

Interim Condensed Consolidated Financial Statements

**Pivot Technology Solutions, Inc.**

(formerly Acme Capital Corporation)

For the Three and Nine Months Ended  
September 30, 2014 and 2013

(Unaudited)

*(Expressed in Thousands of US Dollars)*

---

**Pivot Technology Solutions, Inc.***(formerly Acme Capital Corporation)***INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION***[unaudited]**[in thousands of U.S. dollars]*

	September 30, 2014	December 31, 2013
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	9,662	22,020
Accounts receivable	245,431	196,724
Income taxes recoverable	373	2,652
Inventories	63,689	61,754
Other current assets	21,784	14,191
<b>Total current assets</b>	<b>340,939</b>	<b>297,341</b>
Property, plant and equipment, net	6,297	6,394
Goodwill	29,733	29,733
Intangible assets	54,991	61,417
Deferred income taxes (note 9)	15,690	13,008
Other non-current assets	16,703	6,156
<b>Total assets</b>	<b>464,353</b>	<b>414,049</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Bank overdraft	25,328	10,842
Accounts payable and accrued liabilities	234,200	222,355
Deferred revenue and customer deposits	26,370	18,372
Other financial liabilities (note 5)	118,438	112,666
<b>Total current liabilities</b>	<b>404,336</b>	<b>364,235</b>
Other financial liabilities (note 5)	9,644	9,852
Other non-current liabilities	15,455	4,253
<b>Total liabilities</b>	<b>429,435</b>	<b>378,340</b>
<b>Shareholders' equity</b>		
Share capital (note 7)	86,125	86,125
Warrants and options (note 7)	3,082	3,103
Contributed capital	21	-
Accumulated deficit	(54,310)	(53,519)
<b>Total shareholders' equity</b>	<b>34,918</b>	<b>35,709</b>
<b>Total liabilities and shareholders' equity</b>	<b>464,353</b>	<b>414,049</b>

*See accompanying notes***On behalf of the Board:***"John Anderson"**"John Sculley"***John Anderson**

Director

**John Sculley**

Director

**Pivot Technology Solutions, Inc.***(formerly Acme Capital Corporation)***INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)***[unaudited]**[in thousands of U.S. dollars]*

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
<b>Revenues</b>				
Product sales	319,125	291,299	866,501	813,597
Service revenues	37,679	32,942	107,832	81,264
Other revenues	2,912	2,016	7,418	7,357
	<b>359,716</b>	<b>326,257</b>	<b>981,751</b>	<b>902,218</b>
Cost of sales	319,574	289,644	867,946	798,698
<b>Gross profit</b>	<b>40,142</b>	<b>36,613</b>	<b>113,805</b>	<b>103,520</b>
<b>Operating expenses (income)</b>				
Selling and administrative	31,629	28,274	91,404	83,951
Depreciation and amortization	3,081	2,769	8,828	8,425
Interest expense (note 10)	1,703	1,570	4,790	5,610
Change in fair value of liabilities (note 11)	203	404	5,236	(9,408)
Goodwill impairment	-	-	-	11,000
Transaction costs (note 12)	17	335	209	2,089
Other expense (income)	(96)	21	(212)	32
	<b>36,537</b>	<b>33,373</b>	<b>110,255</b>	<b>101,699</b>
<b>Income before income taxes</b>	<b>3,605</b>	3,240	<b>3,550</b>	1,821
Provision for income taxes (note 9)	2,300	1,619	2,263	4,326
<b>Net and comprehensive income (loss) for the period</b>	<b>1,305</b>	<b>1,621</b>	<b>1,287</b>	<b>(2,505)</b>
<b>Earnings (loss) per share (note 7):</b>				
Net income (loss) available to common shareholders:				
Net and comprehensive income (loss) for the Period	1,305	1,621	1,287	(2,505)
Deduct preferred share dividends declared	(689)	(1,017)	(2,078)	(2,149)
Net income (loss) available to common shareholders	616	604	(791)	(4,654)
Basic	\$ 0.01	\$ 0.01	\$ (0.01)	\$ (0.07)
Diluted	\$ 0.00	\$ 0.00	\$ (0.01)	\$ (0.07)

*See accompanying notes*

**Pivot Technology Solutions, Inc.***(formerly Acme Capital Corporation)***INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY***[unaudited]**[in thousands of U.S. dollars]*

	Preferred	Share Capital Common	Total	Contributed Capital	Warrants /Options	Accumulated Deficit	Total
<b>Balance, December 31, 2012</b>	-	60	60	-	3,000	(48,700)	(45,640)
Common shares issued on subscription receipts (note 6)	-	1,897	1,897	-	-	-	1,897
Capital movement pursuant to reverse acquisition (note 6)	-	783	783	-	21	-	804
Shares issued on debenture conversion (note 5 and 7)	80,216	3,169	83,385	-	-	-	83,385
Warrants issued pursuant to private placement (notes 6 and 7)	-	-	-	-	82	-	82
Preferred share conversion to common shares	(10,284)	10,284	-	-	-	-	-
Preferred share dividends declared (note 7)	-	-	-	-	-	(2,149)	(2,149)
Net and comprehensive loss for the period	-	-	-	-	-	(2,505)	(2,505)
<b>Balance, September 30, 2013</b>	<b>69,932</b>	<b>16,193</b>	<b>86,125</b>	-	<b>3,103</b>	<b>(53,354)</b>	<b>35,874</b>
<b>Balance, December 31, 2013</b>	<b>51,791</b>	<b>34,334</b>	<b>86,125</b>	-	<b>3,103</b>	<b>(53,519)</b>	<b>35,709</b>
Preferred share conversion to common shares	(2,764)	2,764	-	-	-	-	-
Preferred share dividends declared (note 7)	-	-	-	-	-	(2,078)	(2,078)
Warrants expired and unexercised (note 7)	-	-	-	21	(21)	-	-
Net and comprehensive income for the period	-	-	-	-	-	1,287	1,287
<b>Balance, September 30, 2014</b>	<b>49,027</b>	<b>37,098</b>	<b>86,125</b>	<b>21</b>	<b>3,082</b>	<b>(54,310)</b>	<b>34,918</b>

