PIVOT TECHNOLOGY SOLUTIONS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 26, 2013

This Management's Discussion and Analysis (the "**MD&A**") pertains to the financial condition and results of operations of Pivot Technology Solutions, Inc. (TSX-V: PTG) (formerly ACME Capital Corporation) ("Pivot", the "Company", or the "Corporation") for the three and six months ended June 30, 2013 and 2012. This MD&A should be read in conjunction with Pivot's unaudited interim condensed consolidated financial statements and the related notes for the three and six months ended June 30, 2013 and 2012, and the unaudited interim condensed consolidated financial statements and the related notes for the three months ended March 31, 2013 and 2012, and related MD&A. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and can be found at www.sedar.com and www.pivotts.com. All dollar amounts, except per share amounts stated in this MD&A, are in thousands of United States dollars unless specified otherwise.

Statements in this document may contain forward-looking information. Forward-looking information is based on assumptions of future events and actual results could vary significantly from these estimates. The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted as a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company. Some of the important factors, but certainly not all, that could cause actual results to differ materially from those indicated by such forward-looking statements are: (i) that the information is of a preliminary nature and may be subject to further adjustment, (ii) the possible unavailability of financing, (iii) start-up risks, (iv) general operating risks, (v) dependence on third parties, (vi) changes in government regulation, (vii) the effects of competition, (viii) dependence on senior management, (ix) impact of the Canadian and/or United States economic conditions, (x) fluctuations in currency exchange rates and interest rates. The reader is cautioned not to place undue reliance on this forward looking information.

SELECTED FINANCIAL INFORMATION AND OPERATING RESULTS

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	**2013**	2012
Revenues	**321,677**	469,081	**575,961**	747,814
Cost of sales	**284,651**	431,462	**509,054**	682,385
Gross profit	**37,026**	37,619	**66,907**	65,429
Selling and administrative expenses	**29,205**	25,212	**55,677**	45,914
Adjusted EBITDA	**7,821**	12,407	**11,230**	19,515
Depreciation and amortization	**2,840**	2,423	**5,656**	4,842
Transaction costs	**-**	-	**1,754**	166
Interest expense	**1,479**	7,726	**4,040**	10,148
Change in fair value of liabilities	**(9,428)**	4,470	**(9,812)**	9,668
Goodwill impairment	**11,000**	-	**11,000**	-
Other (income)/expense	**298**	(180)	**11**	(3)
Income (loss) before income taxes	**1,632**	(2,032)	**(1,419)**	(5,306)
Provision for income taxes	**943**	2,290	**2,707**	3,846
Net and comprehensive income (loss)	**689**	(4,322)	**(4,126)**	(9,152)
Income (loss) per share:				
Basic	**$ 0.00**	$ (0.08)	**$ (0.07)**	$ (0.18)
Diluted	**$ 0.00**	$ (0.08)	**$ (0.07)**	$ (0.18)
Cash and cash equivalents	**5,207**	36,699	**5,207**	36,699
Total assets	**376,367**	441,819	**376,367**	441,819
Total long-term financial liabilities	**5,140**	20,846	**5,140**	20,846
Cash dividends declared on preferred shares	**1,132**	nil	**1,132**	nil

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

Operations for the three and six months ended June 30, 2012 include the results of the Company's wholly owned subsidiaries, ACS (US) Inc. ("ACS"), New ProSys Corp. ("ProSys"), ARC Acquisition (US) Inc. ("ARC") and the corporate function. For the three and six month ended June 30, 2013, operations expanded with the acquisition of Sigma Technology Solutions, Inc. ("Sigma"), which was acquired on July 1, 2012.

Non IFRS measures

In the Company's financial reporting, adjusted EBITDA is presented as gross profit less selling and administrative expenses. Adjusted EBITDA is not a recognized measure under IFRS, has no standardized meaning and is therefore unlikely to be comparable to similar measures used by other companies. Readers are cautioned that this term should not be construed as an alternative to net income determined in accordance with IFRS.

Key performance indicators

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

Risks and uncertainties

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

Q2 Financial and operating highlights

- Revenues of $321,677 were up 26.5%, or $67,393, from Q1 2013, as business activity increased after a lower than normal first quarter, but were down 31.4%, or $147,404, from Q2 2012, which included significant projects associated with large scale data center builds, primarily at our ACS business. The Sigma business contributed $54,346 to revenues in Q2 2013.

