PIVOT TECHNOLOGY SOLUTIONS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

November 21, 2013

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) (formerly ACME Capital Corporation) ("Pivot", the "Company", or the "Corporation") for the three and nine months ended September 30, 2013 and 2012. This MD&A should be read in conjunction with Pivot's unaudited interim condensed consolidated financial statements and the related notes for the three and nine months ended September 30, 2013 and 2012, the unaudited interim condensed consolidated financial statements and the related notes for the three months and six months ended June 30, 2013 and 2012, the unaudited interim condensed consolidated financial statements and the related notes for the three months March 31, 2013 and 2012, and related MD&A's. 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. 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. 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. 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 of a preliminary nature and may be subject to further adjustment, (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. The reader is cautioned not to place undue reliance on this forward looking information.

SELECTED FINANCIAL INFORMATION AND OPERATING RESULTS

		Three months ended September 30,			Nine months ended September 30,	
		2013	2012		**2013**	2012
Revenues		**326,257**	353,089		**902,218**	1,100,903
Cost of sales		**289,644**	316,472		**798,698**	998,857
Gross profit		**36,613**	36,617		**103,520**	102,046
Selling and administrative expenses		**28,274**	27,198		**83,951**	73,112
Adjusted EBITDA*		**8,339**	9,419		**19,569**	28,934
Depreciation and amortization		**2,769**	2,496		**8,425**	7,338
Transaction costs		**335**	617		**2,089**	783
Interest expense		**1,570**	3,573		**5,610**	13,721
Change in fair value of liabilities		**404**	19,105		**(9,408)**	28,773
Goodwill impairment		**-**	-		**11,000**	-
Other (income)/expense		**21**	103		**32**	100
Income (loss) before income taxes		**3,240**	(16,475)		**1,821**	(21,781)
Provision for income taxes		**1,619**	(8,511)		**4,326**	(4,665)
Net and comprehensive income (loss)		**1,621**	(7,964)		**(2,505)**	(17,116)
Income (loss) per share:						
Basic	**$**	**0.01**	$ (0.16)	**$**	**(0.07)**	$ (0.33)
Diluted	**$**	**0.00**	$ (0.16)	**$**	**(0.07)**	$ (0.33)
Cash and cash equivalents		**16,251**	24,697		**16,251**	24,697
Total assets		**398,259**	419,219		**398,259**	419,219
Total long-term financial liabilities		**5,463**	26,710		**5,463**	26,710
Cash dividends declared on preferred shares		**1,017**	nil		**2,149**	nil

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

Operations for the three and nine months ended September 30, 2012 include the results of the Company's wholly owned subsidiaries, ACS (US) Inc. ("ACS"), New ProSys Corp. ("ProSys"), ARC Acquisition (US) Inc. ("ARC"), Sigma Technology Solutions, Inc. ("Sigma"), which was acquired on July 1, 2012, and the corporate function.

** Non IFRS measures*

In the Company's financial reporting, adjusted EBITDA is presented as gross profit less selling and administrative expenses. 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.

Risks and uncertainties

Pivot is exposed to a number of risks and uncertainties, including those described in this MD&A and in the Filing Statement dated as of March 8, 2013 on pages 105 to 115 thereof under the heading "Risk Factors" and is available on www.sedar.com. The reader is urged to review these risk factors. The markets in which Pivot currently competes are very competitive and change rapidly. New risks may emerge from time to time.

Q3 Financial and operating highlights

- Revenues of $326,257 were up 1.4%, or $4,580, from Q2 2013, largely due to an increase in services revenue of 11.7%, or $3,456, but were down 7.6%, or $26,832, from Q3 2012, despite a 49.2%, or $10,856, increase in service revenues. The results for Q3 2012 included the completion of significant projects associated with large scale data center builds, primarily at our ACS business.
- Gross profit of $36,613 was down 1.1%, or $413, from Q2 2013, and $4 from Q3 2012, despite the larger year over year decrease in Revenues. Gross profit margins increased to 11.2% from 10.4% in Q3 2012, largely due to an increase in gross profit from higher margin services revenues at our ProSys and Sigma businesses. Gross profit margin was materially consistent with that of Q2 2013 (11.5%).
- Adjusted EBITDA of $8,339 was up 6.6%, or $518, from Q2 2013, and down 11.5%, or $1,080, from Q3 2012. The decrease from Q3 2012 was mainly due to an increase in selling and administrative expenses of 4.0%, or $1,076.
- Interest expense was down $2,003 from Q3 2012 as a result of the conversion of the debentures into Series A Preferred Shares at the end of Q1 2013, and lower average secured borrowings. Series A Preferred Share dividends of $1,017 were declared during Q3 2013, reflecting a fixed cumulative preferential dividend at the rate of 6% per annum.

