

PIVOT TECHNOLOGY SOLUTIONS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

November 20, 2015

This Management's Discussion and Analysis (the "MD&A") pertains to the financial condition and results of operations of Pivot Technology Solutions, Inc. (TSX-V: PTG) ("Pivot", the "Company", or the "Corporation") for the three and nine months ended September 30, 2015 and 2014. This MD&A should be read in conjunction with Pivot's unaudited interim condensed consolidated financial statements and related notes for the three months ended March 31, 2015 and 2014, the unaudited interim condensed consolidated financial statements and related notes for the three and six months ended June 30, 2015 and 2014, the consolidated financial statements and the related notes for the years ended December 31, 2014 and 2013, and the related MD&A. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and can be found at www.sedar.com and www.pivotts.com. The three month period ended March 31 is referred herein as "Q1". The three month period ended June 30 is referred herein as "Q2". The three month period ended September 30 is referred herein as "Q3". The three month period ended December 31 is referred herein as "Q4". All dollar amounts, except per share amounts stated in this MD&A, are in thousands of United States dollars unless specified otherwise.

Statements in this document may contain forward-looking information, including statements with respect to the future payment of fixed consideration, possible sources of funding for future growth, declaration of a dividend in future periods and the adoption of a normal course issuer bid ("NCIB"). Forward-looking information is based on assumptions of future events and actual results could vary significantly from these estimates. The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect. These assumptions include estimates of the profitability of its operations and operations of certain acquired businesses, the availability of borrowings under the Company's credit facilities and access to other sources of capital, that the Company will be in a financial position to declare and pay a dividend in subsequent periods, and that a notice will be submitted to the TSX Venture Exchange for an NCIB and that all approvals will be obtained for an NCIB. Events or circumstances may cause actual results to differ materially from those predicted as a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company. Some of the important factors, but certainly not all, that could cause actual results to differ materially from those indicated by such forward-looking statements are: (i) that the information is based on estimated results, (ii) the possible unavailability of financing, (iii) start-up risks, (iv) general operating risks, (v) dependence on third parties, (vi) changes in government regulation, (vii) the effects of competition, (viii) dependence on senior management, (ix) impact of the Canadian and/or United States economic conditions, (x) fluctuations in currency exchange rates and interest rates, (xi) uncertainty with respect to the ability of the Company to pay a

quarterly dividend in subsequent periods, (xii) uncertainty with respect to the ability of the Company to obtain approvals for an NCIB, and (xiii) the risks set out in this MD&A under the heading “Risks and Uncertainties”. The reader is cautioned not to place undue reliance on this forward looking information. The Company expressly disclaims any intention or obligation to update or revise any forward looking information, whether as a result of new information, future events or otherwise, except as required in accordance with applicable securities laws.

SELECTED FINANCIAL INFORMATION AND OPERATING RESULTS

	Three months ended September 30, <i>(unaudited)</i>		Nine months ended September 30, <i>(unaudited)</i>	
	2015	2014	2015	2014
Revenues	414,517	359,716	1,068,772	981,751
Cost of sales	373,866	319,574	950,623	867,946
Gross profit	40,651	40,142	118,149	113,805
Selling and administrative expenses	34,320	31,629	100,589	91,404
Adjusted EBITDA*	6,331	8,513	17,560	22,401
Depreciation and amortization	3,409	3,081	9,694	8,828
Transaction costs	289	17	431	209
Interest expense	1,789	1,703	5,457	4,790
Change in fair value of liabilities	930	203	1,768	5,236
Other expense (income)	2,624	(96)	2,737	(212)
Income (loss) before income taxes	(2,710)	3,605	(2,527)	3,550
Provision for (recovery of) income taxes	(104)	2,300	523	2,263
Net and comprehensive income (loss)	(2,606)	1,305	(3,050)	1,287
Net loss per share:				
Basic	\$ (0.02)	\$ 0.01	\$ (0.02)	\$ (0.01)
Diluted	\$ (0.02)	\$ 0.00	\$ (0.02)	\$ (0.01)
Cash and cash equivalents	12,543	9,662	12,543	9,662
Total assets	487,177	464,353	487,177	464,353
Total long-term financial liabilities	-	9,644	-	9,644
Cash dividends declared on preferred shares	-	689	461	2,078
Cash dividends declared on common shares	957	-	957	-

Note: Amounts presented are in thousands of U.S. dollars, except per share amounts

*** Non IFRS measures**

In the Company's financial reporting, adjusted EBITDA is a non IFRS measure which is defined as gross profit less selling and administrative expenses, and corresponds to income before income tax, depreciation and amortization, transaction costs, interest expense, change in fair value of liabilities, goodwill impairment, and other income or expense. Management believes this is an important indicator as adjusted EBITDA excludes items that are either non-cash expenses, items that cannot be influenced by management in the short term, and items that do not impact core operating performance, demonstrating the Company's ability to generate liquidity through operating cash flow to fund working capital needs, service outstanding debt and fund future capital expenditures. Adjusted EBITDA is also used by some investors and analysts for the purposes of valuing an issuer. The intent of adjusted EBITDA is to provide additional useful information to investors and analysts and is also used by management as an internal performance measurement.

Adjusted EBITDA is not a recognized measure under IFRS, has no standardized meaning and is therefore unlikely to be comparable to similar measures used by other companies. Readers are cautioned that this term should not be construed as an alternative to net income determined in accordance with IFRS.

Key performance indicators

Pivot measures the success of its strategies using a number of key performance indicators. These include revenues, gross profit and adjusted EBITDA. Gross profit is defined as revenues less cost of sales. Pivot believes these are important measures as they allow the Company to evaluate its operating performance and identify financial and business trends relating to its financial condition and results of operations.

Q3 2015 financial and operating highlights

- Revenues of \$414,517 increased 15.2%, or \$54,801, over Q3 2014, and 15.8%, or \$56,635, from Q2 2015, primarily due to an increase in product sales, which were up 16.9%, or \$53,832, over Q3 2014, and 18.7%, or \$58,761, over Q2 2015. Service revenues decreased 1.7%, or \$622, from Q3 2014 and 9.1%, or \$3,728, from Q2 2015. Service revenue comprised 8.9% of total revenue, down from 10.5% in Q3 2014.
- Gross profit of \$40,651 was up 1.3%, or \$509, from Q3 2014 and down 10.3%, or \$4,651, from Q2 2015. Gross profit margin of 9.8% was down from 11.2% in Q3 2014 and 12.7% in Q2 2015.
- Adjusted EBITDA of \$6,331 decreased 25.6% or \$2,182, from Q3 2014, and 36.2%, or \$3,589, from Q2 2015.

