PIVOT TECHNOLOGY SOLUTIONS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Quarter Ended September 30, 2016

This Management's Discussion and Analysis (the "MD&A") for the three and nine months ended September 30, 2016 and 2015 is as of November 28, 2016 and provides information on the operating activities, performance and financial condition of Pivot Technology Solutions, Inc. (TSX-V: PTG) ("Pivot", or the "Company") and should be read in conjunction with Pivot's unaudited interim condensed consolidated financial statements and related notes for the three and nine months ended September 30, 2016 and 2015, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts, except per share amounts stated in this MD&A, are in thousands of United States dollars unless specified otherwise. The Company assumes that the reader of this MD&A has access to, and has read the audited consolidated financial statements prepared in accordance with IFRS and the MD&A of the Company for the year ended December 31, 2015 and, accordingly, the purpose of this document is to provide a third quarter update to the information contained in the fiscal 2015 MD&A. Pivot's financial statements and MD&A can be found on SEDAR at www.sedar.com and on the Company's website at www.pivotts.com.

Forward-looking statements

Statements in this MD&A contains forward-looking information, including statements with respect to possible sources of funding for future growth, interest rates applicable to the Company's borrowings, declaration of a dividend in future periods, issuance of options under the Company's Incentive Stock Option Plan, and the purchases of shares by the Company pursuant to 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, that the Company will be in a financial position, or that it will repurchase any additional shares for cancellation under the 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 number of shares to be repurchased for cancellation by the Company under the 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.

Non-IFRS measures

In the Company's financial reporting, adjusted EBITDA, underlying cash from operations, and the exclusion of GTS Technology Solutions, Inc., formerly known as Austin Ribbon & Computer Supplies, Inc. ("GTS") results of operations from the Company's results of operations are non-IFRS measures.

Adjusted EBITDA 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 adjusted EBITDA is an important indicator as it 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 can be reconciled to loss before income taxes as follows:

	Three months ended September 30, *(unaudited)*		Nine months ended September 30, *(unaudited)*	
	2016	2015	**2016**	2015
Loss before income taxes	**(5,347)**	(2,710)	**(8,727)**	(2,527)
Depreciation and amortization	**2,345**	3,409	**8,203**	9,694
Transaction costs	**347**	289	**702**	431
Interest expense	**1,173**	1,789	**3,358**	5,457
Impairment	**950**	-	**4,788**	-
Change in fair value of liabilities	**(488)**	930	**217**	1,768
Loss of control	**7,249**	-	**7,249**	-
Other expense	**88**	2,624	**1,101**	2,737
Adjusted EBITDA	**6,317**	6,331	**16,891**	17,560

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

Underlying cash from operations is defined as cash provided by (used in) operating activities, less changes in non-cash working capital balances from the statement of cash flows. Management believes this measure is helpful to investors, as it segregates cash generated by operations, and working capital changes which are funded by financing activities.

Underlying cash from operations can be reconciled to cash provided by (used in) operating activities as follows:

	Three months ended September 30, *(unaudited)*		Nine months ended September 30, *(unaudited)*	
	2016	2015	**2016**	2015
Cash provided by (used in) operating activities	**35,547**	(2,647)	**37,686**	14,736
Less:				
Changes in non-cash working capital balances	**35,546**	(7,420)	**31,170**	2,835
Underlying cash from operations	**1**	4,773	**6,516**	11,901

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

Due to the impact on the period over period numbers as a result of the loss of control effective July 1, 2016 over GTS, management believes it will be more meaningful to the reader to view the period over period changes of certain key indicators, excluding GTS for the periods prior to its deconsolidation.

The exclusion of GTS's results of operations can be reconciled to the Company's results of operations as follows:

	Three months ended September 30, 2016 *(unaudited)*			**Three months ended September 30, 2015** *(unaudited)*		
	Pivot	GTS	Pivot, Excl GTS	**Pivot**	GTS	Pivot, Excl GTS
Revenues	**365,473**	**-**	365,473	**414,517**	33,651	380,866
Cost of sales	**322,616**	**-**	322,616	**373,866**	29,349	344,517
Gross profit	**42,857**	**-**	42,857	**40,651**	4,302	36,349
Selling and administrative expenses	**36,540**	**-**	36,540	**34,320**	3,662	30,658
Adjusted EBITDA	**6,317**	**-**	6,317	**6,331**	640	5,691

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

	Nine months ended September 30, 2016 *(unaudited)*			**Nine months ended September 30, 2015** *(unaudited)*		
	Pivot	GTS	Pivot, Excl GTS	**Pivot**	GTS	Pivot, Excl GTS
Revenues	**1,071,968**	47,225	1,024,743	**1,068,772**	89,449	979,323
Cost of sales	**944,472**	41,309	903,163	**950,623**	78,959	871,664
Gross profit	**127,496**	5,916	121,580	**118,149**	10,490	107,659
Selling and administrative expenses	**110,605**	5,704	104,901	**100,589**	9,752	90,837
Adjusted EBITDA	**16,891**	212	16,679	**17,560**	738	16,822

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

Neither adjusted EBITDA, underlying cash from operations or the exclusion of GTS's results of operations are considered a recognized measure under IFRS, have no standardized meaning and are 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.

Corporate profile

Pivot is a full-service information technology ("IT") solutions provider, generating revenue through the sale of technology products and services on a bundled and/or standalone basis to some 2,000 clients, (many of them Fortune 1000 companies) including large enterprises, mid-market companies, and governments. Pivot serves the entire IT spectrum including: data centres, unified communications, networking and storage, mobile and handheld devices, laptops and desktops and computer peripherals. In addition to representing state-of-the-art technologies from more than 400 brand-name partners, Pivot provides a suite of services including: managed and hosted services, asset recovery services, security, staffing, advisory, and professional services. Founded in 2010 and now with approximately 800 employees in offices throughout North America and in Europe, Pivot is considered a trusted advisor to many of its clients. For more information, visit www.pivotts.com.