FINANCIAL AND OPERATING RESULTS

Three and nine months ended September 30, 2013 compared to three months and nine months ended September 30, 2012

Revenue

	Three months ended		Nine months ended	
For the three and nine months ended September 30,	**2013**	2012	**2013**	2012
Product sales	**291,299**	326,594	**813,597**	1,037,294
Service revenues	**32,942**	22,086	**81,264**	49,288
Other revenues	**2,016**	4,409	**7,357**	14,321
	326,257	353,089	**902,218**	1,100,903

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

Product sales for the third quarter decreased $35,295 or 10.8%, and $223,697 or 21.6% for the three and nine months ended September 30, 2013, respectively, over the same periods in the prior year. These decreases are primarily attributable to a large scale project for one of ACS's largest customers, which completed during the third quarter of 2012. Sigma contributed $73,128 and $0 in product revenue for the six months ended June 30, 2013 and 2012, respectively, partially offsetting the decline year over year. Additional pressures on ACS product sales occurred during 2013, as another large customer transitioned away from an existing proprietary based server configuration, into x86 based systems. These x86 systems are provided to this particular customer by another supplier as part of their standard mapping process to tag a supplier to a specific product, resulting in lost revenues to ACS. The Company has grown its revenues from this customer in each of the past two quarters, and continues to pursue new product mappings with a view to increase sales to that customer.

Service revenues for the third quarter increased $10,856 or 49.2%, and $31,976 or 64.9% for the three and nine months ended September 30, 2013, respectively, over the same periods in the prior year. These increases were driven by the addition of Sigma, as well as increased service revenues from all of the operating subsidiaries. All operating subsidiaries continued to penetrate new accounts and provide more service offerings which have higher margins than product sales.

The top ten customers represented approximately 56.1% and 53.3% for the three and nine months ended September 30, 2013, respectively.

Cost of sales and gross profit

Gross profit remained flat for the three months ended September 30, 2013, and increased by 1.4% for the nine months ended September 30, 2013, over the corresponding periods in 2012. As a percentage of revenue, gross profit for the third quarter was 11.2% for 2013 compared with 10.4% for 2012, and 11.5% for the first nine months of 2013 compared with 9.3% for the first nine months of 2012. Despite the decline in revenue in 2013, the Company experienced no change in gross profit quarter over quarter, and an increase of $1,474 or 1.4% in gross profit year over year. This was driven by the mix change as a result of lower concentration in ACS's large customer accounts which provide lower overall margins, as well as an increase in service offerings which provide higher margins.

Selling and administrative expenses

	Three months ended		Nine months ended	
For the three and nine months ended September 30,	**2013**	2012	**2013**	2012
Salaries and employee benefits	**23,700**	22,761	**70,034**	57,887
Other selling and administrative expenses	**4,574**	4,437	**13,917**	15,225
	28,274	27,198	**83,951**	73,112

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

Selling and administrative expenses for the third quarter increased by $1,076 or 4.0%, and $10,839 or 14.8% for the first nine months of the year, as compared to the corresponding period in 2012, respectively. The increase in profit margin driven by service offerings resulted in increased commission costs of $790 for the three months ended September 30, 2013 as compared to the same period in the previous year. For the nine months ended September 30, 2013, salaries and employee benefits increased primarily due to the acquisition of Sigma in July 2012, resulting in an increase of $12,147, partially offset by lower professional fees of $1,560 of as compared to the same period in the previous year.

