

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

**FIFTH REPORT OF THE MONITOR**

**May 11, 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**

**FIFTH REPORT OF PRICEWATERHOUSECOOPERS INC.**

**In its capacity as Monitor of the Applicants**

**May 11, 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 an extension of 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 an extension of the stay of proceedings to May 8, 2012.
6. On May 7, 2012, this Court granted an Order (the “**May 7 Order**”) which provided, *inter alia*, for approval of the Second Amended and Restated DIP Loan Agreement, an increase in the DIP Facility from \$4,525,000 to \$5,350,000 and an extension of the stay of proceedings to May 28, 2012.

## II. PURPOSE OF REPORT

7. 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. On May 7, 2012, the Monitor filed the Fourth Report with this Court, attached hereto as **Appendix “A”**.

8. The purpose of this report (the **“Fifth Report”**) is to:
  - a) Provide this Court with a summary of the following:
    - (i) The Monitor’s activities since the date of the May 7 Order;
    - (ii) The proposed expedited SISP;
    - (iii) The Company’s request to increase the limit of the DIP Facility from \$5,350,000 to \$6,000,000; and
    - (iv) The Monitor’s comments and observations regarding the SISP.
  - b) Recommend that this Court issue an order:
    - (i) Approving the activities of the Monitor as set out in this Fifth Report;
    - (ii) Approving the Company’s request for an amendment to the May 7 Order;
    - (iii) Approving the expedited SISP; and
    - (iv) Increasing the limit under the DIP Facility from \$5,350,000 to \$6,000,000.

### **III. QUALIFICATIONS**

9. In preparing this Fifth 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 Fifth Report. Future-oriented financial information relied upon in this Fifth 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 Fifth Report.
10. 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, the Fourth Report or the Affidavit of Loreto Grimaldi dated May 11, 2012 (the “**May 11 Affidavit**”).

#### **IV. ACTIVITIES**

##### **Monitor’s activities since May 7, 2012**

11. Since May 7, 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 and correspondence with Osler, counsel to the Monitor, on various matters;
  - c) discussions and correspondence with the Company and its counsel and the DIP Lender and its counsel on various matters, including regarding the proposed expedited SISP;
  - d) discussions with various interested parties seeking to obtain information in respect of the SISP;
  - e) discussions with the Potential Customer on various matters, including the SISP; and
  - f) discussions with various stakeholders on the status of the CCAA Proceedings.

##### **Sales and investment activities of the Company to date**

12. In connection with the Company’s efforts to raise financing prior to the commencement of the CCAA Proceedings, the Company engaged reputable investment banks to assist the Company in these efforts. The Company has advised the Monitor that during the period from December 2011 to February 2012, these investment banks contacted approximately 136 financial and strategic potential investors and obtained 33 executed Non-Disclosure Agreements (“**NDAs**”). In addition, the PCAS management participated in 18 presentations to these above parties.
13. Subsequently in March 2012, but prior to the commencement of these CCAA Proceedings, the Company has advised the Monitor that these investment banks contacted an additional 40 strategic and financial parties, of which 3 executed NDAs.

14. During the 24 months prior to the commencement of these CCAA Proceedings, the Company has advised the Monitor that the Company also reached out to a number of parties independently, 3 of whom executed NDAs before March 23, 2012.
15. Following the commencement of the CCAA Proceedings, the Company continued to seek potential investors and contacted an additional 45 parties, of which 7 parties executed NDAs and are currently in various stages of due diligence. Accordingly, 46 parties have executed NDAs prior to the date of this Fifth Report.
16. The Company and Monitor have also identified another 110 parties to contact in connection with the commencement of the SISP.

## **V. PROPOSED EXPEDITED SISP**

### **Developments since the May 7 Order**

17. Following the issuance of the May 7 Order, the Company and the DIP Lender, with the assistance of the Monitor, began the negotiation and preparation of an expedited SISP. The SISP is discussed in more detail below.
18. Further to paragraph 36 of the Fourth Report, the Company, with the assistance of the Monitor, has prepared a solicitation letter summarizing the acquisition and/or investment opportunity (the “**Teaser**”) for circulation to prospective bidders. The Monitor understands that the Teaser is in the process of being distributed to approximately 110 identified financial and/or strategic parties as of the date of this Fifth Report. A copy of the Teaser is attached hereto as **Appendix “C”**.
19. The Company has advised the Monitor that certain former employees have signed NDAs and were given access to the dataroom. The Company has since withdrawn access to the dataroom from these former employees. The Monitor understands that the Company is only intending to provide access to the dataroom to those prospective bidders that meet the qualifications contained in the proposed SISP. The Company has advised the Monitor that these former employees do not meet the qualifications contained in the SISP and therefore should not be granted access to the dataroom. The Company has also advised the Monitor that the parties who have signed NDAs prior to the date of this Fifth Report, excluding these former employees, would all meet the qualifications contained in the SISP.
20. The Company has continued to provide access to the existing dataroom to all interested parties who have executed NDAs and who have the potential to become Qualified Bidders for the purpose of allowing such interested parties to commence or continue due diligence.

