PIVOT TECHNOLOGY SOLUTIONS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 19, 2015

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

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

SELECTED FINANCIAL INFORMATION AND OPERATING RESULTS

	Three months ended June 30, *(unaudited)*		Six months ended June 30, *(unaudited)*	
	2015	2014	**2015**	2014
Revenues	**357,882**	302,708	**654,255**	622,035
Cost of sales	**312,580**	264,508	**576,757**	548,372
Gross profit	**45,302**	38,200	**77,498**	73,663
Selling and administrative expenses	**35,382**	30,518	**66,269**	59,775
Adjusted EBITDA*	**9,920**	7,682	**11,229**	13,888
Depreciation and amortization	**3,200**	2,882	**6,285**	5,747
Transaction costs	**125**	192	**142**	192
Interest expense	**1,831**	1,760	**3,668**	3,087
Change in fair value of liabilities	**113**	1,274	**838**	5,033
Other expense (income)	**112**	40	**113**	(116)
Income (loss) before income taxes	**4,539**	1,534	**183**	(55)
Provision for (recovery of) income taxes	**1,876**	583	**627**	(37)
Net and comprehensive income (loss)	**2,663**	951	**(444)**	(18)
Net income (loss) per share:				
Basic	**$ 0.02**	$ 0.00	**$ (0.01)**	$ (0.01)
Diluted	**$ 0.02**	$ 0.00	**$ (0.01)**	$ (0.01)
Cash and cash equivalents	**11,638**	16,204	**11,638**	16,204
Total assets	**489,885**	427,549	**489,885**	427,549
Total long-term financial liabilities	**3,500**	3,206	**3,500**	3,206
Cash dividends declared on preferred shares	**-**	693	**461**	1,389

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

**** Non IFRS measures*****s**

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

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

Key performance indicators

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

Q2 2015 financial and operating highlights

- Revenues of $357,882 increased 18.2%, or $55,174, over Q2 2014, and 20.8%, or $61,509, from Q1 2015, primarily due to an increase in product sales, which were up 19.2%, or $50,514, over Q2 2014, and 22.9%, or $58,562, over Q1 2015. Service revenues increased 11.4%, or $4,166, from Q2 2014 and 5.6%, or $2,161, from Q1 2015. Service revenue comprised 11.4% of total revenue, down slightly from 12.1% in Q2 2014.
- Gross profit of $45,302 was up 18.6%, or $7,102, from Q2 2014 and 40.7%, or $13,106, from Q1 2015. Gross profit margin of 12.7% was up from 12.6% in Q2 2014 and 10.9% in Q1 2015.
- Adjusted EBITDA of $9,920 increased 29.1% or $2,238, from Q2 2014, and 657.8%, or $8,611, from Q1 2015.
- Interest expense of $1,831 was up 4.0% or $71 from Q2 2014, due increased levels of borrowing on unsecured credit facilities.
- Net income of $2,663 was earned, an increase of $1,712, or 180.0%, from Q2 2014, compared to a net loss of $3,107 in Q1 2015.

Half Year 2015 financial and operating highlights

- Revenues increased 5.2%, or $32,220, from 2014, to $654,255. Product sales grew 4.1%, or $22,454, and service revenue grew 13.2%, or $9,256, on a year over year basis. Service revenues comprised 12.1% of total revenue, up from 11.3% in 2014.
- Gross profit of $77,498 was up 5.2%, or $3,835, from 2014. Gross profit margin remained constant at 11.8%.
- Adjusted EBITDA decreased 19.1% from 2014, to $11,229, due to Q1 2015 performance lagging that of Q1 2014.
- Interest expense of $3,668 was up $581 from 2014, primarily due increased levels of borrowing on unsecured credit facilities.
- Net loss of $444 was incurred. In 2014, a net loss of $18 was incurred.
- On March 2, 2015, the Company announced it would be exercising its option to convert all outstanding preferred shares to common shares on a one for one basis. On March 16, 2015, 58,094,630 Series A Preferred Shares were converted to common shares of the Company.
- Series A Preferred Share dividends of $461 were declared during 2015, reflecting a fixed cumulative preferential dividend at the rate of 6% per annum.

