set out in this Fourth Report;
 - (ii) Expanding the Monitor's powers to commence and implement an expedited SISP;
 - (iii) Approving the Second Amended and Restated DIP Agreement (defined below);
 - (iv) Increasing the limit under the DIP Facility from \$4,525,000 to \$6,000,000; and
 - (v) Approving the Company's request for an Extension to May 28, 2012.

III. QUALIFICATIONS

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

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

9. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Initial Order, the Proposed Monitor's Report, the First Report, the Second Report, the Third Report or the Affidavit of Loreto Grimaldi dated May 7, 2012 (the "**Third Grimaldi Affidavit**").

IV. ACTIVITIES

Monitor's activities since May 3, 2012

10. Since May 3, 2012, the Monitor has been working to assist the Company in considering its various alternatives and to assist the DIP Lender to raise additional funds, including, among other things:
 - a) attending the Company's Oakville offices to monitor the Company's receipts and disbursements;
 - b) discussions with the interim CFO on the preparation of the revised forecast;
 - c) discussions and correspondence with A&B, counsel to the Company, on various matters;
 - d) discussions and correspondence with Osler, counsel to the Monitor, on various matters;
 - e) discussions with the Company and its counsel and the DIP Lender and its counsel on various matters, including regarding the framework for a potential SISF;
 - f) discussions with various interested parties seeking to obtain information in respect of DIP financing and/or on a sales process within the CCAA Proceedings;
 - g) discussions with various stakeholders on the status of the CCAA Proceedings;
 - h) discussions with the Company on its various DIP efforts and communications with shareholders;
 - i) discussions with the Company on potential cost saving and restructuring initiatives; and

- j) discussions with the Company and the DIP Lender on potential sources of additional DIP financing.

Update on the Company's activities since Third Report

11. Further to paragraph 18 of the Third Report, the Monitor was advised by the DIP Lender and the Company on May 5, 2012 that the third party who had conditionally committed to provide funding of \$3 million withdrew the commitment it had made on the terms delivered to the Company on May 2, 2012. The Monitor has been advised that the same third party has provided \$500,000 to the DIP Lender on the terms of the Second Amended and Restated DIP Agreement.
12. As a result of the foregoing events, the Company has been working with the DIP Lender to secure additional DIP financing, including working with the DIP Lender to develop a SISP in which the Company would temporarily downsize its operations. There have been ongoing discussions since the date of the Third Report between the Company and the DIP Lender to determine how much liquidity is available to run an expedited SISP with limited operations and staff at the Company.
13. The Company has been working with the Monitor to develop the May 7 Revised Forecast (defined below). As described in further detail below, the May 7 Revised Forecast prepared by the Company and shared with the DIP Lender provides for a dramatically reduced headcount and a minimal operating cost basis in order to expedite a SISP.
14. In accordance with the May 7 Revised Forecast, the Company made the decision to temporarily lay off approximately 95 employees, 69% of its current workforce, in order to significantly reduce its operating costs in the short term. Once the Company completes these layoffs, it will be operating with a minimal staff of 42 employees. The Company has advised the Monitor that this is the minimum staffing required to support a SISP in the CCAA Proceedings. This reduction in the number of employees will reduce the Company's burn rate by approximately \$160,000 a week to allow the Company to run an expedited SISP. As a result of the foregoing, consistent with the May 7 Revised Forecast, the Monitor understands that sufficient DIP Financing is available to run an expedited SISP.
15. Additionally, the Company has continued discussions with certain interested parties, including providing access to the Company's existing dataroom for the purpose of allowing interested parties to commence due diligence on the Company's business consistent with its treatment of all interested parties who have provided an executed non-disclosure agreement.

16. Since the date of the Third Report, in addition to the Company's and DIP Lender's efforts to raise additional capital from the third party sources referred to above, the Company has continued to seek expressions of interest from investors/purchasers. One interested party submitted an expression of interest on May 6, 2012. Upon review of the expression of interest, the Company and the DIP Lender decided not to pursue it on the basis that the interested party was seeking exclusivity and, in both of their views, greater value could be obtained in a SISP.

V. AMENDMENTS TO THE DIP FACILITY

17. As discussed above, the DIP Lender received \$500,000 of DIP funding from a third party subject to the DIP Agreement being amended to take into account certain changes. In order to obtain these additional funds, the Company is seeking the approval of revised terms to the DIP Facility (the "**Second Amended and Restated DIP Agreement**"). As reported in the First Report, under the Amended and Restated DIP Facility, investors could convert their investment in the DIP Facility into common shares in PCAS at a rate of \$0.38/share in the period prior to the closing of any transaction by which PCAS raises enough new funding (either by debt or equity) to (a) repay all amounts owing in connection with the DIP Facility and (b) provide sufficient working capital to enable the Applicants to get a plan of arrangement or compromise approved in the CCAA proceedings (a "**Refinancing Transaction**").
18. The Second Amended and Restated DIP Agreement provides certain revisions to the terms of the Amended and Restated DIP Agreement as follows:
 - a) a revision of the Conversion Privileges feature to \$0.275 cents per share, down from the current \$0.38 cents per share; and
 - b) an increase the Refinancing Success Fee from 5% to 10%.
19. These changes are retroactively applied to include all parties that have contributed DIP funding to date and the Refinancing Success Fee is payable at the completion of a transaction. In any scenario, the return to an investor in the DIP Facility under the Second Amended and Restated DIP Agreement would continue to be capped to ensure, if necessary, that the actual interest rate payable to an investor in the DIP Facility does not exceed sixty percent (60%) over an annualized one year period.
20. A copy of the Second Amended and Restated DIP Agreement is attached as an exhibit to the Second Grimaldi Affidavit.

21. The Monitor understands that the DIP Facility has been marketed to both shareholders and to third parties, including potential financial and strategic investors. As a result of the Company's limited realizable value in a forced liquidation, the DIP Lender has not been able to secure funding commitments from other third parties on the existing terms to enable the Company to have sufficient liquidity to run a SISP.
22. The Monitor has considered the terms of the Second Amended and Restated DIP Agreement and notes that DIP investors only realize a return on the equity feature if there is a recovery to the Company's existing shareholders where all debts of the Company have been repaid in full. The return to the DIP investors from the equity feature cannot be quantified at this time as it is dependent on the total value provided in a Refinancing Transaction in excess of the total creditors' claims. If the value in a Refinancing Transaction is less than the total creditor's claims, then DIP investors are only entitled to payment of 15% interest, to the extent there are sufficient funds to provide such a return. As such, the Monitor is of the view that the terms of the Second Amended and Restated DIP Agreement are appropriate to provide the Company access to sufficient liquidity in order to fund an expedited SISP in the CCAA Proceedings. The May 3 Order increased the limit under the DIP Facility to a maximum principal amount of \$4,525,000. At the date of this Report, the Company has drawn the \$4,175,000 of the DIP Facility and intends to draw the remaining \$350,000 on May 8, 2012.