*See accompanying notes*

**Pivot Technology Solutions, Inc.**  
*(formerly Acme Capital Corporation)*

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

*[unaudited]*

*[in thousands of U.S. dollars]*

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
<b>OPERATING ACTIVITIES</b>				
Net and comprehensive income (loss) for the period	1,305	1,621	1,287	(2,505)
Add (deduct) items not involving cash				
Depreciation and amortization	3,081	2,769	8,828	8,425
Goodwill impairment	-	-	-	11,000
Loss/(gain) on disposal of fixed assets	14		14	
Provision for receivables	52		102	
Deferred income taxes (note 9)	(1,184)	305	(2,682)	1,100
Amortization of loan fees	233	-	559	-
Non cash transaction costs (note 12)	-	-	-	736
Change in fair value of liabilities (note 11)	203	404	5,236	(9,408)
Net change in non-cash working capital balances (note 13)	(9,302)	10,217	(36,336)	(2,929)
<b>Cash provided by (used in) operating activities</b>	<b>(5,598)</b>	<b>15,316</b>	<b>(22,992)</b>	<b>6,419</b>
<b>INVESTING ACTIVITIES</b>				
Net change in restricted cash	-	-	-	2,000
Payments made on contingent/fixed consideration	(1,250)	-	(6,350)	(8,390)
Net cash acquired from reverse acquisition	-	-	-	126
Proceeds from sales of fixed assets	19		19	
Capital expenditures	(853)	(396)	(1,447)	(1,626)
Intangible assets	(340)	(190)	(891)	(771)
<b>Cash used in investing activities</b>	<b>(2,424)</b>	<b>(586)</b>	<b>(8,669)</b>	<b>(8,661)</b>
<b>FINANCING ACTIVITIES</b>				
Net change in debt facilities	(6,594)	4,604	6,678	1,691
Net change in bank overdraft	8,776	(6,962)	14,486	419
Preferred share dividends paid	(702)	(1,350)	(1,861)	(2,149)
Issuance of common shares, net of costs	-	22	-	1,979
<b>Cash provided by (used in) financing activities</b>	<b>1,480</b>	<b>(3,686)</b>	<b>19,303</b>	<b>1,940</b>
<b>Net increase (decrease) in cash and cash equivalents during the period</b>	<b>(6,542)</b>	<b>11,044</b>	<b>(12,358)</b>	<b>(302)</b>
Cash and cash equivalents, beginning of period	16,204	5,207	22,020	16,553
<b>Cash and cash equivalents, end of period</b>	<b>9,662</b>	<b>16,251</b>	<b>9,662</b>	<b>16,251</b>

*See accompanying notes*

**Pivot Technology Solutions, Inc.**

*(formerly Acme Capital Corporation)*

**Notes to the unaudited interim condensed consolidated financial statements**

**Three and nine month periods ended September 30, 2014 and 2013**

*(unless otherwise noted all amounts are in thousands of U.S. dollars)*

**1. CORPORATE INFORMATION**

Pivot Acquisition Corp. ("Pivot Acquisition") completed a reverse takeover ("RTO") of Pivot Technology Solutions, Inc. ("Pivot" or the "Company"), formerly known as Acme Capital Corporation ("Acme"), on March 25, 2013. The Company is publicly listed on the TSX Venture Exchange and trades under the symbol "PTG". Acme was incorporated under the Business Corporations Act (Alberta) on January 25, 2011. It was classified as a Capital Pool Company, as defined in Policy 2.4 of the TSX Venture Exchange Inc. and, accordingly, had no significant assets other than cash and no commercial operations. Acme changed its fiscal year end to December 31 on March 25, 2013.

Pivot Acquisition was incorporated under the Business Corporations Act (Ontario) on September 8, 2010, and domiciled in Ontario, Canada. The registered office is located at 40 King Street, Suite 4400, Toronto, Ontario.

The Company has the following wholly owned subsidiaries: ACS Holdings (Canada) Inc., Pivot Technology Solutions, Ltd. (formerly known as ACS Acquisition Holdings Inc.), Pivot Research Ltd., Pivot Shared Services Ltd., ACS (US) Inc. ("ACS"), New ProSys Corp. ("ProSys"), Sigma Technology Solutions, Inc. ("Sigma") and ARC Acquisition (US), Inc. ("ARC").

The unaudited interim condensed consolidated financial statements of the Company for the three and nine month periods ended September 30, 2014 and 2013 were authorized for issue in accordance with a resolution of the Company's Board of Directors on November 21, 2014.

The Company's strategy is to acquire and integrate technology solution providers, primarily in North America. The businesses acquired to date design, sell and support integrated computer hardware, software and networking products for business database, network and network security systems. The Company primarily serves customers throughout the United States of America ("U.S.").

**2. BASIS OF PREPARATION**

Except for recent accounting pronouncements described in Note 3, the unaudited interim condensed consolidated financial statements have been prepared using the same accounting policies and methods as those used in the Company's audited consolidated financial statements for the year ended December 31, 2013.

The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

The unaudited interim condensed consolidated financial statements are presented in U.S. dollars and all dollar values are rounded to the nearest thousand (\$000), except where otherwise noted.

**Pivot Technology Solutions, Inc.**

*(formerly Acme Capital Corporation)*

**Notes to the unaudited interim condensed consolidated financial statements**

**Three and nine month periods ended September 30, 2014 and 2013**

*(unless otherwise noted all amounts are in thousands of U.S. dollars)*

The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2013.

Certain amounts have been reclassified from the unaudited interim condensed consolidated financial statements previously presented to conform to the presentation of these unaudited interim condensed consolidated financial statements in accordance with IFRS.

Management has determined that the Company operates as a single operating segment, and the Company undertakes its operations in the U.S. Therefore, no segment reporting is included in these unaudited interim condensed consolidated financial statements.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Standards effective January 1, 2014**

The Company has adopted the following new standards, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

**Amendments to IAS 32 Financial Instruments: Presentation**

Amendments to IAS 32 were issued to clarify the existing requirements for offsetting financial assets and financial liabilities. The adoption of this amendment did not have an effect on the unaudited interim condensed consolidated financial statements of the Company.

**International Financial Reporting Standards Interpretations Committee ("IFRIC") Interpretation 21, Levies**

IFRIC 21 addresses various accounting issues relating to levies imposed by a government. The adoption of this amendment did not have an effect on the unaudited interim condensed consolidated financial statements of the Company.

