



2010 Annual Report



# Our Mission

## Changing the face of automotive retail through technology.

At Quorum, our mission is to be the very best at building and supporting the most advanced automotive Dealership & Customer Relationship Management System, and technology infrastructure, in the automotive industry to enable dealerships to streamline their operations and better serve their customers.

# Our Values

## Integrity

While our abilities are considerable, we will be realistic, honest and fair in our commitments, and above all, we will follow through.

## Respect

Our customers and our people are our greatest resources; we encourage, listen to, and value their contributions.

## Excellence

We set high standards, strive for continuous improvement in everything we do, and we exceed expectations.

## Knowledge

Understanding our customers' business processes, and the technology that supports them, is our focus.

## Empowerment

We empower our people with the resources needed to promote innovation and fresh thinking.

## Teamwork

Our success is the result of teamwork. We operate with the highest level of cooperation and trust, and will share objectives between departments.

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## President's Message



*Quorum is both an Integrated Dealership Management System (IDMS) strategic partner with General Motors Corporation (GM) and a strategic partner with Microsoft. Quorum's XSELLERATOR™ product is broadly promoted to our target dealerships throughout North America by these prominent industry partners.*

If 2009 was a year of contraction, 2010 was a year of change in the automotive industry. In 2009 a new, leaner GM organization emerged from bankruptcy protection. As part of the process it was announced that 42% of GM's franchised dealerships in both Canada and the U.S. would not have their GM franchises renewed. Prior to GM entering bankruptcy protection, over 90% of Quorum's 225 deployed dealership rooftops were GM dealerships. The impact to Quorum's customers through the last half of 2009 and 2010 was as follows:

- Although 42% of GM dealerships across North America lost their franchise in the process, only 24% of Quorum's customers were affected.
- Of the 24% affected, 28 customers changed their business model to another form of dealership still requiring Quorum's DMS, and 26 closed their businesses.
- To support the 28 customers that changed their business model, Quorum enhanced our product to support other makes and we now have GM, Isuzu, Chrysler, Hyundai, Kia, Nissan, Subaru, Saab, Suzuki, NAPA and Bumper to Bumper franchised dealership customers.
- In 2010, the Company installed 33 systems, up significantly from the seven installed in 2009 (the year the industry was in turmoil).

At the end of FY2010, Quorum had 240 installed dealership rooftops and approximately 75% of those rooftops are GM dealerships. GM's bankruptcy accelerated Quorum's movement to an "all makes" strategy. Longer term, our "all makes" strategy will continue to diversify our customer base, however, GM franchises will remain a key focus for the organization.

In 2010, the Company had a number of significant achievements as follows:

- Customer Care - our semi-annual GM IDMS customer satisfaction survey results showed that two-thirds of our Dealer Principals would definitely recommend us and the remaining one-third would likely recommend us.
- Product - we completed two new releases during the year with the highlight being version 4.7.1, that was general released in the U.S. late in 2010 and in Canada early in 2011. The V4.7.1 release contains the largest number of key enhancements in a single release in the Company's history.
- Implementations - it was an amazing achievement to scale our implementations up from seven installs in 2009 to 33 in 2010. Great people and a continual drive to improve our process facilitated this achievement. To deliver more consistent, reliable implementations for new customers, we introduced a Quorum and Dealer scorecard to ensure all key implementation deliverables are accomplished.
- Support Services - our support desk improved their responsiveness yet again. On average, we now close 74% of all support calls within 30 minutes (up from 69% in 2009) and 87% of all calls within 24 hours (up from 85% in 2009).
- Our "We've got you covered" approach to our solution offering was launched in early FY2011; however, a lot of the development and process work took place in FY2010. This is a broad program designed to ensure that we offer our customers a comprehensive set of technology services to take the worry out of running their businesses. The offering includes a suite of

network security and monitoring services as well as compliance solutions for the ever-increasing complexities of dealership Finance and Insurance (“F&I”).

- Sales – our “We’ve got you covered” marketing approach extends to sales with the recently announced groundbreaking DMS Assurance program that covers price, software and business assurance. These assurance programs include favorable contract terms for new customers including lifetime monthly price protection and all new versions of XSELLERATOR and Microsoft server technology at no additional cost. The programs provide dealerships with price predictability for their DMS services – maximum value at the best possible prices.
- Financial – in Q4 FY2010 Quorum posted our sixth consecutive cash flow positive quarter. During the year, we paid off and retired our convertible debenture, four months before its original maturity date. On December 15, 2010, the Company also entered into a demand operating line of \$525,000 with HSBC Bank.
- Employees – none of the Company’s accomplishments are possible without highly motivated, engaged people. Our sincere thanks to the people that drive Quorum. In FY2010, we started measuring our staff engagement and taking action to improve our job satisfaction and engagement throughout the Company.

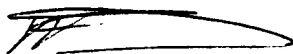
#### Key financial results summary:

- Revenues increased by 6% from \$7,268K in FY2009 to \$7,696K in FY2010. The primary reasons were an increase in both:
  - o Net new customer installations of 33 in FY2010, up from seven in FY2009.
  - o Recurring support of \$6,075K in FY2010, compared to \$5,839K in FY2009, an increase of 4%.
- Earnings before interest, taxes and amortization (EBITDA) of \$1,390K for FY2010 compared to \$1,548K in FY2009. EBITDA decreased slightly because our cost structure increased to accommodate the much higher installation rate in FY2010 compared to FY2009.
- Net income before income taxes increased to \$354K for FY2010 compared with \$93K in FY2009. Although there was a slight decline in EBITDA for FY2010, this was offset by a significantly lower non-cash foreign exchange expense which was \$163K in FY2010, down from \$458K in FY2009.
- Net income decreased to \$95K for FY2010 compared with \$236K in FY2009. This change was due to a significant increase of \$402K in non-cash future income tax expense to \$259K in FY2010 from a \$143K recovery in FY2009.

#### Conclusion

With a stronger balance sheet, an incredible product, excellent implementations and support services, exceptional staff and customers and six consecutive quarters of cash flow positive operations, the Company is well positioned to take advantage of the challenging automotive market. For our dealership customers, “We’ve got you covered”.

My sincere appreciation is extended to Quorum’s Board of Directors and to our employees and consultants who have been diligent and dedicated in their support of the Company’s goals and objectives. My thanks also extend to our investors for their long-term and continued support of Quorum.



**Maury Marks**  
**President & Chief Executive Officer**

## Financial Highlights

	Year ended December 31, 2010	Year ended December 31, 2009	Year ended December 31, 2008
<b>Gross revenue</b>	<b>\$7,695,773</b>	\$7,267,857	\$8,451,030
Cost of products and services sold	<b>3,303,450</b>	2,813,728	4,802,411
<b>Gross profit</b>	<b>4,392,323</b>	4,454,129	3,648,619
Income (loss) before interest, taxes and amortization (EBITDA)	<b>1,389,639</b>	1,548,963	(39,931)
<b>Net income (loss)</b>	<b>95,083</b>	236,045	(625,679)
Basic earnings (loss) per share	<b>\$0.002</b>	\$0.006	\$(0.016)
Fully diluted earnings (loss) per share	<b>\$0.002</b>	\$0.006	\$(0.016)
<b>Weighted average number of common shares</b>			
Basic	<b>39,298,438</b>	39,298,438	39,298,438
Diluted	<b>42,634,919</b>	39,298,438	39,298,438
XSELLERATOR installations	<b>33</b>	7	31
- in the period			
XSELLERATOR active dealership rooftops	<b>240</b>	222	226

# Management's Discussion and Analysis of Financial Condition and Results of Operations

April 28, 2011

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of the Corporation's consolidated results of operations and financial condition. This "Management's Discussion and Analysis" should be read in conjunction with the audited annual consolidated financial statements of the Corporation for the year ended December 31, 2010 and the notes thereto. Comparisons made to prior periods are to the corresponding period in the preceding year unless otherwise indicated.

## Background and Description of Business

Quorum Information Technologies Inc. ("Quorum" or the "Corporation") is an information technology company that focuses on the automotive retail business, and is incorporated under the Business Corporations Act of Alberta.

Quorum develops, markets, implements and supports its software product, XSELLERATOR™, a Dealership Management System (DMS) for the automotive market. The product is delivered to General Motors Corporation (GM), Isuzu, Chrysler, Hyundai, Kia, Nissan, Subaru, Saab, Suzuki, NAPA and Bumper to Bumper dealerships throughout North America. The Corporation is an Integrated Dealership Management System (IDMS) strategic partner with GM and both a Gold certified and a managed Independent Software Vendor (ISV) partner with Microsoft. Quorum has a large opportunity with a current market of approximately 4,000 dealerships across North America. To capitalize on this market Quorum has invested significant funds and resources.

## 2010 Overview

Quorum's key to growing profits is having a critical mass of installed dealerships that supply a recurring revenue stream, along with a well-managed fixed and variable cost structure. The automotive market went through a sharp deterioration in late 2008 through to 2010. While market conditions started to pick up in 2010, sales increased by 6% to \$7,696K in FY2010 from \$7,268K in FY2009. Gross profit has decreased slightly to \$4,392K in FY2010, from \$4,454K in FY2009, a 1% decrease. Earnings before interest, taxes, depreciation and amortization decreased to \$1,390K in FY2010 from \$1,548K in FY2009.

The Corporation continues to invest significantly in the further development of its proprietary software product, XSELLERATOR. XSELLERATOR represents the "next generation" of Dealership Management Systems for the automotive market. New investment is now more focused on development that will improve customer satisfaction, reduce support calls (and our cost of support), paid integration work through the GM IDMS contract and other Original Equipment Manufacturing (OEM) integration work. One of the highlights of FY2010 was the release of Version 4.7.1 of XSELLERATOR. This release contains the largest number of key enhancements in a single version in the Company's history.

The Corporation completed an agreement in Q1 FY2009 with the Atlantic Canada Opportunities Agency (ACOA) to provide a \$500,000 interest-free, unsecured loan to provide funding to develop version 4.7 of the XSELLERATOR system and to expand the office in St. John's, Newfoundland. As of December 31, 2009, \$475,000 was received by the Corporation. On April 14, 2010 the balance of

\$25,000 was received. This loan is to be repaid with equal installments over a five-year period with payments that commenced on July 2, 2010.

On December 15, 2010 the Corporation paid off and retired its 12% secured convertible debenture (the "Debenture"), which was to mature originally on April 15, 2011. As well, on December 15, 2010 the Corporation entered into a credit facility agreement with HSBC Bank that will allow Quorum to borrow up to \$525,000 to meet working capital requirements. The credit facility is secured by a first priority security interest in all of the Company's present and after-acquired property. As of December 31, 2010 \$Nil had been drawn on the credit facility.

Quorum's non-cash future tax expense for FY2010 was high compared to the prior year due to an adjustment in the Company's transfer pricing percentages. These changes were implemented during Q3 FY2010 for the filing of the 2009 fiscal year taxes and will be implemented in future filings. The change was made to more accurately match our transfer pricing to the true business operations. The effect was that Quorum utilized more of the high rate U.S. tax losses which resulted in a large reduction in the future tax asset and an increase in the future tax expense.