Change in fair value of liabilities

	Three months ended		Nine months ended	
For the three and nine months ended September 30,	**2013**	2012	**2013**	2012
Convertible debentures	**-**	18,907	**4,555**	26,043
Contingent consideration	**404**	198	**(13,963)**	2,730
	404	19,105	**(9,408)**	28,773

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

The change in fair value relates to the application of fair-value accounting to the convertible debentures which were converted to preferred shares on March 25, 2013, and contingent consideration arising from business acquisitions. During the second quarter of 2013, management revised downward its estimates related to the contingent consideration for ACS, resulting in the significant decreases over the corresponding periods in 2012. During the first quarter of 2013, the convertible debentures were converted to Series A Preferred Shares.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Three months ended,							
	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	**September 30, 2012**	June 30, 2012	March 31, 2012	December 31, 2011
Revenues	**326,257**	321,677	254,284	328,676	**353,089**	469,081	278,733	257,260
Net and comprehensive income (loss)	**1,621**	689	(4,815)	(4,986)	**(7,964)**	(4,322)	(4,830)	279
Income (loss) per share:								
Basic	**$0.01**	$0.00	($0.08)	($0.09)	**($0.16)**	($0.08)	($0.09)	$0.01
Fully diluted	**$0.00**	$0.00	($0.08)	($0.09)	**($0.16)**	($0.08)	($0.09)	$0.01
Cash dividends declared on preferred shares	**1,017**	1,132	nil	nil	**nil**	nil	nil	nil
Included in the totals above:								
Sigma revenues	**41,216**	54,346	34,394	42,893	**31,981**			
Sigma net and comprehensive income (loss)	**(334)**	(133)	57	776	**(376)**			

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 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. Additionally, OEM vendors tend to drive higher activity at their own year ends as steeper discounts tend to be offered to drive deals.

Further, 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. This is particularly noticeable in the second quarter of 2012, when significant increases in volumes were driven by a single customer's new data center build outs and product launches.

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.

As at September 30, 2013, total cash on hand was $16,251 and $115,524 was borrowed under existing credit facilities. There was also a working capital deficiency of $72,808. The deficiency decreased by $80,924 from December 31, 2012, primarily as a result of the conversion of convertible debentures to preferred and common shares.

Cash provided by operations decreased $16,561 for the third quarter compared to the same period in the prior year, primarily due to decreases in non-cash working capital of $16,681. The working capital changes period over period were primarily due to variances in accounts receivable and accounts payable, reflective of the lower revenues and related cost of sales. Cash provided by operations increased $25,936 for the nine months ended September 30, 2013 compared to the same period in the prior year, primarily due to increases in non-cash working capital of $25,029. The working capital changes year over year were primarily related to changes in accounts receivable and inventory, also reflective of the lower revenues and related cost of sales.

Days sales outstanding (DSO) were 47 and 42 days at September 30, 2013 and December 31, 2012, respectively. The Company's DSO generally runs between 40 to 45 days throughout the year, and is closely monitored against expected cash flow requirements. While collections have slowed slightly since December 31, 2012 due to customer mix, write offs and concessions have remained minimal.

Cash used in investing activities decreased by $20,884 and $21,386, respectively, for the third quarter and the first nine months of 2013 compared to the same periods in the prior year. This decrease was mainly due to payments related to Sigma business acquisitions in July 2012, and a decrease in contingent consideration payments with respect to the ACS acquisition. No business acquisitions have occurred in 2013.

Cash used in financing activities decreased by $18,723 for the third quarter of 2013 compared to the same period in the prior year. The decrease in financing cash outflows was primarily due to an increase in net borrowing associated with Pivot's secured borrowing arrangements.

Cash provided by financing activities decreased by $51,955 for the first nine months of 2013 compared to the same period in the prior year. The decrease in financing cash inflows was primarily due to a decrease in net borrowing associated with Pivot's secured borrowing arrangements.

The working capital deficiency originates from the bank financings obtained to fund the business acquisitions. ACS, ProSys and Sigma each have a secured borrowing arrangement. As at September 30, 2013 and December 31, 2012, Pivot has optimized the financing available through these arrangements.

On November 13, 2013, the Company entered into an agreement with PNC Bank ("PNC") for the provision of $185,000 of senior secured asset based revolving credit and term loan facilities. The new facility replaces the separate facilities held by ACS, ProSys and Sigma with PNC and Wells Fargo Bank ("Wells"). The new consolidated facility consists of a forty-five month $10,000 term loan and a five year senior secured revolving credit facility that allows the Company to draw down up to $175,000, with the amount available being based on eligible accounts receivable and inventory of the Company and its subsidiaries. Interest is payable monthly on the term loan at a rate of LIBOR plus 10% and on the senior secured revolving credit facility at a rate ranging between LIBOR plus 2% and LIBOR plus 2.5%, depending on excess borrowing base availability.

