

## **3542114 Canada Inc. (Operating as CRS Electronics)**

### **Management Discussion and Analysis**

**First Quarter, Fiscal 2009**

**Ended March 31, 2009**

Prepared by management without audit

May 30, 2009

The following is Management’s Discussion and Analysis (“MD&A”) of the financial condition of 3542114 Canada Inc. (operating as CRS Electronics (the “Company” or “CRS”) and the financial performance for the three months ended March 31, 2009. This discussion and analysis should be read in conjunction with the unaudited Interim Financial Statements and related notes as at and for the period ended March 31, 2009 and the audited Financial Statements and related notes as at and for the year ended December 31, 2008 contained in the Filing Statement for the Qualifying Transaction filed by Podium Capital Corporation “Podium” dated May 8, 2009. Reference should also be made to Podium’s filings with Canadian securities regulatory authorities that are available at [www.sedar.com](http://www.sedar.com).

This MD&A is the responsibility of management. The Board of Directors carries out its responsibility for the review of this disclosure principally through its audit committee comprised exclusively of independent directors. The audit committee reviews and prior to its publication, approves, pursuant to the authority delegated to it by the Board of Directors, this disclosure.

All amounts are in Canadian dollars unless otherwise noted (tabular amounts are in thousands of Canadian dollars) and prepared in accordance with Canadian Generally Accepted Accounting Policies.

On May 20, 2009, CRS completed a Qualifying Transaction with Podium, a corporation accepted as a Capital Pool Company by the TSX Venture Exchange. Immediately after the closing the Qualifying Transaction (i) CRS became a direct, wholly-owned subsidiary of the Resulting Issuer; and (ii) the CRS Shareholders will collectively exercise control over the Resulting Issuer.

The Share Purchase Agreement also provides that on the Closing, 10% of the Share Consideration, being 1,620,448 Podium Shares, will be escrowed and will be either (i) released, in whole or in part, to the CRS Shareholders upon satisfaction of the Escrow Conditions, or (ii) returned to Podium for cancellation in the event that the Escrow Conditions are not satisfied. For additional information on the Qualifying Transaction please refer to the Subsequent Events section in this MD&A.

## **Forward-Looking Information**

The statements made in this MD&A, particularly those in the “Outlook” section that are not historical facts contain forward-looking information that involves risk and uncertainties. All statements, other than statements of historical facts, which address CRS’s expectations, should be considered forward-looking statements. Such statements are based on management’s exercise of business judgment as well as assumptions made by and information currently available to management. When used in this document, the words “may”, “will”, “anticipate”, “believe”, “estimate”, “expect”, “intend” and words of similar import, are intended to identify any forward-looking statements. You should not place undue reliance on these forward-looking statements. These statements reflect our current view of future events and are subject to certain risks and uncertainties as contained in the Company’s filings with Canadian securities regulatory authorities. Should one or more of these risks or uncertainties materialize, or should

underlying assumptions prove incorrect, our actual results could differ materially from those anticipated in these forward-looking statements. Management undertakes no obligation to reflect events or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events. Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will materialize. The forward-looking statements made in this MD&A describe our expectations as at May 30, 2009.

For a description of material factors that could cause our actual results to differ materially from the forward-looking statements in this MD&A, please see the “Risk Factors” section.

## **Overview**

During 2006, CRS decided to develop and manufacture LED space lighting products. As a manufacturer of LED light boards for its own school bus warning lights and under contract for other light applications, CRS realized that the improvement in light emitting diodes created an opportunity for CRS to supply LED based indoor and outdoor space lighting. During 2007 and 2008, CRS expended a significant amount of time and money to develop the LED MR16 halogen bulb replacement and to develop a LED streetlight engine for a customer. The research costs were expensed on the income statement in 2007. In 2008 and in the first quarter of 2009, the development costs for the products were recorded on the balance sheet.