VI. INCREASE IN DIP FACILITY LIMIT

23. The May 3 Order increased the limit under the DIP Facility to a maximum principal amount of \$4,525,000. At the date of this Report, the Company has drawn the \$4,175,000 of the DIP Facility and intends to draw the remaining \$350,000 on May 8, 2012.
24. The Company and DIP Lender have raised additional funds of \$825,000. As set out in the May 7 Revised Forecast below, it is estimated that, subject to this Court approving an increase in the limit of the DIP Facility, these funds will allow the Company to continue to operate, net of accrued payroll, to May 28, 2012.
25. The Company is seeking an increase in the limit of the DIP Facility to \$6,000,000. The additional \$650,000 in the increase of the DIP Facility from \$5,350,000 referred to above is to account for accrued and unpaid fees of the President to the DIP Lender and counsel to the DIP Lender and an estimate for additional fees for those parties to May 28, 2012. The Monitor has been advised that the President of the DIP Lender and its counsel are not seeking payment of their fees in cash but rather accruing their unpaid fees and adding them to the DIP Facility. The Monitor has not reviewed or approved any fees and expenses incurred by

the DIP Lender. The Monitor has been advised by the DIP Lender that the Monitor and the Company will be provided with copies of relevant invoices detailing the fees and expenses of the DIP Lender prior to any distributions being made to or any credit bid made by the DIP Lender.

VII. CASH FLOW VARIANCE ANALYSIS

26. A summary of the Applicants' actual versus forecast cash flow for the period March 23 to May 4, 2012 (the "Period") as compared against the cash flow forecast filed as part of the application for the April 20 Order (the "April 19 Forecast"), is shown below:

PCAS				Variance	
Cash flow variance analysis				Favourable /	
For the period March 23 to May 4, 2012				(Unfavourable)	
CDN\$ (000's)					
	Forecast	Actual	(\$)	(%)	
RECEIPTS					
New AR Collections	56	61	5	9%	
SRED Recovery	-	-	-	0%	
HST Recovery	479	479	0	0%	
Other Receipts	-	46	46	100%	
TOTAL RECEIPTS	535	586	51	10%	
DISBURSEMENTS					
Employee and contractor costs	3,069	3,062	7	0%	
Operating costs	73	59	13	18%	
Lease costs	234	215	19	8%	
SG&A	327	207	120	37%	
DIP Interest	-	-	-	0%	
Principal payment	203	297	(93)	(46%)	
Professional Fees	674	613	61	9%	
HST Payments	101	123	(23)	(23%)	
TOTAL DISBURSEMENTS	4,682	4,577	105	2%	
NET CASH FLOW	(4,146)	(3,991)	155	4%	
BEGINNING CASH					
DIP Draw / (Repayment)	4,370	4,165	(205)	(5%)	
CLOSING CASH BALANCE	285	329	44	15%	
Accrued Payroll		(245)			
Net Cash Balance		83			
Employees	140	136	4	3%	

27. The April 19 Forecast includes actual to April 13, 2012, accordingly the comparison against forecast addresses the period from April 14 to May 4, 2012. During the Period, the Company experienced a net cash outflow of \$3,991k resulting in a net favourable variance from forecast

of \$155k. This variance is comprised of a favourable difference in receipts of \$51k as well as a favourable variance in disbursements of \$105k. A further analysis of the variances from forecast is attached hereto as **Appendix “B”**.

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

- a) A favourable permanent difference in unforecasted receipts offsetting an unfavourable permanent variance from a one-time recovery of a \$33k overfunding of payroll in the first week post-filing. This overpayment was made in order to ensure that sufficient funds existed on a timely basis to ensure that payroll would clear as promised to employees;
- b) A favourable timing difference in SG&A costs by \$96k due to lower deposits and critical vendor payments than forecast;
- c) An unfavourable variance in Principal Payments of \$93k which was due to a pre-filing repayment of an HST recovery which closed post filing. This variance is offset by a corresponding increase in the Opening Cash position; and
- d) A favourable permanent variance in Professional Fees of \$61k as a result of a delay in the commencement of a SISP and lower professional fees charged than forecast.

CURRENT ACCRUED COSTS

29. The Company’s employees are paid on a weekly basis, one week in arrears. The payroll forecast to be funded on May 8, 2012 will bring employees current to May 4, 2012. The Monitor and the Company are closely monitoring the accrued payroll in comparison to the available cash on hand to ensure that sufficient funds exist to pay for compensation earned to date.

VIII. REVISED FORECAST

30. The Company has prepared a revised cash flow forecast for the period from May 5 to June 15, 2012 (the “**May 7 Revised Forecast**”). A schedule detailing the May 7 Revised Forecast by week is attached as **Appendix “C”**.

31. The May 7 Revised Forecast is based on the following assumptions:

- a) A significant headcount reduction in the week ending May 11, 2012 with no forecast payout of accrued vacation pay;

- b) Prior to and during the contemplated SISP, the Company will be operating on a reduced cost structure with deferred purchases of drugs, drug packaging and reduced regular operating costs in order to preserve cash and provide sufficient funds for the completion of the SISP; and
 - c) As a result of these cost reduction efforts, the \$825,000 of additional DIP financing is forecast to provide sufficient liquidity to commence an expedited SISP as discussed below. The expedited SISP is forecast to continue for a period of three (3) weeks with a total operating cash requirement during that period of approximately \$1,300,000.
32. The May 7 Revised Forecast indicates that the current committed DIP funds to date of \$5,350,000 will provide sufficient liquidity to last the Company to May 28, 2012.
33. As discussed above, the Monitor is working closely with the Company to monitor receipts and disbursements to ensure that sufficient funds remain to allow the Company to operate and, if approved by this Court, to fund a SISP through to completion.

