



2011 3<sup>rd</sup> Quarter 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 an industry partner with Microsoft. Quorum's XSELLERATOR™ product is broadly promoted to our target dealerships throughout North America by these prominent companies.*

Over the last two years, Quorum has become an “all makes” organization, with a continued emphasis on GM dealerships. Quorum supplies our product to GM, Isuzu, Chrysler, Hyundai, Kia, Nissan, Subaru, Saab, NAPA and Bumper to Bumper franchised dealership customers.

As the Company has grown in the market, we have also enhanced our operational excellence by focusing on measurable improvements. Some of our key Q3 FY2011 milestones are as follows:

- Quorum attained 250 installed active dealership rooftops at the end of Q3 FY2011. During the quarter we also sold an additional seven dealership rooftops that should be installed in Q4 FY2011. For the remainder of FY2011, we expect to experience some dealership losses attributed to dealerships closing after unsuccessfully operating with a new franchise. Our 250 dealership rooftops encompass 8,616 active users - approximately 35 users per rooftop.
- Our dealership Customer Satisfaction (“CSI”) score results in Q3 FY2011 were as follows:
  - o CSI semi annual survey – 86% of end users reported “satisfied” or “very satisfied” and 89% of dealer principles reported “satisfied” or “very satisfied”.
  - o Our monthly Support CSI survey reported an average of 94% “very satisfied” with the service they received from our support centre.
- For XSELLERATOR, we started development on the ground-breaking Communicator project which is designed to transform how dealership staff is able take advantage of modern technology to communicate with their customers and with each other. First release of “Communicator” is scheduled for Q1 FY2012.

Key financial results summary:

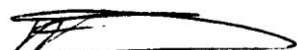
- Sales increased by 1% to \$1,874K in Q3 FY2011 up from \$1,863K in Q3 FY2010 and margin after direct costs increased to \$1,105K in Q3 FY2011 compared to \$1,059 in Q3 FY2010, a 4% gain. The change in sales is due to:
  - o An increase of \$86K in recurring support revenue as a result from having 250 active dealership rooftops at the end of Q3 FY2011.
  - o A decrease of \$176K in net new revenue which was a result of completing three installations in Q3 FY2011 down from eight installations in Q3 FY2010.
  - o An increase in integration revenue of \$102K due to an increased number of GM IDMS integration projects.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) increased to \$372K in Q3 FY2011 from \$337K in Q3 FY2010. The increase is largely due to a reduced cost structure.
- Net income increased to \$411K in Q3 FY2011 compared to a net loss of \$292K in Q3 FY2010. The increase is largely due to two non-cash items as follows:
  - o Foreign exchange gain in Q3 FY2011 of \$187K and a loss in Q3 FY2010 of \$97K.
  - o Income tax recovery in Q3 FY2011 of \$24K and an expense in Q3 FY2010 of \$283K.
- Quorum posted its ninth consecutive quarter of cash flow positive results. These results are due to a well-managed cost structure and from attaining a critical mass of dealerships that generate significant higher margin recurring support revenues.

- Net working capital at September 30, 2011 was \$913,532 with a current ratio of 2.37, compared to \$640,309 at December 31, 2010, with a current ratio of 1.91, an increase of \$273,223.

### Conclusion

The Company continues to improve its financial and operational results. Our single biggest challenge in 2012 is to grow our quarterly sales and implementation rates. The seven new sales in Q3 FY2011 are a good indication that we are on the right track. Currently, we are approximately 1/3 of the way through completing the many Company-wide sales focused improvements that we have planned.

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 Corporation'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

	<i>(dollar figures in '000)</i>							
	Nine Months Ended Sept. 30, 2011	Nine Months Ended Sept. 30, 2010	Q3 Ended Sept. 30, 2011	Q3 Ended Sept. 30, 2010	Q2 Ended June 30, 2011	Q2 Ended June 30, 2010	Q1 Ended March 31, 2011	Q1 Ended March 31, 2010
<b>Gross revenue</b>	<b>\$5,616</b>	\$ 5,840	<b>\$1,874</b>	\$ 1,863	<b>\$ 1,830</b>	\$ 2,031	<b>\$1,912</b>	\$1,946
Direct costs	<b>2,387</b>	2,543	<b>769</b>	804	<b>771</b>	869	<b>847</b>	870
<b>Margin after direct costs</b>	<b>3,229</b>	3,297	<b>1,105</b>	1,059	<b>1,059</b>	1,162	<b>1,065</b>	1,076
Earnings before interest, taxes and amortization (EBITDA)	<b>934</b>	1,046	<b>372</b>	337	<b>239</b>	412	<b>323</b>	297
<b>Net income (loss) before deferred income tax</b>	<b>534</b>	278	<b>387</b>	(9)	<b>45</b>	322	<b>102</b>	(35)
<b>Net income (loss)</b>	<b>404</b>	49	<b>411</b>	(292)	<b>93</b>	369	<b>(100)</b>	(28)
Basic earnings per share	<b>\$0.0103</b>	\$0.0012	<b>\$0.0105</b>	\$(0.0074)	<b>\$0.0024</b>	\$0.0094	<b>\$(0.0025)</b>	\$(0.0007)
Fully diluted earnings per share	<b>\$0.0103</b>	\$0.0012	<b>\$0.0105</b>	\$(0.0074)	<b>\$0.0023</b>	\$0.0087	<b>\$(0.0025)</b>	\$(0.0007)
<b>Weighted average number of common shares</b>								
Basic	<b>39,298,428</b>	39,298,438	<b>39,298,438</b>	39,298,438	<b>39,298,438</b>	39,298,438	<b>39,298,438</b>	39,298,438
Diluted	<b>39,298,438</b>	39,685,819	<b>39,298,438</b>	39,298,438	<b>39,684,319</b>	42,398,938	<b>39,684,319</b>	42,398,938
XSELLERATOR installations – in the period	<b>15</b>	27	<b>3</b>	8	<b>6</b>	9	<b>6</b>	10
XSELLERATOR active dealership rooftops	<b>250</b>	235	<b>250</b>	235	<b>249</b>	228	<b>245</b>	221

*Note:* All 2010 figures have been restated in accordance with International Financial Reporting Standards

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

The following discussion and analysis provides information that management deems is relevant to an assessment and understanding of the Corporation's interim consolidated results of operations and financial condition. This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited interim condensed consolidated financial statements for the nine months ended September 30, 2011 and 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.

## Adoption of International Financial Reporting Standards ("IFRS")

Quorum's interim Condensed Consolidated Financial Statements and the financial information included in the interim MD&A have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that are expected to be effective as at December 31, 2011, the date of the Corporation's first annual reporting under IFRS. Previously, the Corporation prepared its interim and annual Consolidated Financial Statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). Comparative information for years ending on or before December 31, 2009, has been prepared under Canadian GAAP and has not been restated under IFRS.

Note 4 to the interim Condensed Consolidated Financial Statements contains a detailed description of the Corporation's adoption of IFRS, including a reconciliation of the Consolidated Financial Statements previously prepared under Canadian GAAP to those under IFRS for the following:

- The Consolidated Statement of Financial Position at January 1, 2010 and at September 30, 2010;
- The Consolidated Statement of Comprehensive Income and Cash Flows for the three and nine-month periods ended September 30, 2010; and
- The Consolidated Statement of Changes in Shareholders' Equity at September 30, 2010.

The most significant impacts of the adoption of IFRS, together with the details of the IFRS 1 exemptions taken, are described in the "Transition to IFRS" section on page 12 of this interim MD&A. The adoption of IFRS does not impact the underlying operations of Quorum's business or its cash flows.

## 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), Chrysler, Hyundai, Isuzu, Kia, Nissan, Subaru, Saab, 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 Silver-certified and an Independent Software Vendor (ISV) partner with Microsoft. Quorum has a large opportunity with a market of approximately 4,000 dealerships across North America; to capitalize on this market Quorum has invested significant funds and resources.

## **Non-GAAP/IFRS Measures**

The accompanying interim condensed consolidated financial statements have been prepared in accordance with IFRS. Certain supplementary information and measures not recognized under IFRS or previous GAAP are also provided in this MD&A where management believes they assist the reader in understanding Quorum's results. These measures are calculated by Quorum on a consistent basis unless otherwise specifically explained. These measures are further explained as follows:

*EBITDA* – means net earnings before interest, taxes, amortization, foreign exchange gains and losses and stock-based compensation. EBITDA is a metric used to assess the financial performance of an entity. Management believes that this metric assists in determining the ability of the Corporation to generate cash from operations.