Strategy

Pivot seeks to create shareholder value by providing mission critical IT products and services to some of the world's leading companies. Pivot's operating strategy is designed to help clients contain IT operations and maintenance costs, while maximizing the value of their IT assets. To fuel this strategy, Pivot maintains multi-vendor hardware, software and cloud solutions that it resells and then leverages its own resources and expertise to offer end-to-end services. By employing this strategy, Pivot can provide a single point of contact and accountability, and a consistent delivery of customized and specialized IT services and lifecycle product support across any platform.

To deliver this strategy, the Company has recently strengthened its management team at the most senior levels and is adjusting its approach to improve the performance of its services business, a process that is now underway and will require several quarters to execute.

Recent developments

- On January 14, 2016, the Company's senior secured asset based revolving credit facility administered by JPMorgan Chase Bank, N.A. ("JPMC"), was amended and increased to $225,000 from $200,000.

- On March 30, 2016, the Company obtained approval from the TSX Venture Exchange ("TSX-V") to implement an NCIB.

- On May 1, 2016, Kevin Shank was appointed President and Chief Executive Officer. Mr. Shank brought 20 years of senior leadership experience in the IT industry to this role. Previously, he served as Executive Vice President and Chief Services Officer at CompuCom, a global, multi-billion dollar IT solutions, services and consulting business where he was responsible for 9,000 of its associates. Under his leadership, CompuCom grew to be one of the largest device management companies in North America.

- On June 1, 2016, the Company was informed by GTS that it intended to terminate its distribution, licensing and administrative services agreements with Pivot (the "GTS Agreements"). During June, the Company and GTS began the separation process, and it was determined that a loss of control occurred effective July 1, 2016. As such, the assets and liabilities of GTS were derecognized as of this date. A loss of $7,249 was recorded in the third quarter of 2016 and a related impairment charge of $950 was taken. Total impairment charges for 2016 related to this development amounted to $4,788.

- On August 8, 2016, Brian Kyle was appointed Chief Financial Officer. Mr. Kyle brought 25 years of senior financial and strategic planning experience to Pivot, including serving for five years as Chief Financial Officer of DH Corporation, one of the world's leading financial technology companies.

- On August 19, 2016, the Board declared a C$0.01 common share dividend for holders of common shares on August 31, 2016. In aggregate, dividends of C$1,695 were paid on September 15, 2016.

Developments subsequent to September 30, 2016

- On October 1, 2016, Pivot acquired TeraMach Technologies, Inc., one of Canada's leading Value Added Resellers ("VARs"). With revenues of approximately $100 million dollars and gross margins similar to Pivot's, TeraMach is a profitable business with a 20-year track record of growth of addressing the IT needs of various customers including several levels of government in Canada. Strategically, TeraMach will enhance Pivot's buying power, provides a new platform to grow in Canada – an attractive market – and adds local expertise in Toronto and Ottawa that can be used to further the Company's services strategy. Under the terms of the Share Purchase Agreement, the all cash purchase price of up to C$14,000 for all outstanding shares of TeraMach, consisted of a C$5,000 upfront payment made at closing and C$9,000 in potential earn out payments over a period of four years which will be financed by way of Pivot's existing borrowing facilities.

- On November 11, 2016, Pivot was named Cisco Software Partner of the Year, Americas South and Cisco Capital Partner of the Year, Americas South. These awards reflect best-in-class business practices as determined by Cisco during its annual Cisco Partner Summit.

- On November 21, 2016, the Board declared a C$0.01 common share dividend, for holders of common shares on November 30, 2016, payable on December 15, 2016.

- On November 23, 2016, the Company commenced a lawsuit seeking damages and other relief for breaches of various contracts, statutory violations and torts against a number of parties in connection with the termination of the GTS Agreements.

SELECTED FINANCIAL INFORMATION AND OPERATING RESULTS

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. (*See Non-IFRS measures*) 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.

Operating results

	Three months ended September 30, *(unaudited)*				Nine months ended September 30, *(unaudited)*			
	2016	2015	2016*	2015*	**2016**	2015	2016*	2015*
Revenues	**365,473**	414,517	365,473	380,866	**1,071,968**	1,068,772	1,024,743	979,323
Cost of sales	**322,616**	373,866	322,616	344,517	**944,472**	950,623	903,163	871,664
Gross profit	**42,857**	40,651	42,857	36,349	**127,496**	118,149	121,580	107,659
Selling and administrative expenses	**36,540**	34,320	36,540	30,658	**110,605**	100,589	104,901	90,837
Adjusted EBITDA	**6,317**	6,331	6,317	5,691	**16,891**	17,560	16,679	16,822
Depreciation and amortization	**2,345**	3,409			**8,203**	9,694		
Transaction costs	**347**	289			**702**	431		
Interest expense	**1,173**	1,789			**3,358**	5,457		
Impairment	**950**	-			**4,788**	-		
Change in fair value of liabilities	**(488)**	930			**217**	1,768		
Loss of control	**7,249**	-			**7,249**	-		
Other expense	**88**	2,624			**1,101**	2,737		
Loss before income taxes	**(5,347)**	(2,710)			**(8,727)**	(2,527)		
(Recovery) of provision for income taxes	**(2,108)**	(104)			**(1,518)**	523		
Net and comprehensive loss	**(3,239)**	(2,606)			**(7,209)**	(3,050)		
Net loss per share:								
Basic	**$ (0.02)**	$ (0.02)			**$ (0.04)**	$ (0.02)		
Diluted	**$ (0.02)**	$ (0.02)			**$ (0.04)**	$ (0.02)		
Cash and cash equivalents	**7,537**	12,543			**7,537**	12,543		
Total assets	**447,121**	491,472			**447,121**	491,472		
Total long-term financial liabilities	**-**	-			**-**	-		
Cash dividends declared on preferred shares	**-**	-			**-**	461		
Cash dividends declared on common shares	**1,292**	950			**3,553**	-		

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

*Amounts exclude the activity of GTS

FINANCIAL AND OPERATING RESULTS

Following is an analysis of the Company's results for the three and nine months ended September 30, 2016 compared to the three and nine months ended September 30, 2015.