- On September 21, 2015, the Company entered into an agreement with JPMorgan Chase Bank, N.A. (“JPMC”) for the provision of a \$200,000 senior secured asset based revolving credit facility. The new facility replaces the previous asset based revolving credit and term loan facilities with PNC Bank, N.A. (“PNC”).
- Interest expense of \$1,789 was up 5.0% or \$86 from Q3 2014, due to increased levels of borrowing on unsecured credit facilities.
- Other expense (income) of \$2,624 increased \$2,720 over Q3 2014 due to the expensing of unamortized loan costs (\$2,553) and early termination fees (\$58) relating to the previous credit facilities with PNC.
- A net loss of \$2,606 was incurred, as compared to net income of \$1,305 and \$2,663 for Q3 2014 and Q2 2015, respectively.
- On August 19, 2015, the Board declared a C\$0.0075 common share dividend, for holders of common shares on August 31, 2015. Dividends of C\$1,259 were paid on September 15, 2015.

Nine month 2015 financial and operating highlights*

- Revenues increased 8.9%, or \$87,021, from 2014, to \$1,068,772. Product sales grew 8.8%, or \$76,286, and service revenue grew 8.0%, or \$8,634, on a year over year basis. Service revenues comprised 10.9% of total revenue, down slightly from 11.0% in 2014.
- Gross profit of \$118,149 was up 3.8%, or \$4,344, from 2014. Gross profit margin of 11.1% was down from 11.6% in 2014.
- Adjusted EBITDA decreased 21.6% from 2014, to \$17,560.
- Interest expense of \$5,457 was up \$667 from 2014, primarily due to increased levels of borrowing on unsecured credit facilities.
- Other expense (income) of \$2,737 increased \$2,949 over 2014 due to the expensing of unamortized loan costs (\$2,553) and early termination fees (\$58) relating to the previous facilities with PNC.
- Net loss of \$3,050 was incurred. In 2014, income of \$1,287 was earned.
- On March 2, 2015, the Company announced it would be exercising its option to convert all outstanding preferred shares to common shares on a one for one basis. On March 16, 2015, 58,094,630 Series A Preferred Shares were converted to common shares of the Company.
- Series A Preferred Share dividends of \$461 were declared during 2015, reflecting a fixed cumulative preferential dividend at the rate of 6% per annum.

** Comparative 2014 information refers to the nine months ended September 30, 2014.*

FINANCIAL AND OPERATING RESULTS

Three and nine months ended September 30, 2015 compared to the three and nine months ended September 30, 2014

Revenue

	Three months ended September 30, (unaudited)		Nine months ended September 30, (unaudited)	
	2015	2014	2015	2014
Product sales	372,957	319,125	942,787	866,501
Service revenues	37,057	37,679	116,466	107,832
Other revenues	4,503	2,912	9,519	7,418
	414,517	359,716	1,068,772	981,751

Note: Amounts presented are in thousands of U.S. dollars

Product sales increased \$53,832 or 16.9% for the three months ended September 30, 2015 over the same quarter in the prior year. Net increases in product sales from non-major customers amounted to \$17,570 or 32.6% of this increase, while major customers accounted for \$36,262 or 67.4% of this increase over the prior year quarter. Year over year, product sales increased \$76,286, with non-major customers contributing \$50,109 or 65.7% of the growth, while major customers contributed \$26,177 or 34.3%.

Service revenues decreased \$622 or 1.7% and increased \$8,634 or 8.0% for the three and nine months ended September 30, 2015, respectively over the same periods in the prior year. The decrease quarter over quarter is the result of non-recurring service revenue performed for a new customer during Q3 2014. Year over year, the Company experienced favorable growth in service revenues, continuing to gain traction via its strategic business unit “Pivot Technology Services” which focuses on higher margin service offerings. The Company’s “First Call” offerings continue to grow, contributing to the service revenue growth year over year.

In general, changes in revenue quarter over quarter are attributable to a number of factors, including, but not limited to, timing of major projects and replenishments, vendor incentive programs and competitive pressures in the market.

The top ten customers represented 59.6% and 54.6% of total revenues for the three months ended September 30, 2015 and 2014, respectively, and 50.2% and 50.8% for the nine months ended September 30, 2015 and 2014, respectively.

Cost of sales and gross profit

Gross profit increased by \$509 or 1.3% and \$4,344 or 3.8% for the three and nine months ended September 30, 2015, respectively, over the corresponding period in 2014. Gross profit margins decreased to 9.8% and 11.1% for the three and nine months ended September 30, 2015, respectively, compared with 11.2% and 11.6% for the same periods in the prior year. The decline in gross profit margin quarter over quarter is primarily attributable to lower service revenues as a % of total revenues, coupled with increased revenues to major customers, which carry a lower overall profit margin.

Selling and administrative expenses

	Three months ended September 30, <i>(unaudited)</i>		Nine months ended September 30, <i>(unaudited)</i>	
	2015	2014	2015	2014
Salaries and employee benefits	27,734	25,646	81,315	73,948
Other selling and administrative expenses	6,586	5,983	19,274	17,456
	34,320	31,629	100,589	91,404

Note: Amounts presented are in thousands of U.S. dollars

Selling and administrative expenses increased by \$2,691 and \$9,185 for the three and nine months ended September 30, 2015, respectively, over the corresponding period in 2014. Increases in salaries and employee benefits account for the bulk of the change, \$2,088 and \$7,367 for the three and nine months, respectively, over the same period in the prior year. Underlying this increase was an increase in headcount as investments were made to drive future growth, salary increases and increased benefit costs, as well as higher commissions as a result of the increased revenue and gross profit period over period. Other selling and administrative expenses increased \$603 and \$1,818 for the three and nine months ended September, 30, 2015, respectively, over the same period in the prior year, due primarily to increases in facility costs, recruiting fees, sales and marketing costs, and professional fees, offset by lower travel and entertainment expenses.

Change in fair value of liabilities

	Three months ended September 30, <i>(unaudited)</i>		Nine months ended September 30, <i>(unaudited)</i>	
	2015	2014	2015	2014
Contingent consideration	-	-	-	3,801
Fixed consideration	151	391	457	885
Interest rate swap	779	(188)	1,311	550
	930	203	1,768	5,236

Note: Amounts presented are in thousands of U.S. dollars

The change in fair value relates to contingent consideration and other financial liabilities arising from business acquisitions, and the mark to market on an interest rate forward swap agreement (“Swap”).

During the first half of 2014, management increased its estimates related to the contingent consideration for ARC Acquisition (US) Inc. (“ARC”) and Sigma Technology Solutions, Inc. (“Sigma”) based on revised forecasts. Consideration related to the Sigma acquisition was renegotiated to fixed amounts during Q2 2014, and the related fair value adjustments were reported as fixed consideration from that point forward, reducing significant fluctuations in the change in fair value. In Q2 through Q4 2014, the consideration related to the ACS, ARC and New ProSys Corp (“ProSys”) acquisitions was paid in full, leaving only consideration related to the Sigma acquisition outstanding in 2015, contributing to the quarter over quarter and year over year decreases.