IX. MONITOR'S COMMENTS ON RESTRUCTURING

34. As of the date of this Fourth Report, as noted above, the DIP Lender has \$825,000 of committed DIP funds which increases the cash available under the DIP Facility from \$4,525,000 to \$5,350,000. As of the date of this Fourth Report, the Company has a DIP Facility approved by the Court for \$4,525,000 and has drawn amounts on the DIP Facility of \$4,175,000. The Company has advised the Monitor that with an increase in cash available under the DIP Facility to \$5,350,000 and with a decrease in operating costs by a weekly reduction in payroll by \$x as described above, the Company will have sufficient liquidity to continue to May 28, 2012. This will provide the Company with an opportunity to run an expedited SISP of three (3) weeks.
35. The DIP Lender advised the Company that as of the time of the writing of this Fourth Report it is still in negotiations with potential participants in the DIP Facility and some of them may have a view of bringing employees back to support a longer SISP. In addition, the DIP Lender advised that funding a SISP is critical and the funding of vacation pay will not add value to the SISP.
36. Since the commencement of CCAA Proceedings, the Company has been funding accrued and unpaid vacation pay for employees who have been terminated during the CCAA Proceedings. The Revised May 7 Forecast assumes that the Company will not fund accrued and unpaid

vacation pay for those employees who the Monitor understands will be temporarily laid off to enable the Company to run an expedited SISP with reduced operating costs.

37. With an increase in the cash available under the DIP Facility to \$5,350,000 and the reduction in operating costs as a result of the temporary layoffs referred to above, the Monitor is of the view that based on the Revised May 7 Forecast, an expedited SISP for a 3 week period commencing immediately can be implemented.
38. The Monitor understands that the Company will be seeking an order modifying the Monitor's powers to permit the Monitor to engage PricewaterhouseCoopers Corporate Finance Inc. ("PWCCF") to assist the Monitor in preparing for and implementing an expedited SISP. At the date of this Fourth Report, no detailed SISP has been prepared. It is the intention of the Company and the Monitor to appear before this Court on or about May 14, 2012 to seek approval of the detailed SISP. Until that time, the Monitor, with approval of this Court, will commence the work necessary to solicit offers under an expedited SISP which the Monitor anticipates will consist of the following:
 - a) Preparing a brief teaser document and potentially a limited confidential information memorandum;
 - b) Corresponding with the existing shareholders, the DIP Lender and known interested third parties advising them of the commencement of the SISP;
 - c) Working with PWCCF to give notice of the SISP to potentially interested third parties; and
 - d) Working with the Company to ensure that the dataroom contains all relevant information that can be made available to interested parties.
39. Given the limited liquidity available to the Company and, as a result, the expedited SISP that appears to be the Company's only option in the circumstances, the Monitor anticipates that the SISP will provide for an opportunity to make an offer for the Company's business at an auction to be held on or about May 24, 2012. Accordingly, there will be no first round offers as part of the SISP. However, to participate in the auction, it is anticipated that interested third parties will be required to provide a deposit to the Monitor in trust. It is also anticipated that the DIP Lender will be a "stalking horse" and to the extent that no offers are made as part of the SISP will acquire the assets of the Company. As noted above, the details of the SISP will be brought before the Court for approval on or about May 14, 2012.

40. The DIP Lender delivered a letter to the Company dated May 7, 2012 detailing the DIP Lender's efforts to date to raise financing for the Company to commence a SISP. In the letter the DIP Lender notes that it continues to support the Company, its business and technology and believes that a sale process will provide value to the creditors and shareholders of the Company. In addition, the DIP Lender notes that it has contacted over 30 financial and strategic parties in addition to the Company's existing shareholders to participate in the DIP Facility. Furthermore, the DIP Lender notes that it obtained the DIP funding on the basis that a SISP would be undertaken and that the purpose of the DIP Lender has never been to acquire the Company's business for the sole benefit of the participants in the DIP Facility. The DIP Lender also notes that it believes that there are enough parties interested in the Company's business and technology who have already conducted due diligence over the past several weeks to justify a short sales process. A copy of the letter is attached as **Appendix "D"**.
41. Under the circumstances, a SISP (even on a very expedited basis) is likely the most viable process to maximize the value of the Company for the benefit of its stakeholders. The Company and the DIP Lender have been working to raise capital to commence a SISP. Under the circumstances and with the limited liquidity available to the Company, the Monitor support the Company's request to commence an expedited SISP immediately to permit interested parties with an opportunity to invest in the Company or make an offer to acquire the assets.

X. COMPANY'S REQUEST FOR AN EXTENSION

42. Pursuant to the May 3 Order, the stay of proceedings expires on May 8, 2012 (the "**Stay Period**"). The Company is now seeking an extension of the Stay Period to May 28, 2012.
43. Subject to this Court providing an Order increasing the limit on the DIP Facility as discussed above, the Company should have sufficient liquidity to continue to fund its operations during the extension of the Stay Period, if such extension is granted.
44. An extension of the Stay Period is necessary to provide the Company and the Monitor with the time to commence and implement an expedited SISP. Termination of the stay of proceedings against the Applicants would likely lead to the Company making an assignment in bankruptcy which would have a significant adverse effect on stakeholders.
45. The Monitor believes that, based on the information currently available and the additional funds provided to the DIP Lender and to the Company, an extension of the Stay Period is

appropriate having regard to the circumstances. The Monitor is aware of the Company's liquidity difficulties and is working closely on a daily basis with the Company to monitor its cash flows.

46. The Monitor is of the view that the Applicants have acted and are acting in good faith and with due diligence.


XI. RECOMMENDATION

47. The Monitor recommends that this Court issue an Order approving, *intra alia*;

- a) the activities of the Monitor as set out in this Fourth Report;
- b) an increase in the Monitor's powers to commence and implement an expedited SISP;
- c) the Company's request for an increase in the limit under the DIP Facility from \$4,525,000 to \$6,000,000;
- d) Approving the Second Amended and Restated DIP Agreement; and
- e) the Company's request for an Extension to May 28, 2012.

Dated the 7th day of May, 2012.

RESPECTFULLY SUBMITTED,



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

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

APPENDIX A

Third Report of the Monitor, dated May 3, 2012

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2163279 ONTARIO INC.**

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APPENDICIES

- APPENDIX "A" – Report of the Proposed Monitor, dated March 21, 2012
- APPENDIX "B" – First Report of the Monitor, dated April 15, 2012
- APPENDIX "C" – Second Report of the Monitor, dated April 19, 2012

I. INTRODUCTION

1. On March 23, 2012 (the “**Filing Date**”), PCAS Patient Care Automation Services Inc. (“**PCAS**”) and 2163279 Ontario Inc. (“**Touchpoint**”) (collectively, the “**Company**” or the “**Applicants**”) made an application under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (“**CCAA**”) and an initial order (the “**Initial Order**”) was granted by the Honourable Mr. Justice Morawetz of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) granting, *inter alia*, a stay of proceedings against the Applicants to April 21, 2012 (the “**Stay Period**”) and appointing PricewaterhouseCoopers Inc. (“**PwC**”) as the monitor (the “**Monitor**”). The proceedings commenced by the Company under the CCAA are referred to herein as the “**CCAA Proceedings**”.
2. PwC was previously retained by the Company to act as financial advisor to assist management and the board of directors to review strategic alternatives available to the Company for the resolution of its liquidity concerns.
3. On April 16, 2012, this Court granted an Order (the “**April 16 Order**”) which provided, *intra alia*, for approval of the Amended and Restated DIP Agreement, an increase in the limit of the DIP Facility and approval of the KERP and KERP Charge (all as defined therein).
4. On April 20, 2012, this Court granted an Order (the “**April 20 Order**”) which provided, *intra alia*, for an increase in the DIP Facility from \$3,800,000 to \$4,370,000 and extended the stay of proceedings to May 4, 2012 (“**Stay Extension**”).