21. The May 7 Order contains expanded powers for the Monitor with respect to the Monitor's involvement in the SISP. Since the date of the May 7 Order, the Company and the DIP Lender advised the Monitor that it is their view that the Company should take the primary role in implementing the SISP and that the Monitor should assist and monitor the Company's efforts in connection therewith. Accordingly, as the SISP has been drafted to reflect the views of the Company and the DIP Lender, the Company is requesting to amend paragraph 5 of the May 7 Order to provide that the powers of the Monitor with respect to the SISP be to monitor and assist the Company in implementing the SISP. The Company is also seeking to delete paragraph 6 of the May 7 Order.

### **Overview of the SISP**

22. Defined terms used in this section and not otherwise defined have the meaning ascribed to them in the SISP.
23. The Company and the DIP Lender, with the assistance of the Monitor, have negotiated and prepared an expedited SISP which sets out the manner in which prospective bidders may make a bid to purchase the Company's Property or make an investment in the Company's business. A copy of the SISP Summary is attached hereto as **Appendix "B"** and a summary of the relevant terms of the SISP Summary is contained below.
24. The SISP describes:
- a) The manner in which prospective bidders may gain access to due diligence materials concerning the Company's Property and the Company's business;
  - b) The manner in which bidders and bids are eligible to become Qualified Bidders and Qualified Bids (both as defined in the SISP), including the manner in which the deposit required of such Qualified Bidders is to be paid to the Monitor and, if necessary, returned to unsuccessful Qualified Bidders;
  - c) The nature of the Stalking Horse Bid;
  - d) The manner in which the Selected Bidders and the Successful Bidder (both as defined in the SISP) may be selected; and
  - e) The process for obtaining such approvals (including the approval of the Court) as may be necessary and appropriate in respect of a Successful Bid.
25. As discussed above, the SISP provides that only prospective bidders who are capable of becoming Qualified Bidders will be able to execute NDAs. The Company, in consultation with



the Monitor, will execute an NDA with a prospective bidder if such prospective bidder provides the following:

- a) information sufficient, in the Applicant's discretion and in consultation with the Monitor, to identify the prospective bidder and to prove that the prospective bidder has the financial ability to become a Qualified Bidder; and
  - b) representations and warranties that the prospective bidder is not acting as a broker, agent or other representative of any other person in connection with the transaction, and is considering the transaction only for its own account unless the Applicant, in consultation with the Monitor, expressly waives this requirement in writing.
26. Pursuant to the SISP, the DIP Lender will submit a stalking horse bid for the purchase of substantially all of the property, assets and undertaking of the Company on an "as is, where is" basis (the "**Stalking Horse Bid**"). The Stalking Horse Bid will allow the DIP Lender to credit bid its debt in exchange for the purchase of the Company's Property. The Stalking Horse Bid will provide for a purchase price equal to the amount of outstanding secured liabilities owing by the Company to the DIP Lender plus the assumption of all senior secured indebtedness of the Company, estimated to be approximately \$7,900,000 (the "**Secured Indebtedness**"). The purchase price contained in the Stalking Horse Bid will be satisfied by the release of the liabilities owed to the DIP Lender by the Company plus the value of the assumed senior secured indebtedness. The SISP provides that the Stalking Horse Bid shall not be permitted to be in an amount in excess of the Secured Indebtedness. The DIP Lender has advised the Monitor that (a) it is not its desire or intention to acquire the property, assets and undertaking of the Company except in circumstances where there is no third party bid in excess of the Secured Indebtedness; and (b) it is submitting the Stalking Horse Bid on this basis in order to fulfill commitments that it made to raise funds for the DIP Facility. The Monitor has been advised by the DIP Lender that the Stalking Horse Bid will be submitted by the Bid Deadline (as defined below).
27. The timeline and key provisions of the SISP are as follows:
- a) As soon as possible, the Company will distribute the Teaser to prospective purchasers and investors.
  - b) All bids for purchase and/or investment must be received by the Monitor no later than noon (Toronto time) on May 24, 2012 (the "**Bid Deadline**") in the form of a binding offer capable of acceptance, irrevocable until one day after closing of the Successful Bid and must contemplate a purchase price or amount available to stakeholders of an

amount greater than the Secured Indebtedness in cash or other other consideration acceptable to the DIP Lender and must be accompanied by a refundable cash deposit payable to the order of the Monitor in trust in an amount equal to the greater of 10% of the purchase or investment contemplated therein or \$790,000.