### **2010 Financial Highlights**

- **Gross revenue increased by 6%, from \$7.27 million in FY2009 to \$7.70 million in FY2010.**
- **Net income decreased from \$0.24 million in FY2009 to \$0.10 million in FY2010.**
- **Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) decreased from \$1.55 million in FY2009 to \$1.39 million in FY2010.**
- **On-going annuity XSELLERATOR software support and dealer services revenue increased by 4%, from \$5.84 million in FY2009 to \$6.08 million in FY2010.**
- **Net new and migration revenue increased by 5%, from \$1.02 million in FY2009 to \$1.07 million in FY2010.**
- **Integration revenue increased by 33%, from \$0.41 million in FY2009 to \$0.55 million in FY2010.**
- **Positive cash flow from operating activities for FY2010 increased to \$1.17 million from \$1.07 million in FY2009.**
- **Cash expenditures for FY2010 decreased to \$7.58 million from \$7.62 million in FY2009.**

**Corporation's Fiscal Year (FY) 2010 results presented on a quarterly basis compared to FY2009:**

*(Dollar figures in '000)*

<b>Year / Quarter – 2010</b>	<b>Year to date</b>	<b>Dec. 31 Q4</b>	<b>Sept. 30 Q3</b>	<b>June 30 Q2</b>	<b>March 31 Q1</b>
<b>Gross revenue</b>	\$ 7,696	\$ 1,856	\$ 1,863	\$ 2,031	\$ 1,946
<b>Gross profit</b>	4,392	1,095	1,059	1,162	1,076
<b>EBITA expenses<sup>1</sup></b>	3,002	711	733	779	779
<b>Operating income before interest, taxes, depreciation and amortization (EBITDA)</b>	1,390	384	326	383	297
<b>Net income (loss)</b>	95	(24)	(226)	330	15
<b>Net income (loss) per share</b>	0.002	(0.0006)	(0.006)	0.008	0.0003
<b>Cash flow from operating activities</b>	1,171	283	298	305	285
<b>Cash expenditures</b> (cash payments for operating and investing activities)	\$ 7,579	\$ 1,690	\$ 2,060	\$ 2,014	\$ 1,815

**KEY MANAGEMENT METRICS**

XSELLERATOR installations – in the period	33	6	8	9	10
XSELLERATOR active dealership rooftops	240	240	235	228	221

*(Dollar figures in '000)*

<b>Year / Quarter – 2009</b>	<b>Year to date</b>	<b>Dec. 31 Q4</b>	<b>Sept. 30 Q3</b>	<b>June 30 Q2</b>	<b>March 31 Q1</b>
<b>Gross revenue</b>	\$ 7,268	\$ 1,883	\$ 1,853	\$ 1,636	\$ 1,896
<b>Gross profit</b>	4,454	1,228	1,216	903	1,107
<b>EBITA expenses<sup>1</sup></b>	2,906	828	686	653	739
<b>Operating income before interest, taxes, depreciation and amortization (EBITDA)</b>	1,548	400	530	250	368
<b>Net income</b>	236	35	9	3	189
<b>Net income per share</b>	0.006	0.000	0.000	0.000	0.005
<b>Cash flow from operating activities</b>	1,066	392	332	53	289
<b>Cash expenditures</b> (cash payments for operating and investing activities)	\$ 7,623	\$ 1,742	\$ 1,849	\$ 2,072	\$ 1,960

**KEY MANAGEMENT METRICS**

XSELLERATOR installations – in the period	7	1	3	1	2
XSELLERATOR active dealership rooftops	222	222	221	224	225

<sup>1</sup> EBITDA Expenses include salaries and benefits, general and administrative and sales and marketing.

## DETAILED DISCUSSION ON OPERATING RESULTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND DECEMBER 31, 2009

### Revenue and Gross Profit Analysis

	Year ended December 31, 2010	Year ended December 31, 2009	Year ended December 31, 2008
<b>Gross revenue</b>	\$ 7,695,773	\$ 7,267,857	\$ 8,451,030
<b>Cost of products and services sold</b>	3,303,450	2,813,728	4,802,411
<b>Gross profit</b>	\$ 4,392,323	\$ 4,454,129	\$ 3,648,619
<b>Gross profit %</b>	57%	61%	43%
<b>KEY MANAGEMENT METRICS</b>			
XSELLERATOR installations – in the period	33	7	31
XSELLERATOR active dealership rooftops	240	222	226
<b>Support and other revenue</b>	\$ 6,075,033	\$ 5,839,309	\$ 5,445,627
<b>Net new and migrations</b>	1,072,050	1,017,016	2,415,344
<b>Integration</b>	548,690	411,532	590,059
<b>Gross revenue</b>	\$ 7,695,773	\$ 7,267,857	\$ 8,451,030

### Revenue

For FY2010, revenues from operations were \$7.70 million compared to \$7.27 million for FY2009, an increase of \$0.43 million or 6%.

Recurring support and other revenue increased to \$6.08 million in FY2010, compared to \$5.84 million in FY2009, an increase of \$0.24 million or 4%. The Corporation completed 33 installations during FY2010 with each now paying the recurring monthly support and services fees. By the end of FY2010 the Company had reached a record number of active dealership rooftops of 240.

Net new and migrations revenue was \$1.07 million in FY2010 compared to \$1.02 million in FY2009. Net new revenue was \$1.02 million, or 13%, of total revenue for FY2010 compared to \$0.42 million, or 6%, of total revenue for FY2009. Net new revenue improved because the Corporation completed 33 rooftop installations in FY2010 compared to seven in FY2009. Through process and cost efficiencies Quorum continues to reduce the up-front price of our solution to new customers. In FY2010 we changed our on-site installation staffing model to be much more efficient. The result is the average price of an installation was \$0.03 million in FY2010, compared to \$0.06 million in FY2009. This strategy was required because one of the key barriers to a sale is the up-front cost of the system. For FY2010, migrations revenue was \$0.05 million compared to \$0.60 million for FY2009, a decrease of \$0.55 million or 92%. Migration revenue was down due to the completion of the Microsoft SQL Server migrations project during the second quarter of FY2010.

Integration revenue for FY2010 was \$0.55 million compared to \$0.41 million in FY2009. Currently Quorum is completing two GM integration projects, and new integration projects are planned for FY2011.

## Cost of Products and Services Sold and Gross Profit

The cost of products and services includes all direct costs related to implementations and support including all the implementation, migrations, dealer services and support staff. Cost of products and services sold for FY2010 were \$3.30 million compared to \$2.81 million in FY2009 and \$4.80 million for FY2008. The increase of \$0.49 million or 17% from FY2009 to FY2010 is due to the amount of hardware and software purchased for each dealer for their system, as well as the increase in staff required for the 33 installations in FY2010 compared to the seven in FY2009 and 31 in FY2008. Due to the emphasis on efficiency gains in the implementation and support service processes, even with the Corporation's highest number of dealers being serviced to date of 240 and a similar level of installs over a fiscal year, the cost of products and services in FY2010 is down by \$1.50 million or 31% from FY2008.

During FY2010, gross profit decreased to \$4.40 million or 57% compared to \$4.45 million or 61% for FY2009 and \$3.65 million or 43% for FY2008. Gross profit is affected by the semi-fixed cost of our sales, support and implementations department salaries and by the variable, direct costs required for each net new implementation. Through our business transformation process we have made multiple process improvements to allow our system to be implemented and supported with less direct costs and with reduced staffing levels per implementation. Additionally our support revenues are much higher margin revenues than our net new installation revenue. The decrease in gross profit is the result of an increase in the number of net new installations from the two comparative years. Our gross profit, as a percentage, is down slightly in FY2010 compared to FY2009 because our lower margin implementation revenue is a higher percentage of total revenue during FY2010, as noted above.

## Expenses

	Year ended December 31, 2010	Year ended December 31, 2009	Year ended December 31, 2008
Salaries and benefits	\$ 1,591,060	\$ 1,409,804	\$ 1,816,498
Employee stock option benefits	129,620	102,442	363,161
General and administrative	1,196,911	1,260,500	1,687,696
Sales and marketing	214,713	234,862	184,356
<b>Total Expenses</b>	<b>\$ 3,132,304</b>	<b>\$ 3,007,608</b>	<b>\$ 4,051,711</b>

Total expenses before interest, taxes, amortization and foreign exchange for FY2010 were \$3.13 million or 41% of sales as compared to \$3.01 million or 41% of sales for FY2009 and \$4.05 million or 48% of sales for FY2008.

Salaries and benefits expenses for FY2010 were \$1.59 million compared to \$1.41 million in FY2009 for an increase of \$0.18 million or 13% and \$1.82 million in FY2008 for a decrease of \$0.23 million or 13% from FY2008. The change in FY2010 from FY2009 is due to an increase in current staff salaries during the year as well as the hiring of staff during early FY2010 to manage the forecasted increase in net new installations for FY2010. As well, FY2009 included \$74,718 of funding from the Atlantic Canada Opportunities Agency (ACOA) (see note 8 of the audited financial statements) that was used to subsidize Newfoundland salaries. The FY2009 expense is lower than both other fiscal years due to a reduction of staffing levels at the end of FY2008 and mid-FY2009, when forecasted installations for FY2009 were expected to be minimal, to more effectively manage operations under the economic situation in the automotive industry at that time. In FY2009, the Corporation also changed employee benefit providers to obtain more competitive rates and allow for more accurate forecasting due to a change from a self-insured, to a fully-insured plan. During FY2010, \$24,320 (\$20,998-FY2009,

\$167,820-FY2008) from a wage subsidy program provided by the Newfoundland and Labrador provincial government were used to subsidize Newfoundland salaries. These subsidies were applied as a reduction of salaries and benefits expense for the year.

Employee stock option benefits expense for FY2010 was \$129,620 compared to \$102,442 in FY2009, an increase of \$27,178 or 26% and \$363,161 in FY2008, a decrease of \$233,541 or 64%. The increase from FY2009 is due to the issuance of 396,381 options during FY2010. During FY2009, all options related to terminated staff and outgoing board members expired. On January 15, 2009, all staff stock options were cancelled and new options were issued at a price of \$0.15 per option. In FY2008, the forfeiture rate on options issued in 2007 was increased by 20%. This has reduced the expense to be recognized on these options for current and future periods. The employee stock option expense is a non-cash expense.

General and administrative expenses for FY2010 were \$1.20 million compared to \$1.26 million in FY2009 for a decrease of \$0.06 million or 5% and \$1.69 million in FY2008 for a decrease of \$0.49 million or 29%. This decrease is due to concentrated effort of management to control and reduce operating costs. Also, \$49,617 (\$Nil- FY2010) of funding from ACOA was used to subsidize some operational costs in FY2009. This subsidy was applied as a reduction of general and administrative expense for the year. FY2008 incurred additional expenses of \$31,006 from a combination of costs incurred with the development of the St. John's, Newfoundland office, as well as increased costs related to professional consulting services during the year.

Sales and marketing expenses for FY2010 were \$214,713 or 2.8% of sales compared to \$234,862 for FY2009 or 3.2% of sales and \$184,356 for FY2008 or 2.2% of sales. This decrease from FY2009 is due to additional costs being incurred in Q4 FY2009 to reestablish market strategy as the industry began to improve. In FY2008, the anticipation of a slow-down in dealer spending in the industry forced the Corporation to re-evaluate the planned expenditures on sales and marketing for the immediate future. External consulting services at that time were reduced based on that analysis of market conditions. As the industry began to improve the Corporation began to utilize additional consulting services in an attempt to capitalize on the resurging market and maintain our sales strategy. On an ongoing basis, the Corporation is also able to leverage significant benefit through the IDMS-related press in key trade publications and through the GM corporate messaging systems. This provides the Corporation with an opportunity to maximize the potential market coverage at a reduced cost.

### **Foreign Exchange**

The Corporation has a low exposure risk to realized foreign exchange gains and losses since a majority of its U.S. operations are performed through Quorum Information Technologies (US) Inc, Quorum's wholly-owned U.S. subsidiary. All transactions for this entity are performed in U.S. dollars. The Corporation does incur unrealized gains and losses on the conversion of the U.S. entity's net assets during consolidation for financial reporting. Over the last three fiscal years, the Canadian/U.S. exchange rate has fluctuated from 1.2248 at December 31, 2008, down to 1.0466 at December 31, 2009, and down again to 0.9946 at December 31, 2010. This decline has had a direct impact on the Canadian dollar value of net assets held by Quorum in the U.S. The unrealized gain/loss on the assets held was a \$172,567 loss in FY2010, a \$445,571 loss in FY2009, and a \$391,835 gain in FY2008. There were realized foreign exchange gains of \$16,958 and \$9,189 during FY2008 and FY2010 respectively and a realized foreign exchange loss of \$12,257 during FY2009.