II. PURPOSE OF REPORT

5. In conjunction with the Company’s application for relief under the CCAA, on March 23, 2012, PwC in its capacity as proposed Monitor filed a report with this Court (the “**Proposed Monitor’s Report**”), which is attached hereto as **Appendix “A”**. Subsequently, on April 15, 2012, the Monitor filed a report with this Court (the “**First Report**”), which is attached hereto as **Appendix “B”**. Subsequently, on April 19, 2012, the Monitor filed a report with this Court (the “**Second Report**”), which is attached hereto as **Appendix “C”**. All such reports are attached hereto without appendices.
6. The purpose of this report (the “**Third Report**”) is to:
 - a) Provide this Court with a summary of the following:
 - (i) The Monitor’s activities since the filing of the Second Report;

- (ii) Update on the activities of the Company since the filing of the Second Report;
 - (iii) The Company's request to increase the limit of the DIP Facility from \$4,370,000 to \$4,525,000;
 - (iv) The Company's request for an extension of the stay of proceedings (the "**Extension**") to May 8, 2012;
 - (v) The Company's efforts to raise additional DIP financing and an update on the Company's discussions with the Potential Customer; and
 - (vi) The Monitor's view on the continuation of the CCAA proceedings.
- b) Recommend that this Court issue an order:
- (i) Approving the activities of the Monitor as set out in this Third Report;
 - (ii) Increasing the limit under the DIP Facility from \$4,370,000 to \$4,525,000; and
 - (iii) Approving the Company's request for an Extension to May 8, 2012.

III. QUALIFICATIONS

7. In preparing this Third Report, the Monitor has relied upon unaudited financial information, the Company's books and records, financial information prepared by the Company and discussions with management and legal counsel to the Company. The Monitor has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the information and, accordingly, the Monitor expresses no opinion or other form of assurance with respect to the information contained in this Third Report. Future-oriented financial information relied upon in this Third Report is based on management's assumptions regarding future events. Actual results achieved may vary from this information and these variations may be material. The Monitor expresses no opinion or other form of assurance with respect to the accuracy or completeness of any financial information contained herein. The Monitor reserves the right to refine or amend its comments and findings as further information is obtained or brought to its attention subsequent to the date of this Third Report.
8. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Initial Order, the Proposed Monitor's Report, the First Report, the Second Report or the Affidavit of Loreto Grimaldi dated May 3, 2012 (the "**Second Grimaldi Affidavit**").

IV. ACTIVITIES

Monitor's activities since the filing of the Second Report

9. Since the filing of the Second Report, the Monitor has been working to assist the Company in considering its various alternatives and been in discussions with the DIP Lender regarding the DIP Lender's efforts to raise additional funds, including, among other things:
 - a) attending the Company's Oakville offices to work with the interim CFO on the preparation of the revised forecast;
 - b) discussions with the interim CFO and review of the Company's receipts and disbursements;
 - c) discussions and correspondence with A&B, counsel to the Company, on various matters;
 - d) discussions and correspondence with Osler, counsel to the Monitor, on various matters;
 - e) discussions with the Company and its counsel and the DIP Lender and its counsel regarding the framework for a potential SISF;
 - f) discussions with various interested parties seeking to obtain information in respect of DIP financing and/or on a sales process within the CCAA Proceedings;
 - g) discussions with various stakeholders on the status of the CCAA Proceedings;
 - h) discussions with the Company on its various DIP efforts and communications with shareholders;
 - i) discussions with the Company on potential cost saving and restructuring initiatives; and
 - j) discussions with the Company and the DIP Lender on potential sources of additional DIP financing.

Update on the Company's activities since the filing of the Second Report

10. The Monitor reported in its Second Report that 50 terminations were made and 19 employees voluntarily resigned as of April 19. Since April 19, the Company has advised the Monitor that no employees have been terminated and an additional 18 employees have voluntarily resigned. The Company's employees are paid on a weekly basis, one week in arrears. The payroll forecast to be funded on May 8, 2012, assuming the Court grants the extension

requested by the Company, brings employees current to May 4, 2012. Accordingly, as of May 8, 2012, there will be 2 days of Accrued Payroll, which if the relief to increase the DIP Facility to \$4,525,000 is made, the Company will have sufficient funds to meet the Accrued Payroll obligation up to May 8, 2012. The Monitor and the Company are closely monitoring the Accrued Payroll in comparison to the available cash on hand to ensure that sufficient funds exist to pay for compensation earned to date.

11. As discussed in the Second Report, the Company has been in continuing discussions with the Potential Customer in order to finalize and sign a 5-year contract. As of the date of this Third Report, the Monitor has been advised by the Company that the Potential Customer has not committed to a contract and the Potential Customer has indicated that it will not make such a commitment or revisit the discussions with the Company regarding the entering into of a definitive agreement until, among other things, the Company's financial position improves, there is certainty on the long-term viability of the Company and the Company resolves certain issues regarding the technology, including the development of an acceptable timeframe for continued proof of concept testing.
12. The Company has advised the Monitor that the Potential Customer continues to test the technology and has requested that the Company continue to work on the project and not delay or slow current work plans.
13. The Company advised the Monitor that the Potential Customer remains interested in the technology and will revisit entering into a contract once the Company's situation stabilizes and the technologies are addressed.

V. MONITOR'S COMMENTS ON RESTRUCTURING

14. Background on the Company and the events leading up to the CCAA filing are contained in the Proposed Monitor's Report, the Second Report and the Waugh Affidavit.
15. Certain shareholders and third parties have been supportive of the Company and have invested a further \$4,370,000 in the DIP Facility in order to support the continued existence of the Company in the CCAA Proceedings. Shareholders and third parties have been willing to fund the Company on an emergency basis; however, despite the Company's and the DIP Lender's efforts to raise sufficient DIP financing, the Company has had challenges in raising the required funding and it has not been possible to raise sufficient funding at one time to support the commencement of a SISF.