*Cash flow from operating activities* – means cash flow from operating activities before changes in non-cash operating working capital. This measure is not intended to be an alternative to cash provided by operating activities as provided in the condensed consolidated statements of cash flows, comprehensive income or other measures of financial performance calculated in accordance with IFRS. Cash flow from operating activities assists management and investors in analyzing operating performance and leverage.

*Margin after direct costs* – means revenue less direct costs, which includes third party costs and salaries and benefits of employees directly related to the activities from which the Corporation generates revenue from. Management believes this metric provides a good measure of the operating performance of the product.

## **Q3 FY2011 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. Sales increased by 1% to \$1,874K in Q3 FY2011 from \$1,863K in Q3 FY2010, and margin after direct costs increased to \$1,105K in Q3 FY2011, as compared to \$1,059K in Q3 FY2010, a 4% increase. The change in sales is due to:

- An increase of \$86K in recurring support revenue as a result from having 250 active dealership rooftops at the end of Q3 FY2011 versus 235 at the end of Q3 FY2010.
- A decrease of \$176K in net new revenue which was a result of completing three installations in Q3 FY2011, down from eight installations in Q3 FY2010.
- An increase in integration revenue of \$102K due to an increase in the number of GM integration projects.

Earnings before interest, taxes, depreciation and amortization (EBITDA), increased to \$372K in Q3 FY2011 from \$337K in Q3 FY2010. Net income before taxes increased to \$387K in Q3 FY2011 compared to a net loss before taxes of \$9K in Q3 FY2010. The increase during Q3 FY2011 was due to an increase in integration revenue; a decrease in general and administrative expense; a decrease in interest on long-term debt; and a non-cash foreign exchange gain of \$187K. Management continues to optimize all business processes in the organization with the goal of continually reducing our cost structure. Interest was reduced due to the early repayment of the Corporation's 12% secured convertible debenture on December 15, 2010.

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 grow market share, improve customer satisfaction, reduce support calls (and our cost of support), paid integration work through the GM IDMS contract, other Original Equipment Manufacturing (OEM) integration work and third party company integration.

### Q3 FY2011 Financial Highlights

- 1% increase in gross revenue from Q3 FY2010.
- 4% increase in margin after direct costs from Q3 FY2010.
- 6% increase in on-going annuity XSELLERATOR software support and dealer services revenue over Q3 FY2010.
- 74% decrease in net new and migration revenue from Q3 FY 2010.
- 78% increase in integration revenue from Q3 FY2010.
- EBITDA (earnings before interest, taxes, depreciation and amortization) increased from \$337K in Q3 FY2010 to \$372K during Q3 FY2011.
- Positive quarterly cash flow from operating activities of \$163K in Q3 FY2011 versus \$299K in Q3 FY2010.
- 10% decrease in quarterly cash expenditures from Q3 FY2010.

### Results of Operations

*(dollar figures in '000)*

	Nine Months Ended Sept 30, 2011	Nine Months Ended Sept 30, 2010	Q3 Ended Sept 30, 2011	Q3 Ended Sept 30, 2010	Q2 Ended June 30, 2011	Q2 Ended June 30, 2010	Q1 Ended March 31, 2011	Q1 Ended March 31, 2010
Gross revenue	\$ 5,616	\$ 5,840	\$ 1,874	\$1,863	\$ 1,830	\$ 2,031	\$ 1,912	\$ 1,946
Margin after direct costs	3,229	3,297	1,105	1,059	1,059	1,162	1,065	1,076
EBITDA expenses <sup>1</sup>	2,295	2,251	733	721	820	751	742	779
Operating income before interest, taxes, depreciation and amortization (EBITDA)	934	1,046	372	337	239	412	323	297
Income (loss) before deferred income tax expense	534	278	387	(9)	45	322	102	(35)
Net income (loss)	404	49	411	(292)	93	369	(100)	(28)
Net income (loss) per share	0.0103	0.0012	0.0105	(0.0074)	0.0024	0.0094	(0.003)	(0.001)
Cash flow from operating activities	692	888	163	299	288	304	241	285
Quarterly cash expenditures (cash payments for operating and investing activities)	\$ 5,520	\$ 5,889	\$ 1,844	\$ 2,060	\$ 1,821	\$ 2,014	\$ 1,855	\$ 1,815
<b>KEY MANAGEMENT METRICS</b>								
XSELLERATOR installations – in the period	15	27	3	8	6	9	6	10
XSELLERATOR active dealership rooftops	250	235	250	235	249	228	245	221

**Note:**

All 2010 figures have been restated in accordance with International Financial Reporting Standards

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

## Detailed Discussion on Operating Results for the Periods Ended September 30, 2011 and September 30, 2010

### Revenue and Margin After Direct Costs Analysis

	Nine Months Ended Sept 30, 2011	Nine Months Ended Sept 30, 2010	Q3 Ended Sept 30, 2011	Q3 Ended Sept 30, 2010	Q2 Ended June 30, 2011	Q2 Ended June 30, 2010	Q1 Ended March 31, 2011	Q1 Ended March 31, 2010
<b>Gross revenue</b>	<b>\$5,616,280</b>	\$5,839,898	<b>\$1,874,497</b>	\$1,862,811	<b>\$1,829,515</b>	\$2,031,488	<b>\$1,912,268</b>	\$1,945,599
<b>Third party costs (direct)</b>	<b>748,969</b>	1,022,444	<b>202,702</b>	259,077	<b>203,522</b>	353,766	<b>342,745</b>	375,229
<b>Salaries and benefits (direct)</b>	<b>1,638,744</b>	1,520,442	<b>566,599</b>	545,170	<b>567,315</b>	515,704	<b>504,830</b>	493,940
<b>Margin after direct costs</b>	<b>3,228,567</b>	3,297,012	<b>1,105,196</b>	1,058,564	<b>\$1,058,678</b>	\$1,162,018	<b>\$1,064,693</b>	\$1,076,430
<b>Margin after direct costs %</b>	<b>57%</b>	56%	<b>59%</b>	57%	<b>58%</b>	57%	<b>56%</b>	55%
<b>KEY MANAGEMENT METRICS</b>								
XSELLERATOR installations – in the period	15	27	3	8	6	9	6	10
XSELLERATOR total active rooftops	250	235	250	235	249	228	245	221
<b>Support and other revenue</b>	<b>\$4,794,187</b>	\$4,476,329	<b>\$1,580,865</b>	\$1,494,710	<b>\$1,622,538</b>	\$1,556,825	<b>\$1,590,784</b>	\$1,424,794
<b>Net new and migrations</b>	<b>456,086</b>	944,836	<b>61,468</b>	237,882	<b>150,149</b>	343,823	<b>244,469</b>	363,131
<b>Integration</b>	<b>366,007</b>	418,733	<b>232,164</b>	130,219	<b>56,828</b>	130,840	<b>77,015</b>	157,674
<b>Gross revenue</b>	<b>\$5,616,280</b>	\$5,839,898	<b>\$1,874,497</b>	\$1,862,811	<b>\$1,829,515</b>	\$2,031,488	<b>\$1,912,268</b>	\$1,945,599

### Revenue

For Q3 FY2011, revenues from operations were \$1,874,497 compared to \$1,862,811 for Q3 FY2010, an increase of \$11,686 or 1%. Quorum revenue results were as follows:

Recurring support and other revenue increased to \$1,580,865 in Q3 FY2011, compared to \$1,494,710 in Q3 FY2010, an increase of 6%. The Corporation completed three installations during Q3 FY2011, six installations during Q2 FY2011 and six installations during Q1 FY2011, along with 33 installations in FY2010, with each now paying recurring monthly support and services fees. Quorum has 250 active dealership rooftops and 8,616 users utilizing XSELLERATOR. As our customer base grows, support and other revenue should continue to grow proportionately.

Integration revenue for Q3 FY2011 was \$232,164 compared to \$130,219 in Q3 FY2010, an increase of 78%. During Q3 FY2011 Quorum completed two integration projects and five new integration projects are currently in progress for the remainder of FY2011 and into the first quarter of FY2012.

Migrations and net new revenue was \$61,468 in Q3 FY2011 compared to \$237,882 in Q3 FY2010, a decrease of \$176,414 in net new revenue which was a result of completing three installations in Q3 FY2011, down from eight installations in Q3 FY2010.