FINANCIAL AND OPERATING RESULTS

Three and six months ended June 30, 2015 compared to the three and six months ended June 30, 2014

Revenue

	Three months ended June 30, *(unaudited)*		Six months ended June 30, *(unaudited)*	
	2015	2014	**2015**	2014
Product sales	**314,196**	263,682	**569,830**	547,376
Service revenues	**40,785**	36,619	**79,409**	70,153
Other revenues	**2,901**	2,407	**5,016**	4,506
	357,882	302,708	**654,255**	622,035

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

Product sales increased $50,514 or 19.2% for the three months ended June 30, 2015 over the same quarter in the prior year. Net increases in product sales from non-major customers amounted to $39,389 or 78% of this increase, while major customers accounted for $11,125 or 22.0% of this increase over the prior year quarter. Year over year, product sales increased $22,454. The increase year over year was driven by non-major customer growth of $32,537, offset by a decrease in revenues from major customers of $10,083.

Service revenues increased $4,166 or 11.4% and $9,256 or 13.2% for the three and six months ended June 30, 2015, respectively over the same periods in the prior year. The Company has continually focused on enhancing its higher margin service offerings, most recently via its strategic business unit “Pivot Technology Solutions”. In addition, the Company’s “First Call” offerings continue to grow, both contributing to the service revenue growth quarter over quarter.

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

The top ten customers represented 45.8% and 50.2% of total revenues for the three months ended June 30, 2015 and 2014, respectively, and 45.6% and 47.9% for the six months ended June 30, 2015 and 2014, respectively.

Cost of sales and gross profit

Gross profit increased by $7,102 or 18.6% and $3,835 or 5.2% for the three and six months ended June 30, 2015, respectively, over the corresponding period in 2014. Gross profit margins increased slightly to 12.7% and 11.8% for the three and six months ended June 30, 2015, respectively, compared with 12.6% and 11.8% for the same periods in the prior year.

Selling and administrative expenses

	Three months ended June 30, *(unaudited)*		**Six months ended June 30,** *(unaudited)*	
	2015	2014	**2015**	2014
Salaries and employee benefits	**28,874**	24,856	**53,901**	48,723
Other selling and administrative expenses	**6,508**	5,662	**12,368**	11,052
	35,382	30,518	**66,269**	59,775

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

Selling and administrative expenses increased by $4,864 and $6,494 for the three and six months ended June 30, 2015, respectively, over the corresponding period in 2014. Increases in salaries and employee benefits account for the bulk of the change, $4,018 and $5,178 for the three and six months, respectively, over the same period in the prior year. Underlying this increase was an increase in headcount as investments were made to drive future growth, salary increases and increased benefit costs, as well as higher commissions as a result of the increased revenue and gross profit period over period. Other selling and administrative expenses increased $846 and $1,316 for the three and six months ended June, 30, 2015, respectively, over the same period in the prior year, due primarily to increases in facility costs and professional fees.

C*hange in fair value of liabilities*

	Three months ended June 30, *(unaudited)*		**Six months ended June 30,** *(unaudited)*	
	2015	2014	**2015**	2014
Contingent consideration	**-**	122	**-**	3,801
Fixed consideration	**154**	414	**306**	494
Interest rate swap	**(41)**	738	**532**	738
	113	1,274	**838**	5,033

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

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

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

On April 3, 2014 the Company entered into a Swap with PNC to mitigate the risk of fluctuating interest rates.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Three months ended, *(unaudited)*							
	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	**June 30, 2014**	March 31, 2014	December 31, 2013	September 30, 2013
Revenues	**357,882**	296,373	377,478	359,716	**302,708**	319,327	338,004	326,257
Gross profit	**45,302**	32,196	45,553	40,142	**38,200**	35,463	36,348	36,613
Adjusted EBITDA	**9,920**	1,309	11,032	8,513	**7,682**	6,206	7,719	8,339
Net and comprehensive income (loss)	**2,663**	(3,107)	2,969	1,305	**951**	(969)	748	1,621
Income (loss) per share:								
Basic	**$0.02**	($0.03)	$0.02	$0.01	**$0.00**	($0.02)	$0.00	$0.01
Fully diluted	**$0.02**	($0.03)	$0.02	$0.00	**$0.00**	($0.02)	$0.00	$0.00
Cash dividends declared on preferred shares	-	461	649	689	**693**	696	913	1,017

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

Total cash on hand was $11,638 and $8,527, while $123,445 and $125,525 was borrowed under existing credit facilities, as at June 30, 2015 and December 31, 2014, respectively. There were also working capital deficiencies of $63,537 and $64,229 as at June 30, 2015 and December 31, 2014, respectively. The working capital deficiencies originate from bank financings obtained to fund business acquisitions in previous years. Average undrawn availability on the PNC Bank ("PNC") revolving line of credit was $25,390 and $22,276 for the three and six month periods ending June 30, 2015, respectively.