- Gross profit of $37,026 was up 23.9%, or $7,145, from Q1 2013, but was down 1.6%, or $593, from Q1 2012 due to the effects of the significant Q2 2012 ACS projects offset by the acquisition of Sigma. However, gross profit margins increased to 11.5% in Q2 2013 from 8.0% in Q2 2012 despite reductions in revenues and vendor rebates. The Sigma business delivered important service revenue opportunities, which had a positive impact on gross profit margins. The Company also continues to work with its' major vendors to leverage the purchasing power of the combined operating companies to achieve higher rebate tiers, to reduce the impact of the overall reduction of rebates.

- Adjusted EBITDA of $7,821 was up 129.4%, or $4,412, from Q1 2013. Operating leverage through prudent expense management drove this increase over the first quarter. Adjusted EBITDA was down 37%, or $4,586, from Q2 2012, mainly due to the effects of the significant Q2 2012 ACS projects.
- Interest expense was down $6,247 from Q2 2012 as a result of the conversion of the debentures into Series A Preferred Shares at the end of Q1. Series A Preferred Share dividends of $1,132 were declared during Q2 of 2013, reflecting a fixed cumulative preferential dividend at the rate of 6% per annum. Interest expense in Q2 2012 included a bonus payment of $4,372 to the debenture holders.
- The Company recorded a recovery of $9,995 in Q2 2013 related to the change in fair value of contingent consideration liabilities with respect to the acquisition of ACS, which is included in the change in fair value of liabilities in the above table. This was based on an assessment of the profit before tax of ACS being below the required minimum payment threshold for the measurement period ending December 31, 2013.
- The Company performed an interim goodwill impairment test on its ACS business, and recorded a non-cash goodwill impairment charge of $11,000 during the second quarter. The impact of the impairment charge net of tax was $6,490. This accounting write down is not expected to affect its ongoing business or financial performance.

FINANCIAL AND OPERATING RESULTS

Three and six months ended June 30, 2013 compared to three months and six months ended June 30, 2012

Revenue

	Three months ended		Six months ended	
For the three and six months ended June 30,	**2013**	2012	**2013**	2012
Product sales	**292,264**	447,379	**527,482**	715,210
Service revenues	**26,895**	15,344	**43,139**	22,697
Other revenues	**2,518**	6,358	**5,340**	9,907
	321,677	469,081	**575,961**	747,814

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

Product sales for the second quarter decreased $155,115 or 34.7%, and $187,728 or 26.2% for the three and six months ended June 30, 2013, respectively, over the same periods in the prior

year. These decreases are primarily attributable to a large scale one time project for one of ACS's largest customers, which was ongoing during the second quarter of 2012. Sigma contributed $43,053 and $73,128 for the three and six months ended June 30, 2013, partially offsetting the decline in revenue.

Additional pressures on ACS product sales occurred during 2013, as another large customer transitioned away from an existing proprietary based server configuration, into x86 based systems. These x86 systems are provided to this particular customer by another supplier as part of their standard mapping process to tag a supplier to a specific product, resulting in lost revenues to ACS. As the Company continues to pursue new product mappings to fill this gap, revenues from this customer increased during the second quarter.

Service revenues for the second quarter increased $11,551 or 75.3%, and $20,442 or 90.1% for the three and six months ended June 30, 2013, respectively, over the same periods in the prior year. These increases were driven by the addition of Sigma, as well as increased service revenues from ProSys. Both divisions continued to penetrate new accounts and provide more service offerings which have higher margins than product sales.

The top ten customers represented approximately 56.1% and 60.5% for the three and six months ended June 30, 2013, respectively.

Cost of sales and gross profit

Gross profit decreased by 1.6% and 2.3% for the three and six months ended June 30, 2013, over the corresponding periods in 2012. As a percentage of revenue, gross profit for the second quarter was 11.5% for 2013 compared with 8.0% for 2012, and 11.6% for the first half of 2013 compared with 8.8% for the first half of 2012. Despite the decline in revenue in 2013, the Company experienced only a $593 or a 1.6% decline in gross profit, and $1,478 or a 2.3% decline for the three and six months ended 2013, over the corresponding periods in the prior year, respectively. This was driven by the mix change as a result of lower concentration in ACS's large customer accounts which provide lower overall margins, as well as an increase in service offerings through Sigma which provide higher margins.