**Amendments to IAS 39, Financial Instruments Recognition and Measurement**

In June 2013, Novation of Derivatives and Continuation of Hedge Accounting was issued, which amends IAS 39, Financial Instruments Recognition and Measurement. Under these narrow scope amendments there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The adoption of this amendment did not have an effect on the unaudited interim condensed consolidated financial statements of the Company.

**Pivot Technology Solutions, Inc.**

*(formerly Acme Capital Corporation)*

**Notes to the unaudited interim condensed consolidated financial statements**

**Three and nine month periods ended September 30, 2014 and 2013**

*(unless otherwise noted all amounts are in thousands of U.S. dollars)*

**Standards issued but not yet effective**

Standards issued but not yet effective up to the date of the issuance of the Company's unaudited interim condensed consolidated financial statements are listed below. This listing is of standards issued which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

**IFRS 9 Financial Instruments: Classification and Measurement**

International Financial Reporting Standard 9, Financial Instruments ("IFRS 9"), as issued in 2014, introduces new requirements for the classification and measurement of financial instruments, a new expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity's own credit risk for liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has not yet begun the process of evaluating the impact of this standard on its unaudited interim condensed consolidated financial statements.

**IFRS 15 Revenue from Contracts with Customers**

In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2017. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

**4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

A subsidiary of the Company has a secured flooring agreement with IBM Global Finance ("IBM") which provides short-term financing. Certain vendors send invoices directly 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%. The Company is required to maintain certain financial ratios and was in compliance at September 30, 2014 and December 31, 2013. \$11,409 and \$18,595 is due to IBM at September 30, 2014 and December 31, 2013, respectively. This amount is included in accounts payable in the unaudited interim condensed consolidated statements of financial position.

On August 26, 2014, another subsidiary executed a purchase finance agreement with Macquarie Equipment Finance that allows up to \$10,000 in unsecured advances on purchases from approved suppliers. Interest of LIBOR plus 0.7%, (for 30 day advances) or LIBOR plus 1.06% (for 45 day advances) will be applied. \$6,929 was due to Macquarie at September 30, 2014. This amount is



**Pivot Technology Solutions, Inc.***(formerly Acme Capital Corporation)***Notes to the unaudited interim condensed consolidated financial statements****Three and nine month periods ended September 30, 2014 and 2013***(unless otherwise noted all amounts are in thousands of U.S. dollars)*

included in accounts payable in the unaudited interim condensed consolidated statements of financial position.

**5. OTHER FINANCIAL LIABILITIES**

	<b>September 30, 2014</b>	December 31, 2013
<b>Current</b>		
Secured borrowings	<b>112,554</b>	103,624
Contingent consideration	-	9,042
Fixed consideration	<b>5,884</b>	-
	<b>118,438</b>	112,666
<b>Non-current</b>		
Secured borrowings	<b>5,750</b>	8,000
Contingent consideration	-	1,852
Fixed consideration	<b>3,344</b>	-
Interest rate swap	<b>550</b>	-
	<b>9,644</b>	9,852
	<b>128,082</b>	122,518

**Secured borrowings**

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 an agreement with PNC Bank (“PNC”) for the provision of \$185,000 of senior secured asset based credit facilities (“ABL Credit Facility”). The ABL Credit Facility replaces the separate facilities held by ACS, ProSys and Sigma with PNC and Wells Fargo Bank, N.A. (“Wells”). The ABL Credit Facility originally consisted of a \$10,000 term loan (“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. Simultaneously, as part of the agreement with PNC, the Wells agreement held by ACS was formally terminated and paid off. Financing fees of \$3,261 and \$229 were incurred during the year ended December 31, 2013 and nine months ended September 30, 2014, respectively, which are being amortized over the term of the ABL Revolving Credit Facility.

The ABL Term Loan principal is due in four consecutive quarterly installments of \$500 commencing January 1, 2014, ten consecutive quarterly installments of \$750 commencing on January 1, 2015, followed by a final payment of \$500 plus all unpaid principal, accrued and unpaid interest and all unpaid fees and expenses on August 13, 2017. Unless a new credit facility is arranged by PNC, a 2% premium applies to any portion of the ABL Term Loan that is prepaid on or before the one year

**Pivot Technology Solutions, Inc.**

*(formerly Acme Capital Corporation)*

**Notes to the unaudited interim condensed consolidated financial statements**

**Three and nine month periods ended September 30, 2014 and 2013**

*(unless otherwise noted all amounts are in thousands of U.S. dollars)*

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 and contains an unused commitment fee of 0.75% per annum. The ABL Revolving Credit Facility also contains an unused commitment fee of 0.375% per annum.

As at September 30, 2014 and December 31, 2013, \$109,804 and \$101,624 was outstanding under the ABL Revolving Credit Facility. The ABL Term Loan had an outstanding balance of \$8,500 and \$10,000 as at September 30, 2014 and December 31, 2013, respectively.

The PNC Borrowing Group had available borrowings under the ABL Credit Facility of \$64,426 and \$34,888, as at September 30, 2014 and December 31, 2013, 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%. 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. As at September 30, 2014 and December 31, 2013, \$250 and nil letters of credit were outstanding under the ABL Credit Facility. As at September 30, 2014 and December 31, 2013, nil and \$21 of swing loans were outstanding under the ABL Credit Facility, respectively.

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 1.20 to 1.00 and a Senior Leverage Ratio ("SLR") of 4.50 to 1.00. The FCR and the SLR were 1.20 to 1.00 and 4.50 to 1.00, respectively, for the quarter ending September 30, 2014. 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 FCR 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. The SLR was increased to 4.50 to 1.00 for the quarter ended September 30, 2014, and will continue to decline by .25 to 1.00 or nil per quarter, until it reaches 3.00 to 1.00 on March 31, 2016, at which point the ratio remains static at 3.00 to 1.00 for each consecutive quarter

**Pivot Technology Solutions, Inc.**

*(formerly Acme Capital Corporation)*

**Notes to the unaudited interim condensed consolidated financial statements****Three and nine month periods ended September 30, 2014 and 2013**

*(unless otherwise noted all amounts are in thousands of U.S. dollars)*

end thereafter. The Company was in compliance with these covenants at September 30, 2014 and December 31, 2013.