### **Capitalization & Amortization**

During FY2010, the Corporation continued to invest significantly in the further development of its proprietary software product, XSELLERATOR. XSELLERATOR represents the "next generation" of

Dealership Management Systems (DMS) for the automotive market, and is considered one of the most advanced, fully-integrated Windows-based products in the marketplace.

Summary of software development costs capitalized during the year and related amortization for XSELLERATOR:

	December 31, 2010	December 31, 2009	December 31, 2008
<b>Software development costs capitalized</b>	<b>\$ 1,022,716</b>	\$ 1,016,098	\$ 1,305,322
<b>SR&amp;ED investment tax credits</b>	<b>\$ (344,682)</b>	\$ (968,460)	\$ -
<b>Provincial portion of SR&amp;ED refund</b>	<b>\$ (164,523)</b>	\$ (203,303)	\$ -
<b>Amortization of software development costs</b>	<b>\$ 325,200</b>	\$ 400,240	\$ 244,885

All research and development costs are expensed as incurred unless they satisfy the generally accepted accounting criteria for deferral and subsequent amortization. As noted above, the Corporation continues to conduct ongoing research and development towards the improvement of XSELLERATOR and has capitalized payroll costs of \$849,214, net of funding from ACOA of \$28,476, and direct overheads of \$173,502 for a total of \$1,022,716 in FY2010 compared to \$849,560, net of funding from ACOA of \$86,627 and the Newfoundland and Labrador provincial government of \$36,964, of capitalized payroll costs and direct overheads of \$166,538 in FY2009 for a total of \$1,016,098 and compared to \$1,136,860 of capitalized payroll costs and direct overheads of \$168,462 in FY2008 for a total of \$1,305,322. Investment tax credits of \$218,944 and \$125,738 from the respective FY2008 and FY2009 Scientific Research and Experimental Development (SR&ED) claims were reallocated from software development costs to the investment tax credit asset during the year (FY2009- \$968,460, representing \$580,940 for FY2006 and \$387,520 for FY2007 SR&ED claims, FY2008-\$Nil) due to a required reclassification based on the approval of the claim by Canada Revenue Agency. Also, the provincial portion of these SR&ED claims entitled the Corporation to a cash refund of \$78,858 for FY2008 and \$85,665 for FY2009. Both refunds were recognized as a reduction of capitalized software during FY2010.

XSELLERATOR is a leading-edge product in the automotive DMS field and the Corporation intends to maintain this lead through continued investment in the product. The Corporation has continued its development efforts as it prepares to roll out additional features and functionality and more and improved integration points with the manufacturers. The outlook is to maintain the level of investment for FY2011, with a continued focus on improving XSELLERATOR for greater customer satisfaction and to reduce calls (and our cost of support), as well as continue with paid integration work through the GM IDMS contract and other manufacturer integration work.

Amortization on the software development costs for FY2010 decreased to \$325,200 as compared to \$400,240 for FY2009, a \$75,040 decrease, and \$244,885 for FY2008, an \$80,315 increase. As per the amortization policy of the Corporation, 20% of the sale value of the XSELLERATOR software licenses sold is amortized each period. XSELLERATOR licenses are sold to net new customers, through migrations activity and to existing customers for added users. In FY2008, Quorum had 31 net new installations, compared to seven in FY2009 and 33 in FY2010. Offsetting the net new trend was Quorum's SQL Server migration project which ended early in FY2010 resulting in a significant drop in amortization. A third factor was the installation of an internally developed Licenses Watcher application that was deployed early in FY2009, that drove added user license revenue and increased amortization in both FY2009 and FY2010.

The Corporation invested \$8,023 in computer software, leasehold improvements and other capital assets during FY2010, compared to \$8,903 in FY2009 and \$81,416 in FY2008. During FY2010 and

FY2009, the emphasis on cost management, and the changes in staff levels, reduced the need for additional equipment to operate. In FY2008, the Newfoundland office was established which created capital costs in leasehold improvements and operating equipment.

Amortization on the capital assets was \$81,674 in FY2010, compared to \$110,823 in FY2009 and \$261,755 in FY2008. The reduction in amortization over the three years is due to the fact that the computer software additions incurred in FY2006 and FY2007 are amortized at a 100% rate. Therefore these additions were fully expensed over FY2006 to FY2008. From FY2010 compared to FY2009, the amortization decreased by \$29,149 or 26%. With additions for each fiscal year approximately the same, this decrease is consistent with the amortization policy in that the computer hardware and office and equipment currently held has an average amortization rate of approximately 25%. Leasehold improvements for the Deerfoot and Currie offices were removed from capital assets during FY2010 as these offices are no longer in use by the Corporation.

### Net Income, EBITDA and Earnings per Share

	December 31, 2010	December 31, 2009	December 31, 2008
<b>EBITDA</b>	<b>\$ 1,389,639</b>	\$ 1,548,963	\$ (39,931)
<b>Net income (loss)</b>	<b>\$ 95,083</b>	\$ 236,045	\$ (625,679)
<b>Earnings (loss) per share</b>			
- Basic	\$ 0.002	\$ 0.006	\$ (0.016)
- Diluted	\$ 0.002	\$ 0.006	\$ (0.016)
<b>Weighted average number of common shares</b>			
- Basic	39,298,438	39,298,438	39,298,438
- Diluted	42,634,919	39,298,438	39,298,438

EBITDA for FY2010 was \$1,389,639 or \$0.035 per share compared to \$1,548,963 or \$0.039 per share for FY2009 and \$(39,931) or \$(0.001) per share for FY2008. This is a \$159,324 decrease from FY2009 and a \$1,429,570 increase over the last three fiscal years.

Net income for FY2010 was \$95,083 or \$0.002 per share, compared to net income of \$236,045 or \$0.006 per share for FY2009 and a net loss of \$(625,679) or \$(0.016) per share for FY2008. This is a \$140,962 decrease from FY2009 and a \$720,762 increase over the last three fiscal years.

### Total Assets

	December 31, 2010	December 31, 2009	December 31, 2008
<b>Total assets</b>	<b>\$ 16,457,323</b>	\$ 17,690,488	\$ 17,612,706

Total assets at December 31, 2010 were \$16.5 million compared to \$17.7 million at December 31, 2009 and \$17.6 million at December 31, 2008. The decrease of total assets of the Corporation of 7.4% in FY2010 and the increase of 0.4% in FY2009 is due to the net effect of the following elements:

1. Current assets decreased by \$1,293,645 from FY2009 due mainly to the retirement of a \$1,500,000 secured convertible debenture. The remaining increase is largely the result of the operating, financing, and investing activities of the Corporation's cash during the year. Current assets increased \$255,798 from FY2008 to FY2009 due to increased recurring support fees, improvements in cash management, collections and inventory controls.

2. Software development costs and investment tax credits increased by \$532,389 from FY2009 and \$288,966 from FY2008. The continuous investment by Quorum into the software system year over year has increased the value of the asset and/or provided investment tax credits with regards to the research being performed.
3. Software licenses held for resale have been amortized by \$5,767 for FY2010 and \$69,198 for both FY2009 and FY2008 respectively. The Software licenses have been fully amortized as of December 31, 2010.
4. Property and equipment decreased to \$261,497 at December 31, 2010, from \$335,148 at December 31, 2008 and \$475,059 at December 31, 2008, a difference of \$213,562 over the three years. This decrease is due to a combination of additions of \$16,926, disposals of \$37,991, and amortization of \$192,497 over the years.
5. Future income tax assets decreased by \$392,491 from FY2009 due to the following reasons: the Corporation has been generating taxable income in the last two fiscal years which has created the need for the Corporation to utilize its loss carry-forwards and capital cost allowances that make up the tax asset to reduce the taxable income; the value of the future income tax assets held by the U.S. entity, Quorum Information Technologies (US) Inc. has declined over the last two fiscal years due to the decline in the value of the U.S. dollar; and during the year the pricing for related company transactions was changed to more accurately match our transfer pricing to the true business operations. The more accurate transfer pricing has caused more of Quorum's U.S. tax losses to be utilized which has reduced the future tax asset for the U.S. entity.

## LIQUIDITY AND FINANCIAL RESOURCES

	December 31, 2010	December 31, 2009	December 31, 2008
<b>Current assets</b>			
Cash	\$ 137,410	\$ 1,343,782	\$ 706,803
Accounts receivable	1,103,768	1,200,435	1,559,288
Inventory	8,553	2,377	24,204
Prepaid expenses	91,676	88,458	88,959
	<b>1,341,407</b>	<b>2,635,052</b>	<b>2,379,254</b>
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	502,209	517,984	1,108,477
Deferred revenue	157,332	229,698	191,976
Current portion of long-term debt	41,557	27,940	83,931
Deferred government assistance	-	15,900	-
	<b>701,098</b>	<b>791,522</b>	<b>1,384,384</b>
<b>Net working capital</b>	<b>\$ 640,309</b>	<b>\$ 1,843,530</b>	<b>\$ 994,870</b>

Net working capital at December 31, 2010 was \$640,309 compared to \$1,843,530 at December 31, 2009, a decrease of \$1,203,221. The current ratio at December 31, 2010 was 1.91 compared to 3.33 at December 31, 2009. The decrease from the prior year of \$1,203,221 is mainly due to the repayment of the \$1,500,000 secured convertible debenture during FY2010, the reduced deferred revenue of \$72,366 from FY2009, and the operating cash generated during the year. Quorum paid off and retired the convertible debenture four months before its original maturity date. Had the convertible debenture been retired at its original maturity date, cash would have increased from the prior year by \$293,628.

On March 31, 2009, the Corporation completed an agreement with the Atlantic Canada Opportunities Agency (ACOA) to provide a \$500,000 interest-free, unsecured loan to provide funding to develop

version 4.7 of the XSELLERATOR system and to expand the office in St. John's, Newfoundland. As of December 31, 2010, \$500,000 had been received and \$17,126 had been paid on the principal balance.

Generally, credit and equity markets have continued to improve over the last two years. However, in the event that the Corporation's lender is unable to or chooses not to fund, it would impair Quorum's ability to operate until alternative sources of financing were obtained as access to the operating line funding is critical to the effective execution of Quorum's business plan. To date, Quorum has not experienced any funding issues under its debt facilities.

At the time of the release of this MD&A, management is satisfied that Quorum has sufficient liquidity and capital resources to meet the long-term payment obligations of its outstanding loans. Quorum assesses its requirements for capital on an ongoing basis and there can be no guarantee that Quorum will not have to obtain additional capital to finance the expansion plans of the business or to finance future working capital requirements. The volatility in the financial markets since mid-2008 has impacted the availability of both credit and equity in the marketplace. Although financial markets have improved over the last year and a half, in the event that it is required, it may be difficult to issue additional equity or increase credit capacity and the cost of any new capital may exceed historical norms and/or impose more stringent covenants and/or restrictions on the Corporation. As a result, there has been a greater emphasis on evaluating credit capacity, credit counterparties, and liquidity by Quorum to ensure its ability to be able to meet its ongoing commitments and obligations.

### **Cash Flows**

The Corporation's cash balance decreased by \$1,206,372 in FY2010 compared to an increase of \$636,979 in FY2009.

Cash flows from operating activities were \$1,171,192 in FY2010 compared to \$1,065,997 in FY2009, an increase of 10%. This is due to the continued focus on cash management in all areas of the business, along with increased recurring cash being generated from the support fees on the new installations during the year.

Cash flows from financing activities were negative \$1,346,825 in FY2010 compared to \$595,983 in FY2009. During the year, \$164,523 was received from the Canada Revenue Agency for the refundable provincial portion of the 2008 and 2009 SR&ED claims that were approved during the year compared to \$203,303 approved in FY2009 from the 2006 and 2007 SR&ED claims. \$1,536,348 of loan repayments were made in FY2010. The loan repayments consisted of \$19,222 pursuant to a software license agreement and a loan agreement both entered into in early 2006, \$17,126 pursuant to a loan agreement entered into in 2009, and \$1,500,000 pursuant to a convertible debenture agreement entered into in early 2008. Final payment of the software license agreement loan and full payment of the convertible debenture were made in FY2010.

