



Management's discussion and analysis for the three and nine months ended March 31, 2010

Fiscal 2010

This MD&A has been prepared as at May 12, 2010.

Pacific Insight Electronics Corp. (TSX:PIH) provides leadership, planning, design and manufacture of innovative electronic solutions for the transportation industry.

The Company designs and distributes its products and services to original equipment manufacturers (OEM) and distributors in the United States and Canada.

The following Management Discussion and Analysis (MD&A) pertains to the third quarter ended March 31, 2010 of Pacific Insight Electronics Corp. (PI, Pacific Insight, or the Company). This MD&A is intended to help readers understand Pacific Insight, its business, strategies, performance, and future outlook from the perspective of management. The information provided should be read in conjunction with the March 31, 2010 unaudited interim financial statements and the audited financial statements, notes, and MD&A for the years ended June 30, 2009 and 2008 and the Annual Information Forms for those years. These documents, news releases, and other important information may be viewed through the SEDAR website at www.sedar.com. Our company web site www.pacificinsight.com also contains further information and descriptions of our product lines, the Company history, and contact information.

Pacific Insight's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board's Audit Committee meets with management regularly to review the financial statement results, including the MD&A, and to discuss other financial, operating, and internal control matters. The Audit Committee is also free to meet with the independent auditors throughout the year.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible to ensure that information disclosed externally, including the financial statements and MD&A, is complete and reliable. This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations". The unaudited interim financial statements for the nine months ended March 31, 2010 were prepared in accordance with Canadian generally accepted accounting principles (GAAP) and reported in Canadian dollars.

Forward-looking statements

The following MD&A may contain management estimates of anticipated future trends, activities, or results; these are not a guarantee of future performance, since actual results may vary based on factors and variables out of management's control. The words "estimate", "believe", "expect" and similar expressions are intended to identify forward-looking statements. Persons reading this report are cautioned that such statements are only predictions and the actual events or results may differ materially. In evaluating such forward-looking statements, readers should specifically consider the various factors that could cause actual events or results to differ materially from those indicated by such forward-looking statements.

Overview

Pacific Insight Electronics Corp. (PI) designs, manufactures and delivers electronic products and full service solutions to the automotive, heavy truck and specialty markets. PI maintains two manufacturing facilities - one located in Nelson, British Columbia, Canada and one located in Fresnillo, Zacatecas, Mexico.

PI reported sales of \$8 million during the quarter; a marked accomplishment given the current economic environment still recovering from the recession. The Company added additional production and professional resources during the quarter to support increased demand for our products and to capitalize on opportunities in the markets we serve. The automotive sector is beginning to rebound from the decline experienced in the prior year. The Company anticipates more normalized levels of order flow for the balance of fiscal 2010 with continued growth in 2011.

During the quarter, PI opened an office in Novi, Michigan to support automotive customers and decentralize some key functions such as product management, engineering and sales. The leased premise provides PI with a presence in the Great Lakes Region and further positions the Company as a North American entity. A wholly owned US subsidiary is being created to formalize our US presence.

The continuous challenges in PI's supply chain presented by vendors recovering from the recession are proactively being managed. Management has increased inventories in the short term to ensure on-time delivery to customers. As a result, inventory levels have risen, and cash and accounts payable positions reflect this change. In addition, the strength of the Canadian dollar applies additional pressure on our business model, as over 80% of our sales are in US dollars.

Our experienced management team, sales force and product development division remains committed to pursuing new markets and expanding existing product lines according to our customers' specific requirements.

For further information, please visit www.pacificinsight.com. For Corporate Relations, please contact our toll free line: 1-800-995-1155 or email investor@pacificinsight.com

Financial Results

During the third quarter ending March 31, 2010, PI reported sales of \$8.02 million compared to \$4.57 million in the third quarter a year earlier. The quarterly variance resulted from an industry-wide increase in demand from existing and new customers. We anticipate demand for our products to continue for the balance of the 2010 fiscal year with continued growth in 2011.