**Fixed and 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 had been agreed. The consideration was dependent on the profit before tax of the acquired business during the three consecutive 12-month periods ending December 31, 2013. The consideration was to be paid over three years and was due for final measurement and payment to the shareholders of Old ACS on May 1, 2014. 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 until June 30, 2014. All amounts unpaid after December 31, 2013 bear interest at 8% per annum. On July 23, 2014, the Company reached an agreement with the shareholders of Old ACS for the remaining balance to be deferred until July 31, 2014, for consideration of \$35. At the date of acquisition, the fair value of the contingent liability was determined to be \$33,291. As at December 31, 2013, the fair value of the consideration was determined to be \$3,800. The amount was paid in full during July 2014. The Company recorded a charge of nil related to the change in fair value of the consideration for each of the three month periods ended September 30, 2014 and 2013. The Company recorded a charge (recovery) of \$212 and (\$15,293) related to the change in fair value of the consideration for the nine month periods ended September 30, 2014 and 2013, respectively. Payments of \$1,250 and nil were made during the three month periods ended September 30, 2014 and 2013, respectively. Payments of \$4,037 (including the \$35 additional consideration) and \$5,748 were made during the nine month periods ended September 30, 2014 and 2013, respectively.

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 had been agreed. The consideration was dependent on a measure of operating profit before tax of the acquired business during the three consecutive 12-month periods ending December 31, 2013. The fair value at the acquisition date was \$4,707 and was determined to be \$2,213 as at December 31, 2013. The amount was paid in full as during May 2014. The Company recorded a charge of nil and \$99 related to the change in fair value of the consideration for the three months ended September 30, 2014 and 2013, respectively. The Company recorded a charge of \$125 and \$250 related to the change in fair value of the consideration for the nine months ended September 30, 2014 and 2013, respectively. No payments were made during the three month periods ended September 30, 2014 and 2013, respectively. Payments of \$2,338 and \$1,642 were made during the nine month periods ended September 30, 2014 and 2013, respectively.

**Pivot Technology Solutions, Inc.**

*(formerly Acme Capital Corporation)*

**Notes to the unaudited interim condensed consolidated financial statements****Three and nine month periods ended September 30, 2014 and 2013**

*(unless otherwise noted all amounts are in thousands of U.S. dollars)*

On August 12, 2011, the Company acquired substantially all of the assets and liabilities of Austin Ribbon & Computer Supplies, Inc. ("Old ARC"). As part of the asset purchase agreement with the shareholders of Old ARC, contingent consideration has been agreed. This consideration is dependent on a measure of operating profit before tax of the acquired business during the three consecutive 12-month periods ending August 12, 2014. The fair value at the acquisition date was \$3,060 and was determined to be \$2,433 and nil as at September 30, 2014 and December 31, 2013, respectively. The Company recorded a charge of \$111 and nil related to the change in fair value of the consideration for the three months ended September 30, 2014 and 2013, respectively. The Company recorded a charge (recovery) of \$2,433 and (\$1,622) related to the change in fair value of the consideration for the nine months ended September 30, 2014 and 2013, respectively. No payments were made during the three and nine month periods ended September 30, 2014 and 2013. The undiscounted value of the remaining consideration to be paid is now fixed at \$2,500.

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 had been agreed. The consideration is dependent on a measure of operating profit before tax of the business acquired from Old Sigma during the three consecutive 12-month periods ending July 1, 2015. The purchase agreement was amended on May 7, 2014, whereby the remaining undiscounted consideration is 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 is now 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 remains unpaid after April 30, 2015, it will bear interest at 15% per annum. The fair value at the acquisition date was estimated to be \$5,719 and was determined to be \$6,796 and \$4,880 as at September 30, 2014 and December 31, 2013, respectively. The Company recorded a charge of \$138 and \$305 related to the change in fair value of the consideration for the three months ended September 30, 2014 and 2013, respectively. The Company recorded a charge of \$1,774 and \$2,702 related to the change in fair value of the consideration for the nine months ended September 30, 2014 and 2013, respectively. Payments of nil were made during each of the three months ended September 30, 2014 and 2013. Payments of nil and \$1,000 were made during the nine months ended September 30, 2014 and 2013, respectively.

**Convertible debentures and Series A Preferred Shares**

On April 14, 2011, the Company issued unsecured subordinated convertible debentures ("Debentures") pursuant to a debenture indenture in the aggregate amount of C\$43,600. The Debentures bore interest at 12% per annum and matured on the earlier of the date that the Company completed a liquidity event or April 14, 2013. Interest was payable quarterly in July, October, January and April.

**Pivot Technology Solutions, Inc.**

*(formerly Acme Capital Corporation)*

**Notes to the unaudited interim condensed consolidated financial statements**

**Three and nine month periods ended September 30, 2014 and 2013**

*(unless otherwise noted all amounts are in thousands of U.S. dollars)*

On November 21, 2012, Debentures totalling C\$1,000 were cancelled to settle amounts due from members of management, representing foreign withholding tax paid by the Company on behalf of those members of management, reducing the outstanding principal amount of the Debentures from C\$43,600 to C\$42,600.

The fair value of the Debentures was calculated using discounted cash flows.

On January 25, 2013, Pivot Acquisition amended the terms of its outstanding Debentures to provide an additional conversion right, such that a Debenture holder has the right, exercisable within 10 business days of the receipt of notice of a proposed reverse takeover or a merger or amalgamation with a publicly listed company, to convert all or a portion of such holder's outstanding Debentures into a new class of Pivot Series A Preferred Shares ("Series A Preferred Shares") at a price per share that is equal to 50% of the offering price in any concurrent public or private financing with a proposed reverse takeover, merger or amalgamation with a publicly listed company.

On March 25, 2013, immediately prior to the completion of the RTO, Debentures in the amount of C\$40,981 were converted into 102,452,501 Series A Preferred Shares (note 6) and Debentures in the amount of C\$1,619 were converted into 4,047,500 common shares (note 6) of the Company in accordance with the terms of the Debentures.

**Interest rate swap**

On April 3, 2014 the Company entered into an interest rate forward swap agreement ("Swap") with PNC to mitigate the risk of fluctuating interest rates. Under the terms of the Swap, 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. Changes in the fair value of this instrument are recorded as a change in fair value of liabilities in the unaudited interim condensed consolidated statements of comprehensive income (loss). As at September 30, 2014, the net present value of the Swap was determined to be (\$550), which represents the cost that would be incurred by the Company to exit the Swap, due to fluctuations in future interest rate expectations. The Swap agreement with PNC contains cross covenant restrictions, requiring that the Company be in compliance with the ABL Credit Facility.

