

PIVOT TECHNOLOGY SOLUTIONS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

April 24, 2014

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 twelve months ended December 31, 2013 and 2012. This MD&A should be read in conjunction with Pivot's consolidated financial statements and the related notes for the years ended December 31, 2013 and 2012, and the unaudited interim condensed consolidated financial statements and related notes for the three months and nine months ended September 30, 2013 and 2012, and 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. 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 December 31, <i>(unaudited)</i>		Years ended December 31,	
	2013	2012	2013	2012
Revenues	338,004	328,676	1,240,222	1,429,579
Cost of sales	301,656	290,322	1,100,354	1,289,179
Gross profit	36,348	38,354	139,868	140,400
Selling and administrative expenses	28,629	29,465	112,580	102,577
Adjusted EBITDA*	7,719	8,889	27,288	37,823
Depreciation and amortization	2,950	3,212	11,375	10,550
Transaction costs	140	1	2,229	784
Interest expense	3,580	7,290	9,190	21,011
Change in fair value of liabilities	14	3,610	(9,394)	32,383
Goodwill impairment	-	-	11,000	-
Other (income) expense	(26)	(334)	6	(234)
Income (loss) before income taxes	1,061	(4,890)	2,882	(26,671)
Provision for income taxes	313	96	4,639	(4,569)
Net and comprehensive income (loss)	748	(4,986)	(1,757)	(22,102)
Income (loss) per share:				
Basic	\$ 0.00	\$ 0.00	\$ (0.07)	\$ (0.42)
Diluted	\$ 0.00	\$ 0.00	\$ (0.07)	\$ (0.42)
Cash and cash equivalents	22,020	16,553	22,020	16,553
Total assets	414,049	402,070	414,049	402,070
Total long-term financial liabilities	9,852	23,928	9,852	23,928
Cash dividends declared on preferred shares	913	nil	3,062	nil

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

Operations for the three months and years ended December 31, 2013 and 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 defined as gross profit less selling and administrative expenses. 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 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.

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.

Q4 financial and operating highlights

- Revenues of \$338,004 were up 3.6%, or \$11,747, from Q3 2013, largely due to an increase in product and service revenues of 2.6% and 8.1% respectively. Revenues were also up, from Q4 2012, by 2.8%, or \$9,328, driven by a 23.3%, or \$6,716, increase in service revenues.

- Gross profit of \$36,348 was down marginally, 0.7% or \$265, from Q3 2013, and down 5.2%, or \$2,006, from Q4 2012, despite the year over year increase in revenues. Gross profit margins of 10.8% were down from 11.2% in Q3 2013, and down from 11.7% in Q4 2012 as a result of lower gross margins on product sales.
- Adjusted EBITDA of \$7,719 was down 7.4%, or \$620, from Q3 2013, and down 13.2%, or \$1,170, from Q4 2012. While the Company was able to leverage its selling and administrative expense base, this was outweighed by lower gross profits.
- Interest expense of \$3,580, which includes charges of \$1,907 relating to the termination of the Wells Fargo Bank N.A. (“Wells) secured borrowing agreement on November 13, 2013, was down \$3,710 from Q4 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 \$913 were declared during Q4 2013, reflecting a fixed cumulative preferential dividend at the rate of 6% per annum.

Full year financial and operating highlights

- Revenues of \$1,240,222 were down 13.3%, or \$189,357, from 2012, largely due to 2012 including significant projects associated with large scale data center builds for a single customer. In addition, another large customer transitioned away from an existing proprietary based server configuration, into x86 based systems, provided to that customer by another supplier as part of their standard mapping process to tag a supplier to a specific product, which resulted in lost revenues. These impacts were partially offset by the full year inclusion of the Sigma business acquired at the beginning of Q3 2012, as well as organic growth in service revenues.
- Gross profit of \$139,868 was down only marginally (0.4%, or \$532) from 2012, despite the year over year decrease in revenues. This was due to customer mix, as well as an increase in higher margin service revenues, especially from the Sigma business. Gross profit margins of 11.3% were up from 9.8% in 2012 as a result.
- Adjusted EBITDA of \$27,288 was down 27.9%, or \$10,535, largely due to the impacts of the two large customer situations described above. These impacts were partially offset by the full year inclusion of the Sigma business acquired at the beginning of Q3 2012, and the effect of overall improved gross margins.
- Interest expense of \$9,190, which includes charges of \$1,907 relating to the termination of the Wells secured borrowing agreement on November 13, 2013, was down \$11,821 from 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 \$3,062 were declared during 2013, reflecting a fixed cumulative preferential dividend at the rate of 6% per annum.