- c) If no Qualified Bids are received, the Stalking Horse Bid is deemed to be the Successful Bid.
  - d) If one or more Qualified Bids, other than the Stalking Horse Bid, are received in accordance with the Bidding Procedures, the Company, in consultation with the Monitor, may choose to:
    - (i) accept one Qualified Bid as the Successful Bid and take such steps as are necessary to finalize and complete an agreement for the Successful Bid with the Successful Bidder; or
    - (ii) continue negotiations with a selected number of Qualified Bidders with a view to finalizing an agreement with one of the Selected Bidders.
  - e) The Company is under no obligation to accept the highest or best offer and the selection of Selected Bidders and the Successful Bidder is entirely at the discretion of the Company, in consultation with the Monitor.
  - f) A Qualified Bid may, in lieu of providing for the repayment of the amount owing to the DIP Lender in cash, provide the DIP Lender with the option (which the DIP Lender would then be entitled to flow through to the persons who have lent money to the DIP Lender in order to participate in the provision of the DIP Loan to the Applicants) to accept the equity in the bidder or other consideration acceptable to the DIP Lender in full or partial satisfaction of the amount owing to the DIP Lender.
  - g) The Company will apply to the Court for an order approving the Successful Bid and authorizing the Company to enter into any and all necessary agreements with respect to the Successful Bid and to undertake such other actions as may be necessary or appropriate to give effect to the Successful Bid.
28. A bid will be considered a Qualified Bid only if it is the Stalking Horse Bid or it is submitted by the Bid Deadline and complies with, among other things, the following:
- a) it includes evidence of a firm, irrevocable commitment for financing, or other evidence of ability to consummate the proposed transaction, that will allow the Company, in consultation with the Monitor, to make a reasonable determination as to the Qualified

Bidder's financial and other capabilities to consummate the transaction contemplated by its bid;

- b) in respect of a purchase of the Company's Property, it includes a reasonably detailed description of the property to be included in the sale and in the case of an investment in the Company's business, it includes a reasonably detailed description of any of the Company's Property to be divested or disclaimed prior to closing;
- c) it includes the identity of each entity that will be sponsoring or participating in the bid, and the complete terms of such participation;
- d) it includes any anticipated regulatory and other approvals required to close the transaction and the anticipated time frame and any anticipated impediments for obtaining such approvals;
- e) it includes the details of the proposed number of employees of the Company who will become employees of the bidder (in the case of a purchase of the Company's Property) or shall remain as employees of the Applicants (in the case of an investment in the Company's business) and, in each case, provisions setting out the terms and conditions of employment for continuing employees;
- f) it includes the details of any liabilities to be assumed by the Qualified Bidder;
- g) it includes in the case of a proposed purchase of the Company's Property, an acknowledgement and representation that the bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the assets to be acquired and liabilities to be assumed in making its bid; and (ii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the assets to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, except as expressly stated in the purchase and sale agreement; and
- h) it includes in the case of a proposed investment in the Company's business, it includes an acknowledgement and representation that the bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents in making its bid; and (ii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the business of the Company's or the

completeness of any information provided in connection therewith, except as expressly stated in the investment agreement.

29. The SISP is also described in the May 11 Affidavit.

**Monitor's Comments and Observations Regarding the SISP**

30. The Monitor recognizes that the implementation of the SISP will be on a very expedited basis with a very truncated timeline. The Monitor is of the view that, given the limited liquidity available to the Company, the expedited SISP appears to be the Company's only option in the circumstances. The Monitor understands that the DIP Lender fully supports this expedited SISP. The Monitor also notes that there was extensive marketing of the Company conducting prior to the commencement of these CCAA Proceedings as noted above. Accordingly, such marketing efforts should assist the Company in implementing the SISP on a very truncated timeline.
31. The Monitor recognizes that the Company may have only 4 days between the Bid Deadline and available liquidity under the DIP Facility to close the Successful Bid absent the receipt of additional DIP funding and an extension of the Stay Period. The Monitor notes that the Stay Period expires 4 days after the Bid Deadline. The implementation of the proposed expedited SISP will be subject to the Company having sufficient liquidity and, if required, an extension of the Stay Period to close the Successful Bid and consummate the transaction contemplated therein.
32. The SISP provides that the Stalking Horse Bid shall not be permitted to be in an amount in excess of the Secured Indebtedness. The Monitor is of the view that this provides an indication to interested bidders that the DIP Lender is prepared to divest its position if a Successful Bid is received which is in excess of the Secured Indebtedness.
33. The amount of the Secured Indebtedness, estimated at \$7,900,000, consists of the following:
- a) principal amount of DIP Facility of \$6,000,000, which includes accrued interest and the actual and estimated fees and expenses of the DIP Lender (\$640,000);
  - b) the Success Fee of 10%, estimated to be \$600,000;
  - c) the senior secured debt of the Company of approximately \$1,000,000; and
  - d) an estimate for statutory priority claim amounts of approximately \$300,000.

