

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

TENTH REPORT OF THE MONITOR
DATED DECEMBER 17, 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 16, 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 as 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 April 30, 2010.
10. By Orders of this Honourable Court dated April 29, June 29 and August 27, 2010 (the “**Stay Extension Orders**”), the Stay Period was extended to and including June 30, August 31 and December 31, 2010 respectively. Copies of the Stay Extension Orders are attached as Exhibits “F”, “G” and “H”.
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.
12. The purpose of this report (“**Tenth Report**”) is to provide this Honourable Court with the following information regarding the Monitor’s motion to (i) extend the Stay Period to April 30, 2011; (ii) approve the professional fees and disbursements of the Monitor for the period July 1, 2010 to November 26, 2010 and its independent counsel Thornton Grout Finnigan LLP (“TGF”) for the period from August 1, 2010 to November 30, 2010; (iii) approve the Monitor’s Statement of Receipts and Disbursements for the CCAA Fund and the Escrow Fund (each as defined below) for the period from August 24, 2010 to December 15, 2010; and (iv) approve this Tenth Report and the activities of the Monitor, including:

- (i) Steps taken by the Monitor to finalize the estates of the Applicants;
 - (ii) The accounts rendered by the Monitor and TGF in this proceeding;
 - (iii) The Monitor's Statement of Receipts and Disbursements for the CCAA Fund and the Escrow Fund for the period from August 24, 2010 to December 15, 2010;
 - (iv) Outstanding matters to be completed to finalize the estates of the Applicants within the CCAA Proceeding; and
 - (v) The Monitor's recommendations with respect to the relief sought.
13. Unless otherwise provided, capitalized terms not otherwise defined in this Tenth Report are as defined in the First Amended and Restated Initial Order or the Zylog APA.

TERMS OF REFERENCE

14. In preparing the Tenth 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 and their successors. 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 Tenth 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 Tenth 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 Tenth 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. No steps have been taken by any party to lift the Cease Trade Order. A copy of the Cease Trade Order is attached as Exhibit "I".
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.
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. As set out in the Monitor's Eighth and Ninth Reports to the Court, the Monitor has prepared and filed the Applicants' 2010 statutory returns and employee-related remittances for the period prior to the Closing Date under the Zylog APA, facilitated the preparation of the T4 Statements and Records of Employment for the Applicants' former employees and submitted the T4 Statements to Canada Revenue Agency ("**CRA**"). The Monitor has taken all steps within its control to identify claims against the Escrow Fund.
19. However, the Monitor will be unable to verify that there are no additional claims against the Escrow Fund and finalize the estates of the Applicants until such time as it obtains the necessary assessments and clearance certificates from the various government entities responsible for the statutory returns and employee-related remittances of the Applicants.

MONITOR'S ACTIVITIES

20. Since the date of the August 27, 2010 Stay Extension Order, the Monitor has undertaken the following activities to finalize the estates of the Applicants:
- (a) contacted the various government entities responsible for the statutory returns and employee-related remittances to obtain an audit of the Applicants' accounts or obtain clearance certificates to facilitate closing of the Applicants' accounts with each entity;
 - (b) reviewed and filed the 2010 income tax returns for each of the Applicants prepared by the Applicants' external tax accountant;
 - (c) concluded the sale of the shares of Balanced Brain Initiatives Inc. owned by the Company to Wall & Associates PC, as described in the Ninth Report; and
 - (d) responded to inquiries and claims from secured and other creditors including former employees.

OUTSTANDING MATTERS TO FINALIZE ESTATE

21. The following is a summary of the outstanding matters which remain to be completed in connection with this proceeding:
- A. **WSIB Accounts**
 - i. The Monitor has received confirmation from the Workplace Safety and Insurance Board ("WSIB") of Ontario of account closure or zero balance for one of the Applicants' five accounts. The Monitor continues to follow up with the WSIB, but has received no response with respect to the remaining four accounts.
 - ii. The Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador has delivered a notice of reassessment for the one remaining open account. The Monitor has delivered a cheque in payment of this reassessment and expects the account to be closed shortly.

B. CRA-Payroll and GST Account

- i. The audit for these accounts has been completed. However, the Monitor has not received any response to its inquiries regarding the results of such audits or assessments of any amounts owing.

C. CRA-Income Tax Account

- i. The Applicants' income tax returns for the 2010 fiscal year were filed on November 12, 2010. The Monitor continues to follow up with CRA regarding the assessments in connection with such returns.
- ii. The Monitor has received the following notices of assessment from CRA: (a) with respect to 4386396 Canada Inc. (formerly Brainhunter Canada Inc.), an assessment in the total amount of \$644,685 that appears to relate to income tax for the year 2010; (b) an assessment in the amount of \$449.84 that appears to relate to a prior balance owed by Protec Employment Services Limited; and (c) an assessment in the amount of \$2,567.10 that appears to relate to a reassessment of Ontario tax payable by Treklogic Inc. and a prior balance of \$115.10.