FINANCIAL AND OPERATING RESULTS

Three months and year ended December 31, 2013 compared to the three months and year ended December 31, 2012

Revenue

	Three months ended December 31, (<i>unaudited</i>)		Years ended December 31,	
	2013	2012	2013	2012
Product sales	298,717	295,903	1,112,314	1,333,197
Service revenues	35,608	28,892	116,872	78,180
Other revenues	3,679	3,881	11,036	18,202
	338,004	328,676	1,240,222	1,429,579

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

Product sales for the fourth quarter increased \$2,814 or 1.0%, and decreased \$220,883 or 16.6% for the three months and the years ended December 31, 2013, respectively, over the same periods in the prior year. Year over year revenues declined primarily due to a large scale project for one of ACS's largest customers, "Customer A", which completed during the third quarter of 2012. Additional pressures on ACS product sales occurred during 2013, as another large customer, "Customer B", transitioned away from an existing proprietary based server configuration, into x86 based systems. The x86 systems are provided to Customer B by another supplier as part of their standard mapping process to tag a supplier to a specific product, which resulted in lost revenues to ACS. The Company focused on providing new offerings to Customer B, and over the course of the 2013, revenues to ACS increased each consecutive quarter as significant progress was made in the re-mapping effort. The overall decline in product revenues year over year for these two major customers was partially offset by overall organic growth in all of the divisions. 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.

Service revenues for the fourth quarter increased \$6,716 or 23.3%, and \$38,692 or 49.5% for the three months and the years ended December 31, 2013, respectively, over the same periods in the prior year. Sigma contributed \$15,496 and \$0 in service revenue for the six months ended June 30, 2013 and 2012, respectively, aiding in the increase year over year. Overall, increases were driven by the addition of Sigma, as well as increased sales related to "First Call", an enhanced, service offering where customers can elect to add live support via a fully staffed call center to purchased vendor support contracts. 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 51.2% and 48.6% for the three months and the year ended December 31, 2013, respectively.

Cost of sales and gross profit

Gross profit decreased by \$2,006 or 5.2% and \$532 or 0.4% for the three months and the years ended December 31, 2013, over the corresponding periods in 2012, respectively. As a percentage of revenue, gross profit for the fourth quarter was 10.8% for 2013 compared with 11.7% for 2012, and 11.3% for 2013 compared with 9.8% for 2012. This was driven by a mix of business change as a result of lower concentration in ACS's large customer accounts which provide lower overall margins, an increase in service offerings which provide higher margins, and the addition of higher margin Sigma business from Q3 2012.

Selling and administrative expenses

	Three months ended December 31, <i>(unaudited)</i>		Years ended December 31,	
	2013	2012	2013	2012
Salaries and employee benefits	23,732	26,360	93,766	84,247
Other selling and administrative expenses	4,897	3,105	18,814	18,330
	28,629	29,465	112,580	102,577

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

Selling and administrative expenses for the fourth quarter decreased by \$836 or 2.8%, and increased \$10,003 or 9.8% for 2013, as compared to the corresponding periods in 2012, respectively. Headcount increased 2.5% quarter over quarter, and 8.4% year over year. Decreases in bonuses and commissions were the primary factors behind the decrease in selling and administrative expenses quarter over quarter. Year over year, salaries and employee benefits increased primarily due to the acquisition of Sigma in July 2012, partially offset by increases in marketing development funds received from certain vendors, and decreases in bonuses and commissions.