Revenue

	Three months ended September 30, *(unaudited)*				Nine months ended September 30, *(unaudited)*			
	2016	2015	2016*	2015*	**2016**	2015	2016*	2015*
Product sales	**327,528**	372,957	327,528	344,333	**950,413**	942,787	912,513	866,907
Service revenues	**35,537**	37,057	35,537	32,030	**114,751**	116,466	105,426	102,897
Other revenues	**2,408**	4,503	2,408	4,503	**6,804**	9,519	6,804	9,519
	365,473	414,517	365,473	380,866	**1,071,968**	1,068,772	1,024,743	979,323

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

*Amounts exclude the activity of GTS

Total third quarter revenues of $365,473 decreased 11.8%, or $49,044 compared to Q3 2015. Excluding the quarter-over-quarter impact of the loss of control over GTS, total revenue in the quarter decreased $15,393 or 4.0%, primarily due to a decline in product revenue, partially offset by higher service revenue.

Product revenue of $327,528 decreased $45,429 in the third quarter or 12.2% compared to Q3 2015. Excluding the quarter-over-quarter impact of the loss of control over GTS, total product revenue in the third quarter decreased $16,805 or 4.9% compared to the same period in the prior year due to a decline in revenues to major customers.

Service revenues of $35,537 declined by $1,520 or 4.1% in the third quarter of 2016 compared to the same period of 2015. Excluding the quarter-over-quarter impact of the loss of control over GTS, third quarter 2016 service revenues increased $3,507 or 10.9% compared to the same period in the prior year due to the timing of deployment of service-related activities.

Total revenues for the first nine months of 2016 of $1,071,968 remained relatively constant compared to the prior year. Excluding the year-to-date impact of the loss of control over GTS, total revenues increased year over year by $45,420 or 4.6% primarily due to an increase in revenue from non-major customers.

Product revenues for the first nine months of 2016 remained relatively constant at $950,413 compared to the prior year period. Excluding the year-to-date impact of the loss of control over GTS, total product revenues increased $45,606 or 5.3% year over year, primarily due to growth in revenue from non-major customers.

Service revenue for the first nine months of 2016 of $114,751 was down $1,715 or 1.5% compared to the prior year. Excluding the year-over-year impact of the loss of control over GTS, service revenues increased $2,529 or 2.5% for the nine months ended September 30, 2016 due to timing of professional and other services deployment.

Other revenue of $2,408 for the third quarter and $6,804 for the first nine months of 2016 decreased 46.5% and 28.5%, respectively, compared to the comparable prior-year periods primarily due to lower product revenue in the third quarter and product mix changes on a year-to-date basis. Other revenue was not impacted by the loss of control over GTS in the quarter or for the year to date.

Excluding the impact of the loss of control over GTS, the ratio of revenue attributable to major and non-major customers in the third quarter of 2016 was 35:65 versus 46:54 in the corresponding period of 2015 and for the first nine months of 2016 was 36:64 compared to 40:60 a year ago. The change in both 2016 periods was primarily due to timing of revenue to large customers.

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, competitive pressures in the market and timing of service delivery.

Cost of sales and gross profit

Third quarter 2016 cost of sales of $322,616 decreased by $51,250 or 13.7% quarter over quarter, while gross profit of $42,857 increased $2,206 or 5.4%. Excluding the impact of the loss of control over GTS, cost of sales was down 6.4% quarter over quarter while gross profit increased $6,508 or 17.9% primarily due to changes in product mix, margin expansion, customer concentration changes and timing of recognition of manufacturers' rebates. Quarter over quarter, gross profit margins increased to 11.7% from 9.8%. Excluding GTS, gross profit margin in the third quarter of 2016 increased to 11.7% from 9.5% in the same period in the prior year.

For the first nine months of 2016, cost of sales of $944,472, remained relatively constant year over year, while gross profit increased by $9,347 or 7.9%. Excluding the impact of the loss of control over GTS, cost of goods sold increased by $31,499 or 3.6% while gross profit increased by $13,921 or 12.9% due primarily to increases in products and service revenues, product mix changes, margin expansion, customer concentration changes and timing of recognition of manufacturers' rebates. Year over year, gross profit margin increased to 11.9% from 11.1%. Excluding GTS, gross profit margin for the first nine months of 2016 increased to 11.9% from 11.0% in the same period in the prior year.

Selling and administrative expenses

	Three months ended September 30, *(unaudited)*		Nine months ended September 30, *(unaudited)*	
	2016	2015	**2016**	2015
Salaries and employee benefits	**27,952**	27,734	**87,029**	81,315
Other selling and administrative expenses	**8,588**	6,586	**23,576**	19,274
	36,540	34,320	**110,605**	100,589

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

For the third quarter of 2016, selling and administrative expenses of $36,540 were $2,220 or 6.5% higher than a year ago. Excluding the quarter-over-quarter impact of the loss of control over GTS, selling and administrative expenses of $36,540 were $5,882 or 19.2% higher than a year ago primarily due to higher variable compensation costs, and professional services.

For the first nine months of 2016, selling and administrative expenses of $110,605 were $10,016 or 10.0% higher than a year ago. Excluding the year-over-year impact of the loss of control over GTS, selling and administrative expenses of $104,901 were $14,064 or 15.5% higher than a year ago due to higher variable compensation, changes in staffing complement, issuance of share-based non-cash compensation and an increase in software license fees.

Adjusted EBITDA *See Non-IFRS Measures*

Adjusted EBITDA for the third quarter of 2016 of $6,317 decreased by 0.2%. Excluding the quarter-over-quarter impact of the loss of control over GTS, adjusted EBITDA increased by 11.0% primarily due to an increase in gross profit from margin expansion activities.

For the nine months of 2016, adjusted EBITDA of $16,891 decreased by 3.8%. Excluding the year-over-year impact of the loss of control over GTS, adjusted EBITDA increased by 0.9% primarily due to an increase in gross profit from margin expansion activities.

