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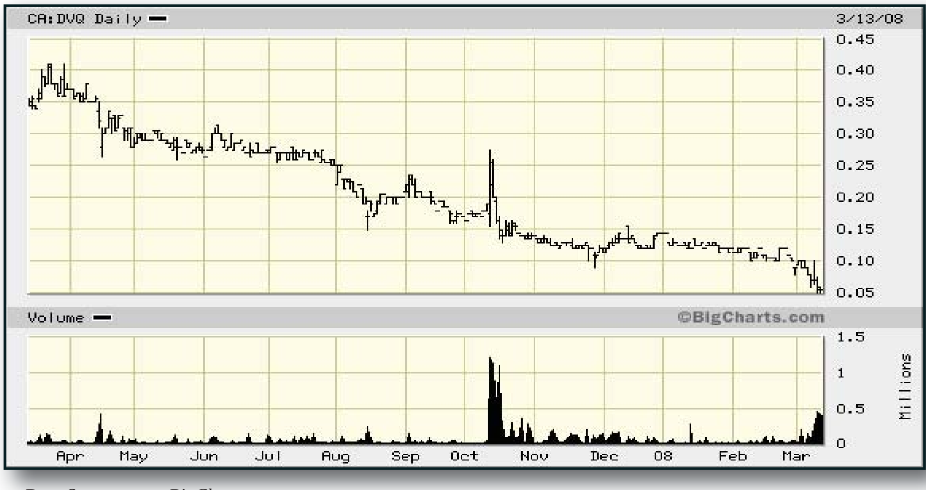
Update Report

March 13, 2008

DIVCOM LIGHTING INC.

($0.06 DVQ-TSX)



Data Source: www.BigCharts.com

Recommendation
Sell

Risk
High

Target Price
1-Year: $0.09

Price (Mar. 12)
$0.06

52-Week Range
$0.05 -$0.41

Shares O/S
52.29 million

Market Cap
$2.77 million

Average Daily Volume
20 day: 121,700
150 day: 96,500

Year-End
November 30

C$	BVPS
2005A	$0.40
2006A	$0.38
2007A	$0.28
2008E	$0.25

BVPS: Book Value Per Share

Analysts
Eric Eng, BA, MBA
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UPFRONT

Divcom Lighting is a good company that is caught up in the difficulties being experienced in the U.S. residential and commercial real estate markets. It is almost impossible at the present time to get a handle on when conditions in this sector will improve, but we are sure it will not be soon. Therefore, we are advocating switching to a company in a sector with a more promising outlook.

RECOMMENDATION

We are recommending a Sell on Divcom Lighting Inc. ("Divcom" or the "Company), a downgrade from our Speculative Buy rating set out in our Initiating Report of July 10, 2007. Our change in Recommendation reflects: (1) difficulties facing the U.S. housing market over the next 12 months, and probably beyond; (2) concomitant problems in commercial real estate; (3) continuing strong Canadian currency; and (4) concerns about Divcom's ability to obtain refinancing for working capital during the expected difficult capital markets for this sector.

PROFILE

Divcom is a North American manufacturer of architecturally-designed energy-efficient lighting products for retail and commercial markets across Canada and the United States.

HIGHLIGHTS

- Energy efficient technology.
- Strong distribution networks in North America.
- Geographical diversification in the U.S and Canada.
- Shifting production to China for cost savings.
- Slowing U.S. economy; relatively strong Canadian currency.
- Weak housing market conditions in the U.S.
- Housing market in some parts of Canada cooling down.
- Concerns regarding obtaining financing for debt repayment and working capital.
- Substantial inventory write-downs.

CONTENTS

Divcom Lighting Inc.