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 addition to the recently executed financing facilities, these options may include an equity raise or other permanent capital injection, in the event the Company undertakes future acquisitions.

Share Capital

Authorized

Unlimited number of voting common and Series A Preferred Shares, with no par value. The Series A Preferred Shares can be converted to common shares at any time, at the option of the Company or the holder.

As at November 21, 2013, 88,682,001 Series A Preferred Shares and 79,239,625 common shares were issued and outstanding. From April 1, 2013 to November 21, 2013, Series A Preferred shareholders converted 13,770,500 preferred shares into common shares, on a one for one basis.

As at September 30, 2013, the issued share capital amounted to $86,125. The changes in issued shares and share capital for the nine month period ended September 30, 2013 were as follows:

	Series A Preferred	**Class A Preference**	**Class A Common**	**Class B Common**	**Class C Common**	**Common Shares**
	#	#	#	#	#	#
Balance January 1, 2013	-	-	3,000,000	2,000,000	51,000,000	-
Common shares issued on subscription receipts	-	4,421,625	-	-	-	-
Shares issued on debenture conversion	102,452,501	-	-	-	4,047,500	-
Issuance to acquire Acme	-	-	-	-	1,000,000	-
Capital movement pursuant to reverse acquisition	-	(4,421,625)	(3,000,000)	(2,000,000)	(56,047,500)	65,469,125
Conversion of preferred shares to common shares	(13,520,500)	-	-	-	-	13,520,500
Balance September 30, 2013	88,932,001	-	-	-	-	78,989,625

Off-balance sheet arrangements and derivative financial instruments

Pivot's off-balance sheet arrangements comprise operating leases entered into in the normal course of business. Pivot has no other off-balance sheet arrangements and does not anticipate entering into any such arrangements other than in the normal course of business. Pivot does not enter into the speculative use of derivatives.

Contractual commitments

The following tables summarize Pivot's contractual obligations as at September 30, 2013:

	On demand	Less than one year	One to two years	Two to five years	Greater than five years	Total
Bank overdraft	11,349	-	-	-	-	11,349
Secured borrowings	115,524	-	-	-	-	115,524
Accounts payable and accrued liabilities	-	191,479	-	-	-	191,479
Operating leases	-	4,120	3,627	5,215	2,101	15,063
Contingent consideration	-	16,104	2,901	1,774	-	20,779
	126,873	211,703	6,528	6,989	2,101	354,194

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

Secured borrowings

As at September 30, 2013 the Company had secured borrowing agreements with Wells and PNC, which allowed borrowings up to $185,000 as follows:

Under the terms of the Wells agreement, Wells agreed to purchase the related rights of certain accounts receivable of ACS at a price of 90% of the face value of the receivable. The excess payments made by customers as compared to the purchase price were remitted to the Company, net of applicable charges. The agreement was due to expire on December 30, 2015. The maximum amount available under the facility was $80,000. Interest was payable monthly at a rate of LIBOR plus 3.5%. The balance owing to Wells was $43,784 at September 30, 2013. The accounts receivable purchase agreement was subject to certain financial covenants as conditions to continued borrowing. The Company would not have been in compliance with these covenants for the nine month period ended September 30, 2013; however, the covenants were eliminated via the execution of a new financing agreement with PNC on November 13, 2013, resulting in the pay off and termination of the Wells borrowing agreement.

Under the terms of the PNC agreement with ProSys, which was an asset based loan ("ABL"), ProSys was provided a line of credit secured by the assets of ProSys. The ABL could be drawn to the lesser of (i) $75,000 and (ii) the aggregate of 85% of eligible accounts receivable and 60% of eligible inventory balances to a maximum of $15,000. The agreement was due to expire on April 6, 2015. Interest was payable monthly at a rate of the higher of prime plus 0.5% or LIBOR plus 2.5%. The balance owing to PNC was $52,022 at September 30, 2013.

Under the terms of the PNC revolving credit security agreement with Sigma, which was an ABL, Sigma was provided a line of credit secured by the assets of Sigma. The ABL could be drawn to the lesser of (i) $30,000 and (ii) 85% of eligible accounts receivable. Interest was payable monthly at a rate of the higher of prime plus 1.75%, the Federal Funds Rate plus 2.25% or LIBOR plus 2.75%. The agreement was due to expire June 30, 2015. The balance owing to PNC was $19,718 at September 30, 2013.

