

TAB 2

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 1484558 ONTARIO INC.,
TREKLOGIC INC., 4386396 CANADA INC., 4386370
CANADA INC. and PROTEC EMPLOYMENT
SERVICES LTD.

APPLICANTS

SEVENTH REPORT OF THE MONITOR

DATED APRIL 26, 2010

INTRODUCTION

1. By Order of this Honourable Court dated December 2, 2009 (the "**Initial Order**"), Brainhunter Inc. (the "**Company**"), Brainhunter Canada Inc., Brainhunter (Ottawa) Inc., Protec Employment Services Ltd., and TrekLogic Inc. (collectively, the "**Applicants**" or "**Brainhunter**"), obtained protection from their creditors pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). The CCAA proceeding with respect to the Applicants is referred to herein as the "**CCAA Proceeding**".
2. Pursuant to the Initial Order, Deloitte & Touche Inc. ("**Deloitte**") was appointed monitor of the Applicants as part of the CCAA Proceeding (the "**Monitor**"). A copy of the Initial Order is attached as Exhibit "A".
3. Pursuant to the Order of this Honourable Court dated December 11, 2009, the Initial Order was amended (as amended, "**First Amended and Restated Initial Order**") to address, among other things, the scope of the Directors' Indemnity referenced in paragraph 20 of the Initial Order, a reduction in the KERP payable to Mr. Raj Singh (the former President and CEO of the Company), the scope of the Contractor's Charge

referenced in paragraph 46 of the Initial Order and the creation of a charge in favour of the ad-hoc committee of noteholders (the “**Noteholders**”) in respect of reasonable legal costs and reasonable costs of any financial advisor retained by the committee. A copy of the First Amended and Restated Initial Order is attached as Exhibit “**B**”.

4. By Order of this Honourable Court dated February 1, 2010 (“**Zylog Approval and Vesting Order**”), the Agreement of Purchase and Sale between the Applicants, Vision2Hire Solutions Inc. and Brainhunter Recruiting (India) Private Limited (collectively, the “**Vendors**”) and Zylog as Purchasers dated as of January 18, 2010 (the “**Zylog APA**”) was approved and the Purchased Assets (as defined in the Zylog APA) were vested in and to Zylog upon Closing of the transaction under the Zylog APA. A copy of the Zylog Approval and Vesting Order is attached as Exhibit “**C**”.
5. In accordance with the Zylog Approval and Vesting Order, the Applicants changed their names following closing of the transaction under the Zylog APA as follows:
 - (a) Brainhunter Inc. changed to 1484558 Ontario Inc.;
 - (b) Brainhunter Canada Inc. changed to 4386396 Canada Inc.; and
 - (c) Brainhunter (Ottawa) Inc. changed to 4386370 Canada Inc.

Also in accordance with the Zylog Approval and Vesting Order, the style of cause in this proceeding was amended to reflect the foregoing name changes.

6. By Order of this Honourable Court dated February 11, 2010 (the “**Distribution Order**”), this Honourable Court directed that certain of the proceeds of sale under the Zylog APA be distributed to TD Bank, Roynat and counsel to the Noteholders in accordance with the Noteholders’ Advisor Charge. A copy of the Distribution Order is attached as Exhibit “**D**”.
7. The transaction under the Zylog APA was largely completed on February 17, 2010 (the “**Closing Date**”) and was finalized on February 18, 2010. Concurrent with closing of the Zylog APA, each of the officers and directors of the Applicants resigned their positions.

