

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

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

**MOTION RECORD
(returnable May 28, 2012)**

Date: May 27, 2012

AIRD & BERLIS LLP

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Lawyers for the Applicants

INDEX

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TABLE OF CONTENTS

	TAB NO.
Notice of Motion	1
Draft Order	2
Affidavit of Kym Anthony sworn May 27, 2012	3
Exhibit "A" – May 14 Order	A
Exhibit "B" – Notice to PCAS Shareholders	B
Exhibit "C" – Updated Cash Flows	C

TAB 1

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
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**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
PCAS PATIENT CARE AUTOMATION SERVICES INC.
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**APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**NOTICE OF MOTION
(returnable May 28, 2012)**

PCAS Patient Care Automation Services Inc. ("**PCAS**") and 2163279 Ontario Inc., doing business as Touchpoint ("**Touchpoint**" and, together with PCAS, the "**Applicants**") will make a motion to the Honourable Mr. Justice Brown on May 28, 2012 at **4:45 p.m.** or as soon after that time as the motion can be heard, at **Courtroom 804, 393 University Avenue**, Toronto, Ontario.

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

1. **THE MOTION IS FOR** an Order, among other things:
 - (a) abridging the time for service and filing of this notice of motion and the motion record and dispensing with further service thereof;
 - (b) approving the Sixth Report (the "**Sixth Report**") of PricewaterhouseCoopers Inc. ("**PwC**"), in its capacity as the Court-appointed monitor of the Applicants (in such capacity, the "**Monitor**") and approving the actions of the Monitor described therein;

- (c) extending the Stay Period (as defined in the Initial Order of the Honourable Mr. Justice Morawetz granted on March 23, 2012 in these proceedings (the “**Initial Order**”)) to June 6, 2012; and
- (d) such further and other relief as counsel may advise and this Honourable Court may permit.

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

- (a) on March 23, 2012, the Applicants made an application under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”) seeking court protection from their creditors, which was granted pursuant to the Initial Order;
- (b) pursuant to paragraph 3 of the Order of the Honourable Mr. Justice Brown made May 7, 2012 (the “**May 7 Order**”), the Stay Period was extended to May 28, 2012;
- (c) pursuant to the Initial Order, as amended by the May 7 Order, the Applicants were authorized and empowered to obtain and borrow under a credit facility (the “**DIP Facility**”) from 2320714 Ontario Inc. (the “**DIP Lender**”);
- (d) pursuant the Order of the Honourable Mr. Justice Brown made May 14, 2012 (the “**May 14 Order**”), a sale and investor solicitation process (the “**SISP**”) was approved;
- (e) the Applicants, with the assistance of the Monitor and PricewaterhouseCoopers Corporate Finance Inc., have conducted the SISP, and have selected a Qualified Bid to be the Successful Bid (as such terms are defined in the SISP);
- (f) the DIP Lender has approved of the Successful Bid and agrees that it is superior to the Stalking Horse Bid (as such term is defined in the SISP);
- (g) an extension of the Stay Period until June 6, 2012 is necessary in order to allow the Applicants to give the Service List sufficient notice prior to return of a motion

for an order approving the Successful Bid and vesting the purchased assets in the Successful Bidder (the “**Approval and Vesting Order**”) and then to close the transaction contemplated by the Successful Bid by June 6, 2012;

- (h) the thirteen-week cash flow projection, produced in conjunction with the Monitor and attached as Exhibit “C” to the Affidavit of Kym Anthony, sworn May 27, 2012, projects that the Applicants will have sufficient funding (either from prior advances under the DIP Facility or from funding committed by the Successful Bidder) to operate in accordance with the Cash Flows until June 6, 2012;
- (i) based on the information available, creditors of the Applicants will not be materially prejudiced by an extension of the Stay Period until June 6, 2012;
- (j) the Applicants have acted, and continue to act, in good faith and with due diligence, and circumstances exist that make granting an extension of the Stay Period appropriate;
- (k) the Monitor supports the relief being sought by the Applicants;
- (l) neither the Applicants nor the Monitor are aware of any objections to the proposed relief sought herein;
- (m) the other grounds set out in the Sixth Report;
- (n) sections 11 and 11.02 of the CCAA and the inherent and equitable jurisdiction of this Honourable Court;
- (o) rules 1.04, 2.03, 3.02, 16.08 and 37 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended; and
- (p) such further and other grounds as counsel may advise and this Honourable Court may permit.