34. The SISP provides the Company with the opportunity, in consultation with the Monitor, to engage in further negotiations with Selected Bidders with a view to obtaining the best possible Successful Bid that provides the greatest value to the Company's stakeholders.
35. The Monitor has been advised by the Company that the Potential Customer may be willing to meet with certain Qualified Bidders towards the end of the SISP, but that it will only entertain meetings with Qualified Bidders, Selected Bidders or the Successful Bidder if and when the Potential Customer determines that such meetings are appropriate.
36. As noted above, certain interested parties with signed NDAs have received a head start on their due diligence of the Company. The Monitor recognizes that these parties have had a longer time period to conduct due diligence, understand the Company's property and business and may have had an opportunity to meet with management and the Potential Customer and to review the information contained the Company's dataroom.
37. Notwithstanding the potential advantage that these parties may have with respect to the opportunity to participate in the proposed expedited SISP, given the Company's current liquidity situation, there does not appear to be another option for the Company to realize value for the benefit of its stakeholders absent this expedited SISP.
38. The proposed expedited SISP considers the urgent need of the Company to effect a transaction which will result in the sale of the Company's Property or an investment in the Company's business. The Company is in the midst of a liquidity crisis and will likely be unable to commercialize the MedCentres if the SISP is unsuccessful.
39. Under the circumstances, the expedited SISP is likely the most viable process to maximize the value of the Company for the benefit of its stakeholders. In light of this situation, the Monitor supports the Company's request for approval of the proposed expedited SISP to permit interested parties with an opportunity to invest in the Company or make an offer to acquire the Company's assets.

## **VI. INCREASE IN DIP FACILITY LIMIT**

40. The May 7 Order increased the limit under the DIP Facility to a maximum principal amount of \$5,350,000. At the date of this Fifth Report, the Company has drawn \$4,525,000 of the DIP Facility and intends to draw the remaining \$825,000 during the week of May 18, 2012.
41. The Company is seeking an increase in the limit of the DIP Facility to \$6,000,000. \$10,000 of this is new DIP funding. The additional \$640,000 in the increase of the DIP Facility from \$5,350,000 referred to above is to account for accrued interest and accrued and unpaid fees

of the counsel to the DIP Lender and an estimate for additional fees for those parties to closing. The Monitor has been advised that the DIP Lender's counsel is not seeking payment of their fees in cash but rather accruing their unpaid fees and adding them to the DIP Facility.

42. The Monitor has reviewed and approved the fees submitted by Thornton Grout Finnigan LLP and Grundy, Cass & Campbell Professional Corporation, counsel to the DIP Lender. Counsel to the DIP Lender have devoted significant time to this matter, including drafting the Amended and Restated DIP Agreement and the Second Amended and Restated DIP Agreement, supporting the DIP Lender and the Company in its communications with existing shareholders and interested parties in relation to DIP funding support and supporting the DIP Lender in its numerous discussions, meetings, presentations and negotiations with third parties regarding raising additional DIP funding. In the Monitor's view, all of the above activities were necessary to raise the required DIP financing in order to implement the expedited SISP.
43. Given the challenges of raising a DIP Facility for a pre-commercialization technology company and the need of the Company to continually increase its DIP Facility in the weeks since March 23, 2012, the amount of time and effort expended by counsel to the DIP Lenders does not seem unreasonable in the circumstances.
44. The Monitor will review the relevant invoices of the DIP Lender's counsel detailing the fees and expenses of the DIP Lender incurred after May 7, 2012 (which are included in the estimate of fees discussed above) prior to any such fees and expenses being added to the DIP Facility.

## **VII. RECOMMENDATION**

45. The Monitor recommends that this Court issue an Order approving, *intra alia*;
  - a) the activities of the Monitor as set out in this Fifth Report;
  - b) Approving the Company's request for an amendment to the May 7 Order;
  - c) Approving the expedited SISP; and
  - d) Increasing the limit under the DIP Facility from \$5,350,000 to \$6,000,000.

Dated the 11th day of May, 2012.

**RESPECTFULLY SUBMITTED,**



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**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**

**Fourth Report of the Monitor, dated May 7, 2012**



**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

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**May 7, 2012**

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## APPENDICIES

APPENDIX "A" –	Third Report of the Monitor, dated May 3, 2012
APPENDIX "B" –	Cash Flow Variance Analysis as at May 4, 2012
APPENDIX "C" –	May 7 Revised Forecast
APPENDIX "D" –	DIP Lender's Letter to the Company dated May 7, 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 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 SISP;
  - 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

#### Cash flow variance analysis

For the period March 23 to May 4, 2012

CDN\$ (000's)

	Forecast	Actual	Variance	
			Favourable / (Unfavourable)	
			(\$)	(%)
<b>RECEIPTS</b>				
New AR Collections	56	61	5	9%
SRED Recovery	-	-	-	0%
HST Recovery	479	479	0	0%
Other Receipts	-	46	46	100%
<b>TOTAL RECEIPTS</b>	<b>535</b>	<b>586</b>	<b>51</b>	<b>10%</b>
<b>DISBURSEMENTS</b>				
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%)
<b>TOTAL DISBURSEMENTS</b>	<b>4,682</b>	<b>4,577</b>	<b>105</b>	<b>2%</b>
<b>NET CASH FLOW</b>	<b>(4,146)</b>	<b>(3,991)</b>	<b>155</b>	<b>4%</b>
<b>BEGINNING CASH</b>	<b>61</b>	<b>155</b>	<b>93</b>	<b>153%</b>
DIP Draw / (Repayment)	4,370	4,165	(205)	(5%)
<b>CLOSING CASH BALANCE</b>	<b>285</b>	<b>329</b>	<b>44</b>	<b>15%</b>
Accrued Payroll		(245)		
<b>Net Cash Balance</b>		<b>83</b>		
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,**



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**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

### PCAS Sales and Investor Search Process Summary



## **PCAS Sales and Investor Search Process (“SISP”) Summary**

### **Defined Terms**

1. All capitalized terms used but not otherwise defined herein have the meaning given to them in the Order granted by the Ontario Superior Court of Justice (the “**Court**”) on March 23, 2012 (the “**Initial Order**”) in respect of the Applicants proceedings commenced under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”).