Change in fair value of liabilities

	Three months ended December 31, <i>(unaudited)</i>		Years ended December 31,	
	2013	2012	2013	2012
Convertible debentures	-	2,764	4,555	28,807
Contingent consideration	14	846	(13,949)	3,576
	14	3,610	(9,394)	32,383

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, (unaudited)							
	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
Revenues	338,004	326,257	321,677	254,284	328,676	353,089	469,081	278,733
Net and comprehensive income (loss)	748	1,621	689	(4,815)	(4,986)	(7,964)	(4,322)	(4,830)
Income (loss) per share:								
Basic	\$0.00	\$0.01	\$0.00	(\$0.08)	\$0.00	(\$0.16)	(\$0.08)	(\$0.09)
Fully diluted	\$0.00	\$0.00	\$0.00	(\$0.08)	\$0.00	(\$0.16)	(\$0.08)	(\$0.09)
Cash dividends declared on preferred shares	913	1,017	1,132	nil	nil	nil	nil	nil
<i>Included in the totals above:</i>								
Sigma revenues	53,332	41,216	54,346	34,394	42,893	31,981		
Sigma net and comprehensive income (loss)	1,016	(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 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. 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 December 31, 2013, total cash on hand was \$22,020 and \$111,624 was borrowed under existing credit facilities. There was also a working capital deficiency of \$67,343 as at December 31, 2013. The deficiency decreased by \$86,389 from December 31, 2012, primarily as a result of the conversion of convertible debentures to preferred and common shares.

Cash provided by operations increased \$5,384 for the fourth quarter compared to the same period in the prior year, primarily due to a net decrease in non-cash working capital of \$2,652, augmented by a net increase in underlying cash from operations of \$2,896. The working capital changes quarter over quarter were primarily due to a buildup in inventory at the end of 2013 to fulfill orders in early 2014, and an increase in other current liabilities related to deferred support contracts. Cash provided by operations increased \$31,320 for the years ended December 31, 2013 compared to the prior year, primarily due to a net decrease in non-cash working capital of \$27,681, augmented by a net increase in underlying cash from operations of \$3,639. The working capital changes year over year were primarily related to decreases in accounts receivable which were reflective of lower revenues year over year, an increase in other liabilities, and offset by an increase in inventory.

Days sales outstanding (DSO) were 44 and 49 days at December 31, 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. Collections have improved since December 31, 2012 due to customer mix, write offs and concessions have remained minimal.

Cash used in investing activities increased by \$5,308 and decreased by \$16,101 for the three months and the years ended December 31, 2013 compared to the same period in the prior year. The increase quarter over quarter was primarily driven by earn out payments on acquisitions made in previous years. The decrease year over year is primarily related to the Sigma business acquisitions in July 2012. No business acquisitions occurred in 2013.

Cash provided by financing activities increased by \$13,814 and decreased by \$38,141 for the three months and the years ended December 31, 2013 compared to the same period 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.

The working capital deficiency originates from the bank financings obtained to fund the business acquisitions. As at December 31, 2013 and December 31, 2012, Pivot has optimized the financing available through these arrangements. Average availability on the PNC revolving line of credit since inception through December 31, 2013 was \$22,798.

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. 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 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 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

Unlimited number of voting common shares 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.

Authorized shares in existence at January 1, 2013 consisting of Class A Preference Shares, Class A Common Shares, Class B Common Shares, and Class C Common Shares were converted to Common Shares following the Qualifying Transaction, and these former classes were subsequently deauthorized.

As at April 24, 2014, 64,858,410 Series A Preferred Shares and 102,988,216 common shares were issued and outstanding. From April 1, 2013 to April 24, 2014, Series A Preferred shareholders converted 37,594,091 preferred shares into common shares, on a one for one basis. On April 17, 2014, 75,000 common shares were cancelled.

As at December 31, 2013, the issued share capital amounted to \$86,125. The changes in issued shares and share capital for the year ended December 31, 2013 were as follows:

	Series A Preferred	Class A Preference	Class A Common	Class B Common	Class C Common	Common Shares
	#	#	#	#	#	#
As at 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	(37,190,021)	-	-	-	-	37,190,021
As at December 31, 2013	65,262,480	-	-	-	-	102,659,146

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 and does not anticipate entering into any such arrangements. Pivot does not enter into the speculative use of derivatives.