Impairment

On June 1, 2016, the Company was informed by GTS that it intended to terminate its distribution, licensing and administrative services agreements with Pivot. The termination of the agreements indicates the Company will experience significant decreases in expected future revenues and gross profit, due to lower sales volumes. As such, the Company reviewed its business forecast, and performed an interim impairment test on the GTS cash generating unit ("GTS CGU"). The Company concluded that the recoverable amount, based on a value in use impairment test, was less than the carrying amount of the GTS CGU and, accordingly, recorded an impairment charge of $3,838, consisting of a write off of goodwill of $1,338, and a reduction to other intangibles of

$2,500 during the three month period ended June 30, 2016. An additional impairment charge of $950 was recorded during the three-month period ended September 30, 2016. The impact of the impairment charges net of tax was $614 and $3,095 for the three and nine months ended September 30, 2016, respectively. The recoverable amount was determined based on the value in use approach using a discounted cash flow model.

The significant key assumptions included forecasted cash flows based on financial plans prepared by management covering a three year period taking into consideration the minimum liquidity requirements of the Company. The discounted cash flow model was established using a discount rate of 11%, a pre-tax discount rate of 34%, and a terminal growth rate of 3%.

Loss of control

On June 1, 2016, the Company was informed by GTS that it intended to terminate its distribution, licensing and administrative services agreements with Pivot. During June, the Company and GTS began the separation process, and it was determined that a loss of control occurred effective July 1, 2016. As such, a charge of $7,249 was recorded during the third quarter to account for the loss of control and deconsolidate GTS. The charge consisted of the removal of net assets of $353, and a reserve against remaining receivables due from GTS of $6,896. Subsequent to the termination of the GTS Agreements, the Company commenced a lawsuit seeking damages and other relief. *See RELATED PARTIES and RISKS AND UNCERTAINTIES - Risks relating to the management of Pivot's business - Legal disputes and proceedings*

Other expense

	Three months ended September 30, *(unaudited)*		**Nine months ended September 30,** *(unaudited)*	
	2016	2015	**2016**	2015
Loss on derecognition	-	2,611	-	2,611
Other	**88**	13	**1,101**	126
	88	2,624	**1,101**	2,737

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

For the third quarter, other expenses decreased $2,536 or 96.6% and $1,636 or 59.8% year over year, primarily due to the derecognition of unamortized loan costs associated with the credit facility administered by PNC Bank, N.A., ("PNC") upon termination of the facility on September 21, 2015. *See LIQUIDITY AND CAPITAL RESOURCES - Secured borrowings – Revolving credit agreements*

OUTLOOK

The global economic environment is uncertain and some customers remain cautious in their approach to IT investments at this stage of the business cycle. Against this backdrop, management believes Pivot's opportunities to create shareholder value through its product and services strategy are robust and the secular trends driving IT spending and particularly spending on after-sales service are positive. The Company's sales organization is preparing to engage customers in a more strategic fashion in order to develop comprehensive relationships built on the value of after-sales "life-time" technology support. The execution of this strategy is intended to create higher value recurring revenue streams that offer greater predictability of performance by somewhat reducing the Company's exposure to the capital expenditure cycles of its customers. The intended refinement of the Company's after-sales service strategy may not offset capital spending volatility in the short term, although management believes the prospects for product sales are positive. Fourth quarter and 2017 results will also be impacted by the acquisition of TeraMach Technologies (now operating as TeraMach, a Pivot Company) in early October, 2016. Founded in Canada 20 years ago, TeraMach's dedicated workforce generates annual revenues of approximately $100 million (with gross margins that are similar to Pivot's) from a diverse customer base that includes various levels of government in Canada and leading corporations. The two organizations are now in the early stages of sharing best practices and coordinating sales and service efforts. TeraMach plans to introduce Pivot's services capabilities to its existing customers, giving them access to Pivot's full portfolio of offerings. Fourth quarter results, on a comparative basis to 2015, will also be affected by the termination by GTS of the GTS Agreements; however, the Company does not anticipate any further material charges related to this termination.

The Company seeks to continue to expand its position in the global IT market organically and through acquisition. The Company's strong and diverse customer and vendor partner relationships provide the foundation to pursue its strategy.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Three months ended, (unaudited)							
	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
Revenues	**365,473**	373,708	332,787	420,188	414,517	357,882	296,373	377,478
Gross profit	**42,857**	46,636	38,003	52,258	40,651	45,302	32,196	45,553
Adjusted EBITDA	**6,317**	9,123	1,451	13,888	6,331	9,920	1,309	11,032
Net and comprehensive income (loss)	**(3,239)**	(215)	(3,755)	6,219	(2,606)	2,663	(3,107)	2,969
Income (loss) per share:								
Basic	**($0.02)**	$0.00	($0.02)	$0.04	($0.02)	$0.02	($0.03)	$0.02
Diluted	**($0.02)**	$0.00	($0.02)	$0.04	($0.02)	$0.02	($0.03)	$0.02
Cash dividends declared on preferred shares	-	-	-	-	-	-	461	649
Cash dividends declared on common shares	**1,292**	1,312	949	955	957	-	-	-
Total assets (2)	**447,121**	501,875	453,458	500,650	491,472	494,777	449,500	473,782
Total current non-financial liabilities (2)	**282,122**	301,397	261,358	326,297	289,592	314,728	270,042	290,516

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

(2) Amounts as at period date

The table above shows selected financial information from the results of operations of the Company for the periods indicated. 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 of capital-related spending by large customers who often use budgeted funds before the end of their fiscal periods. Accordingly, 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 create higher sales activity at their own year ends as steeper discounts tend to be offered to incent higher volumes.

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 $7,537 and $7,978, while $121,129 and $122,816 was borrowed under existing credit facilities, as at September 30, 2016 and December 31, 2015, respectively. There were working capital deficiencies of $59,638 and $57,935 as at September 30, 2016 and December 31, 2015, 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 JPMC and PNC was $61,078 and $32,125 for the nine month periods ended September 30, 2016 and 2015, respectively.