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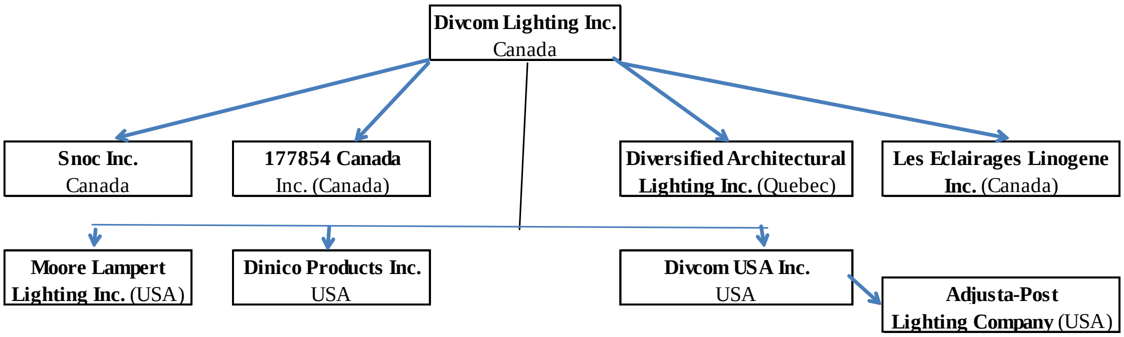
THE COMPANY



Source: Company

Divcom is a North American manufacturer of architecturally-designed energy-efficient lighting products for retail and commercial markets across Canada and the U.S. The Company's retail products are sold through a network of more than 2,000 distributors.

The Company operates through nine solely-owned lighting company subsidiaries situated in Canada and the United States. The Company's products are used in residential, urban communities, roads and tunnels, and in lighting for public, commercial, industrial, hospitality and custom installations.

Divcom is based in Quebec and its shares are listed on The Toronto Stock Exchange, with the symbol DVQ.

DIRECTOR OWNERSHIP

The insider ownership position stood at approximately 30.4% as of December 31, 2007.

Name	Principal Occupation	Director/Officer Since	Number of Divcom Common Shares Held
Morris Berger	Senior partner at the accounting firm Berger Emrich	Oct-02	154,000
Edmund Ho	Entrepreneur in property development and the hospitality industry	May-05	202,500
Aslam Khatri	President and CEO	Apr-99	9,072,046
Diane Leger-Khatri	Senior Vice President	Apr-99	500,000
Joey Khatri	Executive Vice President	Apr-99	3,264,640
Brenda Rennie	Consultant	Apr-99	20,000
			13,213,186
Total Shares			43,520,000
Insider Ownership as a %v of total			30.4%

Source: Company

STRATEGY

The Company's business strategy is as follows:

1. Develop energy-efficient products for the retail and commercial markets;
2. Acquire privately-owned companies in the highly fragmented North American lighting market; and
3. Continue to grow organically after integrating the acquired companies.

In our opinion, this strategy is appropriate, given that lighting market consumers are shifting toward more energy-efficient products. Since the North American lighting market remains fragmented, Divcom would be in a position to capture a good share of this market, which has potential revenues of $20 billion. However, the lighting market is very sensitive to economic conditions, particularly the North American housing market. As a result, the collapse in the U.S. housing market in 2007 significantly affected Divcom's earnings.

The Company's expansion into the U.S. market has exposed the Company to currency risk, which requires an appropriate hedging strategy. However, the Company's hedging program does not appear to be sufficient. As a result, as the Canadian currency appreciated against the U.S. currency in 2007, the Company incurred a significant loss at the Diversified Operation Centre (90% of its products are sold in the U.S.). *e*Research does not expect the U.S. housing market to recover over the next 12 months due to: (1) a tight credit market particularly for home mortgages; and (2) a slow U.S. economy, which impacts consumer spending, especially for big-ticket items.

INVESTMENT CONSIDERATIONS

Strengths

- Focused on energy-efficient lighting products, which have been promoted by recent government initiatives and customer awareness.
- Marketing packaged efficient lighting products through its strong distribution network in the U.S. and Canada.
- Geographical diversification within North America.

Challenges

- Weak housing market in the U.S. continues to have a negative impact on earnings and growth in the short term.
- Restoring gross margins that have declined due to the strength of the Canadian dollar.
- Cash flow constraints and refinancing risk.

VALUATION

We have valued Divcom Lighting Inc. primarily by comparing the Company to major players in the lighting industry, using a number of different valuation parameters:

- Price/Revenue multiple
- Price/EBITDA multiple
- Price/Earnings multiple

Peer Comparison

For valuation purposes, we are comparing Divcom Lighting Inc. to five companies, of which four are major U.S. companies in the electrical products and lighting fixtures market. All of these companies, except Carmanah, are significantly larger than Divcom.