Cash flow analysis/movements

Cash provided by operations decreased $14,389 for the three months ended June 30, 2015, compared to the same period in the prior year, due to a net increase in non-cash working capital of $14,852, offset by a slight increase in underlying cash from operations of $463. The working capital changes quarter over quarter were primarily due to an net increase in accounts receivable of $57,800, offset by a net increase in accounts payable and accrued liabilities of $8,697, along with net decreases in inventory of $14,366 and other assets of $18,727. Cash provided by operations increased $41,314 for the six months ended June 30, 2015, as compared to the same period in the prior year, due to a net decrease in non-cash working capital of $43,826, offset by an decrease in cash from operations of $2,512. The working capital changes period over period were primarily due to a net increase in inventory of $18,629 offset by an increase accounts payable and accrued liabilities of $38,488, along with net decreases in accounts receivable of $9,200 and other assets of $16,839.

Cash used in investing activities decreased by $5,105 and $2,942 for the three and six months ended June 30, 2015, respectively. The decrease quarter over quarter is primarily due a reduction in earn out payments, as final payments were made for two of the Company's acquisitions during Q2 2014. The decrease year over year is also due to the aforementioned reduction of earn out payments, offset by an increase in capital expenditures, which consist of costs related to a new, state of the art warehouse and integration center.

Cash provided by financing activities increased by $5,516 and decreased $35,329 for the three and six months ended June 30, 2015 compared to the same periods in the prior year, respectively. The movement in financing cash outflows was primarily driven by movements in net borrowing associated with Pivot's secured borrowing arrangements and related banking overdrafts, which consist of checks that have been distributed, but have not yet been presented for payment.

Net underlying cash flow

Cash provided by operating activities, excluding non-cash working capital balance movements, increased by $463, or 8.5%, to $5,896 for the three months ended June 30, 2015. This represented 59.4% of adjusted EBITDA. Cash provided by operating activities, excluding non-cash working capital balance movements, decreased by $2,512, or 26.1%, to $7,128 for the six months ended June 30, 2015. This represented 63.5% of adjusted EBITDA.

Cash used in investing activities comprised payments made on contingent/fixed consideration as well as capital and other intangible asset expenditures. For the three and six months ended June 30, 2015, payments made on contingent/fixed consideration were nil, compared to $5,100 for the same periods in the prior year. For the three and six months ended June 30, 2015, capital and other intangible asset expenditures were $559 and $3,353, respectively, compared to $518 and $1,145 for the same periods in the prior year, respectively.

Cash used in financing activities, excluding non-cash working capital borrowings-related movements, was comprised of dividend payments on Series A Preferred Shares and installment payments on the term loan from PNC ("ABL Term Loan"). For the three and six months ended June 30, 2015, dividend payments on Series A Preferred Shares were $91 and $676, respectively, compared to $704 and $1,159 for the same periods, respectively, in the prior year. For the three and six months ended June 30, 2015, installment payments on the ABL Term Loan were $750 and $1,500, respectively, compared to $500 and $1,000 for the same periods in the prior year.

Days sales outstanding (DSO) were 50 and 49 days at June 30, 2015 and December 31, 2014, respectively, remaining relatively stable over the past year. Receivables and collections are closely monitored against expected cash flow.

Secured borrowings

ARC has a secured flooring agreement with IBM Global Finance ("IBM") which provides short-term accounts payable financing. Certain vendors send invoices directly to IBM for payment and IBM bills the Company monthly for vendor invoices received. After 60 days, the Company incurs interest on the outstanding balance at LIBOR plus 4.5%. $11,155 and $11,157 was outstanding under the IBM secured flooring agreement as at June 30, 2015 and December 31, 2014, respectively. The Company is required to maintain certain financial ratios, and was in compliance as at June 30, 2015 and December 31, 2014.

On November 13, 2013 ("Closing Date"), Pivot Technology Solutions Ltd, a wholly owned subsidiary of the Company, along with certain of its subsidiaries, ACS, ProSys and Sigma (collectively the "PNC Borrowing Group"), entered into a revolving credit, term loan and security agreement with PNC for the provision of $185,000 of senior secured asset based credit facilities ("ABL Credit Facility"). The ABL Credit Facility originally consisted of a $10,000 ABL Term Loan and a senior secured revolving credit facility ("ABL Revolving Credit Facility") that allows the PNC Borrowing Group 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.