### **SISP Procedures**

2. The SISP Procedures set forth herein describe, among other things, the Applicants’ Property available for sale and the opportunity for an investment in the Applicants’ business, the manner in which the prospective bidder may gain access to or continue to have access to due diligence materials, the manner in which bidders and bids become Qualified Bidders (as defined below) and Qualified Bids (as defined below), respectively, the receipt and negotiations of bids received, the ultimate selection of a Successful Bidder (as defined below) and the Court’s approval thereof.
3. The Applicants, with the assistance of the Monitor (the “**SISP Team**”), will compile a listing of prospective purchasers and investors. The SISP Team will make best efforts to contact all parties identified in the list as well as any additional parties that the SISP Team believes could be a potential strategic or financial purchaser or investor.
4. The Applicants, with the assistance and support of the Monitor (who will also monitor the process), will conduct a sale and investor solicitation process whereby prospective

purchasers and investors will have the opportunity to submit a bid for the Applicants' Property or make an investment in the Applicants.

5. As soon as possible, the SISP Team will distribute to prospective purchasers and investors a solicitation letter summarizing the acquisition and/or investment opportunity (the "**Teaser**"). The Teaser will include a form of confidentiality agreement ("**CA**") that prospective purchasers and investors will be required to sign in order to gain access to confidential information and to perform due diligence. Those parties who have already executed a confidentiality agreement with the Applicants (also a "**CA**" for the purposes hereof) may not be required to execute a new confidentiality agreement.
6. In order for a prospective bidder to sign a CA and participate in the SISP, the Applicants and the Monitor must receive the following from such prospective bidder:
  - (a) information sufficient, in the Applicant's discretion and in consultation with the Monitor, to identify the prospective bidder and to prove that the prospective bidder has the financial ability to become a Qualified Bidder;
  - (b) representations and warranties that the prospective bidder is not acting as a broker, agent or other representative of any other person in connection with the transaction, and is considering the transaction only for its own account unless the Applicant, in consultation with the Monitor, expressly waives this requirement in writing.
7. The Applicants will update the existing confidential business plan (the "**Business Plan**") to be made available to prospective purchasers and investors that execute a CA. The Business Plan will provide an overview of the Applicants' business, assets and prospects.

8. Prospective purchasers and investors that have executed a CA will be provided with an opportunity to review financial and other information in the Applicants' online data room and will also be provided with an opportunity to meet with senior management and members of the board of directors of the Applicants and such other parties as the Applicants may arrange.
9. The sale of the Applicants' Property or the investment in the Applicants will be made on an "as is, where is" basis without surviving representations or warranties of any kind, nature, or description by the Monitor or the Applicants, except to the extent set forth in the definitive sale or investment agreement with a Successful Bidder.

#### **Stalking Horse Bid**

10. The Applicants have agreed with the DIP Lender that the DIP Lender shall submit a stalking horse bid for the purchase of substantially all of the property, assets and undertaking of the Applicants on an "as is, where is" basis (the "**Stalking Horse Bid**"). The Stalking Horse Bid will allow the DIP Lender to credit bid its debt in exchange for the purchase of the Applicants' Property. The Stalking Horse Bid will provide for a purchase price equal to the amount of outstanding secured liabilities owing by the Applicants to the DIP Lender (being the principal amount of the DIP Loan advances and all interest and all reasonable fees and expenses to the closing) plus the assumption of all senior secured indebtedness of the Applicants (the "**Secured Indebtedness**"), estimated to be approximately CDN\$[7.9] million. The purchase price contained in the Stalking Horse Bid will be satisfied by the release of the liabilities owed to the DIP Lender by the Applicants plus the value of the assumed senior secured indebtedness. The Stalking

Horse Bid shall not be permitted to be in an amount in excess of the Secured Indebtedness.