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

- (a) the Affidavit of Kym Anthony sworn May 27, 2012;
- (b) the Sixth Report; and
- (c) such further and other material as counsel may submit and this Honourable Court may permit.

Date: May 27, 2012

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Lawyers for the Applicants

TO: ATTACHED SERVICE LIST

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

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

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceedings commenced at Toronto

**NOTICE OF MOTION
(returnable May 28, 2012)**

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Lawyers for the Applicants

TAB 2

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.)	MONDAY, THE 28 th DAY
)	
JUSTICE BROWN)	OF MAY, 2012

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

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

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

ORDER

THIS MOTION, made by PCAS Patient Care Automation Services Inc. and 2163279 Ontario Inc., doing business as Touchpoint (collectively, the "**Applicants**"), for an order, *inter alia*: (a) approving the Sixth Report of PricewaterhouseCoopers Inc. ("**PwC**"), in its capacity as the Court-appointed monitor of the Applicants (in such capacity, the "**Monitor**") dated May 28, 2012, filed (the "**Sixth Report**"), and approving the actions of the Monitor described therein; and (b) extending the Stay Period (as defined in the Initial Order of the Honourable Mr. Justice Morawetz granted on March 23, 2012 in these proceedings (the "**Initial Order**")) to June 6, 2012, was heard this day at 393 University Avenue, Toronto, Ontario.

ON READING the affidavit of Kym Anthony, sworn May 27, 2012 (the "**May 27 Affidavit**") and the exhibits thereto, filed, and the Sixth Report, filed, and on hearing the submissions of counsel for the Applicants, counsel for the Monitor, counsel for the DIP Lender, counsel for Castcan Investments Inc., counsel for Royal Bank of Canada, counsel for DashRx, LLC _____ and no one appearing for any other person on

the service list, although duly served as appears from the affidavit of <*> sworn May 28, 2012, filed,

1. **THIS COURT ORDERS** that the time for service and filing of the notice of motion and the motion record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.
 2. **THIS COURT ORDERS** that the Sixth Report be and is hereby approved and the actions of the Monitor described therein be and are hereby approved.
 3. **THIS COURT ORDERS** that the Stay Period, as defined in paragraph 13 of the Initial Order, be and is hereby extended to and including June 6, 2012.
-

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
PCAS PATIENT CARE AUTOMATION SERVICES INC. AND 2163279 ONTARIO INC.
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Court File No. CV-12-9656-00CL

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

Proceedings commenced at Toronto

ORDER

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Lawyers for the Applicants

TAB 3

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

AFFIDAVIT OF KYM ANTHONY
(sworn May 27, 2012)

I, **KYM ANTHONY**, of the City of Toronto, in the Province of Ontario, **MAKE OATH
AND SAY AS FOLLOWS:**

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

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

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

- (b) extending the Stay Period (as defined in the Initial Order of the Honourable Mr. Justice Morawetz granted on March 23, 2012 in these proceedings (the “**Initial Order**”)) to June 6, 2012.

BACKGROUND

3. On March 23, 2012, the Applicants made an application under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) seeking court protection from their creditors, which protection was granted pursuant to the Initial Order.
4. Pursuant to the Initial Order, PricewaterhouseCoopers Inc. was appointed as CCAA Monitor (the “**Monitor**”).
5. Pursuant the Order of the Honourable Mr. Justice Brown made May 7, 2012 (the “**May 7 Order**”), the Stay Period (as defined in the Initial Order) was extended to May 28, 2012.
6. Pursuant to the Initial Order, as amended by the May 7 Order, the Applicants were authorized and empowered to obtain, and borrow under, a credit facility (the “**DIP Facility**”) from 2320714 Ontario Inc. (the “**DIP Lender**”) on the terms and subject to the conditions set forth in the Second Amended and Restated DIP Loan Agreement between the Applicants and the DIP Lender.
7. Pursuant the Order of the Honourable Mr. Justice Brown made May 14, 2012 (the “**May 14 Order**”), a sale and investor solicitation process (the “**SISP**”) was approved. A copy of the May 14 Order is attached as **Exhibit “A”** to this Affidavit.