In the third and fourth quarters of 2008, CRS expanded the management team through the addition of a Chief Financial Officer (“CFO”) and Vice President of Sales and Marketing. The CFO was tasked to develop and execute a financial plan to fund the entry into the space lighting market. This financial plan is in process, with the Qualifying Transaction being an important major step. The Vice President of Sales and Marketing established a marketing plan to rebrand CRS, develop channels of distribution and sell the new space lighting products. This marketing plan is progressing with the enlistment of 15 agents, a new website and sales of the space lighting products. These additions to the management team and costs to implement the marketing plan resulted in higher expenses on the income statement in the first quarter of 2009 compared to the first quarter of 2008.

In addition to measures based on Canadian Generally Accepted Accounting Principles (“GAAP”) in this MD&A, we use the term earnings before interest, taxes, depreciation and amortization (“EBITDA”). EBITDA is not defined by GAAP, and our use of such terms or measurement of such items may vary from that of other companies. In this MD&A, we may describe certain ‘income’ and ‘expense’ items as unusual or non-recurring. These terms are not defined by GAAP. Our usage of these terms may vary from the usage adopted by other companies. We provide this detail so that readers have a better understanding of the significant events and transactions that have had an impact on our results.

## **Highlights for the Quarter**

CRS continues to execute on its strategic and operational initiatives as highlighted in the quarter and shortly thereafter:

- *During the first quarter of 2009, CRS introduced a second model of LED MR16 replacement with a 300 lumen output, an 85% energy savings and a colour rendering of 92. CRS's original MR16 and the recently introduced MR16 replacements are ahead of the competition at this early stage of the LED MR16 replacement market.*
- *Also during the first quarter of 2009, CRS introduced a third model of the LED MR16 replacement with similar light attributes as the first model, but utilizing only 7 LED's versus 9 in the previous two models. The reduction in the number of LED's will reduce costs to produce the part by approximately 8%.*
- *In conjunction with the development of the new LED replacements the Company developed a light platform that through lens changes can change the beam angles and other light attributes to meet the specific needs of large customers such as restaurants and retail chains.*
- *On March 17, 2009 CRS signed a Share Purchase Agreement ("SPA") with Podium Capital Corporation. The SPA is considered a Qualifying Transaction by the TSXV. Subsequent to the end of the quarter, on May 8, 2009 the Qualifying Transaction received conditional acceptance by the TSXV. The transaction closed May 20, 2009.*

## **Business Objectives and Milestones**

CRS's overall business objective is to gain a sufficient market share in the LED space lighting segment to provide an economic return to its shareholders. To achieve this overall objective, CRS has set several business objectives to accomplish during 2009 and 2010.

### ***Sales Objectives and Milestones***

CRS' first sales objective is to be one of the top three suppliers by unit sales in the LED MR16 replacement market in North America. The first milestone that will indicate success in this market is selling 40,000 LED MR16's during the second quarter of 2010.

In March 2009, CRS began selling a second LED MR16 replacement with a 300 lumen output, an 85% energy savings and a colour rendering index ("CRI") of 92. The original LED MR16, the Palace Pier Model, that is best suited for up to eight foot ceiling heights, has a 150 lumen output, 80% energy savings and a CRI of 96. Both of CRS's MR16 replacements models are ahead of the competition at this early stage of the LED MR16 replacement market. CRS's first MR16 replacement bulb is the highest performance LED MR16 halogen light replacement

introduced to date as evidenced by the 2008 test results of LTL Testing Laboratories, a US Department of Energy qualified facility. For the quarter ended March 31, 2009, CRS shipped 503 of the Palace Pier model, 28 of the new 9 LED Model and 59 of the new 7 LED model. Subsequent to the quarter end, CRS completed manufacturing 1,200 MR16's against open orders and have an additional 800 in the process of being manufactured.