Cooper Industries Ltd. is a global manufacturer of electrical products and tools. Cooper manufactures, markets and sells its products and provides services throughout the world. At December 31, 2007, Cooper had manufacturing facilities in 21 countries. The company generates most of its non-U.S. revenues in Canada, Germany, France, Mexico and the United Kingdom. The company has operations in India, Malaysia and China, and also has several joint ventures with operations in China.

Hubbell Inc. is primarily engaged in the design, manufacture and sale of high quality electrical and electronic products for a broad range of commercial, industrial, telecommunications, utility, and residential applications. Hubbell also participates in joint ventures in Taiwan and Hong Kong, and maintains sales offices in Singapore, the People's Republic of China, Mexico, Hong Kong, South Korea, and the Middle East.

LSI Industries Inc. is an image solutions company combining technology, integrated design, manufacturing, and service to provide high quality lighting and graphics solutions for a variety of markets – both indoors and outdoors. LSI stands for Leadership, Strength and Innovation, and a commitment to technology and innovation has been a key company philosophy since inception. The company is headquartered in Cincinnati, Ohio, with 15 facilities located throughout the United States and Canada.

Thomas & Betts Corporation is a designer and manufacturer of electrical components used in industrial, commercial, communications, and utility markets. The company is also a producer of highly-engineered steel structures, used primarily for utility transmission, and commercial heating units. It has operations in approximately 20 countries. Manufacturing, marketing and sales activities are concentrated primarily in North America and Europe.

Carmanah Technologies Corporation is an integrator of renewable and energy-efficient technology solutions. The company is currently focused on three technology groups: solar-powered LED lighting, solar power systems (off grid and grid tie), and LED illuminated signage. Carmanah's headquarters and primary manufacturing facilities are in Victoria, British Columbia with an additional manufacturing facility in Calgary, Alberta.

CDN$ (unless otherwise noted) Name of Company	Stock Symbol	Recent Price	52 week High	52 week Low	Mkt Cap $Mils	Shares o/s Mils	Enterprise Value $Mils	Year End
Cooper Industries Ltd.$US	**CBE**	$40.89	$59.05	$39.39	$7,207	176.3	$8,147	Dec-31
Hubbell Inc. $US	**HUB.B**	$46.42	$59.08	$39.66	$2,771	59.7	$2,930	Dec-31
LSI Industries Inc. $US	**LYTS**	$13.48	$23.05	$8.12	$290	21.5	$279	Jun-30
Thomas & Betts Corp. $US	**TNB**	$39.78	$64.28	$36.38	$2,314	58.2	$2,975	Dec-31
Carmanah Technologies Corp.	**CMH**	$0.83	$3.49	$0.78	$35	42.5	$34	Dec-31
Divcom Lighting Inc.	**DVQ**	**$0.10**	**$0.41**	**$0.08**	**$4.4**	**43.5**	**$22**	**Nov-30**

Name of Company (Year End)	Revenue ($mils) 2006	Revenue ($mils) 2007	EV/Revenue 2006	EV/Revenue 2007	Revenue/ Share	Y2007 Price/ Revenue	Y2007 EBITDA /Share	Price/ EBITDA
Cooper Industries Ltd.$US	$5,184.6	$5,903.1	1.57x	1.38x	$33.49	1.22x	$5.46	7.5x
Hubbell Inc. $US	$2,414.3	$2,508.2	1.21x	1.17x	$42.01	1.10x	$5.61	8.3x
LSI Industries Inc. $US	$280.5	$337.5	0.99x	0.83x	$15.70	0.86x	$1.93	7.0x
Thomas & Betts Corp. $US	$1,868.7	$2,136.9	1.59x	1.39x	$36.73	1.08x	$5.97	6.7x
Carmanah Technologies Corp.	$22.4	$20.6	1.51x	1.64x	$0.48	1.71x	$0.02	35.3x
Weighted Avg. multiple			***1.47x***	***1.32x***		***1.10x***		***7.4x***
Divcom Lighting Inc.	**$42.7**	**$38.2**	**0.52x**	**0.58x**	**$0.96**	**0.10x**	**-$0.14**	**-0.7x**