THE SALE AND INVESTOR SOLICITATION PROCESS

8. The Applicants, with the assistance of the Monitor and PricewaterhouseCoopers Corporate Finance Inc., have conducted the SISP, and have selected a Qualified Bid to be the Successful Bid (as such terms are defined in the SISP). The DIP Lender has approved of the Successful Bid and agrees that it is superior to the Stalking Horse Bid (as such term is defined in the SISP). More details of the SISP will be provided in the Sixth Report, as well as in the Applicants’ material to be filed in support of a subsequent motion for an order (the “**Approval**”).

and Vesting Order") approving the Successful Bid and vesting the purchased assets in the Successful Bidder (as defined in the SISP).

9. The Successful Bid was submitted in the form of an asset purchase agreement (the **"Purchase Agreement"**). The Successful Bidder is DashRx, LLC, a Delaware limited liability corporation formed by a large, California-based investment fund (the **"Investment Manager"**) to purchase the assets of the Applicants (the **"Transaction"**). The Investment Manager has approximately US\$500 million in assets under management, almost exclusively in the health care and pharmaceutical sectors. We are advised by counsel to the Successful Bidder and the Investment Manager that the major U.S. retail pharmacy chain Walgreen Co. will be participating in the Successful Bid as a substantial investor in the Successful Bidder.

10. The Successful Bidder has remitted a cash deposit to the Monitor (the **"Deposit"**).

11. The material terms of the Purchase Agreement were settled the evening of Sunday, May 27, 2012, and it is expected that the Purchase Agreement will be finalized, executed and delivered by the Successful Bidder and the Applicants by May 29, 2012.

12. A communication was sent by email to the shareholders of PCAS the evening of Sunday, May 27, 2012, updating them on the status of the SISP. A copy of this shareholder notice is attached as **Exhibit "B"** to this Affidavit

THE STAY PERIOD

13. Because:

- (a) the Bid Deadline (as defined in the SISP) only passed at noon on Thursday, May 24, 2012;
- (b) it was deemed appropriate to conduct further communication and/or negotiation after the Bid Deadline in respect of a number of submitted bids; and
- (c) the material terms of the Successful Bid were only settled the evening of May 27, 2012,

the Applicants, the Monitor and the Successful Bidder all share the view that it would not give sufficient notice to Service List to seek approval of the Purchase Agreement on May 28, 2012. It is also a term of the Purchase Agreement that the Service List be given four days' notice of the motion for the required Approval and Vesting Order.

14. An extension of the Stay Period until June 6, 2012 is therefore necessary in order to allow the Applicants to give the Service List sufficient notice prior to return of the motion for the Approval and Vesting Order, and to close the Transaction by June 6, 2012. It is the Applicants' intention, should the Order in support of which this Affidavit is sworn be granted on May 28, 2012, to serve the Notice of Motion for the Approval and Vesting Order by May 30, 2012.

15. The Applicants' thirteen-week cash flow projections produced in conjunction with the Monitor (The "**Cash Flows**") project that the Applicants have sufficient funding of their own (from prior DIP Facility advances) to continue operating (including payment of all accrued wages) until May 30, 2012 (or through the morning of May 31, to be more precise). A copy the Cash Flows is attached as **Exhibit "C"** to this Affidavit.

16. The Successful Bid includes, among other things, a commitment by the Successful Bidder to fund the Applicants until closing of the Transaction ("**Closing**") by advancing up to \$250,000 to the extent strictly necessary as verified by the Monitor, without the ability to set this amount off against the purchase price and without any super priority charge against the Applicants' assets. The Successful Bidder has committed to advance this \$250,000 to the Monitor, in trust, by May 30, 2012, subject to agreeing on a budget with the Applicants (the "**Budget**"). The budget will be vetted by the Monitor and the Successful Bidder, PCAS and the Monitor have committed to work to complete the Budget by May 30, 2012.