### Direct Costs and Margin After Direct Costs

The direct costs include all costs related to implementations and support including third party costs and all the implementation, migrations and support staff. For Q3 FY2011, margin after direct costs increased to \$1,105,196 or 59% compared to \$1,058,564 or 57% for Q3 FY2010. The gross margin percentage

increase is due to higher margin recurring support revenues of \$86,155 in Q3 FY2011 compared to Q3 FY2010.

## Expenses

	Nine Months Ended Sept 30, 2011	Nine Months Ended Sept 30, 2010	Q3 Ended Sept 30, 2011	Q3 Ended Sept 30, 2010	Q2 Ended June 30, 2011	Q2 Ended June 30, 2010	Q1 Ended March 31, 2011	Q1 Ended March 31, 2010
Salaries and benefits <sup>2</sup>	\$1,213,432	\$1,183,826	\$386,523	\$347,742	\$431,523	\$406,819	\$395,386	\$429,265
Employee stock option benefits <sup>3</sup>	52,543	105,522	17,479	36,066	17,479	34,728	17,585	34,728
General & administrative	900,619	900,654	290,695	316,555	329,231	291,476	280,693	292,623
Sales & marketing	181,129	166,304	55,856	56,875	59,416	51,665	65,857	57,764
<b>Total expenses</b>	<b>\$2,347,723</b>	<b>\$2,356,306</b>	<b>\$750,553</b>	<b>\$757,238</b>	<b>\$837,649</b>	<b>\$784,688</b>	<b>\$759,521</b>	<b>\$814,380</b>

Total expenses before interest, taxes, amortization and foreign exchange for Q3 FY2011 were \$750,553 or 40% of sales compared to \$757,238 or 41% of sales for Q3 FY2010.

Salaries and benefits expenses for Q3 FY2011 were \$386,523 compared to \$347,742 in Q3 FY2010, an increase of \$38,781 or 11%. This increase is due to new hires brought on during Q3 FY2011.

Employee stock option benefits expense for Q3 FY2011 was \$17,479 compared to \$36,066, as restated under IFRS in Q3 FY2010, a decrease of \$18,587 or 52%. The employee stock option expense is a non-cash expense.

General and administrative expenses for Q3 FY2011 were \$290,695 compared to \$316,555 for Q3 FY2010, a decrease of \$25,860 or 8%. The decrease is due to the concentrated effort of management to control and reduce operating costs.

Sales and marketing expenses for Q3 FY2011 were \$55,856 or 3% of sales compared to \$56,875 or 3% of sales for Q3 FY2010. The Corporation leverages significant benefit through IDMS-related press in key trade publications and through the GM corporate messaging systems.

## 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. During the quarter, the Canadian/US exchange rate increased from 0.9645 at June 30, 2011 to 1.0482 at September 30, 2011. This increase has had a direct impact on the Canadian dollar value of net assets held by Quorum in the U.S. The unrealized gain on the assets held was \$187,925 during Q3 FY2011 compared to a \$108,285 unrealized loss during Q3 FY2010. There was a realized foreign exchange loss of \$914 during Q3 FY2011 compared to a realized foreign exchange gain of \$10,940 during Q3 FY2010.

<sup>2</sup> Salaries and benefits are net of wage subsidy

<sup>3</sup> 2010 Employee stock option benefits expense has been restated in accordance with International Financial Reporting Standards.

## Capitalization & Amortization

During Q3 FY2011, 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) in the automotive market, and is one of the most advanced, fully-integrated Windows-based products in the marketplace.

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

	<b>Nine Months Ended September 30, 2011</b>	<b>Nine Months Ended September 30, 2010</b>	<b>Q3 Ended September 30, 2011</b>	<b>Q3 Ended September 30, 2010</b>
<b>Total software development costs capitalized</b>	<b>\$ 685,867</b>	<b>\$ 769,725</b>	<b>\$ 230,864</b>	<b>\$ 293,419</b>
<b>Amortization of software development costs<sup>4</sup></b>	<b>\$ 349,458</b>	<b>\$ 302,085</b>	<b>\$ 119,235</b>	<b>\$ 100,185</b>

All research and development costs are expensed as incurred unless they satisfy the IFRS 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 \$198,672, net of \$15,129 of wage subsidies from the Newfoundland and Labrador government, as well as direct overheads of \$32,192 for a total of \$230,864 in Q3 FY2011 compared to capitalized payroll costs of \$254,660, net of \$11,190 of wage subsidies from the Newfoundland and Labrador government and direct overheads of \$38,759 in Q3 FY2010 for a total of \$293,419.

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 the development of XSELLERATOR as the premier DMS software that is scalable across all sizes of dealerships in the North American market and is available for all manufacturers and integrated to all key strategic third party companies in the marketplace.

Amortization on the software development costs for Q3 FY2011 increased to \$119,235 as compared to \$100,185 for Q3 FY2010, a \$19,050 increase. Under IFRS, the Corporation has changed its amortization policy estimate to ten-year straight line from the units of production method. Management feels that this amortization method is a more appropriate estimate that meets the IFRS guidelines and is more in line with industry standards.

<sup>4</sup> 2010 Amortization of software development costs has been restated in accordance with International Financial Reporting Standards. Under Canadian GAPP, amortization expense was \$ 77,760 for Q3 2010 and \$259,940 for the nine months ended September 30, 2010.

## Net Income, EBITDA and Earnings per Share

	FY 2011 September 30 Q3	FY 2010 September 30 Q3
<b>EBITDA</b>	\$ 372,122	\$ 337,392
<b>Net income (loss)</b>	\$ 411,338	\$ (291,733)
<b>Net income (loss) per share</b>		
- Basic	\$ 0.0105	\$ (0.0074)
- Diluted	\$ 0.0105	\$ (0.0074)
<b>Weighted average number of common shares</b>		
- Basic	39,298,438	39,298,438
- Diluted	39,298,438	39,298,438

EBITDA for Q3 FY2011 was \$372,122 or \$0.009 per share compared to \$337,392 or \$0.009 per share for Q3 FY2010. This is a \$34,730 increase from Q3 FY2010.

Net income for Q3 FY2011 was \$411,338 or \$0.0105 per share, compared to a net loss of \$(291,733) or \$(0.0074) per share for Q3 FY2010.

## Liquidity and Financial Resources

	September 30, 2011	December 31, 2010
<b>Current Assets</b>		
Cash	\$ 221,557	\$ 137,410
Accounts receivable	1,244,735	1,103,768
Inventory	7,698	8,553
Prepaid expenses	104,093	91,676
	<b>1,578,083</b>	<b>1,341,407</b>
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	418,457	502,209
Deferred revenue	193,580	157,332
Current portion of long-term debt	52,514	41,557
	<b>664,551</b>	<b>701,098</b>
<b>Net working capital</b>	<b>\$ 913,532</b>	<b>\$ 640,309</b>

Net working capital at September 30, 2011 was \$913,532 with a current ratio of 2.37, compared to \$640,309 at December 31, 2010, with a current ratio of 1.91, an increase of \$273,223.

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due and describes the Corporation's ability to access cash. The Corporation requires sufficient cash resources to finance operations, debt, and settle other liabilities of the Corporation as they come due. The Corporation manages liquidity risk by maintaining a line of credit facility and through management of its operational cash flows.

Payments Due By Period						
	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	Total
Accounts payable and accrued liabilities	\$418,457	\$ -	\$ -	\$ -	\$ -	\$418,457
Lease commitments	139,920	541,051	724,283			1,405,254
Long-term debt <sup>5</sup>	12,215	40,299	146,418	71,971	-	270,903
Provisions	-	-	-	29,264	14,499	43,763
<b>Total</b>	<b>\$570,592</b>	<b>\$581,350</b>	<b>\$870,701</b>	<b>\$101,235</b>	<b>\$ 14,499</b>	<b>\$2,183,377</b>

### Cash Flows

The Corporation's cash balance increased by \$35,620 in Q3 FY2011 compared to an increase of \$80,602 in Q3 FY2010.

Cash flows from operating activities were \$162,513 in Q3 FY2011 compared to \$298,467 in Q3 FY2010. During the quarter, net new revenue was down, as previously discussed. Cash paid to suppliers decreased during the quarter by \$154,283 as compared to Q3 FY2010 as a result of fewer installations taking place during Q3 FY2011.