16. As noted in the Second Report, on the evening of April 18, 2012, the Monitor received an email from a current shareholder and the former CEO, advising the Monitor that certain parties have not received access to management or information as it relates to participating in the DIP Facility. The Monitor was advised subsequently that the information being sought was copies of the draft contract with the Potential Customer. Through its counsel, Osler, the Monitor advised these respective parties that the Company's position was that the information they were seeking could not be provided to them due to non-disclosure obligations in favour of third parties. The Monitor has not independently reviewed such third party non-disclosure obligations. The Monitor was advised by the Company (and advised the current shareholder and former CEO) that they have asked these third parties to permit them to disclose this information but these third parties would not provide such consent. The Company has also advised the Monitor that no other potential investors have received this information.
17. As of the date of this Report, the Monitor has been advised by the DIP Lender that it has raised an additional \$155,000 in committed DIP funding to increase the DIP Facility to \$4,525,000. The DIP Facility has been approved by the Court in an amount of \$4,370,000 and the Company has drawn an amount of \$4,175,000. The Company has advised the Monitor that with an increase in the DIP Facility to \$4,525,000 the Company will have sufficient liquidity to continue to May 8, 2012.
18. The Monitor understands that the DIP Lender received a commitment on May 2, 2012 from a third party to provide DIP funding of \$3 million, subject to, among other things, the Company raising an additional \$1 million of committed funds and subject to the DIP Agreement being amended to take into account such changes as: (i) success fee increase from 5% to 10%, and (ii) a conversion feature of \$0.275 cents per share, down from the current \$0.38 cents per share. The DIP Lender has advised the Monitor that these changes would be retroactively applied to include all parties that have contributed DIP funding to date and that the 10% success fee would be paid pending completion of a transaction, not upfront. The Monitor understands that the Company would seek approval of such amendments subject to the commitment of \$4 million in additional DIP funding. The draft amendment to the DIP Facility was provided to the Monitor late in the evening on May 2, 2012, and the Monitor has not had the opportunity to review in detail the amendment as of the date of this Third Report. The Monitor anticipates that it will provide comments on the amendment if and when the Company seeks approval to enter into such amendment.

19. The DIP Lender and the Company continue in discussions with various third parties to secure the additional \$1 million of DIP funding required by third party referred to above.
20. Given the fluid nature of the Company's current liquidity situation, the contingent commitment of \$3 million in potential DIP funds and the DIP Lender's discussions with certain potential investors, a cash flow forecast must be developed to determine the liquidity required to run a SISP. Such a forecast has not yet been completed by the Company or reviewed by the Monitor.
21. The Monitor has advised the Company and counsel to the DIP Lender that the Monitor will not be in a position to support a further extension to the stay of proceedings, unless: (i) funds are committed by May 8, 2012 that are sufficient to provide the Company with the liquidity needed to implement a SISP, or (ii) the Company has sufficient liquidity and there exists additional information or facts which enable the Monitor to support such an extension.
22. As previously reported, A&B is holding \$65,000 of third party funds in trust as security for the fees of a Trustee in Bankruptcy to meet its statutory duties. As a result of the Company having effectively no cash, limited accounts receivable and few assets available to be monetized quickly in a liquidation, it is unlikely that a Trustee in Bankruptcy will be able to appropriately take possession, market and sell the technology, intellectual property and other assets of the Company without additional financing. A bankruptcy would likely result in a permanent loss of employment, customer/supplier base and goodwill.

VI. COMPANY'S REQUEST FOR AN EXTENSION

23. Pursuant to the April 20 Order, the stay of proceedings expires on May 4, 2012 (the "**Stay Period**"). The Company is now seeking an extension of the Stay Period to May 8, 2012, which corresponds with the available funds in the DIP Facility, as noted above.
24. Subject to the increase in the limit on the DIP Facility discussed above, the Company should have sufficient liquidity to continue to fund its operations during the extension of the Stay Period, if such extension is granted.
25. Notwithstanding that the Company does not have sufficient liquidity to implement a SISP, based on the commitment of \$3 million in contingent DIP funding and the continued efforts of the DIP Lender and the Company, the Monitor supports the Company's request for an extension of the Stay Period to May 8, 2012.
26. An extension of the Stay Period to May 8, 2012 will provide the DIP Lenders and the Company with additional time to attempt to secure the additional \$1 million of committed

DIP funding which, subject to the other conditions, will enable it to access the \$3 million commitment referred to above. If these commitments are secured, the Company should have funding to implement a SISP. Termination of the stay of proceedings against the Applicants would likely lead to the Company making an assignment in bankruptcy which would have a significant adverse effect on stakeholders.

27. The Monitor is of the view that the Applicants have acted and are acting in good faith and with due diligence.

VII. RECOMMENDATION

28. The Monitor recommends that this Court issue an Order approving, *intra alia*;

- a) the activities of the Monitor as set out in this Third Report;
- b) the Company's request for an increase in the limit under the DIP Facility from \$4,370,000 to \$4,525,000; and
- c) the Company's request for an Extension to May 8, 2012.

Dated the 3rd day of May, 2012.

RESPECTFULLY SUBMITTED,



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

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

APPENDIX B

Cash Flow Variance Analysis as at May 4, 2012

**PCAS Patient Care Automation Systems Inc. and 2163279 Ontario Inc.
13 Week Cash Flow Forecast
Forecast to Actual Variance Report
For the period ended May 04, 2012
Compared to Forecast dated April 19, 2012 filed with the materials for the April 20 Order**

CAD\$	Receipts and Disbursements cumulative from Mar 23 to May 04, 2012			
	Forecast	Actual	Variance (\$)	(%)
RECEIPTS				
New AR Collections	55,911	60,675	4,764	9%
SRED Recovery	-	-	-	0%
HST Recovery	479,388	479,389	1	0%
Other Receipts	-	45,942	45,942	100%
TOTAL RECEIPTS	535,299	586,006	50,707	9%
DISBURSEMENTS				
Employee and contractor costs	3,068,948	3,061,571	7,377	0%
Operating costs	72,982	59,495	13,487	18%
Lease costs	234,245	214,810	19,435	8%
SG&A	327,447	207,392	120,055	37%
DIP Interest	-	-	-	0%
Principal payment	203,241	296,730	(93,489)	(46%)
Professional Fees	674,188	613,443	60,746	9%
HST Payments	100,652	123,479	(22,827)	(23%)
TOTAL DISBURSEMENTS	4,681,704	4,576,920	104,784	2%
NET CASH FLOW	(4,146,405)	(3,990,914)	155,491	4%
BEGINNING CASH	61,129	154,617	93,488	153%
DIP Draw / (Repayment)	4,370,000	4,164,980	205,020	5%
CLOSING CASH BALANCE	284,724	328,683	43,959	15%
Accrued Payroll		(245,488)		
Net Cash Balance		83,195		
Employees	140	136	4	3%

**PCAS Patient Care Automation Services Inc. and 2163279 Ontario Inc.
(the “Company”)**

**Cash Flow Variance Analysis
Compared against April 19 Forecast
For the Period Ended May 4, 2012**

General Comments:

The following analysis provides a comparison of actual results for the period from the commencement of the Company’s CCAA Proceedings on March 23 to May 4, 2012 (the “**Period**”) versus anticipated results presented in the Companies’ 13 Week Forecast for the period ended June 15, 2012 which was filed on April 19, 2012 with the Company’s hearing on April 20, 2012 (see attached) (the “**April 19 Forecast**”). The April 19 Forecast included actual results up to April 13, 2012, and accordingly, variances relate to the period from April 14 to May 4, 2012.