On April 3, 2014 the Company entered into a Swap with PNC to mitigate the risk of fluctuating interest rates. The Swap was subsequently novated to JPMC on September 21, 2015.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Three months ended, (<i>unaudited</i>)							
	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
Revenues	414,517	357,882	296,373	377,478	359,716	302,708	319,327	338,004
Gross profit	40,651	45,302	32,196	45,553	40,142	38,200	35,463	36,348
Adjusted EBITDA	6,331	9,920	1,309	11,032	8,513	7,682	6,206	7,719
Net and comprehensive income (loss)	(2,606)	2,663	(3,107)	2,969	1,305	951	(969)	748
Income (loss) per share:								
Basic	(\$0.02)	\$0.02	(\$0.03)	\$0.02	\$0.01	\$0.00	(\$0.02)	\$0.00
Fully diluted	(\$0.02)	\$0.02	(\$0.03)	\$0.02	\$0.00	\$0.00	(\$0.02)	\$0.00
Cash dividends declared on preferred shares	-	-	461	649	689	693	696	913
Cash dividends declared on common shares	957	-	-	-	-	-	-	-

Note: Amounts presented are in thousands of U.S. dollars, except per share amounts

The above table shows selected financial information on the results of operations of the Company for the periods shown. The financial results are not necessarily indicative of the results that may be expected for any other future comparative period.

In general, the business tends to fluctuate quarter to quarter. This is driven by a variety of factors including timing on capital-related spending at large customers, who try to use budgeted funds before the end of fiscal periods. Meaning, a small number of large customers can periodically cause significant fluctuations in revenue and associated profits in any given quarter, depending on the timing of key projects. Additionally, Original Equipment Manufacturer vendors (“OEMs”) tend to drive higher activity at their own year ends as steeper discounts tend to be offered to drive deals.

LIQUIDITY AND CAPITAL RESOURCES

Pivot’s capital requirements consist primarily of working capital necessary to fund operations and capital to finance the cost of strategic acquisitions. Sources of funds available to meet these requirements include existing cash balances, cash flow from operations and secured borrowings. Pivot must generate sufficient earnings and cash flow from operations to satisfy its covenants in order to provide access to additional capital under its secured borrowings. Failure to do so would adversely impact Pivot’s ability to pay current liabilities and comply with covenants applicable to its secured borrowings.

Total cash on hand was \$12,543 and \$8,527, while \$150,945 and \$125,525 was borrowed under existing credit facilities, as at September 30, 2015 and December 31, 2014, respectively. There were also working capital deficiencies of \$66,503 and \$64,229 as at September 30, 2015 and December 31, 2014, respectively. The working capital deficiencies originate from bank financings obtained to fund business acquisitions in previous years. Average undrawn availability on existing, secured credit facilities administered by PNC and JPMC was \$32,125 and \$25,595 for the three and nine month periods ending September 30, 2015, respectively.

Cash flow analysis/movements

Cash used in operations decreased \$316 for the three months ended September 30, 2015, compared to the same period in the prior year, due to a net decrease in cash from comparative changes in non-cash working capital of \$753, offset by an increase in underlying cash from operations of \$1,069. The non-cash working capital comparative change impacts quarter over quarter were primarily due to an increase in cash from accounts receivable comparative changes of \$40,713, offset by decreases in cash from comparative changes in accounts payable and accrued liabilities of \$31,970, and other liabilities of \$11,756. Cash provided by operations increased \$41,630 for the nine months ended September 30, 2015, as compared to the same period in the prior year, due to a net increase in cash from comparative changes in non-cash working capital of \$43,073, offset by a decrease in underlying cash from operations of \$1,443. The non-cash working capital comparative change impacts period over period were primarily due to decreases in cash from comparative changes in inventory of \$17,921 and in other liabilities of \$12,791, offset by increases in cash from comparative changes in accounts receivable of \$49,913 and other assets of \$21,489.

Cash used in investing activities increased by \$517 and decreased \$2,425 for the three and nine months ended September 30, 2015, respectively. The decrease year over year is due to a reduction of earn out payments, offset by an increase in capital expenditures, which primarily consists of costs related to a new, state of the art warehouse and integration center.

Cash provided by financing activities increased by \$6,972 and decreased \$27,681 for the three and nine months ended September 30, 2015 compared to the same periods in the prior year, respectively. The movement in financing cash outflows was primarily driven by movements in net borrowing associated with Pivot's secured borrowing arrangements and related banking overdrafts, which consist of checks that have been distributed, but have not yet been presented for payment.

Net underlying cash flow

Cash provided by operating activities, excluding non-cash working capital balance movements, increased by \$1,069 or 28.9%, to \$4,773 for the three months ended September 30, 2015. This represented 75.4% of adjusted EBITDA. Cash provided by operating activities, excluding non-cash working capital balance movements, decreased by \$1,443, or 10.8%, to \$11,901 for the nine months ended September 30, 2015. This represented 67.8% of adjusted EBITDA.

Cash used in investing activities was comprised of payments made on contingent/fixed consideration as well as capital and other intangible asset expenditures. For both the three and nine months ended September 30, 2015, payments made on contingent/fixed consideration were \$1,500, compared to \$1,250 and \$6,350 for the three and nine months ended September 30, 2014, respectively. For the three and nine months ended September 30, 2015, capital and other intangible asset expenditures were \$1,441 and \$4,794, compared to \$1,193 and \$2,338 for the same periods in the prior year, respectively.

Cash used in financing activities, excluding non-cash working capital borrowings-related movements, was comprised of dividend payments on Series A Preferred Shares, dividend payments on common shares, installment payments on the term loan from PNC (“Term Loan”), and proceeds from issuance of common shares related to the exercise of broker compensation options. For the three and nine months ended September 30, 2015, dividend payments on Series A Preferred Shares were nil and \$676, respectively, compared to \$702 and \$1,861 for the same periods, respectively, in the prior year. For the three and nine months ended September 30, 2015, dividend payments on common shares totaled \$957. No common share dividends were declared or paid during 2014. For the three and nine months ended September 30, 2015, payments on the PNC Term Loan were \$6,500 and \$8,000, respectively, compared to \$500 and \$1,500 for the same periods in the prior year.

Days sales outstanding (DSO) were 48 and 49 days at September 30, 2015 and December 31, 2014, respectively, remaining relatively stable over the past year. Receivables and collections are closely monitored against expected cash flow.

Secured borrowings

Flooring agreement

ARC has a secured flooring agreement with IBM Global Finance (“IBM”) which provides short-term accounts payable financing. Certain vendors send invoices directly to IBM for payment and IBM bills the Company monthly for vendor invoices received. After 60 days, the Company incurs interest on the outstanding balance at LIBOR plus 4.5%. \$11,709 and \$11,157 was outstanding under the IBM secured flooring agreement as at September 30, 2015 and December 31, 2014, respectively. The Company is required to maintain certain financial ratios, and was in compliance as at September 30, 2015 and December 31, 2014.