Cash flows relating to financing activities were \$110,016 in Q3 FY2011 compared to \$77,102 in Q3 FY2010. During the quarter, Quorum received \$122,232 through the approval of the 2010 SR&ED claim and \$12,216 of loan repayments were made as per the ACOA loan agreement. \$85,665 was received through the approval of the 2009 SR&ED claim during Q3 FY2010 and \$8,563 of loan repayments were paid as per the ACOA loan agreement.

The Corporation has a strong commitment to continually enhance and improve XSELLERATOR and invested \$230,864, net of wage subsidies from the Newfoundland and Labrador government, in product development in Q3 FY2011 and spent \$6,045 on property and equipment, net of grant from the Newfoundland Department of Business, compared to \$293,419 in product development and \$1,548 on property and equipment in Q3 FY2010.

### Current Liabilities

Accounts payable and accrued liabilities were \$418,457 at September 30, 2011 compared to \$502,209 at December 31, 2010 and \$361,650 at September 30, 2010. The decrease from year end is due to the emphasis the Corporation has put on managing cash flow with a stronger purchasing process and better approval controls.

Repayment of a loan with the Atlantic Canada Opportunities Agency (ACOA) (described below) commenced on July 2, 2010. As of September 30, 2011, \$52,514 of the present value is due within the next 12 months. On a cash basis, \$99,996 is required to be repaid within the next 12 months.

Deferred revenue was \$193,580 at September 30, 2011 compared to \$157,332 at December 31, 2010. Under the GM IDMS contract, the Corporation's support billings are billed in advance. As of September 30, 2011, there was \$193,580 of support fees billed that relate to October 1-19th, 2011.

<sup>5</sup> Long-term debt obligations reflect principal payments and excludes any associated interest portion

## **Long-Term Liabilities**

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 ACOA loan is recognized as \$270,803 of which \$52,514 is current principal due within the next 12 months. On a cash basis, \$383,338 is remaining on the loan and \$99,996 is required to be repaid within the next 12 months. Repayment of the ACOA loan commenced on July 2, 2010 at \$8,333 per month, including imputed 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 Corporation. 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.

During Q3 FY2011, interest on long-term debt was \$12,785 compared to \$79,456 in Q3 FY2010. The debt incurred cash interest of \$12,785 (\$60,231 in Q3 FY2010) and non-cash interest from loan accretion of \$nil (\$19,225 in Q3 FY2010). The decrease in cash and non-cash interest relates the retirement of the Debenture during FY2010.

During FY2009, Quorum entered into an agreement with Central Consulting Services Inc. to prepare the Scientific Research & Economic Development (SR&ED) claim for the years ending December 31, 2007, December 31, 2008, December 31, 2009 and December 31, 2010. The amount of \$87,917, recorded at a fair value of \$43,763, is not payable until the Corporation is in a position to utilize the SR&ED 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.

## **Share Capital**

There has been no change in the share capital of the Corporation since December 31, 2010. Note 12 of the September 30, 2011 unaudited condensed consolidated financial statements of the Corporation provides further details on share capital.

During Q3 FY2011, the share price ranged from a high of \$0.15 and a low of \$0.06. The average share price over the period was \$0.10. In calculating the earnings per share (EPS) and fully diluted EPS, the options with an exercise price below the \$0.10 are considered. None of the options had an exercise price less than \$0.10. As of the date of this report, 3,534,066 options are outstanding.

## **Material Contracts & Commitments**

On March 11, 2011, the Corporation completed an agreement with the Newfoundland and Labrador Department of Business ("NL loan"), 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 NL loan, \$328,000, is to be repaid over a four-year term starting in December, 2012. As of the date of this MD&A, \$25,575 has been received.

On March 31, 2009, the Corporation completed an agreement with ACOA to provide \$500,000 of funding to develop version 4.7 of the XSELLERATOR system and to expand the office in St. John's, Newfoundland. As of April 20, 2010, the full amount had been received by the Corporation. The ACOA loan is to be repaid with equal installments of \$8,333 over a five-year period. The first repayment amount was made in July 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, 43 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.

### **Off Balance Sheet Arrangements**

Other than the lease commitments noted in Note 15 of the September 30, 2011 unaudited condensed consolidated financial statements, the Corporation has not entered into any off balance sheet arrangements.

### **Transition to IFRS**

Effective January 1, 2010, International Financial Reporting Standards replaced Canada's current Generally Accepted Accounting Principles for all publicly accountable profit-oriented enterprises. The Corporation has adopted IFRS effective January 1, 2010 ("the transition date") and has prepared its opening IFRS statement of financial position as at that date. Prior to the adoption of IFRS, the Corporation prepared its financial statements in accordance with Canadian GAAP.

The Corporation's consolidated financial statements for the year ending December 31, 2011, will be the first annual financial statements that comply with IFRS. The Corporation will ultimately prepare its opening IFRS statement of financial position by applying existing IFRS with an effective date of December 31, 2011. Accordingly, the opening IFRS statement of financial position and the December 31, 2010, comparative statement of financial position presented in the consolidated financial statements for the year ending December 31, 2011, may differ from those presented at this time.

The Corporation has completed all three IFRS project phases and has successfully integrated IFRS into our day-to-day operations. The adoption of IFRS has not changed the strategy of Quorum nor has it impacted our underlying business activities. Overall, our cash flows have not been impacted by the transition.

#### *IFRS 1 – First-Time Adoption*

In preparing these condensed consolidated financial statements in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards ("IFRS 1"), the Corporation has applied certain of the optional exemptions from full retrospective application of IFRS. Based on management's analysis of the various accounting policy choices available, the IFRS 1 optional exemptions applied are described below:

(i) Share-based payment transactions

The Corporation has elected to apply IFRS 2, “Share based Payments” (“IFRS 2”), to equity instruments granted after November 7, 2002, which have not vested by the Transition Date. Accordingly, Management has elected not to restate the stock-based compensation expense for share based payments granted and vested prior to the Transition Date.

(ii) Borrowing costs

IAS 23, “Borrowing Costs”, has not been applied to borrowing costs relating to qualifying assets for which the commencement date for capitalization is before January 1, 2010. Accordingly, the Corporation has not capitalized borrowing costs relating to qualifying assets for which the commencement date for capitalization was before January 1, 2010.

(iii) Fair value or revaluation as deemed cost

IAS 16, “Property, plant, and equipment”, allows for property and equipment to continue to be carried at cost less depreciation, as determined under Canadian GAAP. Accordingly, the Corporation has elected to carry its property and equipment at historical cost less accumulated amortization.

Impact on Historical Key Performance Indicators previously reported under Canadian GAAP

The following table summarizes the impact of IFRS on certain key performance metrics monitored by Management for the three and nine months ended September 30, 2010, as prepared under Canadian GAAP and IFRS.

Three Months Ended September 30, 2010			
	Canadian GAAP	IFRS	% Change
Income (loss) before taxes	\$ 8,192	\$ (9,128)	(211%)
Net loss	\$ (225,540)	\$ (291,733)	(29%)

Nine Months Ended September 30, 2010			
	Canadian GAAP	IFRS	% Change
Income before taxes	\$ 285,487	\$ 277,945	(3%)
Net income	\$ 119,658	\$ 48,965	(59%)

Impact of IFRS Adoption on Significant Accounting Policies and Estimates

The Corporation’s IFRS accounting policies are provided in Note 3 to the March 31, 2011 Condensed Consolidated Financial Statements (unaudited). In addition, Note 4 to the Condensed Consolidated Financial Statements (unaudited) presents reconciliations between the Corporation’s 2010 previous GAAP results and the 2010 IFRS results. The reconciliations include the Consolidated Statements of Financial Position as at January 1, 2010 and September 30, 2010 and the Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2010.