Name of Company (Year End)	Cash $mils	Debt $mils	EBITDA ($mils) 2006	EBITDA ($mils) 2007	EV/EBITDA 2006	EV/EBITDA 2007	EPS 2007	P/E 2007
Cooper Industries Ltd.$US	$326.5	$1,266.1	$809.9	$962.3	10.1x	8.5x	$3.93	10.4x
Hubbell Inc. $US	$77.5	$236.1	$296.6	$335.2	9.9x	8.7x	$3.17	14.6x
LSI Industries Inc. $US	$10.7	$0.0	$28.3	$41.6	9.9x	6.7x	$0.97	13.9x
Thomas & Betts Corp. $US	$150.2	$811.2	$293.7	$347.2	10.1x	8.6x	$3.15	12.6x
Carmanah Technologies Corp.	$1.4	$0.0	$2.3	$1.0	15.0x	33.9x	-$0.02	n/a
Weighted Avg. multiple					***10.0x***	***8.5x***		***12.6x***
Divcom Lighting Inc.	**$0.1**	**$15.1**	**$3.8**	**-$5.7**	**5.8x**	**-3.9x**	**$0.00**	**n/a**

Price/Revenue Multiple: The Company's P/R ratio declined to 0.10x at the end of F2007, compared to 0.29x in our Initiating Report in July 2008. This ratio is the lowest in our peer group and is significantly below the group average of 1.10x. The sharp decline in the stock price in 2007 reflects investors' concerns about the impact of the weakening U.S. housing market on the Company's earnings, which is not expected to improve in 2008.

Price/EBITDA and Price/Earnings Multiples: Negative EBITDA and earnings in F2007 for Divcom have rendered this ratio meaningless for our comparison. In our Initiating Report, the Price/EBITDA ratio stood at 4.9x. Although EBITDA is expected to return to a positive position in 2008, *e*Research expect the Company to incur a net loss, reflecting lower margins and higher financing costs. The Price/EBITDA ratio, based on our F2008 estimate of 2.7x, still a long way below the weighted peer average of 8.5x.

Target Price Determination

In our Initiating Report of July 5, 2007, we used three parameters to value Divcom, as set out above. Since both EBITDA and earnings were negative in 2007, we had to make some analytical adjustments. As shown in the following table, the average of the two methods used gives an intrinsic value of $0.09 per share.

Parameter	2008E	2007 Actual Divcom Multiple	Target Prices
Revenue per share	$0.82	0.10x	$0.08
EBITDA per share	$0.04	2.45*	$0.10
Earnings per share	neg	neg	n/a
Average Target Price			**$0.09**

* The EBITDA multiple is 1/2 of 2007 (0) and 2006 (4.9)
Source: eResearch

FINANCIAL REVIEW AND OUTLOOK

Revenue: Earnings decreased significantly in F2007, due primarily to the weakening of the U.S. housing market. Although the strategic expansion into the U.S. market benefits Divcom with geographical diversification and a solid presence in this potentially huge market, it exposes the Company to adverse U.S. economic conditions, especially in the housing market. Earnings from the residential product segment in the U.S. are expected to continue to remain weak, as the housing market is not expected to improve throughout 2008.

In Canada, revenues continued to grow in F2007, reflecting a robust economy, particularly in B.C., Alberta, and the Atlantic region. However, the Canadian housing market is expected to cool down over the next 12 months due to a tightening credit market and, potentially, an economic slowdown. As a result, *e*Research does not expect the Company's earnings to return to a positive position in F2008.

Cash: Divcom had a cash balance of $49,000 as at November 2007, a significant decline from $156,000 as at February 2007. *e*Research does not expect any improvement in Divcom's cash position over the medium term, as the Company's short-term liability, including short-term indebtedness, remained substantial, at about $1.4 million.

Debt/Coverage: The Company's debt increased substantially after the 2006 acquisition of Adjusta-Post. Net debt at November 30, 2007 was approximately $18 million, of which nearly $10 million is due within the next 12 months. In 2007, the Company had difficulties refinancing the final payment of $533,000 for Linogene and renegotiated the repayment with $185,000 paid in 2007 and the remainder to be paid in 2008. Also, at December 31, 2007, the second of the three payments (US$333,000) was not paid when due and the Company is currently renegotiating the repayment. .