8. As a result of the resignation of the officers and directors, the Monitor sought to expand its powers and duties in order to finalize the estates of the Applicants. By Order of this Honourable Court dated February 26, 2010 (the "**Expansion of Powers Order**"), the Monitor was empowered to take certain administrative steps for and in the name of any of the Applicants including, without limitation, preparation of income tax returns and employee statements and records of employment. A copy of the Expansion of Powers Order is attached Exhibit "**E**".
9. Pursuant to the Expansion of Powers Order, each of the KERP Charge, the DIP Charge, the Existing TD Security Charge, the Contractors' Charge and the Noteholder's Advisor Charge (each as defined in the Amended and Restated Initial Order) was released and discharged. Also pursuant to the Expansion of Powers Order, the Stay Period was extended to and including April 30, 2010.
10. By Order of this Honourable Court dated March 29, 2010 ("**Crown Contracts Order**"), the Monitor was empowered to execute one or more agreements assigning to Zylog or such party as Zylog directs all of the right, title and interest of any of the Applicants in and to certain government contracts ("**Crown Contracts**"). A copy of the Crown Contracts Order is attached as Exhibit "**F**".
11. The Orders in this proceeding, together with related Court documents, the Pre-Filing Report of Deloitte in its capacity as Proposed Monitor of the Applicants dated December 1, 2009, all subsequent reports of the Monitor to the Court and the Notice to Creditors dated December 2, 2009 have been posted on the Monitor's website at www.deloitte.com/ca/brainhunter. The Monitor has also established a toll free number at 1-877-770-4554 for creditors and other interested parties to call with questions or concerns regarding the CCAA Proceeding.
12. The purpose of this report ("**Seventh Report**") is to provide this Honourable Court with the following information regarding the Monitor's motion to (i) extend the Stay Period; (ii) approve the professional fees and disbursements of the Monitor and its independent counsel Thornton Grout Finnigan LLP ("**TGF**") and authorize the Monitor to pay such fees and disbursements; (iii) approve the Monitor's Statement of Receipts and Disbursements for the period between February 18, 2010 and April 23, 2010 for each of

the Escrow Fund and the CCAA Fund (each as defined below); and (iv) approve this Seventh Report and the activities of the Monitor described herein:

- (a) Steps taken by the Monitor to finalize the estates of the Applicants in accordance with the Expansion of Powers Order;
- (b) A summary of the accounts rendered by the Monitor and TGF in this proceeding;
- (c) The Monitor's Statement of Receipts and Disbursements for each of the Escrow Fund and the CCAA Fund for the period between February 18, 2010 and April 23, 2010, including an updated Cash Flow Forecast for the period from April 24, 2010 to June 30, 2010;
- (d) Outstanding matters to be completed to finalize the estates of the Applicants within the CCAA Proceeding; and
- (e) The Monitor's conclusions and recommendations with respect to the relief sought.

13. Unless otherwise provided, capitalized terms not otherwise defined in this Seventh Report are as defined in the First Amended and Restated Initial Order or the Zylog APA.

TERMS OF REFERENCE

14. In preparing the Seventh Report and making the comments contained herein, Deloitte has been provided with and relied upon unaudited financial information, the Applicants' books and records, the financial information prepared by the Applicants and their advisors, and discussions with management of the Applicants. Deloitte has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the information and, accordingly, Deloitte expresses no opinion or other form of assurance on the information contained in the Seventh Report. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed. Future oriented financial information referred to or relied upon in the Seventh Report is based on management's assumptions regarding future events and conditions that are not ascertainable. Accordingly, actual results achieved will vary from this information, and the variations may be material.

15. Unless otherwise stated, all dollar amounts contained in the Seventh Report are expressed in Canadian dollars.

BACKGROUND

16. The Company is a Toronto-based corporation and was listed on the Toronto Stock Exchange with the ticker "BH." Brainhunter operated predominately in Toronto and Ottawa, Ontario, with limited affiliated operations in Hyderabad, India. By Order dated March 29, 2010 ("Cease Trade Order"), the Ontario Securities Commission directed that all trading in the securities of the Company, whether direct or indirect, shall cease until further order of the Director. A copy of the Cease Trade Order is attached as Exhibit "G".
17. Brainhunter provided temporary staffing and related services, primarily in respect of information technology and engineering jobs, to a wide variety of industries. The largest sector served by Brainhunter was the public sector.