The following tables summarize the adjustments made to the Corporation’s Statement of Financial Position and Statement of Comprehensive Income:

	September 30, 2010	January 1, 2010
Deficit as reported under Canadian GAAP	\$ (9,879,886)	\$ (9,999,544)
IFRS adjustments increase (decrease):		
Stock-based compensation	(82,333)	(76,693)
Property and equipment	(14,830)	(15,541)
Software development costs	(4,710,820)	(4,670,822)
Deferred tax	1,252,502	1,318,514
Provisions	73,417	-
Long-term debt	(33,171)	-
	(3,515,235)	(3,444,542)
Deficit as reported under IFRS	\$ (13,395,121)	\$ (13,444,086)

	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010
Net income (loss) as reported under Canadian GAAP	\$ (225,540)	\$ 119,658
IFRS adjustments increase (decrease):		
Stock-based compensation	(6,326)	(5,642)
General and administrative	11,433	40,244
Amortization of property and equipment	235	712
Amortization of intangibles	(22,662)	(42,856)
Foreign exchange loss	-	-
Deferred tax	(48,873)	(63,151)
	(66,193)	(70,693)
Net income (loss) as reported under IFRS	\$ (291,733)	\$ 48,965

An explanation of how the transition from Canadian GAAP to IFRS has affected the Corporation's Statement of Financial Position is set out below, and is based on the standards as published on the Corporation's Transition Date. Accordingly, the opening IFRS Statement of Financial Position and the December 31, 2010 comparative Statement of Financial Position presented in the consolidated financial statements for the year ended December 31, 2011, may differ from those presented at this time.

#### *Stock-Based Compensation*

Under Canadian GAAP, the Corporation recognized stock-based compensation expense with graded vesting features on a straight-line basis over the vesting period. Under IFRS, the Corporation is required to treat each "tranche" of a stock-based compensation arrangement as a separate grant which results in the recognition of compensation expense on an accelerated basis as compared to Canadian GAAP. Further, IFRS requires that an estimate of the number of awards expected to vest be accounted for at the date of the grant. As a result, this increased contributed surplus and increased deficit by \$76,693 at the date of transition and increased employee stock option benefits by \$6,326 and \$5,642 for the three and nine months ended September 30, 2010.

#### *Property and Equipment*

Under Canadian GAAP, the Corporation included vendor distribution rights in its property and equipment. IFRS requires that these items be shown as an intangible asset. The resulting change decreased property and equipment by \$15,541 and increased intangible assets by \$15,541 at the date of transition. Amortization of property and equipment expense decreased by \$235 and \$712 for the three and nine months ended September 30, 2010.

As well, under Canadian GAAP, the Corporation measured property and equipment at amortized cost. IFRS permits items of property and equipment to be measured either at fair value or amortized cost. In this regard, the Corporation expects to continue to reflect property and equipment at its historic amortized cost. Further, IFRS requires that significant asset parts (i.e. components) are recognized and depreciated separately. The Corporation has assessed componentization under IFRS to be similar to how assets have been componentized by the Corporation and the impact on Quorum's Condensed Statement of Financial Position upon adoption of IFRS was \$nil.

#### *Software Development Costs*

Under Canadian GAAP, the Corporation amortized its software development costs using the units of production method. Under IFRS the Corporation will use a ten year, straight-line amortization method. Amortization of intangible assets expense increased by \$22,662 for the three months ended September 30, 2010 and increased by \$42,856 for the nine months ended September 30, 2010.

#### *Deferred Income Taxes*

Under Canadian GAAP, the Corporation used the liability method of tax allocation for current and future income taxes. Under IFRS, a deferred tax asset is recognized for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be generated to utilize these unused tax losses and unused tax credits. Based on current and forecasted taxable profits, the Corporation expects to use these losses and credits, so there has been no change in the carrying value of its deferred tax asset upon adoption of IFRS.

The conversion to IFRS has changed the deferred tax asset balance as a result of the new accounting values of the intangible assets. The deferred tax asset increased by \$1,318,514 as of the transition date.

#### *Provisions*

Under Canadian GAAP, the Corporation recognized amounts due to Central Consulting Services as long-term payables/long-term debt. Under IFRS, these amounts are classified as a provision because it is a liability of uncertain timing. The effect of this change in classification at the transition date is to increase provisions by \$29,929 with a corresponding decrease to accounts payable and accrued liabilities, and decreased general and administrative expense by \$11,433 and \$40,244 for each of the three and nine months ended September 30, 2010.

#### *Impairment of Assets*

Under Canadian GAAP, intangible assets were recognized as one overall asset. Under IFRS, the intangible assets are broken down based on their cash generating units ("CGU") levels and tested for impairment on an annual basis. The Corporation has analyzed the intangible asset and it has been separated into three CGUs; General Motors ("GM") Canadian Dealerships, General Motors US Dealerships, and Other OEM Dealerships. Under IFRS, if the carrying value of each CGU exceeds the greater of the fair value less cost to sell or value in use, an impairment loss is recognized in the CGU. Based on the impairment test, software development costs for the General Motors US Dealerships, and the Other OEM Dealerships were impaired. As a result, the intangible asset balance in the GM US CGU was decreased by \$3,413,404 and the intangible asset balance in the Other OEM Dealerships CGU was decreased by \$1,272,959 for a total of intangible asset writedown of \$4,686,363 and a corresponding increase in the cumulative deficit of \$4,686,363 at the transition date. In addition, \$15,541 for Vendor Distribution rights was reallocated from Property and Equipment to Intangible Assets for a total Intangible Asset adjustment of \$4,670,822.

### *Internal Controls*

The conversion to IFRS does not have a significant impact on the Corporation's current control environment, business processes, financial systems or IT systems. There have been no significant changes in Quorum's internal control over financial reporting during the nine-month period ended September 30, 2011, which have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

### *Estimates and Judgments*

As a routine element of the financial statement preparation process, management is required to make estimates and assumptions based on information available as at the financial statement date. These estimates and assumptions affect the reported amounts of assets and liabilities, the possible disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses for the period.

Although estimates and assumptions must be made during the financial statement preparation process, it is management's opinion that none of the estimates or assumptions were highly uncertain at the time they were made. The most significant estimates in Quorum's condensed consolidated financial statements are the impairment of intangibles, amortization of property and equipment and intangibles, deferred income taxes and stock-based compensation.

### **Future Accounting Pronouncements**

All accounting standards effective for periods beginning on or after January 1, 2011, have been adopted as part of the transition to IFRS.

In May 2011, the IASB issued the following new and amended standards:

- IFRS 9, "Financial Instruments" is intended to replace IAS 39 "Financial Instruments: Recognition and Measurement". For financial assets, IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple rules in IAS 39. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. For financial liabilities, although the classification criteria for financial liabilities will not change under IFRS 9, the approach to the fair value option for financial liabilities may require different accounting for changes to the fair value of a financial liability as a result of changes to an entity's own credit risk;
- IFRS 10, "Consolidated Financial Statements" ("IFRS 10") replaces IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27") and Standing Interpretations Committee ("SIC") 12, "Consolidation – Special Purpose Entities". IFRS 10 revises the definition of control and focuses on the need to have power and variable returns for control to be present. IFRS 10 provides guidance on participating and protective rights and also addresses the notion of "de facto" control. It also includes guidance related to an investor with decision making rights to determine if it is acting as a principal or agent;
- IFRS 13, "Fair Value Measurement" ("IFRS 13") provides a consistent and less complex definition of fair value, establishes a single source for determining fair value, and introduces consistent requirements for disclosures related to fair value measurement;
- IAS 1, "Presentation of Financial Statements" ("IAS 1") requires companies to group items presented within Other Comprehensive Income based on whether they may be subsequently reclassified to profit or loss. This amendment to IAS 1 is effective for annual periods beginning on or after July 1, 2012 with full retrospective application; and
- IAS 27, "Separate Financial Statements" has been amended to conform to the changes made in IFRS 10 but retains the current guidance for separate financial statements

Except as noted above, all of the above pronouncements are effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Corporation is currently evaluating the impact of adopting these standards.

## **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 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 may not be able to 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**

As discussed in the *Cash flow* section above, in April 2008 the Corporation issued the Debenture (\$1.5 million) to fund operations. The Debenture was secured by a fixed and floating charge on all assets and was convertible any time prior to maturity. The debenture was retired on December 15, 2010.

## **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 active dealership rooftops were GM dealerships. Currently approximately 75% of Quorum's 250 active dealership rooftops are 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.

## **Server Reliability Risk**

Quorum's XSELLERATOR product operates on a server that is installed at the 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 to Microsoft's cloud data backup 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 St. John's 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 will result 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.