From a cost of sales perspective, the Company has also had to contend with significant reductions in rebate/incentive programs from its largest supplier. To counteract these reductions, the Company continues to work with its major vendors to leverage the purchasing scale of the combined operating businesses, and has started to see some changes in programs, including the execution of consolidated agreements that has started to provide enhanced rebates as a result.

Selling and administrative expenses

For the three and six months ended June 30,	Three months ended 2013	2012	Six months ended 2013	2012
Salaries and employee benefits	**24,156**	18,965	**46,357**	35,544
Other selling and administrative expenses	**5,049**	6,247	**9,320**	10,370
	29,205	25,212	**55,677**	45,914

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

Selling and administrative expenses for the second quarter increased by $3,993 or 15.8%, and $9,763 or 21.3% for the first half of the year, as compared to the corresponding period in 2012, respectively. Increased salaries and employee benefits reflected more headcount with the addition of Sigma employees in July 2012, primarily offset by lower variable commissions and bonuses of $2,060 and $3,678 for the second quarter and the first half of the year, as compared to the corresponding periods in 2012, respectively. Sigma added $7,893 and $12,447 to salaries and employee benefits for the three and six months ended June 30, 2013, respectively.

Change in fair value of liabilities

For the three and six months ended June 30,	Three months ended 2013	2012	Six months ended 2013	2012
Convertible debentures	**-**	2,710	**4,555**	7,136
Contingent consideration	**(9,428)**	1,760	**(14,367)**	2,532
	(9,428)	4,470	**(9,812)**	9,668

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

The change in fair value relates to the application of fair-value accounting to the convertible debentures which were converted to preferred shares on March 25, 2013, and contingent consideration arising from business acquisitions. During the three month and six months ended June 30, 2013, management revised downward its estimates related to the contingent consideration for ACS, resulting in the significant decreases over the corresponding periods in 2012.

Goodwill impairment

In the second quarter of 2013, the Company identified several potential indicators of impairment on the ACS business. These indicators included significant decreases in expected future revenues and gross profit, due to lower volumes of sales, as well as increased pressures on margins from customers seeking better pricing and from vendors, making reductions in rebate programs. As such, the Company reviewed its business forecast, and performed an interim impairment test on the ACS cash generating unit ("CGU").

The Company concluded that the recoverable amount based on value in use impairment test was less than the carrying amount of the ACS CGU and accordingly, a goodwill impairment charge of $11,000 was recorded during the three month period ended June 30, 2013. The impact of the impairment charge net of tax was $6,490. The recoverable amount was determined based on the value in use approach using a discounted cash flow model. The significant key assumptions include 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 21%, a pre-tax discount rate of 35%, and a terminal growth rate of 3%.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Three months ended,							
	Jun 30, 2013	Mar 31, 2013	Dec 31, 2012	Sept 30, 2012	**Jun 30, 2012**	Mar 31, 2012	Dec 31, 2011	Sept 30, 2011
Revenues	**321,677**	254,284	328,676	353,089	**469,081**	278,733	257,260	304,642
Net and comprehensive income (loss)	**689**	(4,815)	(4,986)	(9,134)	**(4,322)**	(4,830)	279	(4,648)
Income (loss) per share:								
Basic	**$ 0.00**	$ (0.08)	$ (0.09)	$ (0.17)	**$ (0.08)**	$ (0.09)	$ 0.01	$ (0.09)
Fully diluted	**$ 0.00**	$ (0.08)	$ (0.09)	$ (0.17)	**$ (0.08)**	$ (0.09)	$ 0.01	$ (0.09)
Cash dividends declared on preferred shares	**1,132**	nil	nil	nil	**nil**	nil	nil	nil
Included in the totals above:								
Sigma revenues	**54,346**	34,394	42,893	31,981				
Sigma net and comprehensive income (loss)	**1,007**	16	776	(376)				

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

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

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 budget before the end of fiscal periods. Additionally, OEM vendors tend to drive higher activity at their own year ends as steeper discounts tend to be offered to drive deals.