The Corporation has a strong commitment to continually enhance and improve XSELLERATOR and invested \$1,022,716 in product development in FY2010. The Corporation invested a further \$8,023 for computer software, leasehold improvements and other capital assets, for net outflow of cash related to investing activities of \$1,030,739.

### **Current Liabilities**

Accounts payable and accrued liabilities were \$502,209 at December 31, 2010 compared to \$517,984 at December 31, 2009, a decrease of \$15,775 or 3%. The emphasis the Corporation has put on managing cash flow has improved purchasing methods and approval processes.

Deferred revenue at December 31, 2010 was \$157,332 compared to \$229,698 at December 31, 2009. The deferred revenue calculation is for GM IDMS dealerships for support fees pertaining to January 1<sup>st</sup> to 19<sup>th</sup>, 2010. During FY2010, 22 dealerships that were GM IDMS dealers did not have their GM franchise agreement renewed. These dealerships continued to utilize XSELLERATOR to operate their non-GM business. Non-GM IDMS dealers are not included in the deferred revenue calculation as their support coverage is on a calendar monthly basis.

## Long-term Liabilities

	December 31, 2010		December 31, 2009		December 31, 2008	
	CDN\$	US\$	CDN\$	US\$	CDN\$	US\$
ACOA financing	\$ 300,243	\$ -	\$ 277,685	\$ -	\$ -	\$ -
Convertible debt	-	-	1,377,883	-	1,294,162	-
Software financing	-	-	-	-	4,637	-
Central Consulting	34,251	-	-	-	-	-
	<b>334,494</b>	-	1,655,568	-	1,298,799	-
Payable in U.S. dollars:						
Software licensing	-	-	10,813	9,900	91,418	74,651
	<b>334,494</b>	-	1,666,381	9,900	1,390,217	74,651
Due within one year	<b>41,557</b>	-	27,940	9,900	83,931	64,751
<b>Total Long-term Liabilities</b>	<b>\$ 292,937</b>	<b>\$ -</b>	<b>\$1,638,441</b>	<b>\$ -</b>	<b>\$1,306,286</b>	<b>\$ 9,900</b>

On March 31, 2009, the Corporation completed an agreement with the Atlantic Canada Opportunities Agency (ACOA) to provide a \$500,000 interest-free, unsecured loan to provide funding to develop version 4.7 of the XSELLERATOR system and to expand the office in St. John's, Newfoundland. As of December 31, 2010, \$500,000 was received. The loan is recognized as \$300,243 of which \$41,557 is current principal due within the next 12 months. The fair value is \$249,218 with accredited interest of \$68,151 and principal repayments of \$17,126. Repayment of the loan commenced on July 2, 2010 at \$8,333 per month, including accredited interest, over five years.

On December 15, 2010 the Corporation repaid in full a \$1.5 million secured convertible debenture ("the Debenture"). The Debenture was issued on April 15, 2008 and was secured by a fixed and floating charge on all assets of the Company. The Debenture incurred interest at a rate of 12% per annum, payable monthly in arrears, and was scheduled to mature April 15, 2011. The Debenture was convertible any time prior to maturity, at the Debenture holders' option, into common shares of Quorum Information Technologies Inc. at a price of \$0.55 per common share, equating to 2,727,272 common shares. In exchange for agreeing to the early retirement of the Debenture, the Corporation amended the warrants available to the Debenture holders. The exercise price of the warrants was reduced to \$0.18 per Quorum share from their original price of \$0.55. In accordance with the rules of the TSX Venture Exchange, the exercise period for the warrants will be reduced to 30 days in the event that for any ten consecutive trading days the closing price of Quorum common shares on the TSX Venture Exchange exceeds \$0.225.

In FY2006, Quorum entered into six capital lease agreements for computer hardware and two financing agreements for computer software and software licenses. All capital leases had expired as of the end of

FY2008 and one of the financing loans expired in Q1 FY2009. The loan was paid in full as of Q1 FY2010.

During FY2010, interest on long-term debt was \$303,221 compared to \$243,055 in FY2009 and \$171,403 in FY2008. The increase of \$60,166 in FY2010 from the prior year is mainly due to non-cash interest from loan accretion on both the Debenture and the ACOA loan. The increase in FY2010 and FY2009 compared to FY2008 relates to the convertible debenture issued in April FY2008.

During FY2009, Quorum entered into an agreement with Central Consulting Services Inc. to prepare the Scientific Research & Economic Development (SRED) claim for the years ending December 31, 2007, December 31, 2008, and December 31, 2009. The amount of \$73,159, recorded at a fair value of \$34,251, is not payable until the Corporation is in a position to utilize the SRED Investment Tax Credits (ITCs). The Corporation does not expect to utilize those ITCs until at least the year ended December 31, 2015 as it will use its loss carry forwards and Capital Cost allowances in full before using the ITCs.

On March 11, 2011 the Corporation completed an agreement with the Newfoundland and Labrador Department of Business to provide funding, up to a maximum of \$500,000, to increase staffing levels in Newfoundland and Labrador and expand the office in St. John's. The increase in the number of employees is required in order to achieve the high growth model that the Corporation has planned for 2011. A portion of the loan, \$172,000, will be forgivable to the Corporation dependent on the Corporation meeting certain requirements. The balance of the loan, \$328,000, is to be repaid over a four-year term starting in December, 2012.

### **Share Capital**

There has been no change in the outstanding shares of the Corporation since December 31, 2008. Note 12 of the December 31, 2010 audited consolidated financial statements of the Corporation provides further details on share capital.

During the year, 396,381 stock options were granted to staff, management and board members with a weighted average price of \$0.12. The options have a maximum term of five years and no more than one-third of the stock options granted to any one individual shall vest in any twelve-month period. During FY2010, 64,400 stock options with a weighted average price of \$0.15 expired.

## **DETAILED DISCUSSION ON OPERATING RESULTS FOR THE QUARTERS ENDED DECEMBER 31, 2010 AND DECEMBER 31, 2009**

### **Revenue**

For Q4 FY2010, revenues from operations were \$1.86 million compared to \$1.88 million for Q4 FY2009, a decrease of \$0.02 million or 1%. During the quarter, although six new installations were completed compared to one new installation in the same period of FY2009, the timing of the phase billings has caused the revenue for the initial phases of some of the implementations to be recognized in a prior period than the actual "Go Live" of the new dealer. The "Go Live" date is the point of recognition of the installation being complete. Also, with the completion of the migration project during the year, Net New, Integration and Migration revenue for Q4 FY2010 was \$0.26 million, compared to \$0.45 million, down by \$0.19 million from Q4 FY2009. Support revenue was \$1.59 million in Q4 FY2010 compared to \$1.42 million in Q4 FY2009, up by approximately \$0.17 million due to the additional dealers installed during FY2010.

EBITDA in Q4 FY2010 was \$0.38 million or \$0.01 per share compared to \$0.40 million or \$0.01 per share for Q4 FY2009. The decrease of \$0.02 million is due the increase in costs associated with accommodating the much higher installation rate in FY2010 compared to FY2009.

### **Cost of Products and Services Sold and Gross Profit**

For Q4 FY2010, gross profit was \$1.10 million compared to \$1.23 million for Q4 FY2009, a decrease of \$0.13 million or 11%. Although the revenue from all sources increased by \$0.60 million, as noted above, the additional product costs for the installations, and the required increase in staffing to perform the implementations created direct cost of sales of \$0.76 million for Q4 FY2010 compared to \$0.65 million in Q4 FY2009, an increase of \$0.11 million or 17%.

### **Expenses**

Total expenses before interest, taxes, amortization, stock-based compensation and foreign exchange for Q4 FY2010 were \$0.71 million or 38% of sales as compared to \$0.69 million or 36% of sales for Q4 FY2009.

Salaries and benefits expenses for Q4 FY2010 were \$0.41 million compared to \$0.50 million in Q4 FY2009 for a decrease of \$0.09 million or 18%. An annual increase in base salaries had increased the expense by approximately \$0.01 million compared to Q4 FY2009 but the overall reduction of the expense is the result of the following: an approximate \$0.06 million reallocation of employee benefits to salaries in Q4 FY2009 from general and administration expenses relating to Q1-Q3 FY2009 to more accurately present the balances; and time of various management staff on installation and project work that were recognized as cost of sales during the quarter of approximately \$0.04 million.

Employee stock option benefits expense for Q4 FY2010 was \$0.03 million compared to \$0.11 million in Q4 FY2009, a decrease of \$0.08 million or 73%. Additional expenses were recognized in Q4 FY2009 to account for expenses relating to vested options that had expired during the year. The employee stock option expense is a non-cash expense.

General and administrative expenses for Q4 FY2010 were \$0.26 million compared to \$0.25 million in Q4 FY2009 for an increase of \$0.01 million or 4%. The adjustment in Q4 FY2009 relating to the employee benefits of approximately \$0.06 million, as noted above, provides information that the actual general and administrative expenses for Q4 FY2010, based on regular operations, increased by approximately \$0.06 million or 30%. During the quarter there were additional, one-time professional and legal fees incurred with regards to the repayment of the convertible debenture but the overall continued emphasis on cost controls enabled the corporation to maintain a reasonable level of operating costs for the period.

Sales and marketing expenses for Q4 FY2010 were \$0.05 million or 2.5% of sales compared to \$0.07 for Q4 FY2009 or 3.7% of sales. This decrease is due to additional costs being incurred in Q4 FY2009 to reestablish the market strategy as the industry began to improve at that time.

### **Income Summary**

Net income for Q4 FY2010 was \$(24,576) compared to \$35,088 for Q4 FY2009, a decrease of \$59,664. The reduction in net income is a result of the Corporation incurring a future tax expense of \$93,149 in Q4 FY2010 compared to a \$40,289 tax expense in Q4 FY2009. The use of loss carry-forwards from prior years to reduce taxable income to zero, the reduction in the future tax rates used to calculate the value of the remaining tax assets in Canada due to a declining provincial rate in both Alberta and Newfoundland, and the decline in the U.S. foreign exchange rate all contributed to a future tax expense incurred in Q4 FY2010.

## **Foreign Exchange Loss**

The change in the Canadian/U.S. exchange rate since September 30, 2010, applied to Quorum's U.S. denominated net assets, resulted in a foreign exchange loss of \$0.12 million for Q4 FY2010.

## **Capitalization & Amortization**

During Q4 FY2010, the Corporation continued to invest significantly in the further development of its proprietary software product, XSELLERATOR. The Corporation continues to conduct ongoing research and development towards the improvement of XSELLERATOR and has capitalized payroll costs of \$202,890 and direct overheads of \$50,101 for a total of \$252,991 in Q4 FY2010 compared to \$182,605, net of ACOA funding of \$30,120, of capitalized payroll costs and direct overheads of \$39,307 in Q4 FY2009 for a total of \$221,912.

Amortization for Q4 FY2010 increased to \$65,260 as compared to \$19,680 for Q4 FY2009. This increase is due to the fact that there were six net new installations completed during Q4 FY2010 compared to one in Q4 FY2009. Also, the migration project was close to completion by the end of Q3 FY2010, causing very few user licenses to be sold in Q4 FY2009.

## **LIQUIDITY AND FINANCIAL RESOURCES**

Net working capital at December 31, 2010 was \$640,309 compared to \$1,843,530 at December 31, 2009, a decrease of \$1,203,221. The current ratio at December 31, 2010 was 1.91 compared to 3.33 at December 31, 2009. The decrease is a result of the positive cash flow generated from increased support fees and cost management, and the repayment of the convertible debenture, noted above, during the quarter. The other items stayed reasonably the same due to the fact that payables and receivables are being effectively managed and consistently current. The structure of the collection agreement with GM on GM receivables enables the Corporation to maintain a relatively current and consistent accounts receivable balance overall.