Key Ratios	2004	2005	2006R	2007	2008E
Debt in the Capital Structure	15.3%	26.9%	49.0%	59.3%	61.9%
EBITDA Interest Coverage	4.05x	4.87x	2.70x	Neg	0.86x
Net Debt/EBITDA	1.66x	2.23x	4.38x	Neg	11.72x
Cash flow/Net debt	31.4%	31.6%	8.0%	Neg	1.4%

R= restated; E = Estimate by eresearch; Neg = Negative EBITDA or negative cash flow

The Company's leverage increased by more than 10% to 59% in 2007. The increased leverage reflects increases in debt to support higher inventory due to much lower sales in the U.S. Near 60% leverage has reduced the Company's financial flexibility, given tight credit markets in Canada and the U.S. EBITDA-interest coverage carried a negative value in 2007 due to a negative EBITDA. This coverage is not expected to improve significantly in the near future, as revenues continue to be under pressure from the weak U.S. housing market.

Capital Structure: There are currently 43.5 million shares outstanding, of which insiders own about 30% and institutions own about 20%. At current prices, the Company has a market capitalization of $4.4 million, a significant decline from $12 million as reported in our Initiating Report.

Liquidity: Divcom's liquidity position remains weak, as a substantial operating loss has put a constraint on its working capital. As a result, the Company's stock price declined to under $0.10 from a two-year record high at $1.25 in April 2007. The Company's ability to continue as a going concern could be an issue if it is not able to improve its financial resources. As at November 2007, Divcom had the following credit facilities:

- Divcom has bank credit facilities of $9.7 million, of which $8.5 million was used.
- The $9.7 million includes a $5.3 million line with a Canadian bank and a US$4.4 million line of credit with a U.S. bank.
- The availability of the loans is calculated (margin calculation) weekly and monthly, based on the balance of account receivables (AR) and inventory. The margination on inventory ranges from 25% to 50% and the margination on AR ranges from 75% to 90%. During 2007, the Company had to obtain consent from the banks to withdraw funds from its facilities since it, on accession, exceeded its prescribed marginations.

Warrants and Options

Exercise Price	Number of options	Weighted average remaining life (years)	Weighted average exercise price ($)	Potential Equity
$0.25 - $0.35	765,000	1	$0.35	$267,750
$0.40	585,000	2	$0.40	$234,000
$0.35 - $0.40	1,000,000	3	$0.35	$350,000
$0.37 - $0.40	655,000	4	$0.39	$255,450
Total Options	3,005,000	2.5	$0.37	$1,107,200
Number of Warrants	450,000	5	$0.15	$67,500
Number of Warrants	500,000	0.25	$1.00	$500,000
Total Options Warrants	**3,955,000**			**$1,674,700**

Source: eResearch

All options are deeply out of the money. *e*Research does not expect significant share dilution in 2008.

Table 1. Selected Financial Information

($000)	Year Ending November 30				
Statement of Income/(Loss):	**2004**	**2005**	**2006R**	**2007**	**2008E**
Revenues	17,787	24,119	41,364	36,880	35,500
Cost of good sold	(10,039)	(13,519)	(25,945)	(26,460)	(25,000)
Gross margin	7,748	10,600	15,419	10,420	10,500
Gross margin %	43.6%	43.9%	37.3%	28.3%	29.6%
Adminstrative & selling	(6,027)	(7,817)	(11,634)	(11,592)	(8,875)
Stock based compensation	-	(40)	(94)	(125)	(100)
EBITDA	**1,721**	**2,743**	**3,691**	**(1,297)**	**1,525**
EBITDA margin %	9.7%	11.4%	8.9%	-3.5%	4.3%
Amortization	(806)	(1,046)	(1,444)	(1,655)	(1,400)
Interest	(425)	(563)	(1,366)	(1,884)	(1,775)
Net income/(loss) before taxes	490	1,134	881	(4,836)	(1,650)
Other expenses	(356)	-	(803)	(265)	-
Income taxes	(87)	(320)	(34)	1,317	495
Net income/(loss)-continuing operations	47	814	44	(3,784)	(1,155)
Discontinued operations/Asset impairments	(175)	(172)	-	(1,876)	-
Net income/(loss)	(128)	642	44	(5,660)	(1,155)
Shares Outstanding (000s)	40,538	41,270	43,692	43,520	43,520
Average Shares (fully diluted) (000s)	38,714	42,605	45,118	41,054	41,054
Earnings (Loss) Per Share	0.00	0.02	0.00	(0.09)	(0.03)
Statement of Cash Flow:					
Net Loss - continuing operations	47	814	44	(3,784)	(1,155)
All Non-Cash Items	850	1,120	1,251	746	1,400
Cash Flow from Operations	897	1,934	1,295	(3,038)	245
Cash Flow/Share	2.3%	4.5%	2.9%	-7.4%	0.6%
Capital Expenditures	(732)	(1,875)	(2,005)	(966)	(900)
Other Investing Items	(5,494)	(726)	(6,234)	(171)	-
Free Cash Flow	(5,329)	(667)	(6,944)	(4,175)	(655)
Working Capital Changes	(2,529)	(1,334)	(286)	1,813	584
Debt Financing	1,917	(250)	6,917	1,501	-
Equity Financing	7,706	141	(225)	828	-
(Decrease) increase in cash	1,765	(2,110)	(538)	(33)	(71)
Increase in cash from discontinued	253	-	-	-	-
(Decrease) increase in cash	**2,018**	**(2,110)**	**(538)**	**(33)**	**(71)**
Cash, Beginning of the Period	712	2,730	620	83	50
Cash, End of the Period	2,730	620	83	50	(21)