### **Bidding Procedures**

11. The bidding procedures are as follows (the “**Bidding Procedures**”):

- (a) all bids for purchase and/or investment must be submitted in writing to the Monitor and received no later than noon (Toronto time) on May 24, 2012 (the “**Bid Deadline**”);
- (b) each potential bidder must submit, before the Bid Deadline, a bid including the identification of the bidder, evidence of corporate authority and proof of its financial ability to perform to the satisfaction of the Applicants and the Monitor;
- (c) a bid should, among other things, be in the form of a binding offer capable of acceptance, irrevocable until one day after closing of the Successful Bid (as defined below), and must contemplate a purchase price (in the case of a sale bid), or an amount available for stakeholders (in the case of an investment bid) of greater than the Secured Indebtedness (being the estimated purchase price of the Stalking Horse Bid including fees and excluding the amount of any other assumed liabilities) in cash or other consideration acceptable to the DIP Lender and be accompanied by a refundable cash deposit in the form of a wire transfer (to a bank account specified by the Monitor) or such other form of deposit as is acceptable to the Monitor, payable to the order of the Monitor, in trust (the “**Deposit**”), in an amount equal to the greater of 10% of the purchase price or investment contemplated therein or CDN\$790,000 (each bid submitted in accordance with

these bidding procedures a “**Qualified Bid**” and each such bidder a “**Qualified Bidder**”).

- (d) if no Qualified Bids are received, the Stalking Horse Bid shall be deemed to be a Qualified Bid and the Successful Bid and the Applicants and the DIP Lender shall proceed to consummate the transaction contemplated thereby, subject to finalization of documentation and the Court’s approval thereof.

### **Qualified Bids**

12. A bid will be considered a Qualified Bid only if (i) it is submitted by a Qualified Bidder on or before the Bid Deadline or it is the Stalking Horse Bid, and (ii) the bid (for the avoidance of doubt, including a Stalking Horse Bid) complies with, among other things, the following requirements:
  - (a) it includes a letter stating that the bidder’s offer is irrevocable until the business day after the closing of the Successful Bid;
  - (b) it includes (if not the Stalking Horse Bid) written evidence of a firm, irrevocable commitment for financing, or other evidence of ability to consummate the proposed transaction, that will allow the Applicants, in consultation with the Monitor, to make a reasonable determination as to the Qualified Bidder’s financial and other capabilities to consummate the transaction contemplated by its bid;
  - (c) in respect of a purchase of the Applicants’ Property, it includes a reasonably detailed listing and description of the property to be included in the sale and in the case of an investment in the Applicants’ business, it includes a reasonably

detailed listing and description of any of the Applicants' Property to be divested or disclaimed prior to closing;

- (d) it includes details of the proposed number of employees of the Applicants who will become employees of the bidder (in the case of a purchase of the Applicants' Property) or shall remain as employees of the Applicants (in the case of an investment in the Applicants' business) and, in each case, provisions setting out the terms and conditions of employment for continuing employees;
- (e) it includes details of any liabilities to be assumed by the Qualified Bidder;
- (f) it is not conditional upon, among other things:
  - (i) the outcome of unperformed due diligence by the Qualified Bidder; or
  - (ii) obtaining financing;
- (g) it fully discloses the identity of each person or entity that will be sponsoring or participating in the bid, and the complete terms of such participation;
- (h) it outlines any anticipated regulatory and other approvals required to close the transaction and the anticipated time frame and any anticipated impediments for obtaining any such approvals;
- (i) it identifies with particularity the contracts and leases the bidder wishes to assume and reject, contains full details of the bidder's proposal for the treatment of related cure costs (and provides adequate assurance of future performance thereunder); and it identifies with particularity any executory contract or unexpired lease the assumption and assignment of which is a condition to closing;
- (j) it provides a timeline to closing with critical milestones;

- (k) it contains other information reasonably requested by the Applicants, in consultation with the Monitor;
- (l) in the case of a purchase of the Applicants' Property, it includes the following: an acknowledgement and representation that the bidder: (a) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the assets to be acquired and liabilities to be assumed in making its bid; and (b) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the assets to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, except as expressly stated in the purchase and sale agreement; and
- (m) in the case of an investment in the Applicants' business, it includes an acknowledgement and representation that the bidder: (a) has relied solely upon its own independent review, investigation and/or inspection of any documents in making its bid; and (b) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the business of the Applicants or the completeness of any information provided in connection therewith, except as expressly stated in the investment agreement.

13. The Applicants, with the consent of the Monitor, may waive compliance with any one or more of the requirements specified herein (except the requirement contained herein with respect to the purchase price, in the case of a purchase of the Applicants' Property, or an amount available for stakeholders, in the case of an investment in the Applicants'

business, being in an amount greater than the Secured Indebtedness) and deem such non-compliant bids to be Qualified Bids.

14. A Qualified Bid may, in lieu of providing for the repayment of the amount owing to the DIP Lender in cash, provide the DIP Lender with the option (which the DIP Lender would then be entitled to flow through to the persons who have lent money to the DIP Lender in order to participate in the provision of the DIP Loan to the Applicants) to accept equity in the bidder or other consideration acceptable to the DIP Lender in full or partial satisfaction of the amount owing to the DIP Lender.