- During the Period, the Company experienced a net cash outflow of \$3,948k resulting in a net favourable variance from forecast of \$198k. This variance is comprised of a favourable difference in receipts of \$51k as well as a favourable variance in disbursements of \$147k.
- The significant negative cash outflow to date primarily reflects the payment of salaries to maintain the intellectual product of the company and professional fees relating to the CCAA proceedings.

Receipts:

- Receipts to date of \$586k are comprised of \$61k received from the sale of prescription drugs and \$480k from the recovery of HST. Approximately \$160k of the HST refund had previously been provided as security for a loan from Castcan Investments Inc. (“**Castcan**”) and accordingly these funds were subsequently advanced by the Company to Castcan on account of its security.
- Other Receipts primarily includes a recovery of a \$33k overpayment of payroll which had been made immediately post-filing to ensure the payroll was processed immediately. The remaining Other Receipts comprise various minor deposit recoveries and minor gains and losses from foreign exchange with the Company’s US and UK accounts. For conservatism, these Other Receipts were not included in the forecast.

Disbursements:

Disbursements were \$147k lower than forecast for the period ended May 4, 2012. The favourable difference is a result of the following significant variances:

Operating Costs	Favourable variance	\$13k
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The favourable variance is a timing difference due to the delay in payment of office and MedCentre infrastructure services. Outstanding payments to network link and internet service providers of approximately \$13k have been deferred until late May.

Lease Costs	Favourable variance	\$19k
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PCAS Patient Care Automation: Systems Inc.
 13 Week CCAA Cash Flow Forecast
 March 23 to June 15, 2012
 (In Canadian dollars)

Week ended	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 Actual	Week 8 11-May-12 Forecast	Week 9 18-May-12 Forecast	Week 10 25-May-12 Forecast	Week 11 01-Jun-12 Forecast	Week 12 08-Jun-12 Forecast	Week 13 15-Jun-12 Forecast	Total
Receipts														
3 New AR Collections	-	-	15,282	21,300	15,480	2,955	4,218	5,000	5,000	-	-	-	-	74,255
4 Other Receipts / (Relunds)	-	-	-	(285)	-	-	-	-	-	-	-	-	-	(285)
5 SRED Recovery	-	160,085	-	-	-	-	-	-	-	-	-	-	-	1,092,587
6 HST Recovery	-	160,085	15,282	21,015	330,048	2,955	4,218	441,680	51,816	5,000	-	-	116,448	1,166,557
Disbursements														
7 Employee and contractor costs	-	625,493	979,477	30,897	581,555	346,847	285,028	352,835	172,400	108,000	113,000	136,000	113,500	4,025,673
8 Operating costs	-	-	12,257	7,459	1,597	7,459	29,614	59,191	-	-	32,500	-	-	136,618
9 Lease costs	-	-	100,672	4,473	4,936	11,415	116,177	12,900	-	76,700	38,000	-	-	441,418
10 SG&A	-	-	114,959	62,257	35,226	11,415	6,466	161,070	20,631	21,200	42,000	49,400	-	709,835
11 DIP Interest	-	-	-	43,156	-	-	-	483,680	-	-	-	-	-	145,111
12 Principal payment	-	160,085	116,476	92,712	30,087	24,866	159,200	100,000	112,375	127,375	112,375	112,375	42,000	289,511
13 Professional Fees	-	200,000	15,251	17,234	2,081	37,194	38,006	11,633	21,723	24,700	16,445	15,445	35,889	1,312,882
14 HST Payments	-	1,185,578	1,328,835	283,026	655,557	407,263	610,621	1,235,523	317,041	354,938	362,575	358,220	979,981	235,548
Total Disbursements	-	1,025,493	(1,311,553)	(242,011)	(317,599)	(404,296)	(606,403)	(736,943)	(260,225)	(349,998)	(362,575)	(358,220)	(863,533)	(6,858,786)
Net cash flow														
Beginning Cash	61,129	2,661,129	1,835,636	524,083	282,072	779,563	925,264	328,862	(80,081)	(340,306)	(890,304)	(1,052,879)	(1,409,099)	61,129
Change in Cash	-	(1,025,493)	(1,311,553)	(242,011)	(317,599)	(404,296)	(606,403)	(736,943)	(260,225)	(349,998)	(362,575)	(358,220)	(863,533)	(6,858,786)
DIP Draw / (Repayment)	2,800,000	-	-	-	815,000	550,000	10,000	350,000	-	-	-	-	-	4,625,000
Total Ending Cash	2,861,129	1,835,636	524,083	282,072	779,563	925,264	328,862	(80,081)	(340,306)	(890,304)	(1,052,879)	(1,409,099)	(2,272,631)	(2,272,631)
Cumulative Cash Invested	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Available Cash	2,861,129	1,835,636	524,083	282,072	779,563	925,264	328,862	(80,081)	(340,306)	(890,304)	(1,052,879)	(1,409,099)	(2,272,631)	(2,272,631)
Additional DIP Required	-	-	-	300,000	-	-	-	300,000	500,000	800,000	1,200,000	1,600,000	2,400,000	2,400,000
Accrued salaries	825,483	712,952	279,574	532,148	279,574	257,780	250,000	152,900	89,500	64,500	89,500	94,500	89,500	89,500
Net position	2,035,636	1,123,284	244,509	(250,076)	499,989	667,484	78,862	(232,861)	(638,806)	(794,806)	(1,142,379)	(1,506,599)	(2,386,131)	(2,386,131)
Headcount	209	209	154	154	154	154	140	42	42	42	42	42	42	42