Further, a small number of large customers can periodically cause significant fluctuations in revenue and associated profits in any given quarter, depending on the timing of key projects. This is particularly noticeable in the second quarter of 2012, when significant increases in volumes were driven by a single customer's new data center build outs and product launches.

LIQUIDITY AND CAPITAL RESOURCES

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

As at June 30, 2013, total cash on hand was $5,207 and $110,920 was borrowed under existing credit facilities. There was also a working capital deficiency of $76,260. The deficiency decreased by $77,472 from December 31, 2012, primarily as a result of the conversion of convertible debentures to preferred and common shares, offset by reductions in accounts receivable, inventory and accounts payable which were primarily related to lower revenues in the first half of 2013.

Cash used in operations decreased by $21,724 and $42,497, respectively, for the second quarter and the first six months of 2013 compared to the same periods in the prior year. The decrease in operating cash flow usage primarily reflects a decrease in cash outflows from non-cash working capital of $18,563 and $41,710, respectively, for the second quarter and the first six months of 2013 compared to the same periods in the prior year. The working capital changes period over period were primarily related to changes in accounts receivable, inventory and accounts payable, reflective of the lower revenues and related cost of sales over the prior periods.

Cash used in investing activities decreased by $4,730 and $502, respectively, for the second quarter and the first six months of 2013 compared to the same periods in the prior year. This decrease was mainly due to payments in 2013 for contingent consideration related to business acquisitions.

Cash provided by financing activities decreased by $25,993 and $70,678, respectively, for the second quarter and the first six months of 2013 compared to the same periods in the prior year.

The decrease in financing cash inflows was primarily due to a decrease in net borrowing associated with Pivot's secured borrowing arrangements.

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

As Pivot expands through acquisition, management is focused on exploring and executing strategic alternatives to integrate an acquisition-focused financing structure with options that provides the necessary flexibility to grow the business and meet its future obligations. These options may include: consolidating the financing structure, including a syndicated facility funding all operating companies; continuing with the existing structure under more preferential terms; and an equity raise or other permanent capital injection.

Share Capital

Authorized

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

As at August 26, 2013, 88,932,001 Series A Preferred Shares and 78,989,625 common shares were issued and outstanding. From April 1, 2013 to August 26, 2013, Series A Preferred shareholders converted 13,520,500 preferred shares into common shares, on a one for one basis.

As at June 30, 2013, the issued share capital amounted to $86,103. The changes in issued shares and share capital for the six month period ended June 30, 2013 were as follows:

	Series A Preferred	Class A Preference	Class A Common	Class B Common	Class C Common	Common Shares
	#	#	#	#	#	#
Balance January 1, 2013	-	-	3,000,000	2,000,000	51,000,000	-
Common shares issued on subscription receipts	-	4,421,625	-	-	-	-
Shares issued on debenture conversion	102,452,501	-	-	-	4,047,500	-
Issuance to acquire Acme	-	-	-	-	1,000,000	-
Capital movement pursuant to reverse acquisition	-	(4,421,625)	(3,000,000)	(2,000,000)	(56,047,500)	65,469,125
Conversion of preferred shares to common shares	(13,463,000)	-	-	-	-	13,463,000
Balance June 30, 2013	88,989,501	-	-	-	-	78,932,125

Off-balance sheet arrangements and derivative financial instruments

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

Contractual commitments

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

	On demand	Less than one year	One to two years	Two to five years	Greater than five years	Total
Bank overdraft	18,311	-	-	-	-	18,311
Secured borrowings	110,920		-	-	-	110,920
Accounts payable and accrued liabilities	-	174,466	-	-	-	174,466
Operating leases	-	2,275	3,952	7,326	2,488	16,041
Contingent consideration	-	16,047	2,785	1,543	-	20,375
	129,231	192,788	6,737	8,869	2,488	340,113

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

Secured borrowings

The Company has secured borrowing agreements with Wells Fargo Bank ("Wells") and PNC Bank ("PNC"), which allow borrowings up to $185,000 as follows:

Under the terms of the Wells agreement, Wells has agreed to purchase the related rights of certain accounts receivable of ACS at a price of 90% of the face value of the receivable. The excess payments made by customers as compared to the purchase price is remitted to the Company, net of applicable charges. The agreement expires on December 30, 2015. The maximum amount available under the facility is $80,000. Interest is payable monthly at a rate of LIBOR plus 3.5%. The accounts receivable purchase agreement is subject to certain financial covenants as conditions to continued borrowing. The Company was in compliance with these covenants at June 30, 2013. The balance owing to Wells was $40,148 at June 30, 2013.