	As at November 30				
	2004	**2005**	**2006R**	**2007**	**2008E**
Balance Sheet:					
Cash	2,730	620	83	50	(21)
Accounts Receivable	4,643	4,823	7,637	6,804	6,500
Inventories	3,816	4,630	8,017	6,452	6,000
Other current assets	2,046	1,907	2,269	1,690	1,500
Current Assets	13,235	11,980	18,006	14,996	13,979
Capital Assets	7,113	7,999	10,953	10,449	10,400
Goodwill & intangibles	8,219	8,276	9,775	7,950	7,950
Other Assets	1,005	1,510	1,736	3,008	2,500
Total Assets	**29,572**	**29,765**	**40,470**	**36,403**	**34,829**
Accounts payable	3,314	3,139	6,027	5,343	5,000
Bank indebtedness	2,377	3,233	6,798	8,538	8,800
Current portion of long term debt	329	356	1,223	1,348	1,190
Other liabilities	1,180	890			
Total Current Liabilities	7,200	7,618	14,048	15,229	14,990
Long term debt	2,886	3,152	8,228	7,864	7,864
Other payables	3,665	2,347	1,386	1,165	985
Total Liabilities	13,751	13,117	23,662	24,258	23,839
Shareholders' Equity	15,821	16,648	16,808	12,145	10,990
Total Liabilities & Equity	**29,572**	**29,765**	**40,470**	**36,403**	**34,829**
Book Value (S.E.) Per Share	0.39	0.40	0.38	0.28	0.25

R = Restated by the Company; E = Estimate by eResearch

Source: eResearch and Company

COMMENT: *Decline in earnings and increase in debt levels have weakened the company's financial flexibility and liquidity position.*

OPERATIONS

Divcom restructured the Company's operations into four power centres as shown in the table below:

Power Centre	Rev 2007 (000s)	Rev 2006 (000s)	Variance (%)	Reportable Segments
Diversified	3,783	4,620	-18%	Commercial and industrial
Linogene	5,755	5,154	12%	Indoor retail
Snoc	11,577	10,782	7%	Outdoor retail
Divcom USA	15,765	20,808	-24%	Outdoor retail
Total	**36,880**	**41,364**	-11%	

(1) **Diversified Operation Centre:** This is the original brand of Divcom. Its products are known for their esthetic designs, efficiency and ruggedness. The Company supplies quality products to esthetical urban areas such as schools, municipal streetscapes, parks, shopping malls, airports, commercial, corporate and industrial parks.

- Approximately 90% of the segment's revenues are generated from the U.S; as such, earnings are impacted by the weakening of the U.S. dollar.

(2) **Linogene Operation Centre:** Linogene is a designer and manufacturer of interior residential lighting products specializing in picture lights, under-cabinet and other specialty lighting. Its products are sold through lighting retailers and home renovation centers (Canadian Big Box stores), including Multi-Luminaire, Eclaire Union, Royaume Luminaire and Maxi Luminaire in Quebec, Home Depot and Living Lighting in Ontario, and Westburne Electric Supply in western Canada.

- Products are primarily sold in Canada.
- Successful launch of a new product line into the Canadian Big Box stores in 2007.
- Expected to remain the fastest-growing product line in 2008.