Revolving credit facilities

On November 13, 2013 (“PNC Closing Date”), Pivot Technology Solutions Ltd, a wholly owned subsidiary of the Company, along with certain of its subsidiaries, ACS, ProSys and Sigma (collectively the “PNC Borrowing Group”), entered into a revolving credit, term loan and security agreement with PNC for the provision of \$185,000 of senior secured asset based credit facilities (“PNC Credit Facility”). The PNC Credit Facility originally consisted of a \$10,000 Term Loan and a senior secured revolving credit facility (“PNC Revolving Credit Facility”) that allowed the PNC Borrowing Group to draw up to \$175,000, subject to borrowing base limitations. The PNC Credit Facility was paid off and terminated at the Company’s election on September 21, 2015. The Company incurred expenses relating to the termination of (1) \$2,553 for the write-off of deferred costs associated with the repayment of the PNC Credit Facility and (2) a 1% fee of \$58, which was required to prepay the PNC Term Loan before the third anniversary of the PNC Closing Date.

The PNC Revolving Credit Facility provided for a borrowing rate of Prime plus 1% to 1.5% or LIBOR plus 2% to 2.5% per annum, based on average quarterly undrawn availability, at the Company’s election. The PNC Term Loan bore interest at Prime plus 9% or LIBOR plus 10% per annum at the Company’s election. The PNC Revolving Credit Facility contained an unused commitment fee of 0.375% per annum.

On September 21, 2015, the Company entered into a five year credit agreement with a lending group represented by JPMC, providing the Company a \$200,000 senior secured asset based revolving credit facility (“JPMC Credit Facility”). The JPMC Credit Facility may be used for revolving loans, letters of credit, protective advances, overadvances, and swing line loans. Advances under the JPMC Credit Facility will accrue interest at rates that are equal to, based on certain conditions, either (a) JPMC’s “prime rate” as announced from time to time plus 0.0% to 0.25%, or (b) LIBOR, or a comparable or successor rate that is approved by JPMC, for an interest period of one month plus 1.50% to 1.75%, at the Company’s election. The Company may also, upon the agreement of either the then existing lenders or additional lenders not currently parties to the agreement, increase the commitments under the credit facility by up to an additional \$75,000. The lenders under the JPMC Credit Facility are not under any obligation to provide any such additional commitments, and any increase in commitments is subject to several conditions precedent and limitations. The JPMC Credit Facility is scheduled to expire on September 21, 2020.

The revolving credit facilities with both PNC and JPMC require that the Company comply with certain covenants as defined each of the respective agreements. The Company was in compliance with all applicable covenants at September 30, 2015 and December 31, 2014. The Company had availability to borrow under its revolving credit facilities of \$47,042 and \$56,805 as at September 30, 2015 and December 31, 2014, respectively, after giving effect to borrowing base limitations, swing loans and letters of credit issued. Amounts owing under the Company’s

revolving credit facilities were \$150,945 and \$117,525 as at September 30, 2015 and December 31, 2014, respectively. In addition, \$8,000 was outstanding on the PNC Term loan at December 31, 2014, as well as a letter of credit for \$250, which was outstanding at both September 30, 2015 and December 31, 2014.

On April 3, 2014 the Company entered into a Swap with PNC to mitigate the risk of fluctuating interest rates. Under the terms of the Swap with PNC, the interest rate was to vary between 4.655% and 5.155% on \$50,000 of the amount outstanding under the PNC Credit Facility. On September 21, 2015, the Swap was novated to JPMC. Under the terms of the Swap with JPMC, the interest rate will now vary between 4.305% and 4.555% on \$50,000 of the amount outstanding under the JPMC Credit Facility. This range of rates will be in effect from April 7, 2016, through November 13, 2018. The Swap agreement with JPMC contains cross covenant restrictions, requiring that the Company be in compliance with the JPMC Credit Facility.

Unsecured borrowings

On August 26, 2014, ACS executed a purchase finance agreement with Macquarie Equipment Finance (“Macquarie”) that allows up to \$10,000 in unsecured advances on purchases from approved suppliers. On March 24, 2015, the agreement with Macquarie was amended to allow up to \$15,000 on 60 day unsecured advances from approved suppliers. Interest of LIBOR plus 1.58% will be applied. \$11,864 and \$8,515 was outstanding under the Macquarie purchase finance agreement as at September 30, 2015, and December 31, 2014, respectively.

Future financing

Management is focused on exploring and executing strategic alternatives to enhance its existing financing structure with options that provide the necessary flexibility to grow the business and meet its future obligations in the normal course of business. In addition to the Company’s available borrowings under its credit facilities, these options may include an equity raise or other permanent capital injection, in the event the Company undertakes future acquisitions.

Share Capital

Authorized

The Company’s authorized capital consisted of an unlimited number of voting common shares and preferred shares, with no par value. As at November 20, 2015, the Company had 169,651,626 common shares issued and outstanding.

Conversion of Series A Preferred Shares

On March 2, 2015, the Company announced it would be exercising its option to convert all outstanding Series A Preferred Shares to common shares of the Company on a one for one basis.

The conversion was executed on March 16, 2015. From January 1, 2015 to March 15, 2015, Series A Preferred shareholders voluntarily converted 2,068,750 preferred shares into common shares, on a one for one basis. On March 16, 2015, 58,094,630 Series A Preferred Shares were converted to common shares of the Company.

Cancellation of common shares

Greg Gallagher, the Company's former CEO, was granted 750,000 shares, which were placed into escrow following the completion of the Qualifying Transaction as described in the Company's filing statement dated March 8, 2013. On July 3, 2013, the Company announced the resignation of Mr. Gallagher. Pursuant to the terms of Mr. Gallagher's service agreement, 40% (or 300,000) of the 750,000 shares previously granted had vested, and as such, 60% or 450,000 shares are required to be cancelled upon release from escrow. During 2014, the Company cancelled a total of 135,000 shares. 67,500 common shares were cancelled on both March 30, 2015 and September 28, 2015. As at November 20, 2015, a total of 270,000 shares have been cancelled.

Broker compensation options

In connection with the brokered private placement of debentures in 2011, the Company granted broker compensation options, entitling the broker to purchase 7,455,000 Pivot common shares at a price of C\$0.40 per share. These options expire on April 14, 2016. On May 20, 2015, 100,000 broker compensation options were exercised at C\$0.40 per share, resulting in the issuance of 100,000 common shares of the Company. During September 2015, a total of 700,000 broker compensation options were exercised at C\$0.40 per share, resulting in the issuance of 700,000 common shares of the Company. During October 2015, a total of 1,200,000 broker compensation options were exercised at C\$0.40 per share, resulting in the issuance of 1,200,000 common shares of the Company.

Treasury stock

On March 2, 2015, the Company announced its Board of Directors had approved the implementation of an NCIB, which will allow Pivot to repurchase the greater of up to 5% of the Company's issued and outstanding common shares or up to 10% of the Company's public float, calculated in accordance with TSX Venture regulations, after conversion of the Series A Preferred Shares, over a twelve month period. Implementation of the NCIB is subject to the filing of a formal notice and approval by the TSX Venture Exchange. Formal notice of the NCIB has not yet been submitted to the TSX Venture Exchange.