Under the terms of the credit agreements in existence with PNC at September 30, 2013, the Company was subject to certain restrictive covenants. The covenants required that the Company maintain a fixed charge ratio of at least 1.10 to 1 and place restrictions on investments, additional indebtedness, dividends and distributions, capital expenditures and leases. The Company was in compliance with these covenants at September 30, 2013.

On November 13, 2013 the existing PNC agreements with respect to ProSys and Sigma were terminated and replaced by way of execution of the new financing agreement with PNC described above.

Contingent consideration

On December 30, 2010, the Company acquired substantially all of the net assets of Applied Computer Solutions ("Old ACS"). As part of the asset purchase agreement with Old ACS, contingent consideration has been agreed. This consideration is dependent on the profit before tax of the acquired business during the three consecutive 12-month periods ending December 31, 2013. At the date of acquisition, the fair value of the contingent liability was $33,291. As at September 30, 2013, the fair value of the contingent consideration was determined to be $10,700. The Company recorded a recovery of $15,293 related to the change in fair value of the contingent consideration for the nine months ended September 30, 2013. The consideration is paid over three years and is due for final measurement and payment to the shareholders of Old ACS on May 1, 2014. Payments of $5,748 were made during the nine month period ended September 30, 2013. The possible range of undiscounted values of the remaining consideration to be paid is between $10,912 and $30,912.

On August 19, 2013, the Company reached an agreement with the shareholders of Old ACS to allow up to $4,000 of the contingent consideration liability to be deferred into 2014. Any amounts unpaid after December 31, 2013 will carry interest at 8%. The amounts deferred plus any accumulated interest must be repaid in full no later than June 30, 2014.

On January 4, 2011, the Company acquired all of the issued and outstanding share capital of ProSys Information Systems, Inc. ("Old ProSys"), a wholly owned subsidiary of Avnet, Inc. As part of the purchase agreement with the shareholders of Old ProSys, contingent consideration has been agreed. This consideration is dependent on a measure of operating profit before tax of the acquired business during the three consecutive 12-month periods ending December 31, 2013. The fair value of the contingent consideration at the acquisition date was $4,707 and was determined to be $2,446 at September 30, 2013. The Company recorded a charge of $250 related to the change in fair value of the contingent consideration during the nine months ended September 30, 2013. Payments of $1,642 were made during the nine months ended September 30, 2013. The possible range of undiscounted values of the remaining consideration to be paid is between nil and $9,714.

On August 12, 2011, the Company acquired substantially all of the assets and liabilities of Austin Ribbon & Computer Supplies, Inc. ("Old ARC"). As part of the asset purchase agreement with the shareholders of Old ARC, contingent consideration has been agreed. This consideration is dependent on a measure of operating profit before tax of the acquired business during the three consecutive 12-month periods ending August 12, 2014. The fair value of the contingent consideration at the acquisition date was $3,060 and was determined to be nil as at September 30, 2013. The Company recorded a recovery of $1,622 related to the change in fair value of the contingent consideration for the nine months ended September 30, 2013. The possible range of undiscounted values of the remaining consideration to be paid is between nil and $4,500.

On July 1, 2012, the Company acquired substantially all of the net operating assets of Sigma Solutions, LP ("Old Sigma"). As part of the asset purchase agreement with the partners of Old Sigma, contingent consideration has been agreed. This consideration is dependent on a measure of operating profit before tax of the acquired business from Old Sigma during the three consecutive 12-month periods ending July 1, 2015. The fair value of the contingent consideration at the acquisition date was estimated to be $5,719 and was determined to be $7,633 at September 30, 2013. The Company recorded a charge of $2,702 related to the change in fair value of the contingent consideration for the nine months ended September 30, 2013. Payments of $1,000 were made during the nine month ended period September 30, 2013. Subsequent to a payment of $3,000 made on October 31, 2013, the possible range of undiscounted values of the remaining consideration was between nil and $12,000.

Series A Preferred Shares

The holders of Series A Preferred Shares are 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 has raised C$75,000 in capital, the holders of the Series A Preferred Shares will be permitted to require the Company to redeem the Series A Preferred Shares for cash at a per share price that is equal to C$0.48. The Series A Preferred Shares carry an optional conversion right, where the Series A Preferred Shares can, at the option of the holder, be converted into common shares of the Company on a one for one basis. The Series A Preferred Shares also carry a mandatory conversion right, whereby at any time after June 30, 2013, the Company will be permitted to require the holders to convert the Series A Preferred Shares into common shares of the Company.