Based on the records of the Applicants available to the Monitor, the Monitor does not believe that any of the foregoing assessments are payable by the Applicants. However, the Monitor has been unsuccessful to date in resolving these assessments with CRA and is continuing to communicate with CRA for the purpose of having these assessments corrected.

D. Ontario Ministry of Revenue – Employer Health Tax

- i. The Monitor has contacted the Ministry of Revenue on a number of occasions to obtain confirmation that the Applicants' EHT accounts may be closed and any remaining balances transferred to Zylog's EHT accounts.

E. Ontario Ministry of Revenue – Corporation Tax

- i. The Monitor has contacted the Ministry of Revenue to obtain an explanation of a corporation tax arrears balance of \$10,327 for Treklogic Inc. and \$357 for Vision 2Hire Inc.

F. Revenu Quebec – Payroll Account

- i. The Monitor has received an assessment from Revenu Quebec in the amount of approximately of \$11,232 that appears to relate to employee payroll for the years 2007 and 2008. The Monitor continues to seek an explanation from Revenu Quebec regarding this notice of assessment and continues to seek confirmation from Revenu Quebec that the Applicants' other accounts have been closed.

22. Based upon the records of the Applicants made available to the Monitor, the Monitor is not aware of any potential claims against the Escrow Fund, other than those potential priority claims described above and the contingent claim by Breakwall for indemnification under the Breakwall Agreement as described in the Monitor's Sixth Report to the Court. The Monitor also continues to hold in the CCAA Fund the amount of \$10,000 pending the Court's determination of the Breakwall cost award in favour of Zylog.

PROFESSIONAL FEES

23. 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. Pursuant to the August 27, 2010 Stay Extension Order, the Court authorized and approved the fees and disbursements of the Monitor for the period March 6, 2010 to May 1, 2010 and for TGF for the period April 1, 2010 to May 31, 2010.
24. The total fees of the Monitor during the period from July 1, 2010 to November 26, 2010 amount to \$40,745.00, together with expenses and disbursements in the sum of \$2,444.70 and harmonized sales tax ("HST") in the amount of \$5,614.66, totalling \$48,804.36 (the "Monitor Fees"). The time spent by the Monitor is more particularly described in the Affidavit of Paul Casey of Deloitte & Touche Inc., sworn December 17, 2010 (the "Casey Affidavit"), sworn in support hereof and attached hereto as Exhibit "J".
25. The total legal fees incurred by the Monitor during the period August 1, 2010 to November 30, 2010 for services provided by TGF as the Monitor's independent legal counsel amount to \$16,655.00, together with disbursements in the sum of \$463.69 and HST in the amount of \$2,200.08, totalling \$19,318.77. The time spent by TGF personnel is more particularly described in the Affidavit of Grant Moffat, a partner of TGF, sworn December 17, 2010 (the "Moffat Affidavit") sworn in support hereof and attached hereto as Exhibit "K".

26. 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.
27. 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.
28. Attached as Exhibit "L" is the Statement of Receipts and Disbursements for the CCAA Fund the period from August 24, 2010 to December 15, 2010.
29. Attached as Exhibit "M" is the Statement of Receipts and Disbursements for the Escrow Fund for the period from August 24, 2010 to December 15, 2010.

STAY EXTENSION

30. In the Ninth Report, the Monitor estimated that it would require until December 31, 2010 to finalize the estates of the Applicants. As noted above, the Monitor will be unable to complete the administration of the Applicants' estates by December 31, 2010 since the final assessments and clearance certificates in respect of GST, QST, EHT and WSIB will not be received prior to that date. Based on information currently available to the Monitor, the Monitor expects that it should be in a position to obtain the necessary final assessments and clearance certificates described above and finalize the estates of the Applicants by April 30, 2011.
31. The Monitor therefore requests that the Court approve an extension of the Stay Period from December 31, 2010 to April 30, 2011 to permit the Monitor to finalize the estates of the Applicants.

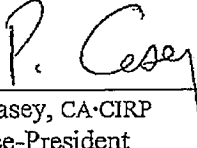
MONITOR'S RECOMMENDATIONS

32. For the reasons set out above, the Monitor recommends that:
- (a) the activities of the Monitor as described in the Tenth Report be approved;
 - (b) the Stay Period be extended to April 30, 2011;
 - (c) the professional fees and disbursements of the Monitor and TGF be approved and the Monitor be authorized to pay all such fees and disbursements from the CCAA Fund; and
 - (d) the Monitor's Statement of Receipts and Disbursements for each of the Escrow Fund and the CCAA Fund for the period August 24, 2010 to December 15, 2010 be approved.

All of which is respectfully submitted at Toronto, Ontario this 17th day of December, 2010.

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

Per:



Paul M. Casey, CA-CIRP
Senior Vice-President