Common share dividends

On March 2, 2015, the Board approved the initiation of a C\$0.03 per share annual dividend, to be paid quarterly. On August 19, 2015, the Board declared a C\$0.0075 common share dividend, for holders of common shares on August 31, 2015. Dividends of C\$1,259 were paid on September 15, 2015. On November 20, 2015, the Board approved a C\$0.0075 common share dividend, for holders of common shares on December 2, 2015, payable on December 15, 2015.

As at September 30, 2015, the issued share capital amounted to \$86,611. The changes in issued shares for the nine months ended September 30, 2015 were as follows:

	Series A Preferred	Common Shares
	#	#
As at January 1, 2015	60,163,380	107,623,246
Cancellation of shares	-	(135,000)
Options exercised	-	800,000
Conversion of preferred shares to common shares	(60,163,380)	60,163,380
As at September 30, 2015	-	168,451,626

Off-balance sheet arrangements and derivative financial instruments

Pivot's off-balance sheet arrangements are comprised of operating leases entered into in the normal course of business. Pivot has no other off-balance sheet arrangements. Pivot does not enter into the speculative use of derivatives.

Financial Instruments and Other Instruments

Other than the Swap agreement described under "Liquidity and Capital Resources – Secured Borrowings", the Company is not a party to financial instruments.

Contractual commitments

The following tables summarize Pivot's contractual obligations as at September 30, 2015:

	On demand	Less than one year	One to two years	Two to five years	Greater than five years	Total
Bank overdraft	12,773	-	-	-	-	12,773
Secured borrowings	150,945	-	-	-	-	150,945
Accounts payable and accrued liabilities	-	243,407	-	-	-	243,407
Operating leases	-	5,225	4,482	7,717	4,715	22,139
Interest rate swap	-	-	2,327	-	-	2,327
Fixed consideration	-	3,949	-	-	-	3,949
	163,718	252,581	6,809	7,717	4,715	435,540

Note: Amounts presented are in thousands of U.S. dollars

Fixed consideration

On July 1, 2012, the Company acquired substantially all of the net operating assets of Sigma Solutions, LP (“SSLP”). As part of the asset purchase agreement with the partners of SSLP, contingent consideration had been agreed. The consideration was dependent on a measure of operating profit before tax of the business acquired from SSLP during the three consecutive 12-month periods ending July 1, 2015. The fair value at the acquisition date was estimated to be \$5,719. The purchase agreement was amended on May 7, 2014, whereby the remaining undiscounted consideration was fixed at \$7,500, payable in increments of \$3,500 and \$4,000 on October 31, 2014 and October 31, 2015, respectively. The agreement was further amended on October 28, 2014, whereby the first increment of the fixed consideration was payable in the amounts of \$2,000 on October 31, 2014, with the remaining \$1,500 to accrue interest at 8% per annum, and to be paid on or before April 30, 2015. If any of the \$1,500 remained unpaid after April 30, 2015, it would bear interest at 15% per annum. On April 27, 2015, the agreement was further amended, whereby the final \$1,500 first increment payment was payable on or before July 31, 2015 with the unpaid balance accruing interest from the amendment date until the earlier of the payment date or July 31, 2015, at the rate of 8% per annum. If any of the \$1,500 remained unpaid after July 31, 2015, it would bear interest at 15% per annum. The \$1,500 was paid on July 31, 2015. The present value of the consideration was determined to be \$3,949 as at September 30, 2015. The Company recorded a charge of \$457 related to the change in present value of the consideration for the nine month period ended September 30, 2015. The final installment of \$4,000 was paid on October 30, 2015.

Series A Preferred Shares

The holders of Series A Preferred Shares were entitled to receive on a monthly basis in cash, out of any funds legally available therefor, a fixed cumulative preferential dividend at the rate of 6% per annum. Following the completion by the Company of any transaction where the Company had raised C\$75,000 in capital, the holders of the Series A Preferred Shares were permitted to require the Company to redeem the Series A Preferred Shares for cash at a per share price that was equal to C\$0.48. The Series A Preferred Shares carried an optional conversion right, where the Series A Preferred Shares could have, at the option of the holder, converted into common shares of the Company on a one for one basis. The Series A Preferred Shares also carried a mandatory conversion right, whereby at any time after June 30, 2013, the Company was permitted to require the holders to convert the Series A Preferred Shares into common shares of the Company.

On March 2, 2015, the Company announced it would exercise its option to convert all outstanding Series A Preferred Shares to common shares on a one for one basis. On March 16, 2015, 58,094,630 Series A Preferred Shares were converted to common shares of the Company.

The Board of Directors declared dividends of \$689 on the Series A Preferred Shares during the quarter ended September 30, 2014. The Board of Directors declared dividends of \$461 and \$2,078 on the Series A Preferred Shares during the nine month periods ended September 30, 2015 and 2014, respectively. All declared dividends have been subsequently paid.

RELATED PARTIES

In addition to the asset purchase agreement with Applied Computer Solutions (“Old ACS”), a subsidiary of the Company has entered into an administrative services agreement, a license agreement and a distribution agreement with Old ACS commencing with the date of the asset purchase. The administrative services agreement commits the Company to performing certain administrative functions on behalf of Old ACS. The total amount collected from Old ACS for these shared administrative services was \$920 and \$395 for the three months ended September 30, 2015 and 2014, respectively. The total amount collected from Old ACS for these shared administrative services were \$2,361 and \$1,185 for the nine months ended September 30, 2015 and 2014, respectively. The license agreement permits Old ACS to license from the Company certain of the intellectual property obtained by the Company in the asset purchase. A key member of a subsidiary of the Company has significant influence over Old ACS, resulting in a related party relationship.

The Company is deemed to have the primary exposure to the significant risks and rewards associated with sales by Old ACS to its third-party customers, and thus the Company is the principal and Old ACS is the agent of the Company with respect to such sales. The Company recognizes this revenue on a gross basis. Total gross sales through the agent were approximately \$28,250 and \$33,488 for the three months ended September 30, 2015 and 2014, respectively.

Total gross sales through the agent were approximately \$68,947 and \$85,466 for the nine months ended September 30, 2015 and 2014, respectively. The Company's effective costs to the agent in respect of this revenue were approximately \$2,284 and \$930 for the three months ended September 30, 2015 and 2014, respectively, which are included in the Company's cost of sales. The Company's effective costs to the agent in respect of this revenue were approximately \$4,659 and \$2,124 for the nine months ended September 30, 2015 and 2014, respectively, which is included in the Company's cost of sales.