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. Relunds 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 Cescan Investments. Accordingly, the repayments of these loans are shown as disbursements in the Cash Flow Statement.
- HST recovery is recoverable excise sales tax resulting from expenditures by PCAS and TouchPoint. The PCAS amounts are regular monthly recoveries assumed to come in six (6) weeks after filed. However, Touchpoint has filed an annual return for 2011 and anticipates a recovery of \$441,680 during the forecast period which has been pledged as security on a loan from Cescan 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 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. KEHP 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.
- Leases costs include the rent for the monthly cost of the buildings occupied by PCAS, the equipment leases for specialists IT equipment and office printers. \$15k has been included to clear loans on 2440 WPD.
- SG&A includes amounts expected to be incurred for utilities, insurance, telephone and communication, office supplies and services, travel and printing.
- 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 made and the Cescan investment loan is repaid as the SRED and HST is recovered.
- Principal repayments the HST SRED loan is made and the Cescan investment loan is repaid as the SRED and HST is recovered.
- (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 \$30k retainer. Additionally, other professional fee costs include 2011 SRED consultancy fees (\$50k), 2011 Audit fee (\$175k) and \$15k per month legal costs of patients.
- HST disbursements are incurred based on the timing of cash disbursements.
- The Company is working to obtain additional DIP financing in order to fund a sales process, however at this time the amount and timing of this funding is not confirmed.

APPENDIX C

May 7 Revised Forecast

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

Week ended	Notes	Week 1 23-Mar-12	Week 2 30-Mar-12	Week 3 6-Apr-12	Week 4 13-Apr-12	Week 5 20-Apr-12	Week 6 27-Apr-12	Week 7 4-May-12	Week 8 11-May-12	Week 9 18-May-12	Week 10 25-May-12	Week 11 1-Jun-12	Week 12 8-Jun-12	Week 13 15-Jun-12	Total
		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
Receipts															
New AR Collections	3	-	-	15,282	21,300	15,490	2,965	4,218	5,000	5,000	5,000	-	-	-	74,255
Other Receipts / (Refunds)	4	-	-	-	(285)	-	-	-	-	-	-	-	-	-	(285)
SRED Recovery	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
HST Recovery	6	-	160,085	-	-	322,558	-	441,680	51,816	-	-	-	-	111,326	1,087,465
Total Receipts		-	160,085	15,282	21,015	338,048	2,965	4,218	446,880	56,816	5,000	-	-	111,326	1,161,435
Disbursements															
Employee and contractor costs	7	-	825,493	979,477	30,937	581,555	346,647	266,029	352,635	172,400	108,000	113,000	136,000	113,500	4,025,673
Operating costs	8	-	-	-	12,257	1,597	7,459	23,614	59,191	-	-	32,500	-	-	136,618
Lease costs	9	-	-	100,672	4,473	4,596	4,596	116,177	12,900	12,900	12,900	101,800	-	87,900	441,418
SG&A	10	-	-	114,959	62,257	35,226	11,415	8,406	129,070	20,631	21,200	42,000	48,400	183,070	677,635
DIP Interest	11	-	-	-	-	-	-	-	-	-	-	-	-	159,389	159,389
Principal payment	12	-	160,085	-	43,156	-	-	-	463,660	-	-	-	42,000	289,511	1,018,432
Professional Fees	13	-	200,000	116,476	92,712	30,097	24,896	199,200	100,000	132,375	147,375	132,375	132,375	115,000	1,382,882
HST Payments	14	-	-	15,251	17,234	7,081	12,250	37,194	33,546	14,235	16,601	35,022	19,045	34,569	242,048
Total Disbursements		-	1,185,578	1,326,835	263,026	655,557	407,263	610,621	1,171,023	339,641	306,076	456,697	378,820	982,959	8,084,086
Net cash flow		-	(1,025,493)	(1,311,553)	(242,011)	(317,509)	(404,298)	(606,403)	(724,343)	(282,825)	(301,076)	(456,697)	(378,820)	(671,633)	(6,922,661)
Beginning Cash		61,129	2,861,129	1,835,636	524,083	282,072	779,563	925,264	328,862	779,519	496,694	195,618	(261,079)	(639,899)	61,129
Change in Cash		-	(1,025,453)	(1,311,553)	(242,011)	(317,509)	(404,298)	(606,403)	(724,343)	(282,825)	(301,076)	(456,697)	(378,820)	(671,633)	(6,922,661)
DIP Draw / (Repayment)		2,800,000	-	-	-	815,000	550,000	10,000	1,175,000	-	-	-	-	-	5,350,000
Total Ending Cash		2,861,129	1,835,636	524,083	282,072	779,563	925,264	328,862	779,519	496,694	195,618	(261,079)	(639,899)	(1,511,532)	(1,511,532)
Cumulative Cash Invested		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Available Cash		2,861,129	1,835,636	524,083	282,072	779,563	925,264	328,862	779,519	496,694	195,618	(261,079)	(639,899)	(1,511,532)	(1,511,532)
Additional DIP Required		-	-	-	300,000	-	-	-	-	-	-	400,000	800,000	1,700,000	1,700,000
Accrued salaries		825,493	712,352	279,574	532,148	279,574	257,780	250,000	152,900	89,500	94,500	89,500	84,500	89,500	89,500
Net position		2,035,636	1,123,284	244,509	(250,076)	499,989	667,484	78,862	626,619	407,194	101,118	(350,579)	(734,399)	(1,601,032)	(1,601,032)
Headcount		209	209	154	154	154	154	140	42	42	42	42	42	42	42

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 \$441,680 during the forecast period which has been pledged as security on a loan from Castcan Investments Inc. and is forecast to be repaid upon receipt in the normal course.
- Employee and contractor costs are forecast to be reduced post-filing limiting remaining staff to those required to maintain the technical knowhow and integrity of the network and installed MedCentres. Vacation pay remains accrued and is not assumed to be paid during the forecast period. Benefits, including healthcare insurance will be paid for remaining employees. There are no defined benefit or defined contribution pension schemes in the Company. Additionally, certain key contractors will be retained to negotiate a contract with major customer, project manage the technology infrastructure build for that customer and assist with critical tax and accounting work for the Company. The Company is analyzing various options to further reduce costs during the forecast period. 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. \$15k 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 retained.
- 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 counsels 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 patients.
- HST disbursements are incurred based on the timing of cash disbursements.
- The Company is working to obtain additional DIP financing in order to fund a sales process, however at this time the amount and timing of this funding is not confirmed.