## **Cash Flows**

The Corporation's cash balance decreased by \$1,492,498 in Q4 FY2010 compared to increase of \$420,218 in Q4 FY2009. During Q4 FY2010, Quorum paid \$1,500,000 to completely extinguish its convertible debenture. During Q4 FY2009 Quorum received an additional \$294,229 from outside direct operations: \$203,303 through the approval of the 2006 and 2007 SR&ED claims, and \$90,926 received from ACOA. Had the convertible debenture been paid in full at the original maturity date, April 2011, the cash balance would have been approximately \$1,637,410, an increase of \$293,628.

Cash flows from operating activities were \$283,288 in Q4 FY2010 compared to \$392,637 in Q4 FY2009. While Q4 FY2010 had six net new installations compared to one during Q4 FY2009, the timing of the phase billings caused the revenue for the initial phases of some of the implementations to be recognized in a different period than the actual "Go Live" of the new dealer. In addition, with the completion of the migration project during the year, Net New, Integration and Migration revenue has decreased by \$0.19 million from Q4 FY2009. As well, the additional product costs for the installations and the required increase in staffing to perform the implementations increased direct cost of sales by \$0.11 million.

## **Share Capital**

There were no stock options issued during Q4 FY2010 compared to Q4 FY2009 where 96,000 stock options with an exercise price of \$0.16 were issued to staff. During the quarter, no options were exercised and 7,700 options expired.

## **Material Contracts & Commitments**

Subsequent to December 31, 2010, the Corporation completed an agreement with the Newfoundland and Labrador Department of Business, on March 11, 2011, to provide funding, up to a maximum of \$500,000, to increase staffing levels in Newfoundland and Labrador and expand the office in St. John's. The increase in the number of employees is required in order to achieve the high growth model that the Corporation has planned for 2011. A portion of the loan, \$172,000, will be forgivable to the Corporation dependent on the Corporation meeting certain requirements. The balance of the loan, \$328,000, is to be repaid over a four-year term starting in December, 2012.

On March 31, 2009 the Corporation completed an agreement with the Atlantic Canada Opportunities Agency (ACOA) to provide a \$500,000 interest-free, unsecured loan to provide funding to develop version 4.7 of the XSELLERATOR system and to expand the office in St. John's, Newfoundland. As of April 14, 2010 the full amount of the loan was received. This loan is to be repaid with equal installments over a five-year period with payments that commenced on July 2, 2010.

On June 7, 2007 the Corporation entered into a wage subsidy agreement with the provincial government of Newfoundland and Labrador. The agreement entitles the Corporation to an 8% subsidy of all gross payroll costs, including benefits associated with Newfoundland and Labrador employees for a period of five years. The Corporation must maintain a minimum of 35 full time positions during each reporting period to receive this subsidy. As of the date of this MD&A, 37 full time positions were maintained by the Corporation in Newfoundland and Labrador.

Effective January 3, 2006 the Corporation was named an IDMS supplier on behalf of GM throughout North America. This contract required the Corporation to expand operations and capabilities to meet the requirements of an expanded North American customer base.

During FY2006, the Corporation entered into six capital lease agreements for computer hardware and two financing agreements for computer software and software licenses. The maturity dates of these obligations range from December, 2007 to February, 2010. As of December 31, 2010 all capital leases and financing agreements were fully repaid.

## **Critical Accounting Policies**

The selection and application of accounting policies is an important process that has developed as the Corporation's business activities have evolved and as accounting rules have changed. The Corporation prepares its financial statements in accordance with Canadian generally accepted accounting principles (GAAP) as published by the Canadian Institute of Chartered Accountants. Following GAAP involves the implementation and interpretation of existing rules and the use of judgment relative to the circumstances existing in the Corporation's business. Every effort is made to comply with GAAP, and the Corporation believes the proper implementation and consistent application of GAAP is critical.

The Corporation's significant accounting policies are described in detail in Note 2 to the FY2010 audited consolidated financial statements.

## **International Financial Reporting Standards**

On February 13, 2008, the Canadian Accounting Standards Board (“AcSB”) confirmed that effective for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011, International Financial Reporting Standards (“IFRS”) will replace Canada’s current Generally Accepted Accounting Principles for all publicly accountable profit oriented enterprises. Quorum has commenced planning the transition from the current Canadian GAAP to IFRS. The project team is led by the CFO to oversee and manage the transition. As necessary, representatives from other areas of the organization are being included as part of the team as well as external advisors to assist with the project.

The IFRS transition project consists of three phases: initial assessment, detailed assessment and design, and implementation. Quorum is currently in the third phase. The first phase involved the completion of an initial review of the major differences between current Canadian GAAP and IFRS and their impact to the existing account balances of Quorum, development of a project timeline, and a review of IFRS 1 transition exemptions. The second phase is the detailed assessment and design phase and involved completing a comprehensive analysis of the impact of the IFRS differences identified in the initial assessment. The implementation phase is the third phase and will involve executing the required changes to business processes, financial systems, IT systems, accounting policies, disclosure controls, and internal controls over financial reporting. As Quorum’s business is not overly complex from an accounting standpoint, it is expected that minimal changes will be required to business processes, financial systems, and IT systems in 2010 in order to complete the transition to IFRS. These minor changes have been implemented in FY2010.

There are a number of areas where differences between Canadian GAAP and IFRS exist, which may result in changes to Quorum’s accounting policies and financial reporting as a result of the transition to IFRS. Quorum has focused on the key areas described below where the transition could have a material impact on its financial statements. Management is still determining the full effects of the transition, and at this stage, has not finalized all of the specific calculations quantifying the impact of the changes on the financial statements. The following comments should not be regarded as a complete list of changes that will result from the transition to IFRS and are intended only to highlight those areas that the Corporation believes may be the most significant.

The first area of significance potentially impacting Quorum’s results under IFRS relates to the valuation of intangible assets, specifically software development costs. In contrast to Canadian GAAP, IFRS has more conservative standards regarding impairment, qualifying rules for capitalization of software development costs and amortization of software development costs. At this stage, we have not finalized the calculation of the software development cost adjustment and the effect on Quorum’s financial statements. The Company anticipates that the impact will be material and may result in a significant future write down of intangible assets.

The second area of significance impacting Quorum relates to the recognition of share-based compensation and payments. When recognizing share-based payment expenses, Canadian GAAP and IFRS differ in the timing and, potentially, the amount of expense recognition. At this stage, we have not finalized the calculation of the share-based payment adjustment and effect on Quorum’s financial statements. The Company does not anticipate this impact to be material.

As a general rule, adopting companies are required to apply IFRS retrospectively, with prior period adjustments made against opening retained earnings on the opening balance sheet. However, IFRS 1 provides a number of exemptions from full retrospective application of IFRS. Based on management’s analysis of the various accounting policy choices available, the IFRS 1 elections most relevant to Quorum are as follows:

- Deemed Cost – Management expects that it will not use fair value but historic amortized cost at January 1, 2010 as the deemed cost in respect of Quorum’s property and equipment and Software Development Costs.
- Share-Based Payments – Management has elected not to restate the stock-based payment expense for share-based payments granted and vested prior to January 1, 2010.

As the review of accounting policies to be adopted is completed, appropriate changes to ensure the integrity of internal control over financial reporting and disclosure controls and procedures will be made. For example, changes in accounting policies could result in additional controls or procedures being required to address reporting of first time adoption as well as ongoing IFRS reporting requirements. At this point, Quorum has not implemented the adoption of any new accounting policies. If a new policy differs significantly from an existing policy, additional controls will be designed and implemented to ensure that the recorded balance is fairly stated at each reporting period.

Regular reporting on progress of the IFRS transition project is provided to Quorum’s senior executive management team and to the Audit Committee of the Board of Directors.

## Outlook

The automotive dealership market has traditionally implemented older, character-based technology for its in-house systems. However, in recent years the auto manufacturers have worked towards developing numerous new electronic interfaces between their systems and the auto dealerships’ systems. As a Windows-based, fully-integrated product, XSELLERATOR is one of the most technologically advanced software products in the DMS field, and as such, is better able to implement the new electronic interfaces more quickly and effectively than its competitors that utilize older technology. The Corporation anticipates that there will be a considerable amount of demand from the auto dealership industry to upgrade to the latest technology, and for companies that utilize new technology in order to electronically interface with the auto manufacturers. This provides a unique opportunity for the Corporation to market its XSELLERATOR product both at the dealership and the manufacturer level.

The Corporation believes that its success depends largely upon the following factors:

- Financial health of the automotive industry including dealerships and manufacturers.
- Sales, installations and support of the Corporation’s XSELLERATOR product.
- Continued enhancements and upgrades contained in the new version releases of the Corporation’s proprietary software product, XSELLERATOR.
- The ability of the Corporation to attract and retain top quality people.
- The ability of the Corporation to attract and leverage quality business partners to help accelerate the Corporation’s growth and penetration into the expanding marketplace.
- Development of business processes and standardization of those processes, to facilitate the implementation and support of XSELLERATOR on a global scale.
- Building and maintaining positive relationships with the automotive manufacturers, and in particular GM Canada and GM U.S. through the IDMS contract.
- Continued financial support from the Atlantic Canada Opportunities Agency (ACOA) and the Newfoundland and Labrador provincial government.
- Continued access to capital to fund growth and meet debt repayment obligations which cannot be funded from internal sources.

Management expects sales from its suite of DMS software products will continue to grow over the next several years. Management is committed to enhancing its market share in the DMS software market in both Canada and the U.S. However, it is difficult to forecast the Corporation’s sales and market share

with precision due to factors such as: the nature of the automotive industry; acceptance of XSELLERATOR; the overall sales cycle; and the continued support of GM and approvals from other auto manufacturers.

### **Forward-Looking Statements**

Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions and the Corporation's actual results may differ materially from those anticipated in these forward-looking statements. Factors which may cause such differences include, but are not limited to those set forth under "Business Risks". The Corporation does not take any obligation to release any public information of the results of any revision to these forward-looking statements, which may be made to reflect events or circumstances occurring in the future, except as required by securities regulations.

### **Business Risks**

The Corporation faces key risks, including adequacy of capital and/or cash flow to pursue its business plan objectives, reliance on relatively few key suppliers and customers, and the emergence of superior competing technologies. This list is not intended to be exhaustive, but merely to communicate to shareholders certain key risks faced by the Corporation in its business.

### **Liquidity Risk**

The Corporation has achieved six consecutive quarters of positive cash flow from operations. On December 15, 2010, Quorum paid off and retired our convertible debenture four months before its original maturity date. With early repayment of the debenture, interest payments of approximately \$15,000 per month will not be incurred going forward. To the end of March 2011, the Company's experience is that the \$525,000 HSBC line of credit is drawn upon during the month and fully repaid by the end of each month.

### **Customer Concentration Risk**

Although the Corporation has been expanding its coverage of various dealership brands, a significant portion of its business is conducted with General Motors Corporation and its dealerships in both Canada and the U.S. Prior to GM entering bankruptcy protection on June 1, 2009, over 90% of Quorum's 225 deployed dealership rooftops were GM dealerships. At that time, approximately 24% of Quorum's GM dealership customers received notifications that their franchises would not be renewed at the end of 2010. Of the 24% affected, 28 dealerships changed their business model to another form of dealership still requiring the Corporation's DMS. The remaining 26 have closed their businesses. In 2011, management estimates that less than 2% of our dealership rooftops may close their businesses.

At the end of 2010 approximately 75% of Quorum's customers were GM dealerships. Quorum's product strategy has moved to a much stronger focus on new OEM business partners, with the intention of expanding the system to support other makes. Over time, this strategy will continue to diversify our customer base; however, GM franchises will remain a key focus for the organization. It is important to Quorum's success for GM to continue to make significant progress on its North American and International business plan.

Equally important is that GM continues its strong support of the GM IDMS program. Based on this program, Quorum receives support payments directly from GM, and not the dealers.

The risk of GM going back into bankruptcy is considered low because the U.S. government has invested heavily in GM and now owns a significant percentage of GM. It is important to note that during the 2009 Chapter 11 bankruptcy, Quorum was deemed a "critical vendor" and received all

support payments. Finally, if Quorum could not collect payments from GM, Quorum is entitled to go directly to the dealers which use the system to collect these support fees on a go-forward basis.