17. The Successful Bidder has stated that it is able to close within two days of obtaining the Approval and Vesting Order, and the intention of the parties is, in any case, to "pre-close" the transaction to the maximum extent possible prior to the making of the Approval and Vesting Order. The Applicants therefore believe they have access to sufficient funds to operate in accordance with the Cash Flows (as may be modified by the Budget) until Closing.

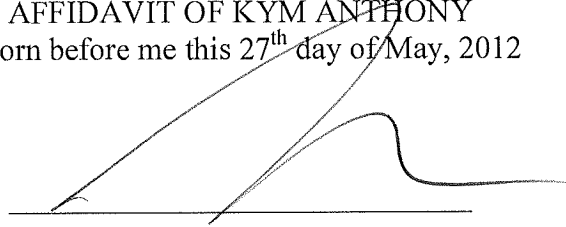
20. This Affidavit is sworn in support of the relief requested by the Applicants and for no other or improper purpose.

SAM BABE

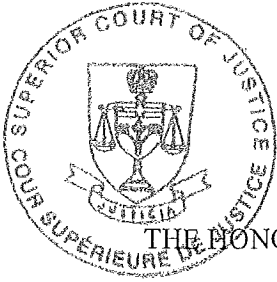
KYM ANTHONY

TAB A

Attached is Exhibit "A" Referred to in the
AFFIDAVIT OF KYM ANTHONY
Sworn before me this 27th day of May, 2012

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

Commissioner for taking Affidavits, etc



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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.
JUSTICE BROWN

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)
)

MONDAY, THE 14th DAY
OF MAY, 2012

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
PCAS PATIENT CARE AUTOMATION SERVICES INC.
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**APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

ORDER

THIS MOTION, made by PCAS Patient Care Automation Services Inc. and 2163279 Ontario Inc., doing business as Touchpoint (collectively, the "**Applicants**"), for an order, *inter alia*: (a) approving the Fifth Report of PricewaterhouseCoopers Inc. ("**PwC**"), in its capacity as the Court-appointed monitor of the Applicants (in such capacity, the "**Monitor**") dated May 11, 2012, filed (the "**Fifth Report**"), and approving the actions of the Monitor described therein; (b) increasing the amount the Applicants are currently authorized to borrow under the credit facility (the "**DIP Facility**") from 2320714 Ontario Inc. (the "**DIP Lender**") from \$5,350,000 to \$6,000,000; and (c) approving a sale and investor solicitation process (the "**SISP**"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Loreto Grimaldi, sworn May 11, 2012 (the "**May 11 Affidavit**"), filed, and the exhibits thereto and the Fifth Report, and on hearing the submissions of counsel for the Applicants, counsel for the Monitor, counsel for the DIP Lender, counsel for Castcan Investments Inc., counsel for Royal Bank of Canada _____ and no one appearing for any other person on the

service list, although duly served as appears from the affidavit of Eunice Baltkois sworn May 11, 2012, filed,

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

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

3. **THIS COURT ORDERS** that paragraph 31 of the Initial Order of the Honourable Mr. Justice Morawetz granted on March 23, 2012 in these proceedings (the "**Initial Order**") be and is hereby amended to provide as follows:

31. THIS COURT ORDERS that the Applicants are hereby authorized and empowered to obtain and borrow under a credit facility from 2320714 Ontario Inc. (the "DIP Lender") in order to finance the Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed the principal amount of \$6,000,000 unless permitted by further Order of this Court.

4. **THIS COURT ORDERS THIS COURT ORDERS** that SISP as described in the May 11 Affidavit and the Fifth Report, and as attached as **Schedule "A"** hereto is hereby approved.


5. **THIS COURT ORDERS** that the Applicants are hereby authorized and directed to take such steps as they consider necessary or desirable to carry out the SISP and any step taken by the Applicants in connection with the SISP prior to the date hereof is hereby approved and ratified.