(3) **Snoc Operation Centre:** Snoc is the manufacturer of cast aluminum residential outdoor lighting fixtures. The Company provides a complete in-house manufacturing process and a single cast aluminum construction of lighting fixtures. The Company offers a complete selection of products including garden lighting, mailboxes, house numbers and a host of related accessories. SNOC's products are sold through lighting retailers, showrooms and Do-It-Yourself stores.

- Snoc offers high quality products throughout Canada.
- Snoc has positioned itself as Canada's premier outdoor residential manufacturer.

(4) **Divcom USA Operation Centre:** Divcom entered the U.S. market in 2006 through the acquisition of Adjusta-Post Manufacturing Company (the "Acquisition"), a manufacturer of outdoor lighting fixtures. The Company sells its products in the United States and the Caribbean. The products are sold through lighting retailers, showrooms, electrical distributors and wholesalers. The acquisition brought the following strategic benefits to Divcom:

- Strong management team with significant experience in the U.S. lighting industry;
- The addition of more than 1,500 distributors;
- Existing relationship with Home Depot and Lowes, two major national hardware chains; and
- Geographical diversification within North America.

However, this segment has been heavily impacted by the weakening of the housing market over the past 18 months. Revenues in fiscal 2007 declined by 23% to $16 million from $21 million in 2006. *e*Research does not expect the U.S. housing market to recover over the near-to-medium term. Our expectation is based on: (1) a continuation of weak credit market; and (2) a slowing U.S. economy.

Revenues by Business Lines

Business Segments: Revenues	**Year Ending November 30**				
($000)	**2004**	**2005**	**2006**	**2007**	**2008E**
Retail	13,281	19,814	35,906	31,319	28,500
Industrial	4,452	4,256	5,409	5,541	5,500
Corporate and Other	54	49	49	20	20
Total	17,787	24,119	41,364	36,880	34,020
Mix %					
Retail	75%	82%	87%	84%	84%
Industrial	25%	18%	13%	16%	16%
Other	0%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%
Growth Yr/Yr %					
Retail		49%	81%	-13%	-9%
Industrial		-4%	27%	2%	-1%
Other		n/a	0%	n/a	n/a
Total		36%	71%	-11%	-8%

E=Estimated by eResearch

Retail segment representing 84% of total revenue declined by 13% in 2006 and 9% in 2007, primarily due to deferred shipping dates, delays in order activity and a weak housing market in the U.S.

Revenues by Geography

	Year Ending November 30				
($000)	**2004**	**2005**	**2006**	**2007**	**2008E**
Canada	12,927	18,244	17,680	18,574	17,545
United States	4,860	5,875	23,684	18,306	16,475
Total	17,787	24,119	41,364	36,880	34,020
Mix %					
Canada	73%	76%	43%	50%	52%
United States	27%	24%	57%	50%	48%
Total	100%	100%	100%	100%	100%
Growth Yr/Yr %					
Canada	628%	41%	-3%	5%	-6%
United States	69%	21%	303%	-23%	-10%
Total	283%	36%	71%	-11%	-8%

E = Estimated by eResearch

Geographic Breakdown: After the Adjusta-Post acquisition in 2006, the U.S. market accounted for more than 50% of total revenues, a jump from 24% in previous years. The acquisition brings some diversification benefits to Divcom but also exposes the Company to economic conditions in the U.S. In 2007, the U.S. division experienced a substantial decline in revenues (23%) as result of a weak housing market, while the Canadian division improved modestly as the Canadian economy remained robust for the year. We expect this trend will continue in 2008.

MANAGEMENT AND DIRECTORS

Aslam Khatri, Chief Executive Officer, Co-Founder
Aslam Khatri has been CEO of the Company since 1999. He was a former Director and CFO at Kaufel Group Ltd., a major international lighting company. In that time, he assisted with over 20 acquisitions in North America and Europe.

Joey Khatri, Vice-President, Co-Founder
Joey Khatri is responsible for sales, marketing and new product development programs, and for the implementation of a North American sales network for both residential and commercial product lines. He has experience in the lighting industry, having previously worked at Kaufel Group Ltd.

Diane Khatri, Senior Vice-President, Co-Founder
Diane Léger-Khatri handles all administrative aspects for Divcom. She formerly owned her own textile product manufacturing company.