With respect to outdoor lighting, CRS has a similar sales objective to be one of the top three suppliers of LED streetlight engines (bulbs) in North America. To accomplish this objective, CRS will continue to supply LED light engines for the use in decorative streetlights. CRS has conceptual designs for the cobra head style light engine and CRS is currently testing a prototype cobra head light engine. Approximately 131 million streetlights are installed in the United States. A milestone for CRS will be to sell 3,500 LED streetlight engines during the second quarter of 2010. A second milestone will be the market introduction and sale of the CRS cobra head LED light engine. The sale of streetlights were delayed during the first quarter as a result of buyers delaying purchases to apply for "Stimulus" Funding expected from the US and Canadian Governments.

#### ***Product Development Objectives and Milestones***

The first product development objective is to complete the design, build a prototype, test and develop the manufacturing methods for the cobra head style LED light engine. The development will include intelligence in the light such as remote sensing, security features and other attributes of the operations of the LED light engine. The first milestone is to release a cobra head re-fit for on-site testing during the second quarter of 2009. The first prototype was developed by CRS for a specific application on a major waterway in North America. The prototype is not suitable to street use. CRS will use the knowledge obtained in developing the first prototype in the development of the LED cobra head light engine. To facilitate this development, approximately \$200,000 from the proceeds of the Qualifying Transaction with Podium and an Equipment Loan Facility with PenFinancial Credit Union will be used to purchase research equipment.

A second major objective in the area of product development is to further develop the LED MR16 to enable the CRS to reduce cost thereof and therefore, allow CRS to reduce the end user selling price. Due to the high quality of the light generated by its current MR16 models, CRS is successfully selling its current MR16 light offering. CRS has encountered price resistance from less informed buyers or buyers who do not feel the light quality is important for their installation. To compete with lower cost imports for sales to less selective buyers, CRS is working on product modifications to develop a 3 LED model. Other modifications are expected to result in lower parts costs. The first milestone is to release a 3 LED version of MR16 by the fourth quarter of 2009. With the introduction of the 3 LED version, the Company will have a comprehensive LED MR16 product offering to provide a full range of options for the potential buyers.

### *Production Objectives and Milestones*

CRS' first production objective is to adopt lean manufacturing techniques to assist CRS to increase production capacity to meet sales of \$12,000,000 to \$15,000,000 per year. To meet this objective, CRS will require additional production management staff, addition production staff, staff training and production equipment. The proceeds of the Qualifying Transaction of Podium together with the Equipment Loan Facility will enable CRS to purchase the required manufacturing equipment. The first milestone will be the installation of the production equipment during the third quarter of 2009. The second milestone will be to have the ability to produce 40,000 LED MR16's, 3,500 LED streetlight engines, and to meet the needs of its contract customers and bus light customers during the first quarter of 2010.

### **Performance of CRS**

#### *Key performance indicators*

The key performance indicators for CRS are revenue growth, gross profit, EBITDA, and net income.

The success of the Company to expand will be measured by revenue growth. Revenue growth will be dependent on the Company being able to increase its sales staff and expand production capacity to meet the anticipated demand for its products.

The Company is aiming to achieve a gross profit (defined as revenues less cost of sales and plant expenses) in the range of 30% to 35% on an annual basis. Maintaining a consistent contribution margin will be an indicator of how well the Company is managing its production costs and customer contract negotiations.

Management believes that EBITDA is a measure of how efficiently and effectively the business is running. The Company is entering a period of rapid expansion and growth, therefore selling and general administration costs will increase over the next eighteen months. To maintain an acceptable EBITDA, management will need to balance the increase in selling and general administration costs and revenue growth. Net income is also viewed as an important measure for determining the value created for shareholders.

#### *Measurement*

Below in "Quarterly Results" and "Results of Operations" are two tables the Company uses to assess performance. The first table presents the Company's results for the last eight quarters. The second table sets out the Company's results for the quarter compared with the same periods last year.