**6. PRIVATE PLACEMENT AND REVERSE ACQUISITION**

The private placement and reverse acquisition ("Qualifying Transaction") was completed on the following basis:

- The Company changed its name from Acme Capital Corporation to Pivot Technology Solutions, Inc., effective March 21, 2013, and now trades under the symbol "PTG" on the TSX Venture Exchange.

**Pivot Technology Solutions, Inc.**

*(formerly Acme Capital Corporation)*

**Notes to the unaudited interim condensed consolidated financial statements**

**Three and nine month periods ended September 30, 2014 and 2013**

*(unless otherwise noted all amounts are in thousands of U.S. dollars)*

- 8,000,000 outstanding shares of Pivot were consolidated on the basis of one post-consolidation share for each previously outstanding 8 common shares of the Company effective March 21, 2013.
- 800,000 outstanding employee options issued by Pivot were consolidated on the basis of one post-consolidation option for each previously outstanding 8 issued options. The options were exercisable for C\$0.80 per share. The options expired on March 25, 2014.
- 200,000 agent compensation options of Pivot granted to the IPO Agent were consolidated on the basis of one post-consolidation option for each previously outstanding 8 issued options. The options were exercisable for C\$0.80 per share. The options expired on June 29, 2013.
- 56,000,000 common shares owned by the former shareholders of Pivot Acquisition were issued common shares of Pivot on a one for one basis.
- The subscription receipts issued by Pivot Acquisition (the "Subscription Receipts") at a price of C\$0.80 per Subscription Receipt in connection with its brokered private placement was completed on March 11, 2013, resulting in the issue of 4,421,625 Subscription Receipts and raising gross proceeds of C\$3,537. The Subscription Receipts were subsequently converted into common shares of Pivot on a one for one basis. 309,514 agent compensation options issued by Pivot Acquisition in connection with the private placement were replaced with 309,514 agent compensation options under Pivot, entitling the holder to purchase one Pivot share at C\$0.80 per share until March 11, 2015.
- Following the Qualifying Transaction, Pivot Acquisition converted Debentures in the amounts of C\$40,981 and C\$1,619 into 102,452,501 Series A Preferred Shares and 4,047,500 common shares, respectively. These shares were exchanged on a one for one basis into 102,452,501 preferred shares and 4,047,500 common shares of Pivot. Broker compensation options of 7,455,000 issued in relation to this transaction were exchanged on a one for one basis into Pivot options. The options can be exercised for C\$0.40 per share, and expire April 14, 2016.
- The Company changed its financial year end to December 31, beginning with the financial year ended December 31, 2013.
- On March 25, 2013, the Company issued 166,921,626 of common and preferred shares to the former shareholders of Pivot Acquisition in exchange for 100% interest in Pivot Acquisition.

As a result of the transaction, the former shareholders of Pivot Acquisition owned 99.4% of the outstanding shares of the Company.

In accordance with IFRS 3, Business Combinations, the substance of the transaction is a reverse acquisition of a non-operating company. The transaction does not constitute a business combination as the Company prior to the RTO did not meet the definition of a business under the

**Pivot Technology Solutions, Inc.**

*(formerly Acme Capital Corporation)*

**Notes to the unaudited interim condensed consolidated financial statements**

**Three and nine month periods ended September 30, 2014 and 2013**

*(unless otherwise noted all amounts are in thousands of U.S. dollars)*

standard. As a result, the transaction is accounted for as a capital transaction with Pivot Acquisition being identified as the accounting acquirer and the equity consideration being measured at fair value. The resulting consolidated statement of financial position is presented as a continuance of Pivot Acquisition and comparative figures presented in the consolidated financial statements after the reverse acquisition are those of Pivot Acquisition.

IFRS 2, *Share-based Payment*, applies to transactions where an entity grants equity instruments and cannot identify specifically some or all of the goods or services received in return. Because the Company has issued shares with a value in excess of the assets received, IFRS 2 would indicate that the difference be recognized in comprehensive loss as a reverse acquisition transaction cost. The amount assigned to reverse acquisition transaction cost of \$851 is the difference between the fair value of the consideration and the net identifiable liabilities of the Company acquired by Pivot Acquisition, and is included in the consolidated statements of comprehensive loss.

The fair value of the consideration is determined based on the percentage of ownership the legal parent's shareholders have in the combined entity after the RTO transaction. This represents the fair value of the shares that Pivot Acquisition would have had to issue for the ratio of ownership interest in the combined entity to be the same, if the transaction had taken the legal form of Pivot Acquisition acquiring 100% of the shares in the Company.

The percentage of ownership the legal parent's shareholders had in the combined entity is 0.6% after the issue of 166,921,626 common and preferred shares of the Company to Pivot Acquisition shareholders. The warrants granted prior to the RTO remain exercisable after the completion of the amalgamation, and as such, the fair value of the warrants at the date of amalgamation is also included as part of the consideration transferred (note 7).

**Pivot Technology Solutions, Inc.***(formerly Acme Capital Corporation)***Notes to the unaudited interim condensed consolidated financial statements****Three and nine month periods ended September 30, 2014 and 2013***(unless otherwise noted all amounts are in thousands of U.S. dollars)*

Based on the statement of financial position of the Company at the time of the reverse acquisition, the net liabilities at estimated fair value that were acquired by Pivot Acquisition were \$47 and the resulting reverse acquisition transaction cost charged to the consolidated statements of comprehensive loss is as follows:

**Consideration:**

Deemed issue of shares by Pivot Acquisition	783
Deemed replacement of options	21
	<u>804</u>

**Identifiable net liabilities acquired:**

Cash	126
Taxes recoverable	16
Accounts payable and accrued liabilities	(189)
	<u>(47)</u>
Unidentifiable assets acquired:	
Reverse acquisition transaction cost	851
	<u>851</u>
Total net identifiable liabilities and reverse acquisition transaction cost	<u>804</u>

**7. SHARE CAPITAL**

As at September 30, 2014, the issued share capital amounted to \$86,125. An unlimited number of both common and Series A Preferred Shares, with no par value, are authorized for issuance. The changes in issued share capital for the nine month period ended September 30, 2014 were as follows:

	Series A Preferred #	Class A Preference #	Class A Common #	Class B Common #	Class C Common #	Common Shares #
As at January 1, 2014	65,262,480	-	-	-	-	102,659,146
Cancellation of shares	-	-	-	-	-	(135,000)
Preferred shares converted to common shares	(3,726,600)	-	-	-	-	3,726,600
<b>As at September 30, 2014</b>	<b>61,535,880</b>	-	-	-	-	<b>106,250,746</b>

Note: Share amounts are not rounded



**Pivot Technology Solutions, Inc.***(formerly Acme Capital Corporation)***Notes to the unaudited interim condensed consolidated financial statements****Three and nine month periods ended September 30, 2014 and 2013***(unless otherwise noted all amounts are in thousands of U.S. dollars)*

As at September 30, 2013, the issued share capital amounted to \$86,125. An unlimited number of both common and Series A preferred shares, with no par value, are authorized for issuance. The changes in issued share capital for the nine month period ended September 30, 2013 were as follows:

	<b>Series A Preferred #</b>	<b>Class A Preference #</b>	<b>Class A Common #</b>	<b>Class B Common #</b>	<b>Class C Common #</b>	<b>Common Shares #</b>
As at January 1, 2013	-	-	3,000,000	2,000,000	51,000,000	-
Common shares issued on subscription receipts	-	4,421,625	-	-	-	-
Shares issued on debenture conversion	102,452,501	-	-	-	4,047,500	-
Issuance pursuant to RTO (note 6)	-	-	-	-	1,000,000	-
Capital movement pursuant to reverse acquisition	-	(4,421,625)	(3,000,000)	(2,000,000)	(56,047,500)	65,469,125
Preferred shares converted to common shares	(13,520,500)	-	-	-	-	13,520,500
<b>As at September 30, 2013</b>	<b>88,932,001</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78,989,625</b>

Note: Share amounts are not rounded

**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, when declared by the Board of Directors. 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 price per share that is equal to C\$0.48 following the completion of any transaction where the Company has raised C\$75,000 in capital. The Series A Preferred Shares carry an optional conversion right where each Series A Preferred Share can, at the option of the holders, be converted into one common share of the Company. The Series A Preferred Shares also carry a conversion right, whereby at any time after June 30, 2013, the Company is permitted to require the holders to convert the Series A Preferred Shares into common shares of the Company.

**Earnings (loss) per share**

Basic net earnings (loss) per share is based on the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share assumes the weighted average dilutive effect of common share equivalents outstanding during the period applied to the Company's basic earnings per share. Common share equivalents represent potentially dilutive stock options,

**Pivot Technology Solutions, Inc.***(formerly Acme Capital Corporation)***Notes to the unaudited interim condensed consolidated financial statements****Three and nine month periods ended September 30, 2014 and 2013***(unless otherwise noted all amounts are in thousands of U.S. dollars)*

warrants, and dilutive shares related to the Company's Series A Shares. Common share equivalents are excluded from the computation in periods in which they have an anti-dilutive effect. The computation of diluted earnings per share for the three month periods ended September 30, 2014 and 2013 did not include options to purchase 7,764,514 and 7,864,514 shares, respectively, as the result would have been anti-dilutive.

The following table summarizes the basic and diluted earnings (loss) per share and the basic and diluted weighted average number of common shares outstanding:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Income (loss) for the period - basic	<b>1,305</b>	1,621	<b>1,287</b>	(2,505)
Preferred share dividends declared	-	-	<b>(2,078)</b>	(2,149)
Income (loss) for the period - diluted	<b>1,305</b>	1,621	<b>(791)</b>	(4,654)
Weighted average number of common shares				
outstanding – basic	<b>105,844,338</b>	78,973,158	<b>104,408,559</b>	70,581,430
Dilutive effect of preferred shares				
conversions	<b>61,535,880</b>	88,948,468	-	-
Weighted average number of common shares				
outstanding – diluted	<b>167,380,218</b>	167,921,626	<b>104,408,559</b>	70,581,430
Earnings (loss) per share				
Basic	\$0.01	\$0.01	\$(0.01)	\$(0.07)
Diluted	\$0.00	\$0.00	\$(0.01)	\$(0.07)

For the nine month periods ended September 30, 2014 and 2013, the basic loss per share calculated amount is the same as the fully diluted loss per share amount as the effect of any outstanding options or warrants would be anti-dilutive as the amount available to common shareholders was a net loss.

**Warrants and options***Broker warrants*

The Company's broker warrant instruments are classified as equity and measured at fair value on the date of issue. Broker warrants are compensation warrants issued to the brokers involved in the Company's financing efforts. Fair value is calculated at the grant date using the Black-Scholes option pricing model and management's assumptions.

Subsequent to issue, broker warrants are not revalued. Warrants and broker warrants are reclassified to share capital when they are exercised.

**Pivot Technology Solutions, Inc.**

*(formerly Acme Capital Corporation)*

**Notes to the unaudited interim condensed consolidated financial statements****Three and nine month periods ended September 30, 2014 and 2013**

*(unless otherwise noted all amounts are in thousands of U.S. dollars)*

On March 11, 2013, Pivot Acquisition granted to its agents non-transferable warrants to purchase up to an aggregate of 309,514 common shares at a price of C\$0.80 per share exercisable for a period of two years. The relative fair value of the warrants included in the private placement units (note 6) was valued using the Black-Scholes option pricing model using the following fair value assumptions: dividend yield of 0%, volatility rate of 60%, expected life of two years and risk-free interest rate of 0.98%. The fair value allocated to the warrants was C\$83.

During 2011, Pivot Acquisition issued 7,455,000 broker compensation options in relation to the Company's Debenture issue. The options can be exercised for C\$0.40 per share and expire on March 25, 2015. The fair value allocated to the warrants was \$3,000, which was recognized as an expense in fiscal 2011.

*Options issued to directors and officers*

On June 29, 2011, the Company granted share options to its directors and officers to acquire an aggregate of 100,000 common shares (after consolidation of 8 to 1) at a price of C\$0.80 per share exercisable until June 29, 2021. Upon the completion of the RTO on March 25, 2013 which qualified as a qualifying transaction, the expiry date of the options has been changed to March 25, 2014. As the options remain exercisable after the completion of the RTO, the fair value of the options at the date of the RTO was included as part of the consideration transferred by Pivot Acquisition in the RTO. On March 25, 2013, the fair value of the options was estimated at C\$19 using the Black-Scholes option pricing model. The assumptions used were as follows: risk-free interest rate of 1.03%, dividend yield of 0%, volatility rate of 60% and expected life of one year. On March 25, 2014, the options had not been exercised, and have expired accordingly.