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 would have applied to any portion of the ABL Term Loan had it been prepaid on or before the one year anniversary of the Closing Date and a 1% premium 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 Term Loan may be prepaid without premium or penalty after the third anniversary of the Closing Date.

The ABL Revolving Credit Facility provides 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 ABL Term Loan bears interest at Prime plus 9% or LIBOR plus 10% per annum at the Company's election. The ABL Revolving Credit Facility contains an unused commitment fee of 0.375% per annum.

$116,945 and $117,525 was outstanding under the ABL Revolving Credit Facility at June 30, 2015 and December 31, 2014, respectively. The ABL Term Loan had outstanding balances of $6,500 and $8,000 at June 30, 2015 and December 31, 2014, respectively.

The PNC Borrowing Group had availability to borrow under the ABL Credit Facility of $57,283 and $56,805 as at June 30, 2015 and December 31, 2014, respectively, after giving effect to the borrowing base limitations, swing loans and letters of credit issued. The PNC Borrowing Group 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 currently bear interest at prime plus 1.5% per annum. The PNC Borrowing Group can also use up to $17,500 of its available borrowing under the ABL Credit Facility for swing loans which are currently charged a fee of prime plus 1.5% per annum. A letter of credit for $250 was outstanding under the ABL Credit Facility at June 30, 2015 and December 31, 2014. The balance outstanding on the swing loan held under the ABL Revolving Credit Facility was nil at June 30, 2015 and December 31, 2014.

Under the terms of the ABL Credit Facility, the PNC Borrowing Group is subject to certain restrictive covenants. The covenants require 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. Additional restrictive covenants require that distributions from the PNC Borrowing Group to the Company be 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 restrictions on investments, additional indebtedness, distributions (including distributions by the Company’s subsidiaries to the Company), capital expenditures and leases. The credit agreement was amended on August 22, 2014, whereby the FCCR was increased to 1.20 to 1.00 for the quarters ending September 30, 2014 through March 31, 2015, and 1.15 to 1.00 for each quarter thereafter. An additional amendment on December 31, 2014 increased the SLR to 5.00 to 1.00 for the quarter ended December 31, 2014. The credit agreement was further amended on March 31, 2015, whereby the FCCR for March 31, 2015 was reduced to 0.95 to 1.00, increasing to 1.15 to 1.00 for subsequent quarters, and the SLR was fixed at 4.50 to 1.00 until the Term Loan is paid in full. The Company was in compliance with these covenants at June 30, 2015 and December 31, 2014.

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

Unsecured borrowings

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

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. On March 2, 2015, the Company announced it would be exercising its option to convert all outstanding Series A Preferred Shares to common shares of the Company on a one for one basis. The conversion was executed on March 16, 2015.

From January 1, 2015 to March 15, 2015, Series A Preferred shareholders voluntarily converted 7,167,850 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. Subsequent to the conversion, the Company had 167,786,626 common shares issued and outstanding. On March 30, 2015, 67,500 shares were cancelled. On May 20, 2015, 100,000 broker compensation options were exercised at C$0.40 per share, and converted into 100,000 common shares of the Company. As at August 19, 2015, the Company had 167,819,126 common shares issued and outstanding.

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

The Company cancelled 67,500 common shares on March 30, 2015. The cancellation is related to the resignation of Greg Gallagher, the Company's former CEO, which was announced on July 3, 2013. On the date of resignation, 40% (or 300,000) of the 750,000 shares previously granted to Mr. Gallagher pursuant to his service agreement with the Company had vested, and as such, 60% or 450,000 shares are required to be cancelled upon release from escrow. All 750,000 shares had been placed into escrow following the completion of the Qualifying Transaction as described in the Company's filing statement dated March 8, 2013. 60% of the shares will be cancelled as they are released from escrow, until a total of 450,000 shares are cancelled. As at August 19, 2015, a total of 202,500 shares have been cancelled.

On March 2, 2015, the Company announced its Board of Directors had approved the implementation of an NCIB, which will allow Pivot to repurchase the greater of up to 5% of the Company's issued and outstanding common shares or up to 10% of the Company's public float, calculated in accordance with TSX Venture regulations, after conversion of the Series A Preferred Shares, over a twelve month period. Implementation of the NCIB is subject to the filing of a formal notice and approval by the TSX Venture Exchange. Formal notice of the NCIB has not yet been submitted to the TSX Venture Exchange. Concurrent with the approval of the preferred share conversion and the adoption of the NCIB, the Board has also approved the initiation of a C$0.03 per share annual dividend, to be paid quarterly. On August 19, 2015, the Board declared a C$0.0075 common share dividend, for holders of common shares on August 31, 2015. Dividends of C$755 will be paid on September 15, 2015.