Cash flow analysis/movements

Cash provided by operations increased $38,194 for the three months ended September 30, 2016, compared to the same period in the prior year, due to net increases in cash from comparative changes in non-cash working capital of $42,966, offset by a decrease in underlying cash from operations of $4,772. The non-cash working capital comparative change quarter over quarter was primarily due to increases in cash from comparative changes in inventory of $15,470 and accounts payable and accrued liabilities of $16,009. Cash provided by operations increased $22,950 for the nine months ended September 30, 2016, compared to the same period in the prior year, due to net increases in cash from comparative changes in non-cash working capital of $28,335, offset by decreases in underlying cash from operations of $5,385. The non-cash working capital comparative change impact period over period was primarily due to an increase in cash from comparative changes in accounts receivable of $13,780 and inventory of $33,845, offset by decreases in cash from comparative changes in accounts payable and accrued liabilities of $19,262.

Cash used in investing activities decreased by $1,981 and $4,112 for the three and nine months ended September 30, 2016, respectively, over the same periods in the prior year. The decrease is primarily due to a reduction in earn out payments and capital expenditures. Capital expenditures were significantly higher in the comparable nine month period of 2015 due to costs incurred for a new warehouse and integration center.

Cash used in financing activities increased by $52,394 and $31,519 for the three and nine month periods ended September 30, 2016, respectively, compared to the same period in the prior year. The movement in financing cash outflows was primarily driven by movements in net borrowing associated with Pivot's secured borrowing arrangements, flooring arrangements and related banking overdrafts, which consist of checks that have been distributed, but have not yet been presented for payment and dividends.

Net underlying cash flow

Underlying cash from operations decreased by $4,772, or 100.0%, to $1 and by $5,385, or 45.2% to $6,516 for the three and nine months ended September 30, 2016, respectively.

Cash used in investing activities was comprised of payments made on fixed consideration as well as capital and other intangible asset expenditures. For the three and nine months ended September 30, 2016, payments made on fixed consideration were nil compared to $1,500 in each of the corresponding reporting periods in the prior year, respectively. For the three and nine months ended September 30, 2016, capital and other intangible asset expenditures were $960 and $2,135, respectively, compared to $1,441 and $4,794 for the same periods in the prior year, respectively.

Cash used in financing activities, excluding non-cash working capital borrowing-related movements, is comprised of dividend payments on Series A Preferred Shares and common shares, installment payments on the term loan from PNC ("Term Loan"), proceeds from issuance of common shares related to the exercise of broker compensation options, and stock repurchases. For the three and nine months ended September 30, 2016, dividend payments on Series A Preferred Shares were nil compared to nil and $676 for the three and nine month periods in the prior year, respectively. For the three and nine months ended September 30, 2016, dividend payments on common shares totaled $1,292 and $3,553, respectively compared to $957 for both the three and nine month periods in the prior year, respectively. For the three and nine months ended September 30, 2016, stock repurchases totaled $80 and $805, respectively compared to nil in the prior year. For the three and nine months ended September 30, 2016, payments on the PNC Term Loan were nil compared to $6,500 and $8,000 for the three and nine month periods in the prior year, respectively. The PNC Term Loan was paid in full on September 21, 2015.

Days sales outstanding (DSO) were 48 and 44 days at September 30, 2016 and December 31, 2015, respectively. Receivables and collections are closely monitored against expected cash flow.

Secured borrowings

Flooring agreement

ARC Acquisition (US) Inc., a wholly owned subsidiary of the Company, entered into a secured flooring agreement with IBM Global Finance ("IBM") on August 10, 2011, which provides short-term accounts' payable financing. The IBM secured flooring agreement allows up to $15,000 in advances on purchases from approved vendors. Approved 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%. Nil and $13,710 were outstanding under the IBM secured flooring agreement as at September 30, 2016 and December 31, 2015, respectively. The Company is required to maintain certain financial ratios, and was not in compliance as at September 30, 2016. The Company was in compliance with all required financial ratios as at December 31, 2015. All amounts under this arrangment are included in current liabilities.

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 (US), Inc. ("ACS"), New ProSys Corp. ("ProSys") and Sigma Technology Solutions, Inc. (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 (i) $2,553 for the write-off of deferred costs associated with the repayment of the PNC Credit Facility and (ii) 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, over advances, and swing line loans. Advances under the JPMC Credit Facility 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. On January 14, 2016, the JPMC Credit Facility was amended, increasing the overall facility to $225,000. On September 30, 2016, a second amendment was completed, primarily to allow for the purchase of TeraMach which was completed on October 3, 2016.

The revolving credit facilities with both PNC and JPMC required/require that the Company comply with certain covenants as defined in each of the respective agreements. Under the terms of the PNC Credit Facility, the PNC Borrowing Group was subject to certain restrictive covenants. The covenants in place at June 30, 2015 required that the PNC Borrowing Group maintain a Fixed Charge Coverage Ratio ("FCCR") of at least 1.15 to 1.0 and a Senior Leverage Ratio ("SLR") of 4.50 to 1.0. Under the terms of the JPMC Credit Facility, the covenants require that the Company maintain a Fixed Charge Ratio ("FCR") of at least 1.1 to 1 on a trailing twelve month basis, triggered in the event that availability is less than 12.5% of the revolving commitment until such time that availability has been greater than 12.5% of the revolving commitment for 30 consecutive days. Additional negative covenants place restrictions on additional indebtedness, liens, fundamental changes to the Company's legal structure, investments, asset sales, sale and leaseback transactions, swap agreements, restricted payments, transactions with affiliates, restrictive agreements, amendment of material documents, and distribution of loan proceeds amongst the Company's subsidiaries. The Company was in compliance with all applicable covenants at September 30, 2016 and December 31, 2015.

The Company had availability to borrow under its revolving credit facilities of $68,093 and $76,162 as at September 30, 2016 and December 31, 2015, 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 $121,129 and $122,816 as at September 30, 2016 and December 31, 2015, respectively. In addition, a letter of credit for $250 was outstanding at both September 30, 2016 and December 31, 2015.

On April 3, 2014 the Company entered into an interest rate forward swap agreement ("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 now varies between 4.305% and 4.555% on $50,000 of the amount outstanding under the JPMC Credit Facility. This range of rates is 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.