MONITOR'S ACTIVITIES

The Monitor has undertaken the following activities in accordance with the terms of the Expansion of Powers Order and the Crown Contracts Order to finalize the estates of the Applicants:

- (a) prepared the Applicants' February 2010 statutory returns and employee-related remittances for the period prior to the Closing Date under the Zylog APA;
- (b) engaged the Applicants' former third party tax accountant to prepare the 2009 and 2010 income tax returns for each of the Applicants;
- (c) discontinued the monthly retainer by the Applicants of Breakwall Financial Corp. as Chief Restructuring Advisor of the Applicants in accordance with the terms of the Breakwall Agreement;
- (d) executed assignments of certain Crown Contracts to Zylog or as Zylog has directed for and in the name of certain of the Applicants;

- (e) paid to Zylog the balance of the retainers in the possession of each of the Monitor and TGF following application of such retainers against outstanding fees and disbursements as at the Closing Date;
 - (f) received and paid to Zylog an unused retainer in the amount of \$79,767 received from the former solicitors for the Company;
 - (g) facilitated the return of one photocopier to CBSC Capital Inc.;
 - (h) monitored and facilitated the transfer of funds to Zylog that continue to be deposited into the former bank accounts of the Applicants;
 - (i) reviewed the minute books of the Applicants' subsidiary corporations (which were not sold to Zylog under the Zylog APA) to verify that there were no additional assets of value; and
 - (j) responded to inquiries and claims from secured and other creditors including various former employees.
18. In accordance with the Zylog APA, on the Closing Date Zylog paid to the Monitor \$225,000 (the "Escrow Fund") which is held by the Monitor in escrow to satisfy any outstanding statutory priority claims in existence as at the Closing Date.
19. Attached as Exhibit "H" is the Statement of Receipts and Disbursements for the Escrow Fund for the period from February 18, 2010 to April 23, 2010.
20. Based upon the records of the Applicants made available to the Monitor, the Monitor is not aware of any claims against any of the Applicants arising from and after the date of the Initial Order, other than the contingent claim by Breakwall for indemnification under the Breakwall Agreement as described in the Monitor's Sixth Report to the Court and those claims described below.
21. The Monitor has received a claim from counsel to a former employee of the Company relating to unpaid vacation pay. The Monitor has investigated this issue with former employees from the Applicants' finance department and has determined that no vacation pay is outstanding and has so advised counsel to this former employee.

22. Another former employee of the Applicants has engaged counsel to enforce a settlement agreement relating to a claim by a former employee for wrongful dismissal. The Monitor was not aware of, and did not approve, the settlement purportedly reached between counsel. The Monitor has investigated this claim and has determined that the claim relates entirely to services rendered prior to the date of the Initial Order and, accordingly, should be treated as an unsecured claim. Although advised by the Monitor of its position on this claim, the former employee's counsel continues to dispute the Monitor's position.

SIOLINK SHARE CONVEYANCE

23. Based upon the records of the Applicants made available to the Monitor, the only remaining tangible Property of the Applicants consists of the Applicants' corporate records as well as the shares of Brainhunter U.K. Limited, Brainhunter.com Inc., Balanced Brain Initiatives Inc., Siolink Solutions Inc. ("Siolink") and Brainhunter Recruiting (India) Private Limited. As set out in the Sixth Report, the Monitor does not ascribe any value to the foregoing Property.
24. According to the corporate records maintained by Harris + Harris LLP, the former solicitors for the Company, the Company is the registered and beneficial owner of 62,500 issued Class B Shares (the "Siolink Shares") of Siolink. The principal of Siolink (the "Siolink Purchaser"), who holds the balance of the issued and outstanding shares of Siolink (100,000 Class A Shares), has advised the Monitor that he wishes to acquire control of the Siolink Shares held by the Company. This will eliminate governance issues which will in future arise for Siolink given that all of the Company's officers and directors have resigned.
25. Since the Monitor ascribes no value to the Siolink Shares, the Monitor is agreeable to the foregoing request provided that it does not result in any additional cost to the estate of the Company. Accordingly, the Monitor recommends that it be authorized to convey the Siolink Shares to the Siolink Purchaser for nominal consideration in accordance with the Bill of Sale attached as Exhibit "I".