#### **Post-Bidding Procedures**

15. If one or more Qualified Bids other than the Stalking Horse Bid are received in accordance with the Bidding Procedures, the Applicants, in consultation with the Monitor, may choose to:
  - (a) accept one Qualified Bid (the “**Successful Bid**” and the Qualified Bidder making the Successful Bid being the “**Successful Bidder**”) and take such steps as are necessary to finalize and complete an agreement for the Successful Bid with the selected bidder; or
  - (b) continue negotiations with a selected number of Qualified Bidders (collectively, “**Selected Bidders**”) with a view to finalizing an agreement with one of the Selected Bidders.
16. The Applicants shall be under no obligation to accept the highest or best offer and the selection of the Selected Bids and the Successful Bid shall be entirely in the discretion of the Applicants, after consultation with the Monitor.



## Other Terms

17. All Deposits will be retained by the Monitor and invested in an interest bearing trust account. If there is a Successful Bid, the Deposit (plus accrued interest) paid by the Successful Bidder whose bid is approved by the Court will be applied to the purchase price to be paid or investment amount to be made by the Successful Bidder upon closing of the approved transaction and will be non-refundable. The Deposits (plus applicable interest) of Qualified Bidders not selected as the Successful Bidder will be returned to such bidders within 5 Business Days of the date upon which the Successful Bid is approved by the Court. If there is no Successful Bid, subject to the following paragraph, all Deposits (plus applicable interest) will be returned to the bidders within 5 Business Days of the date upon which the SISP is terminated in accordance with these procedures.
18. If a Successful Bidder breaches its obligations under the terms of the SISP, its Deposit shall be forfeited as liquidated damages and not as a penalty.
19. The Applicants will apply to the Court (the “**Approval Motion**”) for an order approving the Successful Bid and authorizing the Applicants to enter into any and all necessary agreements with respect to the Successful Bid and to undertake such other actions as may be necessary or appropriate to give effect to the Successful Bid.
20. The Approval Motion will be held on a date to be scheduled by the Court upon application by the Applicants. The Approval Motion may be adjourned or rescheduled by the Applicants or the Monitor without further notice by an announcement of the adjourned date at the Approval Motion.

21. All Qualified Bids (other than the Successful Bid) will be deemed rejected on the date of approval of the Successful Bid by the Court.
22. For the avoidance of doubt, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by the CCAA or any other statute or as otherwise required at law in order to implement a Successful Bid.
23. There will be no amendments to this SISP without the consent of the Applicants and the Monitor or, in the absence of such consent, the approval of the Court.
24. This SISP does not, and will not be interpreted to, create any contractual or other legal relationship between the Applicants and any bidder, other than as specifically set forth in a definitive agreement that any such bidder may enter into with the Applicants. At any time during the SISP, the Monitor may, upon reasonable prior notice to the Applicants and the DIP Lender, apply to the Court for advice and directions with respect to the discharge of its power and duties hereunder.

## APPENDIX C

### Teaser Letter

# ACQUISITION OR INVESTMENT OPPORTUNITY

## Revolutionary automated pharmacy dispensing platform

### Company Overview

- PCAS Patient Care Automation Services Inc. ("PharmaTrust" or the "Company"), is a healthcare technology company that has developed and is commercializing a unique, automated pharmacy dispensing platform.
- Established in 2006 and headquartered in Oakville, Ontario, the Company's principal technology and product is The PharmaTrust MedCentre™, a pharmacist-controlled, customer interactive, prescription dispensing system akin from a patients perspective to a "pharmacy-in-a-box" or prescription ATM.
- The Company believes that The PharmaTrust MedCentre™ is currently the only commercial, scalable, platform-enabled and fully-automated remote dispensing solution for pharmaceuticals available today.
- PharmaTrust has invested over \$67 million to date in developing The PharmaTrust MedCentre™ and ensuring enterprise ready capability. The Company has successfully deployed 16 trial MedCentres™ in Canadian hospital and clinical settings and completed initial testing with a large US retail pharmacy chain.
- As a result of the large investment in building the technology and security platform, combined with the inability to raise suitable additional capital to complete the commercialization of The PharmaTrust MedCentre™ in line with PharmaTrust's original plan, the Company obtained a stay of proceedings under the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the "CCAA") in order to enable it to restructure its business. PricewaterhouseCoopers Inc. was appointed as monitor ("the Monitor") under the CCAA.
- Interested parties are being provided with an opportunity to participate in a sale and investor solicitation process.



### Investment / Acquisition Highlights

- ✓ **Field-tested and customer-validated technology with first-mover advantage**
  - Technological leadership positions the Company to be the first-mover in attracting strategic partners and securing significant market share of key high-traffic sites across target markets.
  - First-mover advantage secured by 29 apparatus and business method patents pending, covering PharmaTrust's key global target markets and relating to The PharmaTrust MedCentre™, supporting infrastructure and complimentary products.
  - Product specifications or plans in place for a number of complimentary technologies including a home based compliance technology (MedHome™).
  - In April 2012, the Company commissioned a detailed review by industry-leading technology experts which validated PharmaTrust's core technology and its potential.
- ✓ **Opportunity to capitalize on current healthcare and demographic trends**
  - Ageing population and increasingly complex health conditions are driving demand for drug therapies and healthcare services.
  - Patients are playing a more active role in personal healthcare decisions as a means of controlling costs and increasing convenience.
  - Governments and private payors are seeking innovative ways to contain escalating healthcare costs.
  - The technology enables real-time data collection and connection with payors and providers to help manage and coordinate accountable healthcare programs.