Under the terms of the PNC agreement with ProSys, which is an asset based loan ("ABL"), ProSys is provided a line of credit secured by the assets of ProSys. The ABL can be drawn to the lesser of (i) $75,000 and (ii) the aggregate of 85% of eligible accounts receivable and 60% of eligible inventory balances to a maximum of $15,000. The agreement expires on April 6, 2015. Interest is payable monthly at a rate of the higher of prime plus 0.5% or LIBOR plus 2.5%. The balance owing to PNC was $53,477 at June 30, 2013.

Under the terms of the PNC revolving credit security agreement with Sigma, which is an ABL, Sigma is provided a line of credit secured by the assets of Sigma. The ABL can be drawn to the lesser of (i) $30,000 and (ii) 85% of eligible accounts receivable. Interest is payable monthly at a rate of the higher of prime plus 1.75%, the Federal Funds Rate plus 2.25% or LIBOR plus 2.75%. The agreement expires June 30, 2015. The balance owing to PNC was $17,295 at June 30, 2013.

Under the terms of the credit agreements with PNC, the Company is subject to certain restrictive covenants. The covenants require that the Company maintain a fixed charge ratio of at least 1.10 to 1.0 and place restrictions on investments, additional indebtedness, dividends and distributions, capital expenditures and leases. The Company was in compliance with these covenants at June 30, 2013.

Contingent consideration

On December 30, 2010, the Company acquired substantially all of the net assets of Applied Computer Solutions ("Old ACS"). As part of the asset purchase agreement with Old ACS, contingent consideration has been agreed. This consideration is dependent on the profit before tax of the acquired business during the three consecutive 12-month periods ending December 31, 2013. At the date of acquisition, the fair value of the contingent liability was $33,291. As at June 30, 2013, the fair value of the contingent consideration was determined to be $10,700. The Company recorded recoveries of $9,995 and $5,298 related to the change in fair value of the contingent consideration for the three-month periods ended June 30, 2013 and March 31, 2013, respectively. The consideration is paid over three years and is due for final measurement and payment to the shareholders of Old ACS on May 1, 2014. Payments of $5,748 were made during the six month period ended June 30, 2013. The possible range of undiscounted values of the remaining consideration to be paid is between $10,912 and $30,912.

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

On January 4, 2011, the Company acquired all of the issued and outstanding share capital of ProSys Information Systems, Inc ("Old ProSys"), a wholly owned subsidiary of Avnet, Inc. As part of the purchase agreement with the shareholders of Old ProSys, contingent consideration has been agreed. This consideration is dependent on a measure of operating profit before tax of the acquired business during the three consecutive 12-month periods ending December 31, 2013. The fair value of the contingent consideration at the acquisition date was $4,707 and was determined to be $2,347 at June 30, 2013. The Company recorded a (recovery) charge of $(11) and $162 related to the change in fair value of the contingent consideration during the three-month periods ended June 30, 2013 and March 31, 2013, respectively. Payments of $1,642 were

made during the six month period ended June 30, 2013. The possible range of undiscounted values of the remaining consideration to be paid is between nil and $9,714.

On August 12, 2011, the Company acquired substantially all of the assets and liabilities of Austin Ribbon & Computer Supplies, Inc. ("Old ARC") As part of the asset purchase agreement with the shareholders of Old ARC, contingent consideration has been agreed. This consideration is dependent on a measure of operating profit before tax of the acquired business during the three consecutive 12-month periods ending August 12, 2014. The fair value of the contingent consideration at the acquisition date was $3,060 and was determined to be nil as at June 30, 2013. The Company recorded a recover of $1,779 and a charge of $157 related to the change in fair value of the contingent consideration for the three-month periods ended June 30, 2013 and March 31, 2013, respectively. The possible range of undiscounted values of the remaining consideration to be paid is between nil and $4,500.