APPENDIX D

DIP Lender's Letter to the Company dated May 7, 2012

2320714 ONTARIO INC.
Suite 5850, 100 King Street West
Toronto, Ontario

May 7, 2012

PCAS Patient Care Automation Services Inc.
2 - 2880 Brighton Road
Oakville, Ontario
L6H 5S3

Attention: Kym Anthony, Chairman

Dear Kym:

I am writing this letter in my capacity as the President of 2320714 Ontario Inc. (the "DIP Lender"). The purpose of this letter to provide the Court with an understanding of the activities that have been undertaken by the DIP Lender in support of the restructuring efforts of PCAS Patient Care Automation Services Inc. ("PCAS") and 2163279 Ontario Inc. ("Touchpoint").

The DIP Lender was formed as vehicle through which those persons ("DIP Financiers") who were interested in doing so could participate in the provision of the debtor-in-possession loan facility (the "DIP Loan Facility") for the duration of the CCAA proceedings. DIP Financiers have made loans to the DIP Lender in order to provide it with the funding required to make advances to PCAS under the DIP Loan Facility. The advances made to PCAS under the DIP Loan Facility are secured by the Charge granted by the Court. In turn, the DIP Lender has issued notes to the DIP Financiers and granted security to each DIP Financier in the form of a general security agreement granting a security interest in all of the undertaking, property and assets of the DIP Lender. The security interests granted to the DIP Financiers are to rank on a pari passu basis pursuant to the terms of a Pari Passu Agreement that each DIP Financier has agreed to sign.

My principal occupation is running a Family Office for private clients and their families. Prior to becoming involved as the President of the DIP Lender, my involvement with PCAS was as a shareholder of PCAS. Many of my clients were also shareholders of PCAS. I agreed to become the President of the DIP Lender at your request as both you and I believed that it was important that the DIP Lender be managed by a person who was not an officer or director of PCAS. While I am currently the sole shareholder of the DIP Lender, holding the only issued and outstanding common share, I am holding that share in trust for the DIP Financiers. As President of the DIP Lender, I felt that it was also important that the DIP Lender obtain independent counsel to guide me through the CCAA proceedings. I have therefore retained Doug Grundy of Grundy, Cass & Campbell Professional Corporation as corporate counsel to the DIP Lender and Bob Thornton of Thornton Grout Finnigan LLP as insolvency and litigation counsel to the DIP Lender.

I also agreed to take on the role of President of the DIP Lender because I believed that through a restructuring process funded by the DIP Lender significant value could be realized by the shareholders of

PCAS through a refinancing or sale of the business. Initially, I felt that if the DIP Lender could provide the funding necessary for a period of 13 or more weeks, parties would come forward with financing or a transaction that would realize that value for shareholders. While, as discussed below, it has proven to be more challenging than we initially hoped to raise the necessary funds to finance a restructuring process, I continue to believe that the assets securing the DIP Loan Facility should have a sufficiently high value to provide value to the existing PCAS shareholders and other stakeholders after paying out the DIP Loan Facility. The purpose of the DIP Lender has never been to acquire the PCAS business for the sole benefit of the DIP Financiers.

Since the commencement of the CCAA proceedings, PCAS and the DIP Lender have sought to raise the funds necessary to fund a restructuring process. As the Court is aware, initially, it was believed that the DIP Loan Facility should be \$10 million in order to fund a 13-week restructuring process. Members of the PCAS board, senior officers of PCAS and I, and our counsel, have approached over 30 financial and strategic investors trying to encourage them to participate in the DIP Loan Facility. As the Court is aware, numerous communications have also been sent by PCAS to its shareholders encouraging them to participate in the DIP Loan Facility. While we felt that the initial terms of the DIP Loan Facility were sufficient to attract the necessary funds required by the DIP Lender to fully fund the DIP Loan Facility, it soon became apparent from discussions with shareholders and other potential investors that the terms were not adequate to attract the participation required. Accordingly, the DIP Lender negotiated with PCAS enhancements to the terms of the DIP Loan Facility which were subsequently approved by the Court. Even still, as the Court is aware, the DIP Lender has not yet been able to fund the DIP Loan Facility to the extent originally envisaged. This has hampered the ability of PCAS to commit to a full sale process, although throughout this process both PCAS and the DIP Lender have approached and had discussions with several parties who have been interested in the PCAS business.

As the President of the DIP Lender, I have been actively involved daily in discussions with potential DIP Financiers and potential bidders/investors in PCAS. This unforeseen level of activity has exerted a toll upon me and adversely affected the time that I would normally would have had available for my full time occupation. In acting as the President of the DIP Lender, I have not received a salary and have not received a commission for any of the funds raised from DIP Financiers. However, I have provided extensive consulting services in my professional capacity to the DIP Lender. I have invoiced the DIP Lender for those services at rate discounted from my usual hourly rate and have contributed those fees to the DIP Loan Facility. The DIP Lender's counsel, Grundy, Cass & Campbell and Thornton Grout Finnigan, have made the same arrangement with the DIP Lender and have contributed their fees to the DIP Loan Facility. The result of these arrangements is that the cash burn of PCAS has been reduced by not having to fund these fees, resulting in a cash saving to date of approximately \$400,000. The DIP Charge should be increased accordingly to cover these advances.

Throughout the CCAA proceedings, the DIP Lender has been working closely with the PCAS board. The DIP Lender continues to seek a restructuring transaction that will bring value to the creditors and shareholders of PCAS. I continue to believe that a sale process will provide value to the creditors and shareholders of PCAS. While it would appear that PCAS and the DIP Lender will be unable to raise sufficient funds to fund the type of sale/restructuring process that was initially envisaged, I believe that there are enough parties interested in the PCAS business and technology who have conducted due diligence investigations over the past several weeks to justify a short sales process. The DIP Lender has obtained all the funding from the DIP Financiers on the basis that such a process would be undertaken and I believe that it is important that this promise be fulfilled.

However, the funds available through additional DIP Loans are limited. While this is not what was originally contemplated, it will be necessary for PCAS to find a way to live within the available funding and to cooperate with the Monitor and the DIP Lender to run a truncated process to achieve the best result available in the circumstances. Details of exactly how much is available and what that means for the continued operations of PCAS and the manner of process to be run are being developed as I write this letter, all for presentation to, and hopefully approval of, the Court this afternoon.

We look forward to working closely with you through this process, to your continued future cooperation in that process and to achieving as much success as can be achieved in these difficult circumstances.

Yours truly,

2320714 ONTARIO INC.

A handwritten signature in black ink, appearing to read "George Swan", written in a cursive style.

By:

George Swan, President

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

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

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

**FOURTH REPORT OF
PRICEWATERHOUSECOOPERS INC. IN ITS
CAPACITY AS COURT APPOINTED
MONITOR OF PCAS PATIENT CARE
AUTOMATION SERVICES INC. AND 2163279
ONTARIO INC. DATED MAY 7, 2012**

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