### **Server Reliability Risk**

Quorum's XSELLERATOR product operates on a server that is installed at each dealership. Server up-time, data backup, virus protection and disaster recovery are critical to our customers and Quorum. To ensure the highest level of continuity of service for our customers Quorum has deployed:

- Rigorous installation and migration procedures to ensure server consistency.
- Strong change control, including automated tools to manage many of our changes, on all dealership servers to maintain server consistency.
- Approved application lists and related controls, to ensure that applications follow a testing process before they are installed on dealership servers.
- Servers with both redundant hard drives and power supplies.
- Support agreements with our hardware providers to supply 24 hour support – seven days a week. Typically the service agreements also have four-hour response times.
- Web-based backup services that are monitored by a Server View application built by Quorum
- Anti virus protection that is monitored by Server View.
- A Disaster Recovery environment located at Quorum's Calgary office. This is an optional service that dealerships can subscribe to.

Server downtime and lost data cost our customers in terms of lost productivity and results in a financial impact to our customers. Although Quorum cannot guarantee continuity of service, we have taken numerous steps to help protect our customers.

Quorum attempts to mitigate these risks through various strategic and operating mechanisms such as ongoing research and development to maintain XSELLERATOR's position as one of the most advanced products in the automotive DMS field, fair and equitable compensation and workplace policies, flexibility in operational decision making, review and discussion of competitors' policies to maintain market advantage, and ongoing interaction with both debt and capital markets. Management believes these strategies reduce the Corporation's business risk to an acceptable level, which will allow the Corporation to continue to grow and maximize shareholder value.

Despite the Corporation's attempts to mitigate key risks, shareholders should be aware that the information technology industry is subject to rapid technological change, and the products and services provided by the Corporation are also expected to be subject to rapid technological changes. To remain competitive, the Corporation must be able to keep pace with the technological developments in this industry and change its product and service lines to meet new demands. The Corporation will depend on research and development for improvements and enhancements to XSELLERATOR, and the introduction of new products and services that have not been commercially tested to accelerate its future growth. The Corporation has a proven track record of success in innovative product design and enhancements, and has the expertise and the capital backing in place to continue it.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

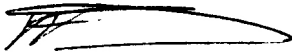
The accompanying financial statements and all other financial information included in this annual report are the responsibility of the Company's management and have been examined and approved by its Board of Directors. These financial statements have been prepared by management in accordance with the accounting policies outlined in the notes to the financial statements and include some amounts that are based on management's best estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in the annual report has been reviewed to ensure consistency with that in the financial statements.

The Company maintains internal control systems designed to ensure that financial information is relevant and accurate and that assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors supervises the financial statements and other financial information through its Audit Committee, which consists solely of outside directors.

DNTW Chartered Accountants, LLP has audited the financial statements in accordance with Canadian generally accepted auditing standards. DNTW Chartered Accountants, LLP are the external auditors who were appointed by the shareholders. They have full and unrestricted access to the Audit Committee to discuss their audit and related findings as to the integrity of the Company's financial reporting.

The Audit Committee has reviewed the financial statements including notes thereto, with management and the external auditors. The financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.



Maury R. Marks, CA  
President and Chief Executive Officer



Jeff Sharpe, CA  
Chief Financial Officer

## INDEPENDENT AUDITORS' REPORT

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**To the Shareholders of  
Quorum Information Technologies Inc.**

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Quorum Information Technologies Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations, comprehensive income and deficit, and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Quorum Information Technologies Inc. as at December 31, 2010 and 2009, and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Canada  
Date April 28, 2011

*DNTW*

Chartered Accountants, LLP

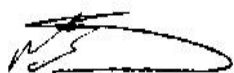


**Quorum Information Technologies Inc.**  
**Consolidated Balance Sheets**

As at		December 31, 2010	December 31, 2009
<b>ASSETS</b>			
<b>Current:</b>			
Cash		\$ 137,410	\$ 1,343,782
Accounts receivable		1,103,768	1,200,435
Inventory		8,553	2,377
Prepaid expenses		91,676	88,458
		<b>1,341,407</b>	<b>2,635,052</b>
Property and equipment	Note 4	261,497	335,148
Software development costs	Note 5	8,943,446	8,755,135
Software licenses held for resale	Note 7	-	5,767
Future tax asset	Note 11	3,089,331	3,481,822
Investment tax credits	Note 10	2,821,642	2,477,564
		<b>\$ 16,457,323</b>	<b>\$ 17,690,488</b>
<b>LIABILITIES</b>			
<b>Current:</b>			
Accounts payable and accrued liabilities		502,209	517,984
Deferred revenue		157,332	229,698
Current portion of long-term debt	Note 8	41,557	27,940
Deferred government assistance	Note 6	-	15,900
		<b>701,098</b>	<b>791,522</b>
Long-term debt	Note 8	292,937	260,558
Convertible debenture	Note 9	-	1,377,883
		<b>994,035</b>	<b>2,429,963</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	Note 12	23,399,937	23,399,937
Convertible debenture	Note 9	-	195,685
Contributed surplus		1,967,812	1,664,447
Deficit		(9,904,461)	(9,999,544)
		<b>15,463,288</b>	<b>15,260,525</b>
		<b>\$ 16,457,323</b>	<b>\$ 17,690,488</b>

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:



\_\_\_\_\_  
**Director**  
*Maury Marks*  
*President & CEO*



\_\_\_\_\_  
**Director**  
*John Carmichael*  
*Chairman of the Board of Directors*

**Quorum Information Technologies Inc.**  
**Consolidated Statements of Operations,**  
**Comprehensive Income and Deficit**

Year ended	December 31, 2010	December 31, 2009
<b>Gross revenue</b>	<b>\$ 7,695,773</b>	<b>\$ 7,267,857</b>
<b>Cost of products and services sold</b>	<b>3,303,450</b>	<b>2,813,728</b>
<b>Gross profit</b>	<b>4,392,323</b>	<b>4,454,129</b>
<b>Expenses</b>		
Salaries and benefits	1,591,060	1,409,804
Employee stock option benefits	Note 12 129,620	102,442
General and administrative	1,196,911	1,260,500
Sales and marketing	214,713	234,862
Interest expense on long-term debt	303,221	243,055
Bank charges and other interest expense	26,718	66,370
Amortization of software development costs	325,200	400,240
Amortization of property and equipment	81,674	110,823
Amortization of software licenses held for resale	5,767	69,198
Foreign exchange loss	163,378	457,828
Loss on disposal of capital assets	-	5,819
<b>Total expenses</b>	<b>4,038,262</b>	<b>4,360,941</b>
<b>Net income before income taxes</b>	<b>354,061</b>	<b>93,188</b>
<b>Future income tax expense (recovery)</b>	Notes 2 & 11 <b>258,978</b>	<b>(142,857)</b>
<b>Net income and comprehensive income</b>	<b>95,083</b>	<b>236,045</b>
<b>Deficit, beginning of period</b>	<b>(9,999,544)</b>	<b>(10,235,589)</b>
<b>Deficit, end of period</b>	<b>\$ (9,904,461)</b>	<b>\$ (9,999,544)</b>
<b>Earnings per share</b>		
- Basic	\$ 0.002	\$ 0.006
- Diluted	\$ 0.002	\$ 0.006
<b>Weighted average number of common shares</b>		
- Basic	39,298,438	39,298,438
- Diluted	Note 12 42,634,919	39,298,438

See accompanying notes to consolidated financial statements.

**Quorum Information Technologies Inc.**  
**Consolidated Statements of Cash Flows**

<b>Year ended</b>	<b>December 31, 2010</b>	<b>December 31, 2009</b>
<b>Cash flow from operating activities</b>		
Cash receipts from customers	\$ 7,720,074	\$ 7,664,431
Cash paid to suppliers and employees	(6,351,872)	(6,391,720)
Interest paid	(197,010)	(206,714)
	<b>1,171,192</b>	<b>1,065,997</b>
<b>Cash flow from financing activities</b>		
Proceeds from long-term debt	25,000	475,000
Proceeds from SR&ED	164,523	203,303
Repayment of long-term debt	(1,536,348)	(82,320)
	<b>(1,346,825)</b>	<b>595,983</b>
<b>Cash flow from investing activities</b>		
Purchase of property and equipment	(8,023)	(8,903)
Software development costs	(1,022,716)	(1,016,098)
	<b>(1,030,739)</b>	<b>(1,025,001)</b>
<b>Increase (decrease) in cash</b>	<b>(1,206,372)</b>	<b>636,979</b>
<b>Cash, beginning of year</b>	<b>1,343,782</b>	<b>706,803</b>
<b>Cash, end of year</b>	<b>\$ 137,410</b>	<b>\$ 1,343,782</b>

See accompanying notes to consolidated financial statements.

## **1. Nature of Operations and Basis of Presentation**

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### **Nature of Business**

Quorum Information Technologies Inc. (“Quorum” or the “Corporation”) is an information technology company that focuses on the automotive retail business and is incorporated under the Business Corporations Act of Alberta. Quorum develops, markets, implements and supports its own software product, XSELLERATOR™, a Dealership Management System, for the automotive market.

### **Basis of Presentation**

The consolidated financial statements of the Corporation have been prepared by management in accordance with generally accepted accounting principles in Canada. The preparation of these consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant items related to such estimates and assumptions include amortization, future tax calculations, stock-based compensation, useful life and impairment of assets. Actual results could differ from those estimates. The consolidated financial statements have, in management’s opinion, been properly prepared using careful judgment within reasonable limits of materiality.

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## **2. Significant Accounting Policies**

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The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements:

### **(a) Principles of consolidation**

Business acquisitions are accounted for under the purchase method and opening results are included in the consolidated financial statements as of the date of the acquisition of control. All material inter-company balances and transactions have been eliminated. The accompanying financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, Quorum Information Systems Inc. and Quorum Information Technologies (US) Inc.

### **(b) Inventory**

Inventory is valued at the lower of cost and net realizable value. Cost is determined on the weighted average cost basis. Inventory consists of goods for resale.

## **2. Significant Accounting Policies – (continued)**

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### **(c) Revenue recognition**

The Corporation recognizes revenue in accordance with the provisions of Section 3400 of the CICA Handbook and specifically as follows:

- (i) Revenue from product sales is recognized when the rights of ownership of the products are transferred to the purchaser upon shipment or delivery based on specific contract terms. Revenue pertaining to the XSELLERATOR server is recognized when the server and the XSELLERATOR software is installed at the customer's site. The balance of revenue (XSELLERATOR software and implementation services) is recognized when the customer "goes live" with the XSELLERATOR software.
- (ii) Revenue from ongoing maintenance and support of XSELLERATOR is recognized in the period that the support service has been delivered to the customer.
- (iii) Payments received in advance of the satisfaction of the Corporation's revenue recognition policies are recorded as deferred revenue.

### **(d) Property and equipment**

Property and equipment are recorded at cost, less accumulated amortization. One-half the normal amortization is taken in the year of acquisition. Amortization is provided using the following methods and rates:

Computer equipment	30%	declining balance
Computer software	100%	declining balance
Leasehold improvements	20%	straight-line
Office equipment	20%	declining balance
Vendor distribution rights	7%	declining balance

### **(e) Software research and development costs**

All research costs are expensed as incurred. Software development costs are expensed as incurred unless they satisfy the Canadian generally accepted accounting principles for deferral and subsequent amortization. Amortization of capitalized computer software development costs is calculated as 20% of the value of all licenses sold in that period.

### **(f) Impairment of long-lived assets**

The Corporation monitors the recoverability of long-lived assets, including equipment, leasehold improvements, vendor distribution rights and software development costs whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. The Corporation reviews factors such as current market value, future asset utilization and business climate and compares the carrying value of the assets to the future undiscounted cash flows expected to result from the use of the related assets. If such cash flows are less than the carrying value, the impairment charge to be recognized equals the amount by which the carrying amount of the assets exceeds the fair value of the asset. Fair value is generally measured as the estimated future discounted cash flows from the asset or assets.