**Quarterly Results**

<i>In Thousands of dollars</i>	Fiscal 2009	Fiscal 2008				Fiscal 2007			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Sales	\$430.0	\$450.6	\$667.8	\$784.4	\$385.6	\$309.2	\$462.8	\$415.2	
Gross profit	142.4	163.4	274.7	253.9	77.7	98.3	190.6	154.8	
<i>Gross profit percentage</i>	33.1%	36.3%	41.1%	32.4%	20.2%	31.8%	41.2%	37.3%	
Select expenses									
Selling	68.6	122.6	88.1	40.7	37.0	38.2	28.5	28.0	
General and administrative	140.0	66.8	202.5	101.1	80.4	144.0	126.4	107.1	
Engineering and research	3.9	102.6	54.4	17.5	40.9	91.2	52.4	42.1	
EBITDA	(70.1)	(128.6)	(70.3)	94.6	(80.6)	(175.1)	(16.7)	(22.4)	
<i>EBITDA percentage</i>	-16.3%	-28.5%	-10.5%	12.1%	-20.9%	-56.6%	-3.6%	-5.4%	
Depreciation	16.3	19.9	13.0	13.0	13.0	16.6	14.3	14.0	
Amortization of product development	6.6	13.2	0.0	0.0	0.0	0.0	0.0	0.0	
Interest	16.5	15.8	12.1	12.2	12.8	12.4	11.5	11.3	
Foreign exchange (gain) loss	4.5	16.3	1.3	(0.1)	(11.1)	17.1	11.9	16.7	
Refundable tax credit (income)	(8.9)	(25.9)	(16.5)	(16.3)	(18.8)	(60.8)	(28.7)	(28.7)	
Other (income) loss	(0.1)	(0.5)	(2.6)	(2.2)	(2.3)	(3.7)	(4.4)	(2.6)	
Net income	<u>(\$105.0)</u>	<u>(\$167.4)</u>	<u>(\$77.6)</u>	<u>\$88.0</u>	<u>(\$74.2)</u>	<u>(\$156.7)</u>	<u>(\$21.3)</u>	<u>(\$33.1)</u>	
<i>Net income as a percentage of revenue</i>	-24.4%	-37.2%	-11.6%	11.2%	-19.2%	-50.7%	-4.6%	-8.0%	

Please note in the first quarter of 2008, Gross Profit was lower by \$33,336 due to a prior period adjustment to inventory.

## Results of Operations

The following table sets out the Company's consolidated results for the quarter ended March 31, 2009, compared with the same period last year.

	Fiscal 2009	Fiscal 2008	Increase	% increase
<i>In Thousands of dollars</i>	Q1	Q1	(Decrease)	(Decrease)
Sales	\$430.0	\$385.6	\$44.4	11.5%
Gross profit	142.4	77.7	64.7	83.3%
<i>Gross profit percentage</i>	33.1%	20.2%		
Select expenses				
Selling	68.6	37.0	31.6	85.4%
<i>As a % of sales</i>	16.0%	9.6%		
General and administrative	140.0	80.4	59.6	74.1%
<i>As a % of sales</i>	32.6%	20.9%		
Engineering and research	3.9	40.9	(37.0)	(90.5%)
<i>As a % of sales</i>	0.9%	10.6%		
EBITDA	(70.1)	(80.6)	10.5	13.0%
<i>As a % of sales</i>	-16.3%	-20.9%		
Depreciation	16.3	13.0	3.3	25.4%
<i>As a % of sales</i>	3.8%	3.4%		
Amortization of product development	6.6	0.0	6.6	100.0%
<i>As a % of sales</i>	1.5%	0.0%		
Interest	16.5	12.8	3.7	28.9%
<i>As a % of sales</i>	3.8%	3.3%		
Foreign exchange (gain) loss	4.5	(11.1)	15.6	140.5%
<i>As a % of sales</i>	1.0%	-2.9%		
Refundable tax credit (income)	(8.9)	(18.8)	(9.9)	(52.7%)
<i>As a % of sales</i>	-2.1%	-4.9%		
Other (income) loss	(0.1)	(2.3)	(2.2)	(95.7%)
<i>As a % of sales</i>	\$0.0	\$0.0		
Net loss	(\$105.0)	(\$74.2)	(30.8)	(41.5%)
<i>Net income as a percentage of revenue</i>	-24.4%	-19.2%		