During the third quarter of 2013, the Board of Directors declared dividends of $1,017, and all have been subsequently paid.

On November 21, 2013, the Board of Directors approved moving forward with a formal exchange offer to holders of its Series A Preferred Shares. Under the terms of the offer, the Company would allow Series A Preferred shareholders to tender to the Company all of their Series A Preferred Shares in exchange for subordinated redeemable notes that can, in part, be exchanged into common shares of the Company. The notes will be issued by the Company's wholly owned subsidiary ACS Acquisition Holdings, Inc., and will be guaranteed by Pivot. The notes will have a four year term and bear interest at 8% per annum, payable quarterly, and will be mandatorily redeemable at quarterly intervals. After the second anniversary, the notes may be redeemed at the option of the Company at a price equal to 110% of the principal amount plus accrued but unpaid interest. After the third anniversary, the notes may be redeemed at the option of the Company at a price equal to 105% of the principal amount plus accrued but unpaid interest. If all Series A Preferred Shares outstanding as of November 21, 2013 are tendered for exchange, notes in the principal amount of C$35,473 will be issued.

The terms and conditions of the notes and of the exchange offer will be described in a circular to be mailed to holders of Series A Preferred Shares and which will be made available on www.sedar.com.

The exchange offer will be made by way of formal bid in accordance with applicable securities laws. The bid circular is expected to be mailed to all holders of Series A Preferred Shares by December 20, 2013 and will remain open for 35 days. The exchange offer will be subject to customary conditions, including approval of the TSX Venture Exchange. Management anticipates completion by January 31, 2014.

RELATED PARTIES

In addition to the asset purchase agreement with 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. Total amounts collected from Old ACS for these shared administrative services for the nine month periods ended September 30, 2013 and 2012 amounted to $1,185. Total amounts collected from Old ACS for these shared administrative services for the three month periods ended September 30, 2013 and 2012 amounted to $395. 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 member of key management 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 these revenues on a gross basis. Total gross sales through the agent are approximately $67,179 and $155,744 for the nine month periods ended September 30, 2013 and 2012, respectively. Total gross sales through the agent are approximately $30,675 and $46,060 for the three month periods ended September 30, 2013 and 2012, respectively. The Company's effective cost to the agent in respect of these revenues was approximately $2,538 and $4,496 for the nine month periods ended September 30, 2013 and 2012, respectively, and $986 and $1,519 for the three month periods ended September 30, 2013 and 2012, respectively, which is included in the Company's cost of sales.

The Company has a similar contractual arrangement with Old ARC, whereby Old ARC is an agent of the Company. Total gross sales through the agent are approximately $41,879 and $26,754 for the nine month periods ended September 30, 2013 and 2012, respectively. Total gross sales through the agent are approximately $22,214 and $11,426 for the three month periods ended September 30, 2013 and 2012, respectively.

A subsidiary of the Company leases two of its offices from a related entity controlled by that subsidiary's chief executive officer. The Company is obligated for repairs, maintenance, insurance and property tax on this lease. Rent paid on this lease was $389 and $311 for the three month periods ended September 30, 2013 and 2012, respectively. Rent paid on this lease was $1,161 and $969 for the nine month periods ended September 30, 2013 and 2012, respectively.

A subsidiary of the Company incurred $568 and $851 for the nine month periods ended September 30, 2013 and 2012, respectively, and $138 and $410 for the three month periods ended September 30, 2013 and 2012, respectively, for marketing services provided by related entities controlled by that subsidiary's chief executive officer, and $16 and $26 in expenses for the use of aircraft owned by a related entity controlled by that subsidiary's chief executive officer, for the nine month periods ended September 30, 2013 and 2012, respectively and ($3 and $8 for the three month periods ended September 30, 2013 and 2012, respectively).

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

	Three months ended September 30,		**Nine months ended September 30,**	
For the three and nine months ended September 30,	**2013**	2012	**2013**	2012
Compensation	**388**	674	**2,837**	1,794
Termination benefits	**-**	-	**500**	-
Short-term employee benefits	**20**	12	**44**	15
	408	686	**3,381**	1,809

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