The Company has a similar contractual arrangement with Austin Ribbon & Computer Supplies, Inc., ("Old ARC") where the Company is deemed to primary exposure to the significant risks and rewards associated with sales by Old ARC to its third-party customers. As such, the Company is considered to be the principal, while Old ARC is considered an agent of the Company with respect to such sales. Total gross sales through the agent were approximately \$31,457 and \$20,904 for the three months ended September 30, 2015 and 2014, respectively. Total gross sales through the agent were approximately \$70,944 and \$71,088 for the nine months ended September 30, 2015 and 2014, respectively.

Certain subsidiaries lease offices from related entities. One subsidiary of the Company leases two of its offices from a related entity controlled by a key member of that subsidiary's management team. The Company is obligated for repairs, maintenance, insurance and property tax on these leases. Rents paid on these leases was \$517 and \$372 for the three months ended September 30, 2015 and 2014, respectively. Rents paid on these leases was \$1,204 and \$1,155 for the nine months ended September 30, 2015 and 2014, respectively. Another subsidiary of the Company leased an office from an entity in which that subsidiary's president and another key management member have an ownership interest during 2014. The Company was obligated for repairs, maintenance, insurance and property tax on this lease. Rent paid on this lease was \$11 for the three months ended September 30, 2014. Rent paid on this lease was \$66 for the nine months ended September 30, 2014. This lease expired in August 2014 and was not renewed.

A subsidiary of the Company incurred nil and \$79 for the three months ended September 30, 2015 and 2014, respectively, and nil and \$352 for the nine months ended September 30, 2015 and 2014, respectively, for marketing services provided by related entities controlled by a key member of that subsidiary's management team. In addition, a subsidiary of the Company incurred nil and \$2 in expenses for the use of aircraft owned by a related entity controlled by a key member of that subsidiary's management team for the three months ended September 30, 2015 and 2014, respectively, and \$20 and \$15 for the nine months ended September 30, 2015 and 2014, respectively.

A subsidiary of the Company incurred \$400 and nil for the three months ended September 30, 2015 and 2014, respectively, and \$1,206 and nil for the nine months ended September 30, 2015 and 2014, respectively, for research and development provided by a related entity controlled by that subsidiary's president.

A subsidiary of the Company incurred \$105 and nil for the three months ended September 30, 2015 and 2014, respectively, and \$157 and nil for the nine months ended September 30, 2015 and 2014, respectively, for sales and marketing support provided by a related entity where a Company director has significant influence.

The following table sets out the compensation of key management personnel of the Company:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	<i>(unaudited)</i>		<i>(unaudited)</i>	
	2015	2014	2015	2014
Compensation	570	429	1,583	1,263
Short-term employee benefits	9	9	27	27
	579	438	1,610	1,290

Note: Amounts presented are in thousands of U.S. dollars

RISKS AND UNCERTAINTIES

Pivot is subject to risks and uncertainties that could result in a material adverse effect on the Company's business and financial results. The Board of Directors has the overall responsibility and oversight of the Company's risk management practices. The Company's management is responsible for developing and monitoring the Company's risk strategy, and reports to the Board of Directors on its activities. Risk management is incorporated in all levels of strategic and operational planning, and is reviewed regularly to reflect changes in market conditions and the Company's activities. Management has identified the risks below as specific risks to Pivot. The reader is urged to review these risk factors. The markets in which Pivot currently operates are very competitive and change rapidly. New risks may emerge from time to time.

Risks relating to the technology supply and distribution channel

Dependence on third party suppliers

Pivot is substantially dependent upon the services of certain key technology distributors and manufacturers, for the successful operation of its business. Pivot's contracts with these suppliers vary in duration and are generally terminable by either party at will or upon notice. A supplier's failure to supply materials or components in a timely manner, or Pivot's inability to obtain substitute sources for these materials and components in a timely manner or on terms acceptable to the Company, could harm the Company's ability to integrate and deliver its products to its customers. Additionally, the loss of the services of any of these suppliers and a failure to obtain an acceptable alternative solution at a similar cost could have a material adverse effect on the business, operations and financial condition of Pivot.

Dependence on OEMs

Pivot is an authorized reseller of the products and services of leading IT manufacturers. In many cases Pivot has achieved the highest level of relationship the manufacturer offers. In addition, Pivot's employees hold certifications issued by these manufacturers and by industry associations relating to the configuration, installation and servicing of these products. Pivot differentiates itself from its competitors by the range of manufacturers it represents, the relationship level it has achieved with these manufacturers and the scope of the manufacturer and industry certifications Pivot's employees hold. There can be no assurance that the Company will be able to retain these relationships with the manufacturers, that it will be able to retain the employees holding these manufacturer and industry certifications, or that its employees will maintain their manufacturer or industry certifications. The loss of any of these relationships or certifications could have a material adverse effect on the business of Pivot.

Reliance on financial incentives

Pivot receives payments and credits from vendors, including consideration pursuant to volume sales incentive programs and marketing development funding programs. Vendor funding is used to offset, among other things, inventory costs, costs of goods sold, marketing costs and other operating expenses. If Pivot is not in compliance with the terms of these programs, there could be a material negative effect on the amount of incentives offered or paid to the Company by its vendors. No assurance can be given that Pivot will continue to receive financial incentives at historical payment levels in the future, or that Pivot will be able to collect outstanding amounts relating to these incentives in a timely manner, or at all. Any sizeable reduction in, the discontinuance of, significant delay in receiving, or the inability to collect such incentives could have a material adverse effect on Pivot's business, results of operations and financial condition.

Inability to respond to changes in IT distribution

Distribution methods and practices continually change in the IT industry. Some OEMs distribute their products directly to end users. If this practice proliferates, Pivot would potentially be cut out of the supply chain and revenues may suffer as a result. In addition, companies are increasingly using the Internet to distribute software and a variety of technology services. If this trend continues, Pivot may miss out on revenue opportunities and/or experience a reduction in its existing client base as clients source products through other distribution channels.

Technical innovation

The growth of the Company's business relies in part on the OEMs' ability to develop new technologies and products that appeal to the customers of Pivot. Should the OEMs' rate of successful innovations decline, Pivot's growth and revenue levels may be materially adversely affected.

Changes in the IT industry

The IT industry is characterized by rapid technological innovation, changing client needs, evolving industry standards, frequent introductions of new products, product enhancements, services and distribution methods. The success of Pivot depends on its ability to develop expertise with these new products, product enhancements, services and distribution methods and to implement IT consulting and professional services, technology integration and managed services that anticipate and respond to rapid and continuing changes in technology, industry dynamics and client needs. The introduction of new products, product enhancements and distribution methods could decrease demand for current products or render them obsolete. Sales of products and services can be dependent on demand for specific product categories, and any change in demand for or supply of such products could have a material adverse effect on net sales and/or cause write-downs of obsolete inventory, if the Company fails to adapt to such changes in a timely manner. As client requirements evolve and competitive pressures increase, Pivot will likely be required to modify, enhance, reposition or introduce new IT solutions and service offerings. Pivot may experience difficulties that could delay or prevent the successful development, introduction and marketing of services and solutions that respond to technological changes or evolving industry standards, or fail to develop services and solutions that adequately meet the requirements of the marketplace or achieve market acceptance. Pivot may not be successful in doing so in a timely, cost-effective and appropriately responsive manner, or at all, which could adversely affect its competitive position and financial condition. All of these factors make it difficult to predict future operating results, which may impair Pivot's ability to manage its business and its investors' ability to assess Pivot's prospects.