***Revenues***

Revenues for the quarter ended March 31, 2009 increased 11.5% to \$429,997 from \$385,567 for the same period in 2008. In Q1 2009, CRS shipped 503 Palace Pier models of the MR16 and 87 of the new high output models. Revenues from the LED MR16 in the first quarter were \$41,606 compared to no revenues in Q1 2008. Revenue from bus light sales and contract work was \$388,391 in during the first quarter of 2009, compared to \$385,567 for the same period in 2008. The exchange rate of Canadian dollars to US dollars in the first quarter of 2009 averaged \$1.245 compared to \$1.004 in 2008. The change in the average exchange rate of Canadian dollars to US dollars accounted for a quarter over quarter increase in reported revenues of approximately 18%. Revenue was negatively affected by CRS's lack of liquidity.

***Cost of Sales and Gross Profit***

Cost of sales is inclusive of direct material costs, plant labour, plant overheads and plant management salaries. Despite an increase in sales during the first quarter of 2009, cost of sales decreased to \$287,598 from \$307,889 in 2008. For the three months ended March 31, 2009, gross profit percentages increased to 33.1% from 20.2% in 2008. The gross profit percentage in 2008 was negatively impacted by recording a prior period adjustment with respect to the opening inventory. Without the prior period adjustment the 2008 gross profit percentage would have been 28.8%. The improvement in gross profit during the first quarter of 2009 over 2008 resulted from a change in the product mix and the quarterly sales volume offset a greater portion of fixed manufacturing costs.

***Selling expenses***

For the three months ended March 31, 2009, selling expenses increased to \$68,617 from \$36,956 for the same period in 2008. The increase in the selling expenses resulted from the addition of the Vice President of Sales and Marketing in July 2008 and the implementation of the marketing plan increased other marketing expenses for the period over the same period in 2008.

***General and Administrative Expenses***

For the three months ended March 31, 2009, general and administrative expenses increased to \$140,015 from \$80,350 for the same period in 2008. A significant portion of the increase in costs related to filling the new position of Chief Financial Officer in the second quarter of 2008. Also, as a result of seeking financing in the first quarter of 2009, travel and other related expenses were higher in 2009 than in 2008.

***Engineering, Research and Development Costs***

Research costs are expensed in the year the costs are incurred. At the time the development of a product is likely to be commercially viable substantially in the form of the product developed to date, the costs to complete the development are capitalized on the balance sheet and amortized over the expected life of the product. In the first quarter of 2009, engineering, research and development costs decreased to \$3,886 from \$40,898 for the same period in 2008. Consulting fees related to filing the SRED tax credits equal to \$27,500 were expensed in 2008. During the

first quarter in 2008 and 2009, development costs of the LED MR16, the LED streetlight and the G2Max bus warning light were capitalized.

#### ***Interest on Short-Term Debt***

Interest on short-term debt increased to \$13,102 during the first quarter 2009 from \$9,076 during the first quarter of 2008. The increase in the expense in 2009 over 2008 resulted from an increased due to higher credit card debt and bank operating loans.

#### ***Interest on Long-Term Debt***

For the three months ended March 31, 2009, interest on long-term debt decreased to \$3,375 from \$3,683 in 2008. The decrease in the expense resulted from the reduction in the average principal on the long-term debt to \$103,200 in 2009 from \$151,808 in 2008.

#### ***Depreciation***

Depreciation increased in the first quarter of 2009 to \$16,283 from \$13,027 for the same quarter in 2008. The increase in depreciation resulted from an increase in assets under capital leases.