Third quarter results returned earnings of \$0.05 per share versus a net loss of \$0.11 per share for the comparative quarter in fiscal 2009. For the nine months ending March 31, 2010, PI reported earnings of \$0.03 per share when compared to a net loss of \$0.08 per share in the comparative period a year earlier. Earnings improved as a result of increased sales, higher gross margins and SG&A expenses were positively impacted by input tax credits (SR&ED Tax Incentive Program) recorded during the quarter.

As a nimble and agile supplier, PI adapts its systems and processes in response to the rapidly changing global economic situation. The Company has implemented proactive strategies to ensure it is well-positioned as the economic climate and customer demand continues to improve.

In Thousands \$ (except EPS and exchange rate)	For the 3 months ended	
	March 31, 2010	March 31, 2009
Sales	\$8,019	\$4,568
Gross Profit \$	\$2,043	\$737
Gross Profit %	25%	16%
Net earnings (loss)	\$324	(\$668)
EPS	\$0.05	(\$0.11)
EPS fully diluted	\$0.05	(\$0.11)
EBITDA	\$963	(\$521)
Average CDN/US exchange rate	1.0459	1.2534

In Thousands \$ (except EPS and exchange rate)	9 months ended	Fiscal	
	March 31, 2010	2009	2008
Sales	\$21,075	\$24,240	\$29,339
Gross Profit \$	\$4,754	\$5,436	\$7,035
Gross Profit %	23%	22%	24%
Net earnings (loss)	\$214	(\$497)	(\$590)
EPS	\$0.03	(\$0.08)	(\$0.10)
EPS fully diluted	\$0.03	(\$0.08)	(\$0.10)
EBITDA	\$1,487	\$1,003	\$884
Average CDN/US exchange rate	1.0633	1.1651	1.0103

Sales

PI designs and manufactures product solutions for its customers in four main business categories: Electronic Modules, LED Lighting, Instrumentation, and Wire Harnesses. Our customers include some of the most respected brands in the transportation industry: BorgWarner, CAT, Ford, Freightliner, Harley Davidson, International, Kenworth, Mack, Peterbuilt, Peterson Manufacturing, Toyota, Volkswagen, Volvo and Western Star.

Summary of quarterly sales by product line

(in thousands \$)	F-2010			F-2009				F-2010	F-2009
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	9 months	Year
Sales									
Electronic Modules	3,406	3,115	2,206	2,040	1,483	2,508	2,292	8,727	8,323
LED Lighting	1,288	1,110	844	898	1,077	2,076	2,089	3,242	6,140
Instrumentation	835	792	632	429	610	1,032	1,151	2,259	3,222
Wire Harness	2,490	2,388	1,969	1,556	1,398	1,792	1,809	6,847	6,555
Total Sales	8,019	7,405	5,651	4,923	4,568	7,408	7,341	21,075	24,240

Electronic Modules

The Company's Electronic Module products include daytime running lights, heated seat control, and gateway communication modules along with several new products. Recently designed and manufactured products include heated steering wheel, ambient light and steering lock modules.

PI's Electronic Modules provide an enhanced driving environment and features that include safety, convenience and protection. In addition, new ambient lighting products have been designed and manufactured for the OEM automotive market. Ambient lighting provides spot and accent lighting to vehicle interiors and offers an infinite variation of light color customized to the car owner's preference.

Electronic Module sales for the three months ending March 31, 2010 were \$3.41 million compared to \$1.48 million in the comparative quarter, an increase of 130%. Revenues increased 39% year to date over the previous nine month period as a result of returning activity in the automotive industry. PI has a renewed focus in this sector with new investments and capabilities that are creating greater opportunity.

Electronic Modules have been a key component of the Company's growth. Looking forward, management expects increasing demand for this product division evidenced by increased sales in this quarter, and improving market conditions.

LED Lighting

PI manufactures both LED printed circuit assemblies and fully assembled LED lighting systems for OEMs and Tier 2 lighting suppliers. PI's LED lighting business is directly tied to the class 4-8 heavy truck and industrial markets that have been affected by the downturn in the economy. The Company's LED lighting products for the North American transportation industry and adjacent markets are power smart, innovative and cost competitive.