**Quorum Information Technologies Inc.**  
**Condensed Consolidated Statements of Financial Position (unaudited)**

<b>As at</b>		<b>September 30, 2011</b>	<b>December 31, 2010</b>
<b>ASSETS</b>			
<b>Current:</b>			
Cash		\$ 221,557	\$ 137,410
Accounts receivable		1,244,735	1,103,768
Inventory		7,698	8,553
Prepaid expenses		104,093	91,676
		<b>1,578,083</b>	<b>1,341,407</b>
Property and equipment	Note 5	212,956	246,904
Intangible assets	Note 6	4,255,558	4,189,945
Deferred income tax asset		4,383,866	4,410,867
Investment tax credits	Note 11	2,969,545	2,821,642
		<b>\$ 13,400,008</b>	<b>\$ 13,010,765</b>
<b>LIABILITIES</b>			
<b>Current:</b>			
Accounts payable and accrued liabilities		418,457	502,209
Deferred revenue		193,580	157,332
Current portion of long-term debt	Note 8	52,514	41,557
		<b>664,551</b>	<b>701,098</b>
Long-term debt	Note 8	218,389	258,686
Provisions	Note 10	43,763	34,251
		<b>926,703</b>	<b>994,035</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	Note 12	23,399,937	23,399,937
Contributed surplus	Note 14	2,110,245	2,057,702
Deficit		(13,036,877)	(13,440,909)
		<b>12,473,305</b>	<b>12,016,730</b>
		<b>\$ 13,400,008</b>	<b>\$ 13,010,765</b>

See accompanying notes to condensed consolidated financial statements.

Approved on behalf of the Board:

(Maury Marks)

(John Carmichael)

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**Director**  
*Maury Marks*  
*President & CEO*

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

**Quorum Information Technologies Inc.**  
**Condensed Consolidated Statements of Comprehensive Income (unaudited)**

Period ended	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
<b>Gross revenue</b>	<b>\$ 1,874,497</b>	\$1,862,811	<b>\$ 5,616,280</b>	\$ 5,839,898
Third party costs (direct)	<b>202,702</b>	259,077	<b>748,969</b>	1,022,444
Salaries and benefits (direct)	<b>566,599</b>	545,170	<b>1,638,744</b>	1,520,442
<b>Gross profit</b>	<b>1,105,196</b>	1,058,564	<b>3,228,567</b>	3,297,012
<b>Expenses</b>				
Salaries and benefits (indirect)	<b>446,672</b>	389,564	<b>1,358,509</b>	1,307,955
Government assistance	<b>(60,149)</b>	(41,822)	<b>(145,077)</b>	(124,129)
Stock-based compensation	<b>17,479</b>	36,066	<b>52,543</b>	105,522
General and administrative	<b>290,695</b>	316,555	<b>900,619</b>	900,654
Sales and marketing	<b>55,856</b>	56,875	<b>181,129</b>	166,304
Interest expense on long-term debt	<b>12,785</b>	79,456	<b>45,658</b>	230,833
Bank charges and other interest expense	<b>6,148</b>	11,794	<b>19,571</b>	18,722
Amortization of intangible assets	<b>119,419</b>	100,422	<b>350,120</b>	302,796
Amortization of property and equipment	<b>16,227</b>	19,995	<b>48,618</b>	59,858
Amortization of software licenses held for resale	-	1,442	-	4,326
Foreign exchange loss (gain)	<b>(187,011)</b>	97,345	<b>(116,791)</b>	46,226
<b>Total expenses</b>	<b>718,121</b>	1,067,692	<b>2,694,899</b>	3,019,067
<b>Income before income taxes</b>	<b>387,075</b>	(9,128)	<b>533,668</b>	277,945
<b>Future income tax expense (recovery)</b>	<b>(24,263)</b>	282,605	<b>129,636</b>	228,980
<b>Net income (loss) and comprehensive income (loss)</b>	<b>411,338</b>	(291,733)	<b>404,032</b>	48,965
<b>Net income (loss) per share</b>				
- Basic	<b>\$ 0.0105</b>	\$ (0.0074)	<b>\$ 0.0103</b>	\$ 0.0012
- Diluted	<b>\$ 0.0105</b>	\$ (0.0074)	<b>\$ 0.0103</b>	\$ 0.0012
<b>Weighted average number of common shares</b>				
- Basic	<b>39,298,438</b>	39,298,438	<b>39,298,438</b>	39,298,438
- Diluted	<b>39,298,438</b>	39,298,438	<b>39,684,319</b>	42,786,319

See accompanying notes to condensed consolidated financial statements.

**Quorum Information Technologies Inc.**  
**Condensed Consolidated Statements of Changes in Equity (unaudited)**

Period ended	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
<b>Common shares</b>				
Balance, beginning of period	\$ 23,399,937	\$ 23,399,937	\$ 23,399,937	\$ 23,399,937
Stock options exercised	-	-	-	-
Balance, end of period	<b>23,399,937</b>	23,399,937	<b>23,399,937</b>	23,399,937
<b>Convertible debenture</b>				
Balance, beginning of period	-	195,685	-	195,685
Conversion of subordinate convertible debenture	-	-	-	-
Balance, end of period	-	195,685	-	195,685
<b>Contributed surplus</b>				
Balance, beginning of period	2,092,766	1,810,595	2,057,702	1,741,139
Stock options exercised	-	-	-	-
Stock-based compensation	17,479	36,066	52,543	105,522
Balance, end of period	<b>2,110,245</b>	1,846,661	<b>2,110,245</b>	1,846,661
<b>Deficit</b>				
Balance, beginning of period	(13,448,215)	(13,103,388)	(13,440,909)	(13,444,086)
Net income (loss) for the period	411,338	(291,733)	404,032	48,965
Balance, end of period	<b>(13,036,877)</b>	(13,395,121)	<b>(13,036,877)</b>	(13,395,121)
<b>Total shareholders' equity</b>	<b>\$ 12,473,305</b>	\$ 12,047,162	<b>\$ 12,473,305</b>	\$ 12,047,162

See accompanying notes to condensed consolidated financial statements.

**Quorum Information Technologies Inc.**  
**Condensed Consolidated Statements of Cash Flows (unaudited)**

Period ended	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
<b>Cash flow from operating activities</b>				
Cash receipts from customers	\$ 1,769,705	\$ 2,063,729	\$ 5,511,562	\$ 6,004,644
Cash paid to suppliers and employees	(1,555,388)	(1,709,671)	(4,754,381)	(4,964,453)
Interest paid	(51,804)	(55,591)	(65,228)	(152,287)
	<b>162,513</b>	<b>298,467</b>	<b>691,953</b>	<b>887,904</b>
<b>Cash flow from financing activities</b>				
Proceeds from long-term debt	-	-	-	25,000
Proceeds from SR&ED	122,232	85,665	122,232	164,523
Repayment of long-term debt	(12,216)	(8,563)	(29,342)	(19,119)
	<b>110,016</b>	<b>77,102</b>	<b>92,890</b>	<b>170,404</b>
<b>Cash flow from investing activities</b>				
Purchase of property and equipment	(6,045)	(1,548)	(14,829)	(2,457)
Software development costs	(230,864)	(293,419)	(685,867)	(769,725)
	<b>(236,909)</b>	<b>(294,967)</b>	<b>(700,696)</b>	<b>(772,182)</b>
<b>Increase in cash</b>	<b>35,620</b>	<b>80,602</b>	<b>84,147</b>	<b>286,126</b>
<b>Cash, beginning of period</b>	<b>185,937</b>	<b>1,549,306</b>	<b>137,410</b>	<b>1,343,782</b>
<b>Cash, end of period</b>	<b>\$ 221,557</b>	<b>\$ 1,629,908</b>	<b>\$ 221,557</b>	<b>\$ 1,629,908</b>

See accompanying notes to condensed consolidated financial statements.

## **1. Nature of Operations**

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Quorum Information Technologies Inc. (“Quorum” or the “Corporation”) is an information technology company that focuses on the automotive retail business in Canada and the U.S. 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.

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## **2. Basis of Presentation**

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### **(a) Statement of compliance**

In 2010, the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”) was revised to incorporate International Financial Reporting Standards (“IFRS”) and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Corporation commenced reporting on this basis in the March 31, 2011 interim consolidated financial statements. In these financial statements, the term “Canadian GAAP” refers to Canadian generally accepted accounting principles before the adoption of IFRS.