6. **THIS COURT ORDERS** that the Monitor, to the extent it assists with the SISP, shall have no personal or corporate liability in connection with the SISP, including, without limitation:

- (a) by advertising the SISP, including, without limitation, the opportunity to acquire all or a portion of the assets, property and undertakings of the Applicants (the "**Property**") or invest by way of equity or debt in the businesses of the Applicants (the "**Business**");

- (b) by exposing the Property to any and all parties, including, but not limited to, those parties who have made their interests known to the Monitor;
- (c) by responding to any and all requests or inquiries in regards to due diligence conducted in respect of the Applicants or the Property;
- (d) through the disclosure of any and all information regarding the Applicants or the Property arising from, incidental to or in connection with the SISP;
- (e) pursuant to any and all offers received by the Applicants in accordance with the SISP; and
- (f) pursuant to any agreements entered into by any of the Applicants in respect of the sale of any of the Property or the investment in or financing of the Business.

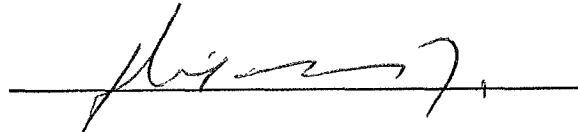
7. **THIS COURT ORDERS** that, in connection with the SISP and pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Applicants shall disclose personal information of identifiable individuals to prospective investors, financiers, purchasers or bidders and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more investment, finance or sale transactions (each, a "**Transaction**"). Each prospective investor, financier, purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Transaction, and if it does not complete a Transaction, shall: (i) return all such information to the Applicants; (ii) destroy all such information; or (iii) in the case of such information that is electronically stored, destroy all such information to the extent it is reasonably practical to do so. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Applicants, and shall return all other personal information to the Applicants or the Monitor, or ensure that all other personal information is destroyed.

 8. ~~**THIS COURT ORDERS** that Paragraph 5 of the Order of the Honourable Mr. Justice Brown made on May 7, 2012 in these proceedings (the "**May 7 Order**") be and is hereby amended to provide as follows:~~

P
~~5. THIS COURT ORDERS that the Monitor's powers pursuant to paragraph 23 of the Initial Order are hereby expanded to include the power to assist the Applicants in a sale and investor solicitation process.~~

P
~~9. THIS COURT ORDERS that Paragraph 6 of the May 7 Order be and is hereby deleted in its entirety.~~

8-8-10 **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may bring a motion to this Court to vary or amend this Order (provided that the beneficiary of any Charge shall be entitled to rely on the Charges up to and including the day on which such Charge or the priority granted to such Charge may be varied or amended), which motion must be returnable by no later than May 18, 2012 or such later date as the parties affected may agree, on not less than three (3) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.



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

MAY 14 2012

NB

SCHEDULE "A"

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 all senior secured indebtedness of the Applicants 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.

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

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

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
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Proceedings commenced at Toronto

ORDER

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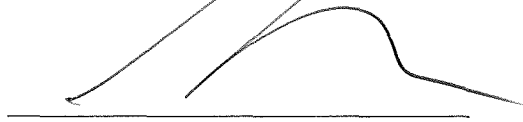
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Lawyers for the Applicants

TAB B

Attached is Exhibit "B" Referred to in the
AFFIDAVIT OF KYM ANTHONY
Sworn before me this 27th day of May, 2012

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

Commissioner for taking Affidavits, etc

27 May 2012

Dear Fellow PCAS Shareholder

This shareholder letter is to provide you with a further update on the process that our Company is going through as we seek to restructure and refinance the business under a Court approved CCAA process.

On Monday, 14th May, the Company and the Court appointed Monitors, appeared before Justice Brown of the Superior Court of Ontario to seek approval for an agreed Sales and Investment Solicitation Process (SISP), in accordance with the normal procedures for a company going through the CCAA.

The Court approved the proposed SISP as it had been agreed between the Company, the Court appointed Monitor, and legal counsel representing the various interested parties.

As the Company has comparatively little funding left available to it via the Debtor in Possession financing facility put in place to fund the CCAA process, the SISP approved by the Court is an extremely truncated process, with information being distributed to over 140 companies or people that have expressed an interest in the business or have been contacted in the past as potential investors/acquirers. We have received a significant number of expressions of interest in the business, and have provided numerous parties with access to information, including a number of interested shareholders or shareholder groups.