LED Lighting sales during the third quarter were \$1.29 million or a 20% increase when compared to \$1.08 million for the similar period in fiscal 2009. Revenues have decreased 38% year to date over the comparative nine month period. The year over year decline is a result of the reduction in off-road and commercial vehicle build rates. This sector has not experienced the same rebound as the retail market. Advances in technology also continue to reduce the selling price of LEDs.

Supply chain challenges are impacting timely production of certain LED products therefore PI has increased inventory in the short term to ensure on-time delivery. PI continues to explore sales to new markets that are aligned with our LED expertise.

Instrumentation

PI designs and manufactures a full line of data bus instruments including gauges, tell-tale light bars, displays, gateway and analog input modules.

Sales for the third quarter ending March 31, 2010 were \$835,000 or an increase of 37% when compared to \$610,000 for the similar three-month period in 2009. Year to year sales decreased by 19% as the Instrumentation product category was impacted by the downturn in the heavy truck market, partially caused by the increased cost of new emissions standards on the 2010 engines.

PI recently launched the "Pro-Step" 5 inch gauge product line. It includes all of the latest stepper motor and J1939 data bus technology. The new product line-up offers a flexible platform, making it easy for PI to easily adapt to a variety of customer function or styling requirements.

Wire Harness

PI is a full service wire harness manufacturer serving the agriculture, automotive, heavy truck, marine, refuse, and specialty vehicle markets.

Third quarter sales in 2010 grew by 33% to \$2.49 million versus \$1.40 million for the corresponding period in 2009. Sales for the nine month period rose by 37% over the prior year due to improving conditions in the automotive industry, new customers and additional sales to existing customers.

The Company is actively pursuing and securing new customers. PI has strong, long-standing relationships with all levels of its OEM Tier 1 and 2 customers and continues to strengthen this foundation by providing enhanced products and services that meet changing market demand.

The Wire Harness business is an important component of PI's overall strategy and Management intends to capitalize on our competitive cost structure and expanded manufacturing capacity in Mexico. Sales of wiring products have a quick time-to-market cycle and provide an excellent lead-in for electronic module, gauge, and LED product sales.

Gross Profit

Gross profit was \$2.04 million or 25% when compared to \$737,000 or 16% in the comparative 2009 third quarter. Increased sales, the allocation of burden costs over a larger grouping of products and Management's continued focus on cost control have resulted in a higher gross margin. The nine month period ending March 31, 2010 reported a gross profit of 23% compared to 24% for the same period last year. The decrease is primarily due to a foreign exchange loss of \$437,000 as compared to a foreign exchange gain of \$546,000 reported in the same period a year ago.

Management actively examines PI's business structures and processes, and makes necessary adjustments to remain competitive. We are consistently investing in productive assets and "Lean Manufacturing" initiatives at our plants in Canada and Mexico. Our Lean Manufacturing methods are designed to increase quality, efficiency and productivity while reducing cost and waste. Management continues to focus on lowering costs, accessing new markets and achieving higher profit margins as core objectives in creating sustained shareholder value.

Selling, general and administrative ('SG&A') expenses

SG&A expenses for the third quarter were \$1.04 million compared to \$1.26 million for the previous year, a decrease of \$219,000. The majority of the variance is due to input tax credits recorded during the quarter with a positive net impact of \$222,000. Prior year input tax credits of \$277,000 were not reported until the 4th quarter ending June 30, 2009.

Research and Development (R&D) expenses are included in SG&A costs. PI has made significant progress to recover customer design costs in the form of non-recurring engineering charges paid during the development process. Customer reimbursements for design work are applied to capitalized amounts where appropriate with the balance applied directly to expenses.

In anticipation of recovery PI continues to invest in development tools, processes and intellectual capital to support new business. Investments in R&D are an important component of our growth and marketing strategies and a defining characteristic of PI.

Net Earnings (loss) and Earnings per Share

Net earnings for the third quarter 2010 of \$324,000 or \$0.05 per fully diluted share compared to a net loss of \$668,000 or \$0.11 per share in the quarter ending March 31, 2009.