These financial statements have been prepared in accordance with International Accounting Standard 34 (“IAS 34”), “Interim Financial Reporting” as issued by the International Accounting Standards Board and using the accounting policies the Corporation expects to adopt in its consolidated financial statements for the year ending December 31, 2011, which will be the Corporation’s first consolidated annual financial statements prepared in accordance with IFRS. IFRS requires an entity to adopt IFRS in its first annual financial statements by making an explicit and unreserved statement in those financial statements of compliance with IFRS. The Corporation will make this statement when it issues its 2011 annual financial statements. IFRS 1, “First-time Adoption of International Financial Reporting Standards”, has been applied with a transition date of January 1, 2010. An explanation of how the transition to IFRS has affected the reported financial position, financial performance, and cash flows of the Corporation, including the nature and effect of significant changes in accounting policies from those used in the Corporation’s consolidated financial statements for the year ended December 31, 2010, is provided in note 4. These unaudited consolidated financial statements were authorized for issue by the Board of Directors on November 18, 2011.

### **(b) Basis of measurement**

The consolidated financial statements have been prepared on a going concern basis using the historical cost convention, except financial instruments at fair value through profit or loss are measured at fair value.

### **(c) Functional and presentation currency**

These consolidated financial statements are presented in Canadian dollars, which is the Corporation’s functional currency. Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the statement of financial position date. Gains and losses on translation of monetary items are recognized in the comprehensive income statement, except for those foreign exchange gains or losses arising from a monetary item receivable from or

## **2. Basis of Presentation** *(continued)*

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payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the cumulative translation account.

Assets and liabilities of subsidiaries having a functional currency other than the Canadian dollar are translated at the rate of exchange at the statement of financial position date. Revenues and expenses are translated at average rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transaction are used. The resulting foreign currency translation adjustments are recognized in other comprehensive income ("OCI").

### **(d) Recent accounting pronouncements**

In May 2011, the IASB issued the following new and amended standards:

- IFRS 9, "Financial Instruments" is intended to replace IAS 39 "Financial Instruments: Recognition and Measurement". For financial assets, IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple rules in IAS 39. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. For financial liabilities, although the classification criteria for financial liabilities will not change under IFRS 9, the approach to the fair value option for financial liabilities may require different accounting for changes to the fair value of a financial liability as a result of changes to an entity's own credit risk;
- IFRS 10, "Consolidated Financial Statements" ("IFRS 10") replaces IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27") and Standing Interpretations Committee ("SIC") 12, "Consolidation – Special Purpose Entities". IFRS 10 revises the definition of control and focuses on the need to have power and variable returns for control to be present. IFRS 10 provides guidance on participating and protective rights and also addresses the notion of "de facto" control. It also includes guidance related to an investor with decision making rights to determine if it is acting as a principal or agent;
- IFRS 13, "Fair Value Measurement" ("IFRS 13") provides a consistent and less complex definition of fair value, establishes a single source for determining fair value, and introduces consistent requirements for disclosures related to fair value measurement;
- IAS 1, "Presentation of Financial Statements" ("IAS 1") requires companies to group items presented within Other Comprehensive Income based on whether they may be subsequently reclassified to profit or loss. This amendment to IAS 1 is effective for annual periods beginning on or after July 1, 2012 with full retrospective application; and
- IAS 27, "Separate Financial Statements" has been amended to conform to the changes made in IFRS 10 but retains the current guidance for separate financial statements.

Except as noted above, all of the above pronouncements are effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Corporation is currently evaluating the impact of adopting these standards.

### **3. Significant Accounting Policies**

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These unaudited interim consolidated financial statements have been prepared by management of the Corporation in accordance with IAS 34 following the same accounting principles and methods of computation as outlined in the Corporation's unaudited interim consolidated financial statements for the three months ending March 31, 2011. These unaudited interim consolidated financial statements include all necessary disclosures required for interim financial statements but do not include all disclosures required for annual financial statements. Therefore, these interim consolidated financial statements should be read in conjunction with the most recent audited annual consolidated financial statements and the notes thereto for the year ended December 31, 2010, and the disclosures and accounting policies included in the unaudited consolidated financial statements as at and for the three months ended March 31, 2011.

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### **4. Explanation of Transition to IFRS**

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The Corporation has adopted IFRS effective January 1, 2010, ("the Transition Date") and has prepared its opening IFRS statement of financial position as at that date. Prior to the adoption of IFRS the Corporation prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Corporation's consolidated financial statements for the year ending December 31, 2011, will be the first annual financial statements prepared under IFRS. The Corporation will ultimately prepare its opening IFRS statement of financial position by applying existing IFRS with an effective date of December 31, 2011. Accordingly, the opening IFRS statement of financial position and the December 31, 2010, comparative statement of financial position presented in the consolidated financial statements for the year ending December 31, 2011, may differ from those presented at this time.

#### **Mandatory exceptions to retrospective application**

In preparing these financial statements in accordance with IFRS, the Corporation has applied certain mandatory exceptions from full retrospective application of IFRS. The mandatory exceptions applied are:

##### *Estimates*

Estimates previously made by the Corporation under Canadian GAAP are consistent with those under IFRS. Hindsight was not used to create or revise previous estimates.

#### **Elected exemptions to retrospective application**

IFRS 1 "First-time Adoption of International Financial Reporting Standards" allows for certain elected exemptions from full retrospective application of IFRS. The Corporation has applied certain of the optional exemptions from full retrospective application of IFRS. Based on management's analysis of the various accounting policy choices available, the IFRS 1 optional exemptions applied are described below:

#### **4. Explanation of Transition to IFRS** *(continued)*

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(i) Share-based payment transactions

The Corporation has elected to apply IFRS 2, "Share-based Payments" ("IFRS 2"), to equity instruments granted after November 7, 2002, which have not vested by the Transition Date. Accordingly, Management has elected not to restate the stock-based compensation expense for share-based payments granted and vested prior to the Transition Date.

(ii) Borrowing costs

IAS 23, "Borrowing Costs", has not been applied to borrowing costs relating to qualifying assets for which the commencement date for capitalization is before January 1, 2010. Accordingly, the Corporation has not capitalized borrowing costs relating to qualifying assets for which the commencement date for capitalization was before January 1, 2010.

(iii) Fair value or revaluation as deemed cost

IAS 16, "Property, plant, and equipment", allows for property and equipment to continue to be carried at cost less depreciation, as determined as under Canadian GAAP. Accordingly, the Corporation has elected to carry its property and equipment at historical cost less accumulated amortization.

#### **Reconciliation of equity and comprehensive income as reported under Canadian GAAP and IFRS**

In preparing its opening IFRS consolidated statement of financial position, the Corporation has adjusted amounts previously reported in the financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Corporation's consolidated statements of financial position, comprehensive income, and cash flows is set out in the following tables and the notes that accompany the tables.