#### ***Amortization of Product Development Costs***

To the end of the first quarter of 2009, CRS incurred development costs equal to \$159,442 for the development of the LED MR16 light, the LED streetlight and the G2Max bus safety light. The amortization expense for the first quarter of 2009 was \$6,623 compared to no amortization costs during the first quarter of 2008. The Company accumulated Product Development Costs in 2008, but did not commence amortization of the costs until the second quarter of 2008 when sales of the product commenced.

#### ***Scientific Research and Experimental Development Tax Credit (“SRED”)***

The SRED tax credits are refundable tax credits under the *Income Tax Act* (Canada) awarded for expenditures on research and development. The Company records the SRED tax credits that accrue in each quarter. SRED tax credits that relate to the deferred development costs are recorded on the balance sheet as a reduction of deferred development expenses. The amount recorded as other income for the three months ended March 31, 2009 was \$8,886 compared to \$18,807 in 2008. The reduction in the SRED tax credits resulted from lower product development activity on the LED MR16.

#### ***Foreign Exchange Losses***

In any year CRS sells on average 70% of its products in U.S. dollars. On average in any year, approximately 40% of its expenses are incurred in U.S. dollars. When the value of the U.S. dollar changes to the value of the Canadian dollar, CRS can experience a foreign currency gain or loss on monetary items such as accounts payable and accounts receivable held by CRS during the period of change. For the three months ended March 31, 2009, CRS incurred (\$4,490) in foreign currency losses compared to a gain of \$11,053 in 2008.

***Other Income***

During 2008, the Company derived other income from interest income on cash balances held and rental income on a portion of the facility in Welland rented to a third party. At the end of the second quarter of 2008, the Company terminated the rental agreement with the third party.

***Earnings***

The net loss for the quarter ended March 31, 2009 was (\$105,048) compared to a loss of (\$74,198) for the first quarter of 2008. In 2008, due to the prior period adjustment related to inventory, the net loss would have been (\$40,862). From mid 2008 to the present, CRS increased management staff and increased marketing expenses to introduce the LED MR16 and LED streetlight. Engineering, selling and administrative costs increased by \$55,000 in Q1 2009 in comparison to Q1 2008. In the first quarter of 2009, revenues and gross profit suffered due to a lack of liquidity to purchase parts. The Qualifying transaction with Podium will allow the Company to obtain parts on a timely basis to fill sales orders.

***Earnings before Income Taxes, Depreciation and Amortization (“EBITDA”)***

The negative EBITDA for the quarter ended March 31, 2009, improved by \$10,500 (or 13.0%) compared with the previous quarter ended March 31, 2008. EBITDA as a percentage of sales for the quarter ended March 31, 2009 improved by 4.6% to -16.3% from -20.9% for the quarter ended March 31, 2008.

**Liquidity and Capital Resources**

<i>(in thousands of Canadian dollars except for ratios)</i>	<u>March 31, 2009</u>	<u>December 31, 2008</u>
Current Ratio	.57 : 1	.61 : 1
Cash	\$10,316	\$10,512
Working Capital	(\$535,775)	(\$390,871)
Total Assets	\$721,233	\$623,702
Total Debt	\$1,314,828	\$1,081,712
Total Equity	(\$175,727)	(\$70,679)
Debt to Equity Ratio	7.5 : 1	15.3 : 1

As at March 31, 2009, CRS had a working capital deficiency of (\$535,775) compared to (\$390,871) at December 31, 2008. The increase in the working capital deficiency resulted primarily from losses during the period of (\$105,048) and expenditures on deferred product development costs of (\$27,150). The working capital deficiency is supported by personal guarantees equal to \$200,000 on the bank debt by the two major Shareholders of CRS.