Interest incurred under the Swap totaled $299 and $575 for the three and nine months ended September 30, 2016, respectively. As at September 30, 2016 and December 31, 2015, the fair value of the Swap was determined to be $2,204 and $1,987, respectively, which represents the cost that would be incurred by the Company to exit the Swap, due to fluctuations in future interest rate expectations.

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. Macquarie advised during Q2 2016 that it would no longer (for an unstated period of time) provide financing in respect of new invoices issued to the Company under the facility, as Macquarie is now focusing on credit facilities over $50,000. Macquarie has indicated that it does not propose to terminate the facility as it may choose to provide financing under the existing agreement in the future. Nil and $7,073 was outstanding under the Macquarie purchase finance agreement as at September 30, 2016 and December 31, 2015, 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 25, 2016, the Company had 167,976,626 common shares issued and outstanding.

Series A Preferred Shares

On March 2, 2015, the Company announced it would exercise 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.

Series A Dividends were declared and paid as follows:

Declaration date	Record date	Distribution date	# of Shares	Per share amount	Total Dividend
January 13, 2015	January 26, 2015	February 3, 2015	60,138,380	C$0.00407671	C$245
February 11, 2015	February 23, 2015	March 4, 2015	60,138,380	C$0.00368219	C$221
March 6, 2015	March 15, 2015	April 3, 2015	58,094,630	C$0.00197260	C$115

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

Cancellation of common shares

Pursuant to terms of a service agreement with one of the Company's former CEO's, the Company cancelled 67,500 common shares each on March 30, 2015 and September 28, 2015. On March 28, 2016, 180,000 shares were cancelled, satisfying the cancellation requirements of the service agreement.

On June 15, 2016, the Company repurchased, and subsequently cancelled, 2,500,000 shares from a former director of the Company at a price of C$0.38 per share, for a total of C$950.

The Company has cancelled shares repurchased under the NCIB as follows:

Date	# of Shares cancelled	Total cost of shares
October 3, 2016	224,000	C$104
November 1, 2016	1,295,000	C$580
	1,519,000	C$684

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

Broker compensation options

In connection with the brokered private placement of debentures in 2011, Pivot Acquisition Corp., a subsidiary of the Company, granted broker compensation options, entitling the agent to purchase 7% of the aggregate number of shares issuable on conversion of the debentures. Upon completion of the Qualifying Transaction on March 25, 2013, the agent was entitled to 7,455,000 broker compensation options at a price of C$0.40 per share, expiring April 14, 2016. The fair value allocated to the options was $3,000, which was recognized as an expense in fiscal 2011. On April 14, 2016, 2,931,000 broker compensation options expired.

A total of 4,524,000 broker compensation options were exercised as follows:

Date	# of Options exercised	# of Shares issued	Price per share	Proceeds
May 19, 2015	100,000	100,000	C$0.40	C$40
September 18, 2015	300,000	300,000	C$0.40	C$120
September 28, 2015	400,000	400,000	C$0.40	C$160
October 16, 2015	500,000	500,000	C$0.40	C$200
October 22, 2015	700,000	700,000	C$0.40	C$280
November 27, 2015	450,000	450,000	C$0.40	C$180
December 8, 2015	800,000	800,000	C$0.40	C$320
February 22, 2016	300,000	300,000	C$0.40	C$120
March 28, 2016	400,000	400,000	C$0.40	C$160
April 1, 2016	300,000	300,000	C$0.40	C$120
April 14, 2016	274,000	274,000	C$0.40	C$110
Total broker compensation options exercised	4,524,000	4,524,000		C$1,810

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

Stock options

On June 21, 2016, the shareholders approved the amended Incentive Stock Option Plan ("Plan") under which directors, officers, employees and consultants of the Company and its subsidiaries are eligible to receive incentive and non-qualified stock options. The Plan is a "10% rolling plan" in that it continuously provides for the reservation of a number of common shares under the Plan equal to 10% of the Company's issued and outstanding common shares less any common shares reserved for issuance pursuant to other security based compensation arrangements. The available pool of shares that can be currently issued under the Plan (including shares reserved in respect of options currently outstanding) is 16,797,662, assuming no shares are reserved for issuance pursuant to any other share compensation arrangement adopted by the Company. The exercise price of each option is subject to Board approval but shall not be less than the market price at the time of grant.

The Board has granted a total of 8,550,000 options to directors, officers, employees and consultants per the following table:

Grant date	Expiration date	Vesting period	# of Options	Exercise price
June 21, 2016	June 20, 2026	Over 2 years	7,550,000	C$0.40
June 30, 2016	June 29, 2026	Over 2 years	400,000	C$0.40
August 31, 2016	August 30, 2026	Over 2 years	600,000	C$0.49

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

No options have been exercised to date.

Normal course issuer bid

On March 2, 2015, the Company announced its Board of Directors had approved the implementation of an NCIB, which will allow Pivot to repurchase up to 5% of the Company's issued and outstanding common shares after conversion of the Series A Preferred Shares, over a twelve-month period. Implementation of the NCIB was subject to the filing of a formal notice and approval by the TSX-V.

On March 30, 2016, the Company obtained the approval of the TSX-V to implement an NCIB for its common shares. The Company received approval to acquire up to 8,389,331 common shares under the NCIB, representing approximately 5% of the Company's issued and outstanding common shares. Unless extended, the NCIB for the common shares of the Company will terminate on the earlier of March 31, 2017 or the date on which the Company has acquired the maximum number of common shares permitted under the NCIB. All common shares acquired under the NCIB will be acquired at the market price of the securities at the time of acquisition. The common

shares so acquired will be cancelled. Purchases pursuant to the NCIB will be made by Cantor Fitzgerald Canada Corporation on behalf of the Company. By contacting the Company, a Pivot shareholder may, without charge, obtain a copy of the notice filed by the Company with the TSX-V in respect of the Company's intention to initiate the NCIB.