When potential bidders, to purchase or invest in the Company, came forward they were assessed to ensure that they are a credible bidder (against the Court's approved criteria that they must be able to demonstrate that they have adequate resources to bid at least enough to cover the amounts owed to all secured and priority creditors AND they must be in a position to make a meaningful cash deposit, which will be refunded to any unsuccessful bidders).

The deadline for bids to be received by the Company was noon on Thursday, 24 May.

The bids (including the stalking horse credit-bid by the DIP Lender) are being assessed by the Company and the Monitor and once this is done the Company will go to the Court at a hearing on Monday, 28 May to advise the Court of the selected bidder. Once the offer has been approved by the Court, will proceed to an expedited final negotiation and closing

The Monitor is appointed by the Court to ensure that everyone's interests are being adequately considered and there is fair process to all concerned, and work alongside your Board to ensure due process as well ensure the as maximum possible value is recovered for all concerned in light of the prevailing circumstances. All substantial decisions in relation to corporate activity, including all substantive areas of corporate governance, have been made in consultation with the Monitor.

We will advise you of the outcome of this process as soon as possible, and the Monitor will then manage the fair distribution of the proceeds in accordance with the legal process.

In the meantime the Company continues to operate to the best of its ability with the significantly reduced headcount, and has continued to meet the immediate requirements of our US customer. Our reduced pharmacy capability had meant that we have been withdrawing our deployed MedCenters from the market, and we are all extremely grateful to the team working on this, as we are to all our people who have been working extremely hard and displaying outstanding commitment, loyalty and professionalism under what have been extremely difficult circumstances.

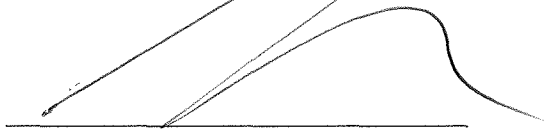
Yours faithfully

Kym Anthony
Chairman

Don Waugh
Vice Chairman

TAB C

Attached is Exhibit "C" Referred to in the
AFFIDAVIT OF KYM ANTHONY
Sworn before me this 27th day of May, 2012

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Commissioner for taking Affidavits, etc