## **2. Significant Accounting Policies – (continued)**

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### **(g) Investment tax credits**

The Corporation is entitled to Canadian federal and provincial investment tax credits that are earned as a percentage of eligible current and capital research and development expenditures incurred in each taxation year. Investment tax credits are available to be applied against future income tax liabilities, subject to a 20-year carry forward period. Investment tax credits are accounted for as a reduction of the related research and development expenses for items of current nature and reduction of software development costs for items of long term nature, provided that the Corporation has reasonable assurance that the tax credits will be realized.

### **(h) Income taxes**

Income taxes are accounted for using the liability method of tax allocation. Under this method current income taxes are recognized for the estimated income taxes payable for the current year. Future income taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in rates is included in earnings in the period that includes the enactment date. Future income tax assets are recorded in the consolidated financial statements if realization is considered more likely than not.

### **(i) Stock-based compensation**

The Corporation's stock option plan is described in Note 12(c). Effective January 1, 2002, the Corporation adopted the recommendations of CICA Handbook Section 3870, Stock-Based Compensation and Other Stock-Based Payments. This section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. It requires that direct awards of stock and liabilities based on the price of common stock be measured at fair value at the grant date, with changes in fair value reported in the statements of income and use of the fair value method for other types of stock-based compensation plans.

Any consideration paid by employees on the exercise of the options is credited to capital stock. Any modifications to the options are revalued based on the fair value method and pro-forma information is disclosed.

## **2. Significant Accounting Policies – (continued)**

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**(j) Earnings per share**

The Corporation uses the treasury stock method of reporting earnings and other per share amounts. Basic earnings per share are computed by dividing earnings from operations by the weighted average number of common shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments.

**(k) Foreign currency translation**

Monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates in effect at the balance sheet dates, and transactions included in earnings are translated at rates prevailing during the year. Foreign exchange gains and losses are included in the determination of income for the year.

Non-monetary items denominated in a foreign currency are translated into Canadian dollars at historical exchange rates.

**(i) Financial instruments**

The Corporation has classified all financial instruments into one of the following five categories: 1) loans and receivables; 2) assets held to maturity; 3) assets available for sale; 4) other financial liabilities; and 5) held for trading. Financial instruments classified as held for trading are measured at fair value and any gains or losses resulting from a change in the fair value during the period are recognized in net income. Financial instruments classified as available for sale are measured at fair value and any gains or losses resulting from a change in fair value during the period are recognized in other comprehensive income, until realized through disposal or impairment. All other financial instruments are accounted for at amortized cost with foreign exchange gains and losses recognized immediately in net income.

The Corporation has classified its financial instruments as follows: cash – held for trading; accounts receivable – loans and receivables; and accounts payable and accrued liabilities, long-term debt and convertible debenture – other financial liabilities.

### **3. Future Accounting Changes**

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#### **International Financial Reporting Standards**

The CICA's Accounting Standards Board announced that Canadian publicly accountable enterprises are required to adopt International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board, effective January 1, 2011. IFRS will require increased financial statement disclosure, and although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting policies will need to be addressed.

Quorum has commenced planning the transition from the current Canadian GAAP to IFRS. The IFRS transition project consists of three phases: initial assessment, detailed assessment and design, and implementation. Quorum is currently in the third phase. The first phase involves the completion of an initial review of the major differences between current Canadian GAAP and IFRS and their impact to the existing account balances of Quorum, development of a project timeline, and a review of IFRS 1 transition exemptions. The second phase is the detailed assessment and design phase and involves completing a comprehensive analysis of the impact of the IFRS differences identified in the initial assessment. The implementation phase is the third phase and will involve executing the required changes to business processes, financial systems, IT systems, accounting policies, disclosure controls, and internal controls over financial reporting. It is expected that minimal changes will be required to business processes, financial systems, and IT systems in 2010 in order to complete the transition to IFRS. These minor changes have been implemented in FY2010.

Quorum Information Technologies Inc.  
Notes to Consolidated Financial Statements  
As at and for the years ended December 31, 2010 and 2009

4. Property and Equipment

**December 31, 2010**

	Cost	Accumulated Amortization	Net book Value
Computer equipment	\$ 928,838	\$ 817,128	\$ 111,710
Computer software	535,718	535,718	-
Leasehold improvements	85,101	39,750	45,351
Office equipment	393,224	303,381	89,843
Vendor distribution rights	42,646	28,053	14,593
<b>Total property and equipment</b>	<b>\$ 1,985,527</b>	<b>\$ 1,724,030</b>	<b>\$ 261,497</b>

**December 31, 2009**

	Cost	Accumulated Amortization	Net book Value
Computer equipment	\$ 922,336	\$ 770,646	\$ 151,690
Computer software	535,718	535,718	-
Leasehold improvements	386,613	329,105	57,508
Office equipment	391,540	281,131	110,409
Vendor distribution rights	42,646	27,105	15,541
<b>Total property and equipment</b>	<b>\$ 2,278,853</b>	<b>\$ 1,943,705</b>	<b>\$ 335,148</b>

5. Software Development Costs

	December 31, 2010	December 31, 2009
Cost	\$ 11,157,328	\$ 10,643,817
Accumulated amortization	2,213,882	1,888,682
<b>Net book value</b>	<b>\$ 8,943,446</b>	<b>\$ 8,755,135</b>

**6. Deferred Government Assistance**

On March 31, 2009, the Corporation entered into an unsecured, interest-free loan agreement with the Atlantic Canada Opportunities Agency (ACOA) to finance a project for the expansion of the St. John's office and the release of XSELLERATOR, version 4.7. The completion date of the project was March 31, 2010. The \$250,782 difference between the fair value of the loan and the cash received has been accounted for as a government grant, as prescribed by Section 3800 of the CICA Handbook. The amount relates to expenses and capital expenditures to be incurred over the term of the project. Any amounts allocated to capital expenditures have been deducted from the specific fixed assets with depreciation calculated on the net amount over the life of the asset.

**7. Software Licenses Held for Resale**

On January 31, 2006, the Corporation entered into a software license agreement with Cyclone Commerce, Inc. Under the terms of the agreement, the Corporation may deploy up to 625 licenses of Cyclone Commerce, Inc.'s communication software program that allows dealerships to communicate in a specialized way with the manufacturer. Quorum, in turn, has a right to deploy the communications software to its dealership customers through to January 31, 2010.

The licenses have been fully amortized on a straight-line basis over the four year term of the agreement.

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Cost	\$ 276,794	\$ 276,794
Accumulated amortization	276,794	271,027
Net book value	\$ -	\$ 5,767

**Quorum Information Technologies Inc.**  
**Notes to Consolidated Financial Statements**  
**As at and for the years ended December 31, 2010 and 2009**

**8. Long-term Debt**

	December 31, 2010 CDN\$	December 31, 2010 US\$	December 31, 2009 CDN\$	December 31, 2009 US\$
Payable in Canadian dollars:				
ACOA financing (a)	\$ 300,243	\$ -	\$ 277,685	\$ -
Central Consulting Services (b)	34,251	-	-	-
	<b>334,494</b>	-	277,685	-
Payable in U.S. dollars:				
Software licensing balance of purchase price (c)	-	-	10,813	9,900
	<b>334,494</b>	-	288,498	9,900
Installments due within one year	41,557	-	27,940	9,900
<b>Total long-term debt</b>	<b>\$ 292,937</b>	<b>\$ -</b>	<b>\$ 260,558</b>	<b>\$ -</b>

(iv) On March 31, 2009, the Corporation entered into a \$500,000 loan agreement with the Atlantic Canada Opportunities Agency (ACOA) to finance the expansion of the St. John's office and the release of XSELLERATOR, version 4.7. The loan, which is unsecured and interest-free, matures on July 1, 2015. Monthly repayments commenced on July 2, 2010. As of December 31, 2010, the loan has been received in full and recorded at a fair value of \$249,218, along with \$51,025 of accredited interest, based on a 20% rate of interest over five years.

(v) On July 13, 2009, the Corporation entered into an agreement with Central Consulting Services Inc. to prepare the Scientific Research & Economic Development (SRED) claim for the years ended December 31, 2007, December 31, 2008 and December 31, 2009. The amount of \$73,159, recorded at a fair value of \$34,251, is not payable until the Corporation is in a position to utilize the SRED Investment Tax Credits (ITCs). The Corporation does not expect to utilize those ITCs until the year ended December 31, 2015.

(vi) On January 31, 2006, the Corporation entered into a software license agreement with Cyclone Commerce, Inc. (refer to Note 7). The purchase price of US\$238,000 was payable in variable quarterly installments commencing in January, 2006 and ended in February, 2010.

The installments on long-term debt for the next five years and thereafter are as follows:

2011	\$ 41,557
2012	56,166
2013	70,774
2014	85,383
2015	46,367
Thereafter	34,247
<b>Total</b>	<b>\$ 334,494</b>

**Quorum Information Technologies Inc.**  
**Notes to Consolidated Financial Statements**  
**As at and for the years ended December 31, 2010 and 2009**

**9. Convertible Debenture**

On April 15, 2008 the Corporation issued a \$1.5 million secured convertible debenture. The debenture is secured by a fixed and floating charge on all assets of the Company. It will be released on conversion of the debenture.

The debenture bears interest at a rate of 12% per annum, payable monthly in arrears, and was to mature April 15, 2011. However, the Corporation amended the debenture to change the maturity date to December 15, 2010. It is convertible any time prior to maturity, at the debenture holders' option, into common shares of Quorum Information Technologies Inc. at a price of \$0.55 per common share, equating to 2,727,272 shares.

As the debenture is convertible, the liability and equity components have been presented separately. Using the residual method, the liability component has been calculated at \$1,255,036, net of transaction costs, with the remaining \$195,685 being recognized as equity. The equity component is being accreted using the effective interest rate method over the term of the debenture.

On December 15, 2010 the Corporation retired the debenture.

	December 31, 2010	December 31, 2009
Convertible debenture issued, net of transaction costs	\$ 1,450,721	\$ 1,450,721
Valuation of conversion feature	(195,685)	(195,685)
Debt component of convertible debenture	1,255,036	1,255,036
Accretion of effective interest and legal fees	244,964	122,847
Repayment of principal	(1,500,000)	-
Convertible debenture-ending balance	\$ -	\$ 1,377,883

**Quorum Information Technologies Inc.**  
**Notes to Consolidated Financial Statements**  
**As at and for the years ended December 31, 2010 and 2009**

**10. Investment Tax Credits**

The Corporation recorded government research and development tax credits pertaining to the following taxation years. These amounts have been applied to reduce the cost of capitalized software development costs and expire twenty years after the year in which they were earned.

2002	\$	192,988
2003		279,845
2004		463,146
2005		573,125
2006		580,940
2007		387,520
2008		218,944
2009		125,134
		<b>\$ 2,821,642</b>

The Corporation is preparing the application for government research and development tax credits pertaining to the 2010 taxation year. These credits have not yet been recognized by the Corporation nor approved by the authorities. The actual amount realized may vary from the estimate of \$126,860.