On April 25, 2016, the Company entered into an automatic share purchase plan with Cantor Fitzgerald for the purpose of permitting the purchase of common shares under the NCIB at times when the Company would not be permitted to purchase shares, including regularly scheduled quarterly blackout periods. Such purchases will be determined by Cantor Fitzgerald in its sole discretion based on parameters established prior to any blackout period, in accordance with rules of the TSX-V and applicable securities laws. As at November 25, 2016, 2,784,500 shares have been repurchased under the NCIB.

Share consolidation

On June 21, 2016, the shareholders approved a plan to consolidate the common shares of the Company, where a shareholder will receive one post-consolidated common share for every four pre-consolidated common shares held immediately prior to the effective date of the share consolidation. The share consolidation will become effective at a date to be determined by the Board of Directors and is subject to regulatory approval.

Common share dividends

On February 25, 2015, the Board approved the initiation of a quarterly common share dividend. Common share dividends were declared and paid as follows:

Declaration date	Record date	Distribution date	# of Shares	Per share amount	Total Dividend
August 19, 2015	August 31, 2015	September 15, 2015	167,819,126	C$0.0075	C$1,259
November 20, 2015	December 2, 2015	December 15, 2015	170,101,626	C$0.0075	C$1,276
February 4, 2016	February 29, 2016	March 15, 2016	171,201,626	C$0.0075	C$1,284
May 4, 2016	May 31, 2016	June 15, 2016	171,995,626	C$0.01	C$1,720
August 19, 2016	August 31, 2016	September 15, 2016	169,495,626	C$0.01	C$1,695

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

On November 21, 2016, the Board approved a C$.01 per share common share dividend, for holders of common shares on November 30, 2016, payable on December 15, 2016.

As at September 30, 2016, the issued share capital amounted to $88,150. The changes in issued shares for the nine months ended September 30, 2016 were as follows:

	# of Common Shares
As at January 1, 2016	170,901,626
Share repurchase and subsequent cancellation	(2,500,000)
Cancellation of shares	(180,000)
Broker compensation options exercised	1,274,000
As at September 30, 2016	169,495,626

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, 2016:

	On demand	Less than one year	One to two years	Two to five years	Greater than five years	Total
Bank overdraft	23,529	-	-	-	-	23,529
Secured borrowings	121,129	-	-	-	-	121,129
Accounts payable and accrued liabilities	-	221,283	-	-	-	221,283
Operating leases	-	4,730	3,826	6,575	4,126	19,257
Interest rate swap	-	-	2,204	-	-	2,204
	144,658	226,013	6,030	6,575	4,126	387,402

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

RELATED PARTIES

The Company is deemed to have the primary exposure to the significant risks and rewards associated with sales by Applied Computer Solutions, Inc. ("Applied") to its third-party customers, and thus the Company is the principal and Applied 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 $28,459 and $28,250 for the three months ended September 30, 2016 and 2015, respectively. Total gross sales through the agent were approximately $92,414 and $68,947 for the nine months ended September 30, 2016 and 2015, respectively. Amounts due from Applied totaled $9,365 and $8,493 as at September 30, 2016 and 2015, respectively.

The Company had similar contractual arrangements with GTS, whose activities were consolidated with those of the Company. The Company received notification from GTS that it wished to terminate the existing arrangement effective August 31, 2016. During June of 2016, the Company and GTS began the process of separation, and on July 1st, 2016, the Company was deemed to have effectively lost control over GTS. Until July 1, 2016, the Company was deemed to have the primary exposure to the significant risks and rewards associated with sales by GTS to its third-party customers. Total sales attributable to the activities of GTS were approximately $47,225 for the six months ending June 30, 2016. Total sales attributable to the activities of GTS were approximately $33,651 and $89,449 for the three and nine month periods ended September 30, 2015, respectively. Amounts due from GTS were $6,896 and $19,487 as at September 30, 2016 and 2015, respectively. The Company recorded a reserve for the $6,896 as at September 30, 2016

On November 23, 2016, the Company filed a lawsuit against GTS seeking damages and other relief for breaches of various contracts, statutory violations and torts against a number of parties including, but not limited to: certain former employees, GTS, GTS' owner and GTS' former shareholders. The Company intends to vigorously pursue this matter to recover damages incurred by Pivot in connection with the termination of its relationship with GTS. Because the Company has not formed a conclusion as to whether a favorable outcome is either probable or remote, the Company cannot express an opinion as to the likelihood of a favorable outcome or the amount or range of any possible recovery or costs associated with this matter.

The Company has certain contractual arrangements with ProSys Information Systems, Inc., ("PISI"), whose activities and results are consolidated with the Company. The Company is deemed to have primary exposure for the significant risks and rewards associated with sales by PISI to its third-party customers. Total sales attributable to the activities of PISI were approximately $64,979 and $94,351 for the three months ended September 30, 2016 and 2015, respectively. Total sales attributable to the activities of PISI were approximately $192,128 and $197,068 for the nine months ended September 30, 2016 and 2015, respectively. Amounts due from PISI were $26,905 and $43,877 as at September 30, 2016 and 2015, respectively.

The contractual arrangements with Applied, GTS and PISI as described above accounted in aggregate for 25.6% and 37.7% of the overall Pivot revenues for the three months ended September 30, 2016 and 2015, respectively, and 30.9% and 33.3% for the nine months ended September 30, 2016 and 2015, respectively. The contractual arrangements with Applied may be terminated by either party on notice to the other. *See Risks and Uncertainties – Business certifications.*

A former key member of management of ACS had significant influence over Applied, resulting in a related-party relationship until March 31, 2016. In addition to the asset purchase agreement with Applied, ACS entered into an administrative services agreement, a license agreement and a distribution agreement with Applied commencing with the date of the asset purchase. The administrative services agreement commits the Company to performing certain administrative functions on behalf of Applied. The total amount charged to Applied for shared administrative services in 2016 through the termination of the related-party relationship was $395 for the three months ended March 31, 2016. The total amount charged to Applied for shared administrative services was $920 and $2,361, for three and nine months ended September 30, 2015, respectively. The license agreement permits Applied to license from the Company certain of the intellectual property obtained by the Company in the asset purchase. The total amount charged for licensing fees was $575 for the three months ended March 31, 2016, and $575 and $1,725 for the three and nine months ended September 30, 2015, respectively.