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

Week ended	Notes	Week 1 23-Mar-12 Actual	Week 2 30-Apr-12 Actual	Week 3 06-May-12 Actual	Week 4 13-May-12 Actual	Week 5 20-May-12 Actual	Week 6 27-May-12 Actual	Week 7 03-Jun-12 Actual	Week 8 10-Jun-12 Actual	Week 9 17-Jun-12 Actual	Week 10 24-Jun-12 Actual	Week 11 01-Jul-12 Forecast	Week 12 08-Jul-12 Forecast	Week 13 15-Jul-12 Forecast	Total
Receipts															
3	New AR Collections	-	-	15,282	21,300	15,480	2,965	4,218	5,349	1,525	354	-	-	-	66,483
4	Other Receipts / (Refunds)	-	-	-	(285)	-	-	-	-	(77)	-	-	-	-	(382)
5	SRED Recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	HST Recovery	-	160,085	-	-	322,558	-	-	141,358	34,524	-	-	493,496	90,355	1,242,376
	Total Receipts	-	160,085	15,282	21,015	338,048	2,965	4,218	146,707	35,972	354	-	493,496	90,355	1,308,497
Disbursements															
7	Employee and contractor costs	-	825,483	979,477	30,937	581,555	346,647	266,029	297,016	205,496	124,024	185,123	136,000	368,800	4,346,597
8	Operating costs	-	-	-	12,257	1,587	7,459	23,614	12,509	98	325	35,030	-	32,500	125,389
9	Lease costs	-	-	100,672	4,473	4,596	4,596	116,177	-	-	-	16,293	23,753	175,453	441,418
10	SG&A	-	-	114,959	62,257	35,226	11,415	8,406	32,449	8,673	62,008	92,272	49,400	205,070	682,335
11	DIP Interest & fees	-	-	-	-	-	-	-	-	-	-	25,000	-	156,433	181,433
12	Principal payment	-	180,085	-	43,156	-	-	-	43,054	-	-	-	483,680	288,457	1,018,432
13	Professional Fees	-	200,000	116,476	92,712	30,097	24,896	159,200	85,687	120,614	122,018	147,375	132,375	115,000	1,346,451
14	HST Payments	-	-	15,251	17,234	7,081	12,250	37,194	17,699	11,165	14,347	26,315	21,999	54,352	235,087
	Total Disbursements	-	1,185,578	1,328,835	263,026	655,557	407,263	610,621	488,614	346,047	322,722	527,408	847,207	1,396,065	8,376,943
	Net cash flow	-	(1,025,493)	(1,311,553)	(242,011)	(317,509)	(404,298)	(606,403)	(341,907)	(310,075)	(322,968)	(527,408)	(353,711)	(1,305,710)	(7,068,446)
	Beginning Cash	61,129	2,861,129	1,835,636	524,083	282,072	779,563	925,264	328,862	336,955	611,880	539,512	12,104	341,607	1,800,000
	Change in Cash	-	(1,025,493)	(1,311,553)	(242,011)	(317,509)	(404,298)	(606,403)	(341,907)	(310,075)	(322,968)	(527,408)	(353,711)	(1,305,710)	(7,068,446)
15	DIP Draw / (Repayment)	2,861,129	-	-	-	815,000	550,000	10,000	350,000	585,000	250,000	-	-	-	5,360,000
	Total Ending Cash	2,861,129	1,835,636	524,083	282,072	779,563	925,264	328,862	336,955	611,880	539,512	12,104	(341,607)	(1,647,317)	(1,647,317)
	Cumulative Cash Invested	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Available Cash	2,861,129	1,835,636	524,083	282,072	779,563	925,264	328,862	336,955	611,880	539,512	12,104	(341,607)	(1,647,317)	(1,647,317)
	Additional DIP Required	-	-	-	300,000	-	-	-	-	-	-	100,000	500,000	1,800,000	1,800,000
	Accrued salaries	825,493	712,352	279,574	532,148	279,574	257,780	254,151	153,673	91,084	94,500	88,500	94,500	88,500	88,500
	Net position	2,035,636	1,123,284	244,509	(250,076)	498,989	667,484	74,711	183,282	520,796	445,012	(77,396)	(496,107)	(1,736,817)	(1,736,817)
	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 May 11 when all business activity will cease and 42 employees retained for the sales process.
- Sales are forecast to decline from the \$15k per week in April 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. Pharmacy services from all of the MedCentres will cease during the week of May 11 and there will be no income from the sale of drugs after the end of May.
- 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 for loans or factored to 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 factored to 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 know-how and integrity of the network and installed MedCentres. After May 11 the number of employees was reduced to 42 who were required for the sales process, maintain technical know-how and the relationship with the major potential customer of 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 \$360k will be paid - \$90k in May and \$270k in June.
- Operating costs include purchases of drug and packaging inventories in TouchPoint, start up costs for new MedCentres, data centre costs and communications links between head office and remote MedCentres. These MedCentres provide a proof of concept for potential new investors and customers. Purchases are assumed on cash on delivery terms.
- Lease costs include the rent for the monthly cost of the buildings occupied by PCAS, the equipment leases for specialist IT equipment and office printers, \$151k has been included to clear liens on 2440 WPD. In June the rent of the buildings occupied by PCAS is calculated and assumed to be paid on a daily basis.
- 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. A fee of \$25k will be paid for commission on raising \$500k of DIP funds in week ended May 25.
- Principal repayments of the RBC SRED loan is paid as the SRED recovery is made and the Castcan Investment loan is recovered as the SRED is recovered.
- Professional fees are assumed to be incurred for PCAS legal counsel at \$30k per week (increasing to \$40k / week if court appearance is needed) with a retainer of \$75k. The Monitor is assumed incur fees of \$30k per week 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 \$30k per week with a \$50k retainer. Additionally, other professional fee costs include \$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.

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(the "Applicants")

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

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COMMERCIAL LIST**

Proceedings commenced at Toronto

AFFIDAVIT OF KYM ANTHONY
(sworn May 27, 2012)

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Lawyers for the Applicants

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**MOTION RECORD
(Returnable May 28, 2012)**

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