As at June 30, 2015, the issued share capital amounted to $86,191. The changes in issued shares for the six months ended June 30, 2015 were as follows:

	Series A Preferred	Common Shares
	#	#
As at January 1, 2015	60,163,380	107,623,246
Cancellation of shares	-	(67,500)
Options exercised	-	100,000
Conversion of preferred shares to common shares	(60,163,380)	60,163,380
As at June 30, 2015	-	167,819,126

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 June 30, 2015:

	On demand	Less than one year	One to two years	Two to five years	Greater than five years	Total
Bank overdraft	29,138	-	-	-	-	29,138
Secured borrowings	116,945	3,000	3,000	500	-	123,445
Accounts payable and accrued liabilities	-	253,147	-	-	-	253,147
Operating leases	-	6,919	4,439	7,973	5,075	24,406
Interest rate swap	-	-	1,548	-	-	1,548
Fixed consideration	-	5,500	-	-	-	5,500
	146,083	268,566	8,987	8,473	5,075	437,184

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

Fixed consideration

On July 1, 2012, the Company acquired substantially all of the net operating assets of Sigma Solutions, LP ("Old Sigma"). As part of the asset purchase agreement with the partners of Old Sigma, contingent consideration had been agreed. The consideration was 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. The purchase agreement was amended on May 7, 2014, whereby the remaining undiscounted consideration was fixed at $7,500, payable in increments of $3,500 and $4,000 on October 31, 2014 and October 31, 2015, respectively. The agreement was further amended on October 28, 2014, whereby the first increment of the fixed consideration was payable in the amounts of $2,000 on October 31, 2014, with the remaining $1,500 to accrue interest at 8% per annum, and to be paid on or before April 30, 2015. If any of the $1,500 remained unpaid after April 30, 2015, it would bear interest at 15% per annum. On April 27, 2015, the agreement was further amended, whereby the final $1,500 first increment payment was payable on or before July 31, 2015 with the unpaid balance accruing interest from the amendment date until the earlier of the payment date or July 31, 2015, at the rate of 8% per annum. If any of the $1,500 remained unpaid after July 31, 2015, it would bear interest at 15% per annum. The $1,500 was paid on July 31, 2015. The present value of the consideration was determined to be $5,298 as at June 30, 2015. The Company recorded a charge of $306 related to the change in present value of the consideration for the six month period ended June 30, 2015. No payments were made during the six month period ended June 30, 2015.

Series A Preferred Shares

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

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

The Board of Directors declared dividends of nil and $693 on the Series A Preferred Shares during the quarters ended June 30, 2015 and 2014, respectively. The Board of Directors declared dividends of $461 and $1,389 on the Series A Preferred Shares during the six month periods ended June 30, 2015 and 2014, respectively. All declared dividends have been subsequently paid.

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. The total amount collected from Old ACS for these shared administrative services was $1,441 and $790 for the three-month periods ended June 30, 2015 and 2014, respectively. The total amount collected from Old ACS for these shared administrative services were $658 and $395 for the six-month periods ended June 30, 2015 and 2014, respectively. The license agreement permits Old ACS to license from the Company certain of the intellectual property obtained by the Company in the asset purchase. A member of key management of the Company has significant influence over Old ACS, resulting in a related party relationship.

The Company is deemed to have the primary exposure to the significant risks and rewards associated with sales by Old ACS to its third-party customers, and thus the Company is the principal and Old ACS is the agent of the Company with respect to such sales. The Company recognizes this revenue on a gross basis. Total gross sales through the agent are approximately

$23,008 and $18,523 for the three-month periods ended June 30, 2015 and 2014, respectively. Total gross sales through the agent are approximately $40,697 and $51,958 for the six-month periods ended June 30, 2015 and 2014, respectively. The Company's effective costs to the agent in respect of this revenue were approximately $1,118 and $720 for the three-month periods ended June 30, 2015 and 2014, respectively, which are included in the Company's cost of sales. The Company's effective costs to the agent in respect of this revenue were approximately $2,375 and $1,194 for the six-month periods ended June 30, 2015 and 2014, 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 were approximately $24,858 and $23,161 for the three-month periods ended June 30, 2015 and 2014, respectively. Total gross sales through the agent were approximately $39,488 and $44,570 for the six-month periods ended June 30, 2015 and 2014, respectively.