Contractual commitments

The following tables summarize Pivot's contractual obligations as at December 31, 2013:

	On demand	Less than one year	One to two years	Two to five years	Greater than five years	Total
Bank overdraft	10,842	-	-	-	-	10,842
Secured borrowings	101,624	2,000	3,000	5,000	-	111,624
Accounts payable and accrued liabilities	-	222,355	-	-	-	222,355
Operating leases	-	4,252	2,972	5,422	1,979	14,625
Contingent consideration	-	9,719	2,641	-	-	12,360
	112,466	238,326	8,613	10,422	1,979	371,806

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

Secured borrowings

On November 13, 2013 (“Closing Date”), the Company entered into an agreement with PNC for the provision of \$185,000 of senior secured asset based credit facilities (“ABL Credit Facility”). The ABL Credit Facility replaces the separate facilities held by ACS, ProSys and Sigma with PNC and Wells. The ABL Credit Facility consists of a \$10,000 term loan (“ABL Term Loan”) and a senior secured revolving credit facility (“ABL Revolving Credit Facility”) that allows the Company to draw up to \$175,000, subject to borrowing base limitations, a portion of which may be used for letters of credit or swing line loans. Simultaneously, as part of the agreement with PNC, the Wells agreement held by ACS was formally terminated, and paid off.

The ABL Term Loan principal is due in four consecutive quarterly installments of \$500 commencing January 1, 2014, ten consecutive quarterly installments of \$750 commencing on January 1, 2015, followed by a final payment of \$500 plus all unpaid principal, accrued and unpaid interest and all unpaid fees and expenses on August 13, 2017. Unless a new credit facility is arranged by PNC, a 2% premium applies to any portion of the ABL Term Loan that is prepaid on or before the one year anniversary of the Closing Date and a 1% applies to any prepayment after the first anniversary of the Closing Date and on or before the third anniversary of the Closing Date. The ABL may be prepaid without premium or penalty after the third anniversary of the Closing Date.

The ABL Revolving Credit Facility provided for a borrowing rate of Prime plus 1.25% or LIBOR plus 2.25% per annum, at the Company’s election. The ABL Term Loan bears interest at Prime plus 9% or LIBOR plus 10% per annum at the Company’s election and contains an unused commitment fee of 0.75%. The ABL Revolving Credit Facility also contains an unused commitment fee of 0.375%.

As at December 31, 2013, \$101,624 was outstanding under the ABL Revolving Credit Facility. As at December 31, 2013, the ABL Term Loan had an outstanding balance of \$10,000.

As of December 31, 2013, the Company had available borrowings under the ABL Credit Facility of \$34,888, after giving effect to the borrowing base limitations, swing loans and letters of credit issued. The Company can use up to \$10,000 of its available borrowing under the ABL Credit Facility for Letters of Credit which are charged a fronting fee of 0.25% and bear interest at LIBOR plus 2.25%. The Company can also use up to \$17,500 of its available borrowing under the ABL Credit Facility for Swing Loans which are charged a fee of Prime plus 1.25% per annum. As at December 31, 2013, nil and \$21 of Letters of Credit and Swing Loans were outstanding under the ABL Credit Facility, respectively.

Under the terms of the ABL Credit Facility, the Company is subject to certain restrictive covenants. The covenants require that the Company maintain a fixed charge ratio of at least 1.15 to 1, a senior leverage ratio of 4.25 to 1 and adjusted EBITDA greater than \$8,000 for the three months ended December 31, 2013. In addition, distributions from the facility’s borrowing group

to the Company are restricted to the payment of dividends in respect of the Series A Preferred Shares, and to operating expenses incurred by the Company in the ordinary course of business. The covenants also place restriction on investments, additional indebtedness, distributions, capital expenditures and leases. The Company was in compliance with these covenants as at December 31, 2013.