PROFESSIONAL FEES

26. The Monitor and TGF have maintained detailed records of their professional time and costs since the issuance of the Initial Order. Pursuant to paragraph 30 of the Initial Order, the Monitor and TGF were directed to pass their accounts from time to time before this Honourable Court.
27. The total fees of the Monitor during the period from December 2, 2009 to March 31, 2010 amount to \$646,665.00, together with expenses and disbursements in the sum of \$39,293.65 and goods and services tax ("GST") in the amount of \$34,297.94, totalling \$720,256.59 (the "Monitor Fees"). The time spent by the Monitor is more particularly described in the Affidavit of Paul Casey of Deloitte & Touche Inc., sworn April 23, 2010 (the "Casey Affidavit"), sworn in support hereof and attached hereto as Exhibit "J".
28. The total legal fees incurred by the Monitor during the period December 2, 2009 to March 31, 2010 for services provided by TGF as the Monitor's independent legal counsel amount to \$287,564.85, together with disbursements in the sum of \$13,323.79 and GST in the amount of \$14,934.29, totalling \$315,822.93. The time spent by TGF personnel is more particularly described in the Affidavit of Grant Moffat, a partner of TGF, sworn April 23, 2010 (the "Moffat Affidavit") sworn in support hereof and attached hereto as Exhibit "K".
29. In accordance with the terms of the Zylog APA, Zylog paid to the Monitor \$250,000 on the Closing Date (the "CCAA Fund") to fund any post-closing fees and expenses in connection with administration of the Applicants' estates.
30. In accordance with the terms of paragraph 29 of the Initial Order, all invoices rendered by the Monitor and TGF to the Closing Date have been paid by the Applicants. The Monitor has periodically paid fees and disbursements incurred by the Monitor and TGF after the Closing Date from the CCAA Fund, subject to approval of such accounts by this Honourable Court.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

31. Attached as Exhibit "L" is the Statement of Receipts and Disbursements for the CCAA Fund the period from February 18, 2010 to April 23, 2010, including an updated Cash

Flow Forecast for the period from April 24, 2010 to June 30, 2010. The Monitor forecasts that the CCAA Fund will be sufficient to fund steps necessary to finalize the estates of the Applicants.

STAY EXTENSION

32. In the Sixth Report, the Monitor estimated that it would require until April 30, 2010 to finalize the estates of the Applicants. The Monitor has now determined that will be unable to complete the administration of the Applicants' estates by April 30, 2010. The third party tax accountant who is preparing the final tax returns for the Applicants has advised the Monitor that it will be unable to complete such returns by April 30, 2010. In addition, the Monitor anticipates that the final audits in respect of GST, QST and WSIB premiums payable by the Applicants will not be completed prior to April 30, 2010. Finally, the Monitor is not in a position to file certain WSIB returns until such time as it is in receipt of the final T4 forms for the Applicants. Based on information currently available to the Monitor, the Monitor expects that it should be in a position to finalize the estates of the Applicants by June 30, 2010.
33. The Monitor therefore requests that the Court approve an extension of the Stay Period from April 30, 2010 to June 30, 2010 to permit the Monitor to finalize of the estates of the Applicants.

MONITOR'S CONCLUSION AND RECOMMENDATIONS

34. For the reasons set out above, the Monitor recommends that:
- (a) the activities of the Monitor as described in the Seventh report be approved;
 - (b) the Stay Period be extended to June 30, 2010;
 - (c) the assignment of the Siolink Shares to the Siolink Purchaser be approved;
 - (d) the professional fees and disbursements of the Monitor and TGF be approved and the Monitor be authorized to pay all such fees and disbursements; and
 - (e) the Monitor's Statement of Receipts and Disbursements for each of the Escrow Fund and the CCAA Fund for the period February 18, 2010 to April 23, 2010, including the updated Cash Flow Forecast, be approved.

All of which is respectfully submitted at Toronto, Ontario this 26th day of April, 2010.

DELOITTE & TOUCHE INC.
in its capacity as Monitor
of 1484558 Ontario Inc. (formerly
Brainhunter Inc.) and the other Applicants

Per: P. Casey
Paul M. Casey, CA-CRP
Senior Vice-President