Management recognized that CRS was required to implement a financial plan to resolve the working capital deficiency and to provide liquidity for future operations. CRS' financial plan was to complete the Qualifying

Transaction with Podium and to arrange capital leases or long-term loans to acquire research and production equipment. CRS signed a definitive agreement, the Share Purchase Agreement, with Podium on March 17, 2009. The transaction closed May 20, 2009. CRS obtained the Debt Financing under a Commitment Letter from PenFinancial Credit Union for a maximum of \$468,000 for a fixed term of 3 years, with amortization of 7 years, at an interest rate of 7.5%, for the purpose of funding a portion of CRS' projected 2009 equipment purchases. Notwithstanding the maximum amount of \$468,000, the total amount of the Loan will not exceed 65% of equipment purchases. Under the Commitment Letter, CRS will use the proceeds of the Qualifying Transaction of Podium to make up 35% of all equipment purchases. The existing operating line of \$320,000 will remain in place and available for use, but will be reduced to zero on Closing of the Qualifying Transaction.

### ***Cash Flows***

In the first quarter of 2009 and 2008, CRS experienced negative cash flows from operations of (\$106,103) and (\$5,708), respectively. In 2009, CRS compensated for the negative cash flow from operations by drawing on the operating line of credit and delaying payments to suppliers.

### **Description of the Securities**

The authorized capital of CRS consists of an unlimited number of common shares. No transactions occurred during the first quart of 2009. The Company had 37,666,667 common shares outstanding on March 31, 2009 and May 30, 2009.

All CRS Shares are issued as fully paid and non-assessable shares. Each CRS Share is entitled to one vote at meetings of the shareholders of CRS and to receive such non-cumulative dividends as may be declared from time to time in respect of the CRS Shares.

### **[a] Stock options**

In 2008, the Company established a stock option plan whereby directors, officers, employees and consultants, subject to certain conditions, may be granted options to purchase common shares of the Company. The total number of stock options that may be outstanding at any time is 3,500,000. On November 14, 2008, 1,450,533 options exercisable at \$0.30 per common share were granted. The remaining number of options available to be granted under the plan is 2,049,467. The options expire five years from the date granted with vesting provisions after four months after the date of the grant.

A summary of the Company's stock option activity during the period is as follows:

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2009

2008 for the year

	Number of options	Weighted-average Exercise Price	Number of options	Weighted-average Exercise Price
Options:				
Outstanding, beginning of year	1,450,533	\$0.30	—	—
Granted	—	—	1,450,533	\$0.30
Exercised	—	—	—	—
Expired	—	—	—	—
Outstanding, March 31, 2009	1,450,533	\$0.30	1,450,533	\$0.30

The following table summarizes information about options outstanding as at March 31, 2009:

Range of exercise price	Number outstanding	Weighted-average remaining contractual life	Weighted-average exercise price
\$0.10 to \$0.50	1,450,533	4.6 years	\$0.30

These options vested immediately on the grant date and, accordingly, the amount has been expensed as stock-based compensation.

The Black-Scholes option pricing model used by the Company to determine fair values was developed for use in estimating the fair value of freely traded options, which are fully transferable and have no vesting restrictions. Given the nature of the Company and the relatively small but varying stock trading, which impacts the assumptions required to be used in the model, there can be significant variation in the estimate of the fair value of the options.

Connected with the Qualifying Transaction with Podium the CRS stock options were cancelled and the employees received 880,029 stock options in Podium with similar terms.

### **Off-Balance Sheet Arrangement**

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of CRS including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

### **Transactions with Related Parties**

None.

### **Proposed Transactions**

#### *Qualifying Transaction with Podium*

On May 20, 2009, Podium and the Company completed the previously announced Qualifying Transaction as defined in and pursuant to the policies of the TSX Venture Exchange (the “**Exchange**”). As a result of the Qualifying Transaction, CRS is now a direct, wholly-owned subsidiary of Podium.

Podium issued a total of 16,204,483 common shares to the former shareholders of CRS at a deemed price of \$0.2858 per Podium common share as consideration for all of the issued and outstanding common shares of CRS. Pursuant to the terms of the Qualifying Transaction, a total of 1,620,448 common shares (being 10% of the Consideration) have been escrowed and will be either (i) released, in whole or in part, to the former CRS shareholders upon satisfaction of certain escrow conditions, or (ii) returned to Podium for cancellation in the event that the escrow conditions are not satisfied.