Competition

The industry in which Pivot operates is developing rapidly and related technology trends are constantly evolving. In this environment, Pivot faces significant price competition from its competitors. There is no assurance that Pivot will be able to respond effectively or in a timely manner to the various competitive factors affecting the industries in which it operates. Pivot may be forced to reduce the prices of the products and services it sells in response to offerings made by its competitors. In addition, Pivot may not be able to maintain the level of bargaining power that it has enjoyed in the past when negotiating the prices of its services. Pivot faces substantial competition from other national, multi-regional, regional and local value-added resellers and IT service providers, some of which may have greater financial and other resources than that of the Company, or that may have more fully developed business relationships with clients or prospective clients than Pivot. Many of Pivot's competitors compete principally on the basis of price and may have lower costs or accept lower selling prices and, therefore, Pivot may need to reduce its prices. The Company's profitability is dependent on the rates it is able to charge for its products and services. The rates charged for products and services are affected by a number of factors, including but not limited to:

- customers' perceptions of the Company's ability to add value through its services;
- introduction of new services or products by the Company or its competitors;
- competitors' pricing policies;
- the ability to charge higher prices where market demand or the value of the Company's services justifies it;
- the ability to accurately estimate, attain and sustain contract revenues, margins and cash flows over long contract periods;
- procurement practices of the Company's customers; and
- general economic and political conditions.

If Pivot is not able to maintain favourable pricing for its products and services, its profit margin and profitability may suffer.

Business certifications

Certain of Pivot's largest intermediary contracting parties are certified as women business enterprises ("WBEs") or historically underutilized businesses ("HUBs") in the United States. Certification as a WBE or HUB enables a company to sell products or provide services to corporations that promote or are required to support supplier diversity. These include a number of major U.S. corporations as well as the federal government and agencies and departments, and numerous state and local governments, agencies and related entities. These contracting parties are annually certified as WBEs or HUBs by qualifying regional organizations. Each has been certified as a WBE or HUB for an extended period of time, and is currently so certified. If any

of these contracting parties were to lose its WBE or HUB certification, and therefore not be eligible to provide product or services to its customers, Pivot would likely suffer significant reductions in revenues and profits as a result.

Risks relating to the management of Pivot's business

Reliance on key personnel

Pivot is substantially dependent upon the services of its management team for the successful operation of its business. The loss of the services of any of these individuals could have a material adverse effect on the Company's business. If Pivot cannot successfully recruit and retain the employees it needs, or replace key employees following their departure, its ability to develop and manage its business could be impaired.

Inability to successfully execute strategies

If the Company fails to execute any element of its strategy in a timely and effective manner, competitors may be able to seize marketing opportunities that Pivot has identified. The Company's business strategy will require that it successfully and simultaneously complete many tasks. In order to be successful, Pivot must: (i) continue to build and operate a highly reliable, complex infrastructure; (ii) attract and retain customers; (iii) hire, train and retain quality employees; and (iv) evolve the business to gain advantages in a competitive environment.

Acquisition and integration risk

The Company may in the future acquire additional businesses. Acquisitions involve a number of special risks, including diversion of management's attention, failure to retain key acquired personnel, unanticipated events or circumstances, and legal liabilities, some or all of which could have a material adverse effect on the business, results of operations and financial condition. In addition, there can be no assurance that Pivot can complete any acquisition it pursues on favourable terms, that any acquired businesses, products or technologies will achieve anticipated revenues and income, or that any acquisitions completed will ultimately benefit the business. An acquisition could also result in a potentially dilutive issuance of equity securities. If a strategy of growth through acquisition is pursued, the failure of Pivot to successfully manage this strategy could have a material adverse effect on its business, results of operations and financial condition.

Customer concentration

A substantial proportion of Pivot's total revenues are derived from a small number of customers. Given that a significant portion of the Company's revenues will have been derived from a similarly limited customer base, the loss of one or more of these top customers or a reduction in sales to one or more of the top customers may have a material adverse effect on Pivot's business,

results of operations or liquidity. The concentration of the Company's sales to a few customers could make it more vulnerable to collection risk if one or more of these customers were unable to pay for the Company's products. Also, having such a large portion of its total revenue concentrated in a few customers may hinder Pivot's negotiating leverage with these customers.

Customer retention/attrition

Once Pivot's solutions and methodologies are deployed within its customers' IT infrastructure environments, the customers rely on Pivot's support services to resolve any related issues. A high level of client support and service is important for the successful marketing and sale of the services and solutions of the Company. If the Company does not help its customers quickly resolve post-deployment issues and provide effective ongoing support, its ability to sell its IT solutions to existing customers would suffer and its reputation with prospective customers could be harmed.

Information systems

Pivot's information systems are internally developed, and contain external applications that are linked to the proprietary core. There are continued risks when various departments operate on different systems and the Company must rely on developed interfaces between these systems. There can be no assurance that these systems will continue to expand to meet the needs of the growth of the Company or that the interfaces will be robust enough as Pivot grows.

Service interruptions or failures

Pivot's success depends, in part, on its ability to provide reliable data centre, technology integration and managed services to its customers. Pivot data centres are susceptible to damage or interruption from human error, fire, flood, power loss, telecommunications failure, terrorist attacks and similar events. The Company may experience failures or interruptions of its systems and services, or other problems in connection with its operations, as a result of damage to or failure of its computer software or hardware or its connections. Such damage or failure may result from any of the following:

- errors in the processing of data by the Company's systems;
- computer viruses or software defects;
- physical or electronic break-ins, sabotage, intentional acts of vandalism and similar events;
- increased capacity demands or changes in system requirements of Pivot's customers; and
- errors by the Company's employees or third-party service providers.

Any interruptions to the Company's systems or services may damage its reputation, thereby harming its business and the results of operations. While Pivot maintains disaster recovery plans

and insurance, claims may exceed insurance coverage limits, may not be covered by insurance, or insurance may not continue to be available on commercially reasonable terms. In addition, the Company's customers may experience a loss in connectivity by its hosted solution as a result of a power loss at its data centre, internet interruption or software defects. Such loss in connectivity may result in lost revenues, delays in client acceptance or unforeseen liabilities which could be detrimental to the Company's reputation and business.

Damage to the Company's computer systems

Pivot's operations will be dependent on the continued and uninterrupted performance of its computer systems and, accordingly, on its ability to protect its computer systems against damage from computer viruses, fire, power loss, telecommunications failures, vandalism and other malicious acts, and similar unexpected adverse events. Any system failure, security breach or other damage or unanticipated problem with the Company's computer systems could interrupt or delay its operations, damage its reputation and, if sustained or repeated, reduce the attractiveness of its services and result in the loss of customers.