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## **ACQUISITION OR INVESTMENT OPPORTUNITY**

Revolutionary automated pharmacy dispensing platform

### **Investment/Acquisition Highlights**

- ✓ **Unique value proposition and attractive economics for clients**
  - The PharmaTrust MedCentre™ provides a low cost system to enhance efficiencies and profitability of existing pharmacies in addition to providing convenient access to customers 24/7.
  - The PharmaTrust MedCentre™ can be placed in any location as a means to attract customers or provide convenience to consumers that results in an additional revenue source for the host.
  - The PharmaTrust MedCentre™ infrastructure provides a fully integrated networked pharmacy system allowing high volume call centre type economics to be applied to dispensing. Further, the enterprise system has integration capabilities to both existing pharmacy management systems and patient electronic medical records.
- ✓ **Regulatory trends support PharmaTrust's business model**
  - Remote dispensing of prescriptions is now legal in the Province of Ontario, while British Columbia, Manitoba and Saskatchewan all have approvals pending.
  - States of Illinois, Missouri, Wisconsin, North Dakota, Iowa, Montana and Oregon have approved remote dispensing in remote areas or specific venues with seven additional state approvals expected in 2012.
- ✓ **Significant market potential with global application**
  - Market for prescription medicines is forecast to grow globally at a compound annual growth rate of 6.2%.
  - While the Company remains focused on core markets in Canada and the US, PharmaTrust has received international inquiries from the UK, Singapore, The Netherlands, Philippines, Saudi Arabia and China, amongst others.
  - Global emerging markets offer a significant growth opportunity due to the potential for remote dispensing technology to provide an alternative route to building widespread pharmacy infrastructure.
- ✓ **Considerable progress to date with large retail US pharmacy chain**
  - Successful product testing over six months has resulted in clearance for proof of concept trials with national US pharmacy and drug store chain.
  - Following satisfactory completion of proof of concept, indicative agreement reached for scale trial with prospect for national roll out.
  - Potential national contract with this customer could represent approximately 60% of national deployments from 2012-15.
- ✓ **Attractive financial model with strong revenue and deployment visibility**
  - Revenue driven by multiple sources including recurring licensing revenue, product sales and upgrades.



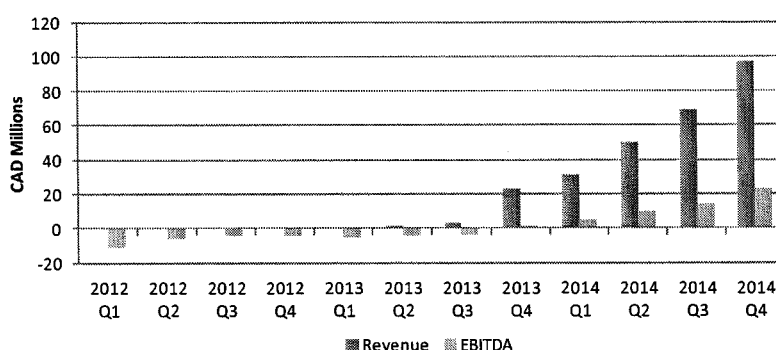
## ACQUISITION OR INVESTMENT OPPORTUNITY

### Revolutionary automated pharmacy dispensing platform

#### Financial Highlights

- Financial projections for the forecast period 2012 to 2014 represent Management's estimates and judgments about The PharmaTrust MedCentre™ deployments and unit and contract economics.
- While the Company has successfully completed test trials, additional investment will be required to complete the technology and bring The PharmaTrust MedCentre™ to commercialization.
- Based on an updated strategic plan prepared in conjunction with independent technology experts, the Company is projecting revenue growth from \$0.6 million in 2012 to \$247 million in 2014, with positive EBITDA in 2014 of \$50.4 million, based on the existence of a large enterprise client making significant orders in 2013.

Quarterly Forecast Revenue and EBITDA 2012 to 2014



#### Sales Process

- On May 7, the Ontario Superior Court of Justice appointed PricewaterhouseCoopers Corporate Finance Inc. as the financial advisor to the Monitor to advise and assist the Company with a sales and investor solicitation process.
- The Company is seeking interested parties to invest in or acquire the business or assets of PharmaTrust under a Court approved sales process. The bid deadline is on May 24, 2012.**
- More detailed information will be available to those who execute a Confidentiality Agreement. To obtain a Confidentiality Agreement, or to discuss specific questions regarding this opportunity, please contact the Company or PwCCF.

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**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

**FIFTH REPORT OF  
PRICEWATERHOUSECOOPERS INC. IN ITS  
CAPACITY AS COURT APPOINTED  
MONITOR OF PCAS PATIENT CARE  
AUTOMATION SERVICES INC. AND 2163279  
ONTARIO INC. DATED MAY 11, 2012**

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