As a result of the Qualifying Transaction and the Private Placement, 23,403,150 common shares of Podium are outstanding. The former CRS shareholders collectively own approximately 69% of outstanding common shares of Podium on a non-diluted basis. If the escrow conditions are not satisfied in full, the former CRS shareholders will collectively own approximately 67% of outstanding common shares of Podium on a non-diluted basis.

#### ***No other proposed transactions***

CRS is not a party to any proposed transaction, with the exception of expansion plans mentioned above, that may have an effect on the financial condition, results of operations or cash flows or proposed asset or business acquisition or disposition.

## **Outlook**

CRS management believes that opportunities exist to generate sales of CRS’ range of products. In 2009, revenues from the bus safety products could increase dramatically over the 2008 sales levels due to a contract signed with a major customer in late 2008 to provide a wider range of bus lights. Contract manufacturing of LED light boards should increase in 2009 over 2008 due to the sector by sector adoption of LED based products offered by the Company’s customers

The most dramatic change in year over year revenues is expected to occur with the sale of CRS’ LED MR16 and the LED outdoor streetlight product. Incentive plans offered by governments and utilities in both Canada and the United States look favourably on products that reduce energy consumption. Both CRS’ indoor and outdoor LED lights offer energy savings and lower operating costs to the end user.

## **Critical Accounting Policies**

This MD&A should be read in conjunction with the Company’s unaudited Financial Statements for the three month period ended March 31, 2009, and the audited Financial Statements for the year ended December 31, 2008 and the notes thereto contained in the Filing Statement for the Qualifying Statement filed by Podium. Those Financial

Statements outline the accounting principles and policies used to prepare our financial statements. Accounting policies are critical if they rely on a substantial amount of judgment in their application or if they result from a choice between accounting alternatives and that choice has a material impact on reported results or financial position.

***Accounting policy changes including initial adoption***

Effective January 1, 2008, the Company adopted the following sections of the Handbook of the Canadian Institute of Chartered Accountants:

(a) Inventories:

CICA Handbook Section 3031, Inventories, replaces corresponding Section 3030 and establishes new standards for the measurement and disclosure of inventories. This new section requires inventories to be measured at the lower of cost and net realizable value, provides guidance on the determination of cost and requires the reversal of prior period write-downs when the net realizable value of impaired inventory subsequently recovers. The adoption of this section had no material impact on the unaudited interim consolidated financial statements.

***New Accounting Pronouncements***

(a) Goodwill and intangible assets

In February 2008, the CICA issued Section 3064 “Goodwill and intangible assets”, replacing Section 3062 “Goodwill and other intangible assets” and Section 3450 “Research and development costs”. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009. The section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

(b) International Financial Reporting Standards (“IFRS”)

The accounting framework under which financial statements are prepared in Canada for all publicly accountable enterprises is scheduled to change to IFRS by January 1, 2011. Generally accepted accounting principles (“GAAP”) in Canada will cease to apply and will be replaced by IFRS. Commencing in fiscal 2010, the Company will need to prepare accounts in accordance with Canadian GAAP and IFRS in order to have comparative financial statements on full implementation of IFRS in 2011. The Company is evaluating accounting policy differences between Canadian GAAP and IFRS based on management’s current understanding of these standards. Management is currently assessing the impact of the transition to IFRS on its consolidated financial statements.

## **Financial Instruments and Other Instruments**

CRS is not a party to any financial instrument, as the term is defined in National Instrument 51-102F1, paragraph 1.14.

## **Risk Factors**

The Company is exposed to a variety of risks in the normal course of operations. Please refer to Filing Statement for the Qualifying Transaction filed by Podium Capital Corporation. Reference should also be made to Podium's filings with Canadian securities regulatory authorities which are available at [www.sedar.com](http://www.sedar.com).