Certain subsidiaries lease offices from related entities. One subsidiary of the Company leases two of its offices from a related entity controlled by that subsidiary's chief executive officer. The Company is obligated for repairs, maintenance, insurance and property tax on these leases. Rents paid on these leases were $385 and $422 for the three-month periods ended June 30, 2015 and 2014, respectively. Rents paid on these leases were $687 and $783 for the six-month periods ended June 30, 2015 and 2014, respectively. Another subsidiary of the Company leased an office from an entity in which that subsidiary's president and another key management member have an ownership interest. The Company was obligated for repairs, maintenance, insurance and property tax on this lease. Rent paid on this lease was nil and $28 for the three-month periods ended June 30, 2015 and 2014, respectively. Rent paid on this lease was nil and $55 for the six-month periods ended June 30, 2015 and 2014, respectively. This lease expired in August 2014 and was not renewed.

A subsidiary of the Company incurred nil and $133 for the three-month periods ended June 30, 2015 and 2014, respectively, and nil and $273 for the six-month periods ended June 30, 2015 and 2014, respectively, for marketing services provided by related entities controlled by that subsidiary's chief executive officer and nil and $6 in expenses for the use of aircraft owned by a related entity controlled by that subsidiary's chief executive officer for the three-month periods ended June 30, 2015 and 2014, respectively ($20 and $13 for each of the six month periods ended June 30, 2015 and 2014).

A subsidiary of the Company incurred $306 and nil for the three-month periods ended June 30, 2015 and 2014, respectively, and $806 and nil for the six-month periods ended June 30, 2015 and 2014, respectively, for research and development provided by a related entity controlled by that subsidiary's president.

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

	Three months ended June 30, (unaudited)		Six months ended June 30, (unaudited)	
	2015	2014	**2015**	2014
Compensation	**574**	425	**1,013**	834
Short-term employee benefits	**9**	9	**18**	18
	583	434	**1,031**	852

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

RISKS AND UNCERTAINTIES

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

Risks relating to the technology supply and distribution channel

Dependence on third party suppliers

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

Dependence on OEMs

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

Reliance on financial incentives

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

Inability to respond to changes in IT distribution

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

Technical innovation

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

Changes in the IT industry

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

Competition

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

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

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

Business certifications

Certain of Pivot's largest intermediary contracting parties are certified as women business enterprises ("**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 significant reductions in revenues and profits as a result.

Risks relating to the management of Pivot's business

Reliance on key personnel

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

Inability to successfully execute strategies

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

Acquisition and integration risk

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

Customer concentration

A substantial proportion of Pivot's total revenues are derived from a small number of customers. Given that a significant portion of the Company's revenues will have been derived from a similarly limited customer base, the loss of one or more of these top customers or a reduction in sales to one or more of the top customers may have a material adverse effect on Pivot's business, results of operations or liquidity. The concentration of the Company's sales to a few customers could make it more vulnerable to collection risk if one or more of these customers were unable to pay for the Company's products. Also, having such a large portion of its total revenue concentrated in a few customers may hinder Pivot's negotiating leverage with these customers.

Customer retention/attrition

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

Information systems

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

Service interruptions or failures

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

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

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

Damage to the Company's computer systems

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

Protection of intellectual property

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

Infringement of intellectual property

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

Changes in laws

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

Risks relating to the economy and financial conditions

Economic conditions

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

Seasonality of the business

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

Adequate liquidity

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

Access to credit

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

Additional financing

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

Foreign currency risk

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

Interest rate risk

The Company is subject to risks and losses resulting from fluctations in interest rates on its bank indebtedness, loans and borrowings. Interest rates fluctuate in response to general economic conditions and policies imposed by governmental and regulatory agencies. The Company's principal interest bearing obligations are its borrowings under the ABL Credit Facility. Amounts outstanding under the ABL Credit Facility bear interest based on a floating rate. An increase of 100 basis points to the interest rate applicable to the Company's floating rate obligations under the ABL Credit Facility during the three and six month periods ended June 30, 2015 would have resulted in an increase of $308 and $645, respectively, in the Company's interest payments for the period. Sustained increases in interest rates could have a material adverse impact on the Company's financial condition and results of operations. The Company has entered into a Swap agreement with PNC 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.