Earnings continue to be impacted from the past slowdown in the economy and a stronger Canadian dollar. The Company is actively pursuing additional cost cutting measures and economies of scale to drive profitability. With continued economic recovery PI anticipates further growth in 2011.

In Thousands \$ (except EPS)	F-2010			F-2009				F-2010	F-2009
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	9 months	Year
Sales	\$8,019	\$7,405	\$5,651	\$4,923	\$4,568	\$7,408	\$7,341	\$21,075	\$24,240
Net earnings (loss)	\$324	\$23	(\$132)	(\$30)	(\$668)	\$46	\$155	\$215	(\$497)
EPS	5¢	0¢	(2¢)	(1¢)	(11¢)	1¢	3¢	3¢	(8¢)
EPS fully diluted	5¢	0¢	(2¢)	(1¢)	(11¢)	1¢	3¢	3¢	(8¢)

Cash

As at March 31, 2010, PI's cash position was \$1.75 million and working capital was \$8.30 million compared to \$1.54 million and \$8.27 million respectively on March 31, 2009 and \$3.27 million and \$8.33 million respectively on June 30, 2009. The decrease in cash is a direct result of increased inventory purchases to support supply chain efforts and customer service. As at March 31, 2010, PI had a fully available operating line of credit, and no short-term debt.

Liquidity

Pacific Insight has sufficient cash and working capital, and access to borrowing facilities to meet all current and anticipated commitments. The Company also has adequate liquidity to mitigate the effect of foreign exchange fluctuations and to compete effectively in the current and future currency and market environments. Management uses natural hedging in the business model by matching currency flows. The manufacturing operation in Mexico is a key element in our foreign exchange strategy as its expenses are effectively incurred in US dollars.

In Thousands \$	F-2010			F-2009	F-2008
	Q3	Q2	Q1	Year	Year
Cash flow provided by/(used by) operating activities	\$619	(\$52)	(\$905)	\$3,396	\$505
Cash flow provided by/(used by) investing activities	(\$253)	(\$900)	(\$319)	(2,211)	(\$1,239)
Cash flow provided by financing activities	\$293	–	–	–	–
Cash as at period end	\$1,751	\$1,092	\$2,044	\$3,268	\$2,051
Working capital as at period end	\$8,621	\$7,744	\$8,232	\$8,325	\$9,045
Total assets as at period end	\$20,322	\$19,869	\$18,901	\$17,891	\$18,703

Accounts receivable

Accounts receivable for the third quarter ending March 31, 2010 was \$4.74 million compared to the prior year's balance of \$3.07 million. The increase from the previous quarter is due to the increase in sales. Accounts receivable at June 30, 2009 was \$2.30 million. PI's customers are typically large, well-capitalized OEMs and industrial companies; over the last twenty years we have experienced an extremely low rate of bad debts.

Inventories

Inventory as at March 31, 2010 was \$5.32 million, an increase of \$1.79 million from the fourth quarter of 2009 in part as a result of increased customer demand. In addition the supply chain has impacted inventory management resulting in some increases to material costs due to supplier allocation and market conditions. Inventory levels have been increased to maintain customer service levels. At March 31, 2009 inventory levels were \$4.15 million.

Prepaid expenses and deposits

Prepaid expenses and deposits as at March 31, 2010 were \$116,000 compared to \$56,000 in the comparative quarter in 2009. The increase relates to prepayment of certain expenses to support the plant expansion in Mexico during the previous quarter.

Property, plant, and equipment

Additions during the quarter were \$280,000; the majority of the investment was made to support our Canadian operations. Purchases of plant and equipment for the nine month period were \$1.16 million. We continually make investments in necessary manufacturing equipment to support our focus on improving efficiencies while reducing product costs. Additions for the quarter ending March 31, 2009 were \$375,000.