*Options issued to agents*

On June 29, 2011, the Company granted share options to agents (non-employees) to acquire an aggregate of 25,000 common shares (after consolidation of 8 to 1) at a price of C\$0.80 per share exercisable until June 29, 2013. As the options remain exercisable after the completion of the RTO, the fair value of the options at the date of the RTO was included as part of the consideration transferred by Pivot Acquisition in the RTO. On March 25, 2013, the fair value of the options was estimated at C\$3 using the Black-Scholes option pricing model. The assumptions used were as follows: risk-free interest rate of 0.96%, dividend yield of 0%, volatility rate of 60% and expected life of 0.29 year. On June 29, 2013, the options had not been exercised, and have expired accordingly.

**Pivot Technology Solutions, Inc.***(formerly Acme Capital Corporation)***Notes to the unaudited interim condensed consolidated financial statements****Three and nine month periods ended September 30, 2014 and 2013***(unless otherwise noted all amounts are in thousands of U.S. dollars)***Series A preferred share dividends declared and paid**

Dividends declared and paid were as follows:

<b>Declaration Date</b>	<b>Record Date</b>	<b>Distribution Date</b>	<b>Per share amount</b>	<b>Total dividend</b>
April 25, 2013	April 30, 2013	May 1, 2013	C\$0.00486575	C\$452
April 25, 2013	May 27, 2013	June 3, 2013	C\$0.00407671	C\$364
June 13, 2013	June 25, 2013	July 2, 2013	C\$0.00394521	C\$351
July 12, 2013	July 25, 2013	August 1, 2013	C\$0.00407671	C\$363
August 8, 2013	August 27, 2013	September 3, 2013	C\$0.00407671	C\$363
September 13, 2013	September 24, 2013	October 1, 2013	C\$0.00394521	C\$351
October 9, 2013	October 25, 2013	November 1, 2013	C\$0.00407671	C\$363
November 18, 2013	November 29, 2013	December 3, 2013	C\$0.00394521	C\$346
December 10, 2013	December 24, 2013	January 3, 2014	C\$0.00407671	C\$266
January 13, 2014	January 27, 2014	February 3, 2014	C\$0.00407671	C\$266
February 11, 2014	February 24, 2014	March 3, 2014	C\$0.00368219	C\$240
March 10, 2014	March 25, 2014	April 3, 2014	C\$0.00407671	C\$266
April 9, 2014	April 25, 2014	May 2, 2014	C\$0.00394521	C\$247
May 12, 2014	May 26, 2014	June 3, 2014	C\$0.00407671	C\$255
June 10, 2014	June 24, 2014	July 3, 2014	C\$0.00394521	C\$246
July 10, 2014	July 24, 2014	August 5, 2014	C\$0.00407671	C\$254
August 12, 2014	August 25, 2014	September 3, 2014	C\$0.00407671	C\$254
September 9, 2014	September 23, 2014	October 3, 2014	C\$0.00394521	C\$247

Note: Per share amounts are not rounded

**Pivot Technology Solutions, Inc.***(formerly Acme Capital Corporation)***Notes to the unaudited interim condensed consolidated financial statements****Three and nine month periods ended September 30, 2014 and 2013***(unless otherwise noted all amounts are in thousands of U.S. dollars)***8. FINANCIAL INSTRUMENTS**

The following tables set out the classification of financial and non-financial assets and liabilities:

<b>As at September 30, 2014</b>	<b>Fair value through profit or loss</b>	<b>Loans and receivables</b>	<b>Other financial liabilities</b>	<b>Non- financial</b>	<b>Total carrying amount</b>
Cash and cash equivalents	9,662	-	-	-	9,662
Accounts receivable	-	245,431	-	-	245,431
Other non-financial assets	-	-	-	209,260	209,260
<b>Total assets</b>	<b>9,662</b>	<b>245,431</b>	<b>-</b>	<b>209,260</b>	<b>464,353</b>
Bank overdraft	25,328	-	-	-	25,328
Accounts payable and accrued liabilities	-	-	234,200	-	234,200
Other financial liabilities	550	-	127,532	-	128,082
Other non-financial liabilities	-	-	-	41,825	41,825
<b>Total liabilities</b>	<b>25,878</b>	<b>-</b>	<b>361,732</b>	<b>41,825</b>	<b>429,435</b>

<b>As at December 31, 2013</b>	<b>Fair value through profit or loss</b>	<b>Loans and receivables</b>	<b>Other financial liabilities</b>	<b>Non- financial</b>	<b>Total carrying amount</b>
Cash and cash equivalents	22,020	-	-	-	22,020
Accounts receivable	-	196,724	-	-	196,724
Other non-financial assets	-	-	-	195,305	195,305
<b>Total assets</b>	<b>22,020</b>	<b>196,724</b>	<b>-</b>	<b>195,305</b>	<b>414,049</b>
Bank overdraft	10,842	-	-	-	10,842
Accounts payable and accrued liabilities	-	-	222,355	-	222,355
Other financial liabilities	10,894	-	111,624	-	122,518
Other non-financial liabilities	-	-	-	22,625	22,625
<b>Total liabilities</b>	<b>21,736</b>	<b>-</b>	<b>333,979</b>	<b>22,625</b>	<b>378,340</b>

**Pivot Technology Solutions, Inc.***(formerly Acme Capital Corporation)***Notes to the unaudited interim condensed consolidated financial statements****Three and nine month periods ended September 30, 2014 and 2013***(unless otherwise noted all amounts are in thousands of U.S. dollars)***Fair values**

The fair value of all other financial instruments carried within the Company's consolidated financial statements is not materially different from their carrying amount.

The following table presents information related to the Company's financial assets and liabilities measured at fair value on a recurring basis and the level within the guidance hierarchy in which the fair value measurements fall as at September 30, 2014 and December 31, 2013:

<b>Fair value as at September 30, 2014</b>				
Description	Level 1	Level 2	Level 3	Total
Interest rate swap	-	550	-	550
	-	550	-	550

<b>Fair value as at December 31, 2013</b>				
Description	Level 1	Level 2	Level 3	Total
Contingent consideration	-	-	10,894	10,894
	-	-	10,894	10,894

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. Derivative financial instruments are recorded in Level 2. The fair value of the Swap is calculated as the present value of the estimated future cash flows based on observable yield curves.