On July 1, 2012, the Company acquired substantially all of the net operating assets of Sigma Solutions, LP ("Old Sigma"). As part of the asset purchase agreement with the partners of Old Sigma, contingent consideration has been agreed. This consideration is dependent on a measure of operating profit before tax of the acquired business from Old Sigma during the three consecutive 12-month periods ending July 1, 2015. The fair value of the contingent consideration at the acquisition date was estimated to be $5,719 and was determined to be $7,328 at June 30, 2013. The Company recorded a charge of $2,397 related to the change in fair value of the contingent consideration for the six month period ended June 30, 2013. Payments of $1,000 were made during the six-month period ended June 30, 2013. The possible range of undiscounted values of the remaining consideration to be paid is between $3,000 and $15,000.

Series A Preferred Shares

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

During the second quarter of 2013, the Board of Directors declared dividends of $1,132, and all have been subsequently paid.

The Company is considering various alternatives with respect to the Series A Preferred Shares in an effort to provide a measure of liquidity to its holders other than conversion into common shares. No specific alternative has been developed, but the expectation is that one will be in the near future. Until the completion of its review of alternatives, the Company has indicated it does not intend to exercise its right to convert Series A Preferred Shares into common shares.

RELATED PARTIES

In addition to the asset purchase agreement with Old ACS, a subsidiary of the Company has entered into an administrative services agreement, a license agreement and a distribution agreement with Old ACS commencing with the date of the asset purchase. The administrative services agreement commits the Company to performing certain administrative functions on behalf of Old ACS. Total amounts collected from Old ACS for these shared administrative services for the six month periods ended June 30, 2013 and 2012, amounted to $790. Total amounts collected from Old ACS for these shared administrative services for the three month periods ended June 30, 2013 and 2012, amounted to $395. The license agreement permits Old ACS to license from the Company certain of the intellectual property obtained by the Company in the asset purchase. A member of key management of ACS has significant influence over Old ACS, resulting in a related party relationship.

The Company is deemed to have the primary exposure to the significant risks and rewards associated with sales by Old ACS to its third-party customers, and thus the Company is the principal and Old ACS is the agent of the Company with respect to such sales. The Company recognizes these revenues on a gross basis. Total gross sales through the agent are approximately $36,504 and $109,714 for the six month periods ended June 30, 2013 and 2012, respectively. Total gross sales through the agent are approximately $29,523 and $52,215 for three month periods ended June 30, 2013 and 2012, respectively. The Company's effective cost to the agent in respect of these revenues was approximately $1,553 and $2,977 for the six month periods ended June 30, 2013 and 2012, respectively, and $1,443 and $1,458 for the three month periods ended June 30, 2013 and 2012, respectively, which is included in the Company's cost of sales.

The Company has a similar contractual arrangement with Old ARC, whereby Old ARC is an agent of the Company. Total gross sales through the agent are approximately $19,665 and $15,328 for the six month periods ended June 30, 2013 and 2012, respectively. Total gross sales through the agent are approximately $10,769 and $7,242 for the three month periods ended June 30, 2013 and 2012, respectively.

A subsidiary of the Company leases two of its offices from a related entity controlled by that subsidiary's chief executive officer. The Company is obligated for repairs, maintenance, insurance and property tax on this lease. Rent paid on this lease was $774 and $657 for the six

month periods ended June 30, 2013 and 2012, respectively. Rent paid on this lease was $327 and $309 for three month periods ended June 30, 2013 and 2012, respectively.

A subsidiary of the Company incurred $430 and $441 for the six month periods ended June 30, 2013 and 2012, respectively, and $190 and $91 for the three month periods ended June 30, 2013 and 2012, respectively, for marketing services provided by related entities controlled by that subsidiary's chief executive officer, and $13 and $18 in expenses for the use of aircraft owned by a related entity controlled by that subsidiary's chief executive officer, for the six month periods ended June 30, 2013 and 2012, respectively, and $10 and $7 for the three month periods ended June 30, 2013 and 2012, respectively.

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

	Three months ended June 30,		**Six months ended June 30,**	
For the three and six months ended June 30,	**2013**	2012	**2013**	2012
Compensation	**602**	350	**2,450**	1,120
Termination benefits	**500**	-	**500**	-
Short-term employee benefits	**12**	2	**24**	3
	1,114	352	**2,974**	1,123

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