Protection of intellectual property

The Company's ability to secure its intellectual property rights is essential to the success of its ongoing operations and future opportunities. There is no assurance, however, that none of the Company's rights will be challenged, invalidated or circumvented. In addition, the laws of certain countries do not protect proprietary rights to the same extent as do the laws of the United States and Canada, and therefore there can be no assurance that Pivot will be able to adequately protect its proprietary technology against unauthorized third-party copying or use. Such unauthorized copying or use may adversely affect the Company's competitive position. Further, there can be no assurance that the Company will successfully obtain licenses to any technology that it may require to conduct its business or that, if obtainable, such technology can be licensed at a reasonable cost.

Infringement of intellectual property

From time to time the Company may receive notices from third parties alleging that it has infringed their intellectual property rights. Responding to any such claim, regardless of its merit, may be time-consuming, result in costly litigation, divert management's attention and resources and cause Pivot to incur significant expenses. Any meritorious claim of intellectual property infringement against the Company may potentially result in a temporary or permanent injunction, prohibiting it from marketing or selling certain products or requiring it to pay royalties to a third party. In the event of a meritorious claim, failure of the Company to develop or license substitute technology may materially adversely affect its business and results of operations.

Changes in laws

Changes to any of the laws, rules, regulations or policies to which Pivot is subject could have a significant impact on its business. There can be no assurance that the Company will be able to comply with any future laws, rules, regulations and policies. Failure by the Company to comply with applicable laws, rules, regulations and policies may subject it to civil or regulatory proceedings, including fines or injunctions, which may have a material adverse effect on the Company's business, financial condition, liquidity and results of operations. In addition, compliance with any future laws, rules, regulations and policies could negatively impact Pivot's profitability and have a material adverse effect on its business, financial condition, liquidity and results of operations.

Risks relating to the economy and financial conditions

Economic conditions

The Company is sensitive to the spending patterns of its customers, which are subject to economic and business conditions. It is difficult to estimate the level of growth for the economy as a whole. As all components of Pivot's budgeting and forecasting will be dependent upon estimates of growth in the markets that the Company will serve and economic uncertainties make it difficult to estimate future income and expenditures, downturns in the economy or geopolitical uncertainties may cause clients to reduce or cancel orders. Hence, economic factors could have an effect on Pivot's business. Pivot's customer base is predominantly in the United States, and to the extent that capital investment in IT either declines or increases, the Company may be affected.

Seasonality of the business

Pivot's sales are subject to quarterly and seasonal variations that may cause significant fluctuations in operating results. The timing of the Company's revenues may be difficult to predict. Customers typically undertake a significant evaluation process that has in the past resulted in a lengthy sales cycle. The Company spends substantial time, effort and money on its sales efforts without any assurance that the efforts will produce any sales during a given period.

Adequate liquidity

Although Pivot generates positive cash flow and the Company may have access to additional credit, there is no guarantee that such positive cash flow position will be maintained, or that such additional credit will be obtained. Under its current capital structure, Pivot must generate sufficient revenue from operations to provide access to additional capital under its secured borrowings. Failure to maintain adequate liquidity would restrict the Company's ability to operate, pay current liabilities, declare or pay dividends, comply with covenants applicable to its secured borrowings, or pursue new business opportunities in the future.

Access to credit

Pivot's suppliers manage their credit exposure closely. As a result, there is a risk that they could reduce or reorganize the credit available to the Company. From time to time, the Company will rely upon its OEMs, distribution and banking relationships in order to finance sizeable, non-recurring transactions of scale. Moreover, ongoing access to Pivot's credit facilities requires continued compliance with the terms thereof, including financial covenants. There is no certainty that the Company will be in compliance with all covenants at all relevant times. Although the Company obtained a financial covenant waiver in respect of the periods ended March 31, 2014 and June 30, 2014, and financial covenant amendments in respect of the periods ended September 30, 2014, December 31, 2014, March 31, 2015 and June 30, 2015, there is no certainty that it will be able to obtain waivers or amendments in future if it were to exceed any financial ratio set out in its credit facilities. Access to credit in a challenging economic environment could adversely affect Pivot's ability to successfully meet those requirements.

Additional financing

Pivot may require additional financing to fund growth in working capital and for other purposes. The ability to source such financing in the future, if needed, will depend in part on prevailing capital market conditions and the Company's ongoing financial success. There can be no assurance the Company will be successful in its efforts to arrange additional financing, if needed, on favourable terms. If additional financing is raised by the issuance of shares or other forms of convertible securities from treasury, control of the Company may change and existing shareholders will suffer dilution. If sufficient funds are not available or are only available on terms which are not acceptable, the Company may not be able to take advantage of certain opportunities or be in a position to adequately respond to competitive pressures, which could materially and adversely affect Pivot's results of operations and financial condition.

Foreign currency risk

The Company is subject to risks and losses resulting from fluctuations in the relative value of the currencies of different countries where its customers and operations are located. While the Company will attempt to be prudent in managing such foreign exchange risks, there can be no assurance that shareholders will not suffer losses in the future. Any such losses could have a material adverse impact on results of operations and cash available to support operations.

Interest rate risk

The Company is subject to risks and losses resulting from fluctuations in interest rates on its bank indebtedness, loans and borrowings. Interest rates fluctuate in response to general economic conditions and policies imposed by governmental and regulatory agencies. The Company's principal interest bearing obligations are its borrowings under the ABL Credit Facility. Amounts outstanding under the ABL Credit Facility bear interest based on a floating rate. An increase of 100 basis points to the interest rate applicable to the Company's floating rate obligations under the ABL Credit Facility during the three and nine month periods ended September 30, 2015 would have resulted in an increase of \$275 and \$899, respectively, in the Company's interest payments for the period. Sustained increases in interest rates could have a material adverse impact on the Company's financial condition and results of operations. The Company had entered into a Swap agreement with PNC, which was subsequently novated to JPMC, to mitigate the impact of possible increases in interest rates during the period the Swap agreement will be in effect. *See Liquidity and Capital Resources – Secured Borrowings.*

Changes to tax rates or exposure to additional tax liabilities

Pivot is subject to income taxes in various jurisdictions. Significant judgment may be required in determining the Company's worldwide provision for income taxes and, in the ordinary course of its business, there are many transactions and calculations where the ultimate tax determination may be uncertain. Pivot will be required to estimate what its taxes will be in the future. Although Pivot believes its current tax estimates are reasonable, the estimate process and applicable tax laws are inherently uncertain, and its estimates are not binding on tax authorities. The Company's effective tax rate could be adversely affected by changes in its business, including but not limited to the mix of earnings in countries with differing statutory tax rates, changes in the elections it makes, or changes in applicable tax laws. The Company's tax determinations will be subject to audit by tax authorities, which audits, if any, could adversely affect the Company's income tax provision. Should the Company's ultimate tax liability exceed its estimates, its income tax provision and net income may be materially affected.