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 determined to be \$33,291. As at December 31, 2013 and 2012, the fair value of the contingent liability was determined to be \$3,800 and \$31,741, respectively. The Company recorded a recovery of \$15,293 and \$5,656 related to the change in fair value of the contingent consideration in 2013 and 2012, respectively. 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 \$12,648 and \$13,330 were made during 2013 and 2012, respectively. The undiscounted value of the remaining consideration to be paid as at December 31, 2013 was \$4,000. 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. All amounts unpaid after December 31, 2013 will bear interest at 8% per annum. 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 at the acquisition date was \$4,707 and was determined to be \$2,213 and \$3,838 as at December 31, 2013 and 2012, respectively. The Company recorded a (charge) recovery of \$(17) and \$472 related to the change in fair value of the contingent consideration in 2013 and 2012, respectively. Payments of \$1,642 and nil were made during 2013 and 2012, respectively. The undiscounted value of the remaining consideration to be paid is \$2,338.

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 at the

acquisition date was \$3,060 and was determined to be nil and \$1,622 as at December 31, 2013 and 2012, respectively. The Company recorded a recovery of \$1,622 and \$1,820 related to the change in fair value of the contingent consideration in 2013 and 2012, respectively. No payments were made during 2013 or 2012. 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 business acquired from Old Sigma during the three consecutive 12-month periods ending July 1, 2015. The fair value at the acquisition date was estimated to be \$5,719 and was determined to be \$4,880 and \$5,931 as at December 31, 2013 and 2012, respectively. The Company recorded a charge of \$2,949 and nil related to the change in fair value of the contingent consideration in 2013 and 2012, respectively. Payments of \$4,000 and nil were made during 2013 and 2012, respectively. The possible range of undiscounted values of the remaining consideration to be paid is 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 is permitted to require the holders to convert the Series A Preferred Shares into common shares of the Company.

During the fourth quarter of 2013, the Board of Directors declared dividends of \$913, and all have been subsequently paid.

On January 20, 2014, Pivot announced that it would postpone the formalization of an exchange offer for its Series A Preferred Shares previously announced on November 21, 2013. The proposed offer did not carry sufficient support by Series A Preferred shareholders to commence a formal process. At the date of the MD&A, no decision has been made to propose a change to its preferred share structure or to initiate the conversion of Series A Preferred Shares.

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 each of the years ended December 31, 2013 and 2012 amounted to \$1,580. Total amounts collected from Old ACS for these shared administrative services for each of the three months ended December 31, 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 ACS to its third-party customers, and thus the Company is the principal and 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 \$114,287 and \$199,718 for the years ended December 31, 2013 and 2012, respectively. Total gross sales through the agent are approximately \$47,108 and \$43,944 for three-month periods ended December 31, 2013 and 2012, respectively. The Company's effective cost to the agent in respect of these revenues was approximately \$4,466 and \$5,389 for the years ended December 31, 2013 and 2012, respectively, and \$1,927 and \$893 for the three month periods ended December 31, 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 \$65,758 and \$28,740 for the years ended December 31, 2013 and 2012, respectively, and \$23,879 and \$1,986 for the three months ended December 31, 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 \$410 and \$470 for three month periods ended December 31, 2013 and 2012, respectively. Rent paid on this lease was \$1,571 and \$1,439 for the years ended December 31, 2013 and 2012, respectively.

A subsidiary of the Company incurred \$612 and \$994 for the years ended December 31 ,2013 and 2012, respectively, and \$99 and \$161 for three month periods ended December 31 ,2013 and 2012, respectively, for marketing services provided by related entities controlled by that subsidiary’s chief executive officer and \$21 and \$80 in expenses for the use of aircraft owned by a related entity controlled by that subsidiary’s chief executive officer for the years ended December 31, 2013 and 2012, respectively, and \$4 and \$53 for three month periods ended December 31, 2013 and 2012, respectively.

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

	Three months ended		Years ended	
	December 31,		December 31,	
	<i>(unaudited)</i>			
	2013	2012	2013	2012
Compensation	1,238	465	3,267	2,619
Termination benefits	-	-	500	-
Short-term employee benefits	12	8	54	24
Other long term benefits	-	1	-	1
	1,250	474	3,821	2,644

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