If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3. Contingent consideration payable was the only instrument recorded as Level 3 as the amount payable was not based on observable inputs. Management estimated the fair value of contingent consideration internally based on a discounted cash flow methodology. The fair value was determined by applying a fixed 18% discount rate.

The fair value of the contingent consideration was calculated using forecasts based on financial plans prepared by management covering the periods under agreement, using a discount rate of 18%. The Company recorded a charge of nil and \$404 related to the change in fair value of the contingent consideration for the three month periods ended September 30, 2014 and 2013, respectively. The Company recorded a charge (recovery) of \$3,801 and (\$13,963) related to the

**Pivot Technology Solutions, Inc.***(formerly Acme Capital Corporation)***Notes to the unaudited interim condensed consolidated financial statements****Three and nine month periods ended September 30, 2014 and 2013***(unless otherwise noted all amounts are in thousands of U.S. dollars)*

change in fair value of the contingent consideration for the nine month periods ended September 30, 2014 and 2013, respectively.

There have been no transfers among any levels during the period.

**9. INCOME TAXES**

Significant components of the provision for income taxes are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Current tax expense	3,484	1,314	4,945	3,226
Deferred tax (benefit) expense	(1,184)	305	(2,682)	1,100
	<b>2,300</b>	1,619	<b>2,263</b>	4,326

**10. INTEREST EXPENSE**

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Debentures	-	-	-	1,151
Secured borrowings	1,703	1,570	4,790	4,459
	<b>1,703</b>	1,570	<b>4,790</b>	5,610

**11. CHANGE IN FAIR VALUE OF LIABILITIES**

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Convertible debentures	-	-	-	4,555
Contingent consideration	-	404	3,801	(13,963)
Interest rate swap	(188)	-	550	-
Fixed consideration	391	-	885	-
	<b>203</b>	404	<b>5,236</b>	(9,408)

**Pivot Technology Solutions, Inc.***(formerly Acme Capital Corporation)***Notes to the unaudited interim condensed consolidated financial statements****Three and nine month periods ended September 30, 2014 and 2013***(unless otherwise noted all amounts are in thousands of U.S. dollars)***12. TRANSACTION COSTS**

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Reverse takeover costs	-	220	-	1,238
Reverse acquisition transaction costs	-	115	-	851
Proposed Series A preferred shares exchange offer	17	-	209	-
	17	335	209	2,089

**13. CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CASH FLOWS**

Net changes in non-cash working capital balances consist of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Accounts receivable	(43,114)	(11,522)	(48,809)	4,478
Income taxes recoverable	1,769	231	2,279	1,710
Inventories	(439)	(945)	(1,935)	(11,768)
Other assets	(2,584)	(598)	(18,699)	(10,068)
Accounts payable and accrued liabilities	34,317	20,307	19,626	9,827
Other liabilities	749	2,744	11,202	2,892
	(9,302)	10,217	(36,336)	(2,929)

Interest paid and income taxes paid and classified as operating activities are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Interest paid	2,156	2,234	4,187	4,335
Income taxes paid	1,829	1,441	3,498	1,535



**Pivot Technology Solutions, Inc.**

*(formerly Acme Capital Corporation)*

**Notes to the unaudited interim condensed consolidated financial statements**

**Three and nine month periods ended September 30, 2014 and 2013**

*(unless otherwise noted all amounts are in thousands of U.S. dollars)*

**14. RELATED PARTY DISCLOSURES**

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 \$395 for each of the three month periods ended September 30, 2014 and 2013. The total amount collected from Old ACS for these shared administrative services was \$1,185 for each of the nine month periods ended September 30, 2014 and 2013. The license agreement permits Old ACS to license from the Company certain of the intellectual property obtained by the Company in the asset purchase. A member of key management of the Company has significant influence over Old ACS, resulting in a related party relationship.

The Company is deemed to have the primary exposure to the significant risks and rewards associated with sales by Old ACS to its third-party customers, and thus the Company is the principal and Old ACS is the agent of the Company with respect to such sales. The Company recognizes these revenues on a gross basis. Total gross sales through the agent were approximately \$33,488 and \$30,675 for the three month periods ended September 30, 2014 and 2013, respectively. Total gross sales through the agent were approximately \$85,446 and \$67,179 for the nine month periods ended September 30, 2014 and 2013, respectively. The Company's effective cost to the agent in respect of these revenues was approximately \$930 and \$986 for the three month periods ended September 30, 2014 and 2013, respectively, and approximately \$2,124 and \$2,538 for the nine month periods ended September 30, 2014 and 2013, 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 \$20,904 and \$22,214 for the three month periods ended September 30, 2014 and 2013, respectively. Total gross sales through the agent were approximately \$71,088 and \$41,879 for the nine month periods ended September 30, 2014 and 2013, 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 this lease. Rent paid on these leases was \$372 and \$389 for the three month periods ended September 30, 2014 and 2013, respectively. Rent paid on these leases was \$1,155 and \$1,161 for the nine month periods ended September 30, 2014 and 2013, 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 \$11 and \$28 for the three month periods ended

**Pivot Technology Solutions, Inc.**

*(formerly Acme Capital Corporation)*

**Notes to the unaudited interim condensed consolidated financial statements**

**Three and nine month periods ended September 30, 2014 and 2013**

*(unless otherwise noted all amounts are in thousands of U.S. dollars)*

September 30, 2014 and 2013, respectively. Rent paid on this lease was \$66 and \$83 for the nine month periods ended September 30, 2014 and 2013, respectively. This lease expired in August 2014 and was not renewed.

A subsidiary of the Company incurred \$79 and \$138 for the three month periods ended September 30, 2014 and 2013, respectively, and \$352 and \$568 for the nine month periods ended September 30, 2014 and 2013, respectively, for marketing services provided by related entities controlled by that subsidiary's chief executive officer and \$2 and \$3 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 September 30, 2014 and 2013, respectively (\$15 and \$16 for the nine month periods ended September 30, 2014 and 2013, respectively).

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

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Compensation	<b>429</b>	388	<b>1,263</b>	2,837
Termination benefits	-	-	-	500
Short-term employee benefits	<b>9</b>	20	<b>27</b>	44
	<b>438</b>	408	<b>1,290</b>	3,381