Product development costs

Capitalized product development cost balances were \$1.37 million as at March 31, 2010 compared to \$1.19 million in 2009. As at June 30, 2009 capitalized product development costs were \$1.21 million. Additions to capitalized product development costs during the quarter were \$131,000, versus \$256,000 in the comparative period. The projects capitalized this quarter were in all product types and industries but with a larger focus on automotive products as compared to previous years. Customer reimbursements for design work are applied to capitalized amounts where appropriate with the balance applied directly to expenses. Amounts received under the Federal Government's Scientific Research and Experimental Development (SR&ED) Tax Incentive Program are applied against capitalized amounts with the balance against expenses.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities were \$3.35 million as at March 31, 2010, as compared to \$1.59 million during the comparable quarter last year. The variance in the annual amounts is directly related to increased customer demand and resulting need for additional inventory.

Long-term debt

Pacific Insight has received funding under the Community Adjustment Fund (CAF) through Western Economic Diversification. PI is approved for a total project cost of \$2.8 million of which \$1.6 million will be funded by Pacific Insight and \$1.2 million through the CAF (interest free loan, repayable beginning September 1, 2011). The funding will be used for our Focused Manufacturing Project, a company-wide initiative to improve manufacturing efficiency using a combination of Lean principles and capital investment.

At March 31, 2010, the Company received \$353,114 in funding under the agreement. The Company recognized at fair value a long-term liability of \$293,177 (discounted at 7.34%), a reduction of property, plant and equipment of \$43,251 and a reduction of expenditures in the amount of \$16,686. The loan is interest free and repayable beginning September 1, 2011, in monthly payments of \$13,400.

Share capital

The authorized share capital of Pacific Insight is 100,000,000 common shares without par value. As at March 31, 2010, and the date of this MD&A, the Company had 5,937,417 common shares outstanding.

As at March 31, 2010 and at the date of this report a total of 524,550 stock options are outstanding under the plan and 314,550 stock options are fully vested. If these vested options were exercised, the Company would receive \$918,486 in exchange for the issuance of shares.

On June 2, 2009, the Company announced a Normal Course Issuer Bid (NCIB) permitting it to purchase up to 411,166 of its common shares up to June 3, 2010. Share purchases into the NCIB are reported to various security exchanges on the SEDI website www.sedi.ca. No shares have been purchased through the current NCIB.

Dividend policy

Pacific Insight does not pay a dividend at this time.

Financing resources

As at March 31, 2010, Pacific Insight had a positive cash balance and no debt.

Pacific Insight Electronics Corp. currently has the following credit facilities:

- An operating line of credit facility for up to \$5,000,000.
- A property, plant, and equipment acquisition facility for up to \$1,000,000.

The facilities are secured by a General Security Agreement on certain assets of the Company and require the Company to adhere to several covenants. As at March 31, 2010, the Company was in compliance with these covenants.

Other matters

- a) The Company has had no transactions with related parties during the year.
- b) The Company has no material off-balance sheet financing arrangements.
- c) The Company currently has no material asset acquisition plans that have been approved by the Board of Directors.

New accounting policies

Effective July 1, 2008, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook. For details on these policies refer to Pacific Insight's Annual Financial Statements for the year ended June 30, 2009.

New accounting pronouncements

International Financial Reporting Standards (IFRS)

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP.

The transition date of the Company will be July 1, 2011 and will require the restatement for comparative purposes of amounts reported for the year ended June 30, 2011. The Company is completing an analysis to identify differences in reporting standards and assessing the impacts of adoption. An implementation strategy is under development to ensure compliance with these reporting requirements.

Subsequent events

The Company experienced no subsequent events that would materially alter this MD&A or the March 31, 2010 financial statements.

Risks and uncertainties

Please see the June 30, 2009 annual MD&A for a listing of the Company's various risks and how they are managed. PI is an electronic solutions provider in the transportation industries, and is subject to the downturn and upturn cycles in those industries.

There were no substantial changes during the quarter to PI's various risks and how they are managed. PI has no debt, and has credit facilities available.

Additional Information

Additional information relating to the Company can be found on the SEDAR website at www.sedar.com. Our company web site www.pacificinsight.com also contains further information and descriptions of our product lines, the Company history, and contact information.