ACS leases two of its offices from a related entity controlled by a former key member of the ACS management team. The Company is obligated for repairs, maintenance, insurance and property tax on these leases. Rents incurred under these leases through the termination of the related-party relationship were $407 for the three months ended March 31, 2016. Rents paid on these leases were $517 and $1,204 for the three and nine months ended September 30, 2015, respectively.

ACS incurred expenses for the use of aircraft owned by a related entity controlled by a former key member of the ACS management team through the termination of the related-party relationship on March 31, 2016. Amounts incurred were nil for the three months ended March 31, 2016, and nil and $20 in for the three and nine months ended September 30, 2015, respectively.

A subsidiary of the Company incurred $512 and $400 for the three months ended September 30, 2016 and 2015, respectively, and $1,537 and $1,206 for the nine months ended September 30, 2016 and 2015, respectively, for research and development provided by a related entity where the subsidiary's president has significant influence. No amounts were payable as at September 30, 2016 and 2015, respectively.

A subsidiary of the Company incurred expenses for sales and marketing support provided by a related entity during which time a former Company director had significant influence until May 25, 2016. Amounts incurred were $96 in 2016, until May 25, 2016, the last day of the related party

relationship. Amounts incurred were $105 and $157 during the three and nine months ended September 30, 2015, respectively. $67 was owed at September 30, 2015.

The following table sets out the compensation of officers and directors of the Company:

	Three months ended September 30, (unaudited)		Nine months ended September 30, (unaudited)	
	2016	2015	**2016**	2015
Compensation	**819**	570	**2,290**	1,583
Share-based compensation	**130**	-	**274**	-
Termination benefits	**74**	-	**179**	-
Short-term employee benefits	**12**	9	**36**	27
	1,035	579	**2,779**	1,610

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 proliferated, Pivot would potentially be removed from the supply chain and revenues would suffer as a result. In addition, companies are increasingly using the Internet to distribute software and a variety of technology services. If this trend acclerated, Pivot would miss out on revenue opportunities and/or experience a reduction in its existing customer base as customers 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 (Applied, GTS and PISI) are certified as Women Business Enterprises ("**WBE**s") or Historically Underutilized Businesses ("**HUB**s") 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 signficant reductions in revenues and profits as a result. Moreover, if the contractual arrangements with any such parties were to be terminated and therefore such party were to no longer provide the Company's products or service to its customers, such as has been the case with the termination by GTS effective August 31, 2016, Pivot will suffer significant reduction in revenues and profits as a result and may be required to deconsolidate the results of such contracting party, as was the result of the loss of control consequent upon the termination of its relationship with GTS. *See Related Parties*

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 has and 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 incurring of expected and unforeseen liabilities, some or all of which could have a material adverse effect on the business, results of operations and financial condition. Such liabilities may result from the agreement of the Company to assume liabilities of a third party or purusuant to indemnities provided by the Company, or may result from the failiure of parties to comply with their oblaigation or as a result of conflcts in the expectations of the parties. 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 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.

Legal disputes and proceedings

From time to time the Compnay may be involved, either as claiming party or defending party, in legal disputes and proceedings arising from from its operations, including as a result of its relationships with suppliers, customers, employees and former owners of businesses acquired by the Company. The outcome of any such dispute or proceeding is generally uncertain, and accordingly the Company may not be able to accurately assess the outcome of such disputes or proceedings and reflect the risks associated with pending or ongoing disputes in its periodc reports.

On November 23, 2016, the Company filed a lawsuit seeking damages and other relief for breaches of various contracts, statutory violations and torts against a number of parties including, but not limited to: certain former employees, GTS, GTS' owner and GTS' former shareholders. The Company intends to vigorously pursue this matter to recover damages incurred by the Company in connection with the termination of its relationship with GTS. Because the Company has not formed a conclusion as to whether a favorable outcome is either probable or remote, the Company can not express an opinion as to the likelihood of a favorable outcome or the amount or range of any possible recovery or costs associated with this matter.

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 financial covenant amendments in respect of the periods ended March 31, 2015 and June 30, 2015, there is no certainty that it will be able to obtain waivers or amendments in the 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.

Foreign operations risk

Pivot is beginning to engage in operations in several countries in Central America, Asia and Europe. While Pivot has developed significant operations in the United States, and subsequent to quarter end acquired a Canadian-based company, it does not have any institutional operating experience in jurisdictions outside these two countries. Pivot may not be aware of all the factors that may affect its business in such foreign jurisdictions. Operations in such foreign jurisdictions may be subject to a variety of risks including, but not limited to: currency exchange fluctuations; devaluations and exchange controls; inflation; unexpected changes in legal and regulatory restrictions or requirements; uncertain political and economic conditions; international import and export legislation; availability of competent employees and contractors at acceptable compensation levels; social unrest; product sourcing; delivery and customs difficulties; inadequate infrastructure; immigration issues; multinational tax and financing issues; laws and uncertain enforcement relating to intellectual property and privacy rights; unauthorized copying of software; and other factors depending on the jurisdiction involved.

There can be no assurance that Pivot will not experience these risks and that its operations will not be negatively impacted thereby. If foreign operations expand to the point where they account for a significant portion of the Company's revenues, foreign operations risks could have a material adverse effect on the Company's business, operating results and financial condition.

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 JPMC Credit Facility. Amounts

outstanding under the JPMC 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 JPMC Credit Facility during the three and nine month periods ended September 30, 2016 would have resulted in an increase of $212 and $744 in the Company's interest payments for the period, respectively. 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 agrement 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.

Sales Taxes

Pivot is required to remit sales taxes in a number of jurisdictions. Such taxes are generally assessed as a result of the sale of goods and services to customers in particular jurisdictions. There is a risk that the Company may not be made aware of the jurisdictions where such goods or services will be used by a customer. Moreover, there is a risk that the Company may not be able to monitor the practices of intermediary contracting parties in respect of sales taxes to be remitted by such parties' customers, and as a result may be subject to certain liabilities resulting from such parties' failure to comply with sales tax remittance obligations.