**11. Income Taxes**

Income tax expense differs from the amount that would be obtained by applying the combined Canadian Federal and Provincial and U.S. statutory income tax rate to earnings before income taxes which are as follows:

	December 31, 2010	December 31, 2009
Estimated combined corporate tax rate	<b>28.50%</b>	28.50%
Earnings (loss) before income taxes	<b>354,060</b>	93,188
Calculated income tax expense (recovery)	<b>100,907</b>	26,559
Non deductible items for tax purposes	<b>67,363</b>	14,035
Change in future income tax rates	<b>32,022</b>	(170,028)
Difference in rates in other jurisdictions-Canada	<b>(257)</b>	
Difference in rates in other jurisdictions- US	<b>41,030</b>	49,223
Deferred expenses deducted for tax purposes	<b>(29,688)</b>	
Adjustments and Assessments	<b>(6,999)</b>	
Other	<b>54,600</b>	(62,646)
Net income tax expense (recovery)	<b>258,978</b>	(142,857)

**Quorum Information Technologies Inc.**  
**Notes to Consolidated Financial Statements**  
**As at and for the years ended December 31, 2010 and 2009**

**11. Income Taxes– (continued)**

Future income tax assets and liabilities reflect the temporary differences between the carrying amounts of certain accounts and their corresponding amounts for income tax purposes. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management expects that most of the future tax assets will be realized but their expectations could change materially in the near term based on future taxable income during the carry forward period. The principal components of these differences are as follows:

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Property and equipment	\$ 1,745,637	\$ 882,303
Loss carry forwards	2,126,576	2,882,871
Investment tax credits	(811,220)	(342,144)
Share issue costs	28,338	58,792
Net future tax asset	<b>\$ 3,089,331</b>	<b>\$ 3,481,822</b>

At the end of the years, subject to confirmation by income tax authorities, the Corporation has the following tax pools available for carry forward:

	<b>December 31, 2010</b>	December 31, 2009
Undepreciated capital cost	\$ 6,528,736	\$ 4,507,523
SR&ED Expenditures	8,841,771	8,868,843
Cumulative capital expenditures	18,470	21,354
Non-capital losses	6,199,224	8,169,636
Share issue costs	102,119	206,288
Total	<b>\$ 21,690,320</b>	<b>\$ 21,773,644</b>

The Corporation has \$6,199,224 of non-capital losses available for income tax purposes to reduce taxable income of future years that expire as follows:

	<b>Canada</b>	<b>United States</b>
2015	\$ -	\$ 572,230
2026	405,122	2,960,674
2027	11,972	1,282,998
2028	197,539	657,007
2029	111,682	-
Total	<b>\$ 726,315</b>	<b>\$ 5,472,909</b>

**Quorum Information Technologies Inc.**  
**Notes to Consolidated Financial Statements**  
**As at and for the years ended December 31, 2010 and 2009**

**12. Share Capital**

**(a) Authorized**

Unlimited number of:  
 Common voting shares  
 Preferred shares issuable in series

**(b) Issued and outstanding**

<b>December 31, 2010</b>	<b>Number of Shares</b>	<b>Amount</b>
<b>Common Shares</b>		
Balance, December 31, 2009	39,298,438	\$23,399,937
Issued January 1 – December 31, 2010	-	-
<b>Total Share Capital at December 31, 2010</b>	<b>39,298,438</b>	<b>\$23,399,937</b>

<b>December 31, 2009</b>	<b>Number of Shares</b>	<b>Amount</b>
<b>Common Shares</b>		
Balance, December 31, 2008	39,298,438	\$23,399,937
Issued January 1 – December 31, 2009	-	-
<b>Total Share Capital at December 31, 2009</b>	<b>39,298,438</b>	<b>\$23,399,937</b>

**Diluted Shares based on \$0.16 average stock price for 2010**

	<b>Number of Shares</b>
<b>Common Shares</b>	
Balance, December 31, 2010	<b>39,298,438</b>
Options issued at \$ 0.15	<b>1,749,400</b>
Options issued at \$ 0.15	<b>1,200,000</b>
Options issued at \$ 0.12	<b>387,081</b>
<b>Total diluted share capital at December 31, 2010</b>	<b>42,634,919</b>

At the 2009 Annual General Meeting, the Corporation received regulatory and shareholder approval to amend the previously adopted Stock Option Plan ("Stock Plan 2002") which authorized the Board of Directors of the Corporation to grant options to purchase common shares of the Corporation to directors, officers, employees and consultants who are in a position to contribute to the growth and development of the Corporation. Pursuant to the amended Stock Plan 2002, options may be granted to purchase common shares of the Corporation up to a maximum of 10% of common shares currently issued and outstanding. Prior to the approved amendment the limit was 3,900,000 common shares in aggregate. The exercise price of the options is determined by the Board of Directors in accordance with the policies of the TSX Venture Exchange ("TSXV"). The options have a maximum term of five years with a hold period of four months from the date of the initial grant, and no more than one-third of the stock options granted to any one individual shall vest in any twelve-month period.

**Quorum Information Technologies Inc.**  
**Notes to Consolidated Financial Statements**  
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**12. Share Capital – (continued)**

**(c) Stock Options**

Stock option transactions for the respective years and the number of stock options outstanding are summarized as follows:

	<b>December 31, 2010</b>		<b>December 31, 2009</b>	
	<b>Number of shares</b>	<b>Weighted average exercise price</b>	<b>Number of shares</b>	<b>Weighted average exercise price</b>
Options outstanding at beginning of year	<b>3,400,500</b>	<b>\$0.18</b>	2,978,797	\$0.55
Granted	<b>396,381</b>	<b>0.12</b>	1,516,000	0.15
Reissued at new price	-	-	1,699,100	0.15
Exercised	-	-	-	-
Expired	<b>(64,400)</b>	<b>0.15</b>	(1,094,297)	0.54
Cancelled	-	-	(1,699,100)	0.54
<b>Options outstanding at end of year</b>	<b>3,732,481</b>	<b>0.17</b>	3,400,500	0.18
Options exercisable at end of year	<b>2,443,527</b>	<b>\$0.19</b>	1,333,500	\$0.23

The following table summarizes information about stock options outstanding at December 31, 2010:

Exercise price	Number outstanding	Weighted average remaining contractual life in years	Weighted average exercise price
\$0.12	387,081	4.6	\$0.12
\$0.15	2,949,400	3.3	\$0.15
\$0.16	96,000	3.9	\$0.16
\$0.49	300,000	1.6	\$0.49
	<b>3,732,481</b>	<b>3.3</b>	<b>\$0.17</b>

## 12. Share Capital – (continued)

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The fair value of the stock options granted was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	1.5%
Weighted average expected life	5 years
Expected volatility in the market price of the shares	108%
Expected dividend yield	Nil

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, options valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Corporation's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

### (d) Share purchase warrants

On April 15, 2008, the Corporation issued 1,500,000 three quarter ( $\frac{3}{4}$ ) share purchase warrants in conjunction with the April 15, 2008 secured convertible debenture. Each warrant issued entitles the holder to  $\frac{3}{4}$  of one common share of the Corporation at a price of \$0.55 per share if exercised on or before April 15, 2013. The warrants are subject to a four-month hold period which expired on August 16, 2008. At December 31, 2009 all 1,500,000 (December 31, 2008 – 1,500,000) of the  $\frac{3}{4}$  share purchase warrants remained outstanding. As consideration to the debenture holders for the early retirement of the secured convertible debenture on December 15, 2010, the Corporation reduced the exercise price to \$0.18 per Quorum share and reduced the exercise period to 30 days in the event that for any ten consecutive trading day period the closing price of the shares exceed \$0.225.

As of March 14, 2009, all 2,735,167 of the whole share purchase warrants issued in conjunction with the March 14, 2007 brokered private placement expired. Each warrant issued entitled the holder to acquire one common share of the Corporation at a price of \$1.10 per share if exercised on or before March 14, 2009. The warrants were subject to a four-month hold period which expired on July 14, 2007. In addition, As of March 14, 2009 all 382,923 warrants issued to Paradigm Capital Inc. (Paradigm) in conjunction with this private placement have expired. Each warrant entitled Paradigm to acquire one unit at the offering price of \$0.75 per unit at any time on or before March 14, 2009. Each unit was comprised of one common share and one-half of one common share purchase warrant of the Corporation.

### 13. Related Party Transactions

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During the year ended December 31, 2010, the Corporation incurred fees in the amount of \$1,800 (December 31, 2009 – \$2,000) under a consulting agreement with the spouse of an officer and director, of which \$1,200 (December 31, 2009 - \$425) remained unpaid at December 31, 2010. The fees were in relation to tax and consulting services.

Related party transactions have been recorded at their exchange amounts which represent the amount agreed to by the parties.

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### 14. Operating Lease Commitments

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The future minimum lease payments for operating lease obligations including estimated operating costs are as follows:

2011	\$ 544,029
2012	541,051
2013	465,232
2014	259,051
2015	-
<b>Total</b>	<b>\$ 1,809,363</b>

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### 15. Segmented Information

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The Corporation operates in one segment, the computer network and business software solutions industry.

In 2004 the Corporation commenced selling into the United States marketplace. Gross revenue by geographic area is summarized as follows:

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Canada	\$ 5,399,205	\$ 5,365,464
United States	2,296,568	1,902,393
<b>Total gross revenue</b>	<b>\$ 7,695,773</b>	<b>\$ 7,267,857</b>

## 16. Financial Instruments

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The Corporation holds various forms of financial instruments. The nature of these instruments and the Corporation's operations expose the Corporation to industry credit and currency risks. The Corporation manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

**(a) Credit risk**

A significant portion of the Corporation's trade accounts receivable is from automotive dealers and, as such, the Corporation is exposed to all the risks associated with that industry. The Corporation performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses.

**(b) Currency risk**

A portion of the Corporation's sales are denominated in U.S. dollars, therefore the Corporation is exposed to the difference between the Canadian and U.S. dollar exchange rate. Consequently, some assets and liabilities are exposed to foreign exchange fluctuations. As at December 31, 2010 and 2009, the following items are expressed in foreign currencies:

<u>U.S. dollars</u>	<u>2010</u>	<u>2009</u>
Cash	\$ 5,511	\$ 180,101
Accounts receivable	\$ 371,856	\$ 362,231
Accounts payable	\$ 79,977	\$ 80,509

The Corporation does not use derivative products to manage this risk, as U.S. dollar denominated sales significantly exceed U.S. dollar denominated expenses. If the value of the U.S. dollar had been 10% higher than the Canadian dollar, assuming that all other variables remain constant, the net result for the year ended December 31, 2010 would have been higher by \$56,636.

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## 17. Capital Structure

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The Corporation's capital structure is comprised of shareholders' equity and long-term debt. The Corporation's objectives when managing its capital structure are to:

- (a) maintain financial flexibility so as to preserve the Corporation's access to capital markets and its ability to meet its financial obligations; and
- (b) finance internally-generated growth

### **18. Line of Credit**

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On December 15, 2010, the Corporation entered into a credit facility agreement with HSBC Bank that will allow Quorum to borrow up to \$525,000, at an interest rate of prime plus 1.75%, to meet working capital requirements. The credit facility is secured by a first priority security interest in all of the Company's present and after-acquired property. As of December 31, 2010 the balance drawn was \$Nil.

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### **19. Subsequent Events**

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On March 11, 2011, the Corporation completed an agreement with the Newfoundland and Labrador Department of Business to provide funding, up to a maximum of \$500,000, to increase staffing levels in Newfoundland and Labrador and expand the office in St. John's. The increase in the number of employees is required in order to achieve the high growth model that the Corporation has planned for 2011. A portion of the loan, \$172,000 will be forgivable to the Corporation dependent on the Corporation meeting certain requirements. The balance of the loan, \$328,000, is to be repaid over a four-year term, starting in December, 2012.



## Corporate Information

### Board of Directors



**Maury Marks**  
*Director*  
President & Chief Executive Officer  
Quorum Information Technologies Inc.



**John Carmichael**  
*Chairman of Board of Directors*  
Dealer Principal  
City Buick Pontiac Cadillac



**Scot Eisenfelder**  
*Director*  
Vice President Strategy  
AutoNation Inc.



**Craig Nieboer**  
*Director*  
Chief Financial Officer  
Canadian Energy Services &  
Technology Corp.



**Michael Podovilnikoff**  
*Director*  
Business Consultant

### Officers

**John Carmichael**  
Chairman of Board of Directors

**Maury Marks**  
President & Chief Executive Officer

**Jeff Sharpe**  
Chief Financial Officer

**Corporate Counsel**  
Burnet Duckworth & Palmer  
Calgary, Alberta

**Bankers**  
HSBC Bank  
Calgary, Alberta

**Auditors**  
DNTW  
Chartered Accountants, LLP  
Calgary, Alberta

**Stock Exchange Listing**  
TSX Venture Exchange  
Trading Symbol: QIS

**Registrar and Transfer Agent**  
Computershare Trust Company of Canada  
Calgary, Alberta

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**Stock Symbol – TSXV: QIS**