Deric Vourantonis, CA, Vice-President, Finance
Deric Vourantonis joined the Company from his own private accounting practice. Previous to this, he had spent 10 years at Howarth Appel where he specialized in inventory valuation and control. He received his bachelor's degree in accounting from Concordia University, and subsequently obtained his CA designation.

Jean Larouche, Chief Operating Officer - President, SNOC Inc.
Jean Larouche is the President of SNOC Inc. (Divcom's largest subsidiary). He acquired SNOC in 1991 from a major lighting company. He has over 30 years' experience in the lighting industry, of which 17 years were spent at Lightolier where he served as Vice-President of Finance.

Orfellio Lalli, Eng, Vice-President, Engineering
Orfellio Lalli is responsible for all engineering functions at the Company. He spent 21 years at Lightolier and 10 years at SNOC, where he served as Vice-President of Engineering. Mr. Lalli obtained his engineering degree from McGill University.

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ANALYST CERTIFICATION

Each Research Analyst who was involved in the preparation of this Research Report hereby certifies that: (1) the views, opinions, and recommendations expressed in this Research Report reflect accurately the Research Analyst's personal views concerning any and all securities and issuers that are discussed herein and are the subject matter of this Research Report; and (2) the fees, earnings, or compensation, in any form, payable to the Research Analyst, is not and will not, directly or indirectly, be related to the specific views, opinions, and recommendations expressed by the Research Analyst in this Research Report.

***e*Research analysts on this report:**

Eric Eng, BA (Acct., Econ.), MBA. Eric Eng worked at DBRS as a Analyst/Vice President for 10 years. He obtained a BA in Accounting and Economics and a MBA in Finance at the University of Toronto. He joined *e*Research in January 2008.

Bob Weir, B. Comm, B.Sc., CFA. Bob Weir has 40 years of investment research and analytical experience in both the equity and fixed-income sectors, and in the commercial real estate industry. He was at Dominion Bond Rating Service (DBRS) from 1994 to 2001, latterly as Executive Vice-President responsible for conducting the day-to-day management affairs of the company. He joined *e*Research in 2004.

*e*Research Analyst Group

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Scott Davidson
Marita Hobman

Transportation & Environmental Services/ Industrial Products
Bill Campbell

Oil & Gas
Eugene Bukoveczky
Achille Desmarais
Dick Fraser
Ross Deep

Mining & Metals
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Eric Eng
Adrian Manlagnit
Kirsten Marion
Oliver Schatz
Amy Stephenson
Graham Wilson
Michael Wood

Special Situations
Asim Bukhtiar
Bill Campbell
Bob Leshchyshen
Ross Deep
Nigel Heath
Amy Stephenson

*e*Research Recommendation System

Strong Buy: Expected total return within the next 12 months is at least 40%.

Buy: Expected total return within the next 12 months is between 10% and 40%.

Speculative Buy: Expected total return within the next 12 months is substantial, but Risk is High (see below).

Hold: Expected total return within the next 12 months is between 0% and 10%.

Sell: Expected total return within the next 12 months is negative.

*e*Research Risk Rating System

A company may have some, but not necessarily all, of the following characteristics of a specific risk rating to qualify for that rating:

High Risk: *Financial* - Little or no revenue and earnings, Ltd. financial history, weak balance sheet, negative free cash flows, poor working capital solvency, no dividends.

Operational - Weak competitive market position, early stage of development, unproven operating plan, high cost structure, industry consolidating, business model/technology unproven or out-of-date.

Medium Risk: *Financial* - Several years of revenue and positive earnings, balance sheet in line with industry average, positive free cash flow, adequate working capital solvency, may or may not pay a dividend.

Operational - Competitive market position and cost structure, industry stable, business model/technology is well established and consistent with current state of industry.

Low Risk: *Financial* - Strong revenue growth and earnings over several years, stronger than average balance sheet, strong positive free cash flows, above average working capital solvency, company may pay (and stock may yield) substantial dividends or company may actively buy back stock.

Operational - Dominant player in its market, below average cost structure, company may be a consolidator, company may have a leading market/technology position.

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Divcom Lighting Inc. paid *e*Research a fee of $17,500+GST to conduct research on the company on an Annual Continuous Coverage basis.

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