**Quorum Information Technologies Inc.**  
**Notes to the Condensed Consolidated Financial Statements (unaudited)**

**4. Explanation of Transition to IFRS (continued)**

**Reconciliation of financial position:**

As at

		September 30, 2010		January 1, 2010			
Note	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS	
<b>ASSETS</b>							
<b>Current:</b>							
	1,629,908	-	<b>1,629,908</b>	1,343,782	-	<b>1,343,782</b>	
Cash							
Accounts receivable	972,296	-	<b>972,296</b>	1,200,435	-	<b>1,200,435</b>	
Inventory	10,679	-	<b>10,679</b>	2,377	-	<b>2,377</b>	
Prepaid expenses	96,559	-	<b>96,559</b>	88,458	-	<b>88,458</b>	
	2,709,442	-	<b>2,709,442</b>	2,635,052	-	<b>2,635,052</b>	
Property & equipment	277,028	(14,830)	<b>262,198</b>	335,148	(15,541)	<b>319,607</b>	
Intangible assets	8,755,715	(4,710,820)	<b>4,044,895</b>	8,755,135	(4,670,822)	<b>4,084,313</b>	
Software licenses held for resale	1,442	-	<b>1,442</b>	5,767	-	<b>5,767</b>	
Deferred tax asset	3,272,857	1,252,502	<b>4,525,359</b>	3,481,822	1,318,514	<b>4,800,336</b>	
Investment tax credits	2,821,642	-	<b>2,821,642</b>	2,477,564	-	<b>2,477,564</b>	
	17,838,126	(3,473,148)	<b>14,364,978</b>	17,690,488	(3,367,849)	<b>14,322,639</b>	
<b>LIABILITIES</b>							
<b>Current:</b>							
Accounts payable and accrued liabilities	361,650	-	<b>361,650</b>	517,984	(29,929)	<b>488,055</b>	
Deferred revenue	166,306	-	<b>166,306</b>	229,698	-	<b>229,698</b>	
Current portion of long- term debt	1,485,788	-	<b>1,485,788</b>	27,940	-	<b>27,940</b>	
Deferred government assistance	-	-	-	15,900	-	<b>15,900</b>	
	2,013,744	-	<b>2,013,744</b>	791,522	(29,929)	<b>761,593</b>	
Long-term debt	344,318	(73,417)	<b>270,901</b>	260,558	-	<b>260,558</b>	
Provisions	-	33,171	<b>33,171</b>	-	29,929	<b>29,929</b>	
Convertible debenture	-	-	-	1,377,883	-	<b>1,377,883</b>	
	2,358,062	(40,246)	<b>2,317,816</b>	2,429,963	-	<b>2,429,963</b>	
<b>SHAREHOLDERS' EQUITY</b>							
Share capital	23,399,937	-	<b>23,399,937</b>	23,399,937	-	<b>23,399,937</b>	
Convertible debenture	195,685	-	<b>195,685</b>	195,685	-	<b>195,685</b>	
Contributed surplus	1,764,328	82,333	<b>1,846,661</b>	1,664,447	76,693	<b>1,741,140</b>	
Deficit	(9,879,886)	(3,515,235)	<b>(13,395,121)</b>	(9,999,544)	(3,444,542)	<b>(13,444,086)</b>	
	15,480,064	(3,432,902)	<b>12,047,163</b>	15,260,525	(3,367,849)	<b>11,892,676</b>	
	17,838,126	(3,473,148)	<b>14,364,978</b>	17,690,488	(3,367,849)	<b>14,333,639</b>	

**Quorum Information Technologies Inc.**  
**Notes to the Condensed Consolidated Financial Statements (unaudited)**

**4. Explanation of Transition to IFRS** *(continued)*

**Reconciliation of comprehensive income:**

	Three months ended September 30, 2010			Nine months ended September 30, 2010			
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
Gross revenue		1,862,811	-	<b>1,862,811</b>	5,839,898	-	<b>5,839,898</b>
Cost of products and services sold		804,247	(804,247)	-	2,542,886	(2,542,886)	-
Third Party Costs (Direct)		-	259,077	<b>259,077</b>	-	1,022,444	<b>1,022,444</b>
Salaries and Benefits(Direct)		-	545,170	<b>545,170</b>	-	1,520,442	<b>1,520,442</b>
Margin after direct cost		1,058,564	-	<b>1,058,564</b>	3,297,012	-	<b>3,297,012</b>
<b>Expenses</b>							
Salaries and benefits		347,742	41,822	<b>389,564</b>	1,183,826	124,129	<b>1,307,955</b>
Government assistance		-	(41,822)	<b>(41,822)</b>	-	(124,129)	<b>(124,129)</b>
Employee stock option benefits	<b>a</b>	29,740	6,326	<b>36,066</b>	99,880	5,642	<b>105,522</b>
General and administrative	<b>e</b>	327,988	(11,433)	<b>316,555</b>	940,898	(40,244)	<b>900,654</b>
Sales and marketing		56,875	-	<b>56,875</b>	166,304	-	<b>166,304</b>
Interest expense on long-term debt		79,456	-	<b>79,456</b>	230,833	-	<b>230,833</b>
Bank charges and other interest		11,794	-	<b>11,794</b>	18,722	-	<b>18,722</b>
Amortization of intangible assets	<b>b</b>	77,760	22,662	<b>100,422</b>	259,940	42,856	<b>302,796</b>
Amortization of property and equipment	<b>c</b>	20,230	(235)	<b>19,995</b>	60,570	(712)	<b>59,858</b>
Amortization of software licenses held for resale		1,442	-	<b>1,442</b>	4,326	-	<b>4,326</b>
Foreign exchange (gain) loss		97,345	-	<b>97,345</b>	46,226	-	<b>46,226</b>
Total expenses		1,050,372	17,320	<b>1,067,692</b>	3,011,525	7,542	<b>3,019,067</b>
Net income (loss) before income taxes		8,192	(17,320)	<b>(9,128)</b>	285,487	(7,542)	<b>277,945</b>
Deferred income tax expense	<b>d</b>	233,732	48,873	<b>282,605</b>	165,829	63,151	<b>228,980</b>
Net income (loss) and comprehensive income (loss)		(225,540)	(66,193)	<b>(291,733)</b>	119,658	(70,693)	<b>48,965</b>

#### **4. Explanation of Transition to IFRS** *(continued)*

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##### **Note to the Reconciliations**

###### **a) Stock-based compensation**

Under Canadian GAAP, the Corporation recognized compensation expense associated with stock-based compensation plans on a straight-line basis over the vesting period of the option. IFRS requires each “tranche” of a stock-based compensation arrangement to be treated as a separate grant which results in accelerated recognition of compensation expense when compared to Canadian GAAP.

Additionally, IFRS requires that the expected vesting awards be accounted for at the date of the grant. The resulting change increased contributed surplus and increased deficit by \$76,693 at the transition date and increased employee stock option benefits by \$6,326 and \$5,642 for the three and nine months ended September 30, 2010, with a corresponding increase to contributed surplus for each of the respective periods.

###### **b) Software development costs**

Under Canadian GAAP, intangible assets were recognized as one overall asset. Under IFRS, the intangible assets are broken down based on their cash generating units (“CGU”) levels and tested for impairment on an annual basis. The Corporation has analyzed the intangible asset and it has been separated into three CGUs; General Motors (“GM”) Canadian Dealerships, General Motors US Dealerships, and Other OEM Dealerships. Under IFRS, if the carrying value of each CGU exceeds the greater of the fair value less cost to sell or value in use, an impairment loss is recognized in the CGU. Based on the impairment test, software development costs for the General Motors US Dealerships, and the Other OEM Dealerships were impaired. As a result, the intangible asset balance in the GM US CGU was decreased by \$3,413,404 and the intangible asset balance in the Other OEM Dealerships CGU was decreased by \$1,272,959 for a total of intangible asset writedown of \$4,686,363 and a corresponding increase in the cumulative deficit of \$4,686,363 at the transition date. In addition, \$15,541 for Vendor Distribution rights was reallocated from Property and Equipment to Intangible Assets for a total Intangible Asset adjustment of \$4,670,822.

As well, under Canadian GAAP, the Corporation amortized its software development costs using the units of production method. Under IFRS the Corporation will use a ten year, straight-line amortization method. As a result of the change in useful life, amortization of intangible assets expense increased by \$22,662 for the three months ended September 30, 2010 and increased by \$42,856 for the nine months ended September 30, 2010, with a corresponding decrease to intangible assets for each of the respective periods.

###### **c) Property and equipment**

Under Canadian GAAP, the Corporation included vendor distribution rights in its property and equipment. IFRS requires that these items be shown as an intangible asset. The resulting change decreased property and equipment by \$15,541 and increased intangible assets by \$15,541 at the transition date.

Amortization of property and equipment expense decreased by \$235 and \$712 for the three and nine months ended September 30, 2010, with a corresponding increase to intangible assets for each of the respective periods.

**4. Explanation of Transition to IFRS (continued)**

**d) Deferred tax asset**

Under Canadian GAAP, the Corporation used the liability method of tax allocation for current and future income taxes. Under IFRS, a deferred tax asset is recognized for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be generated to utilize these unused tax losses and unused tax credits. Based on current and forecasted taxable profits, the Corporation expects to use these losses and credits, so there has been no change in the carrying value of its deferred tax asset upon adoption of IFRS. The conversion to IFRS has changed the deferred tax asset balance as a result of the new accounting values of the intangible assets. The deferred tax asset increased by \$1,318,514 as of the transition date and increased the deferred income tax expense by \$48,873 and \$63,151 for each of the three and nine months ended September 30, 2010.

**e) Provisions**

Under Canadian GAAP, the Corporation recognized amounts due to Central Consulting Services as long-term payable/long-term debt. Under IFRS, these amounts are classified as a provision because it is a liability of uncertain timing. The effect of this change in classification at the transition date is to increase provisions by \$29,929 with a corresponding decrease to accounts payable and accrued liabilities and long-term debt, and decreased general and administrative expense by \$11,433 and \$40,244 for each of the three and nine months ended September 30, 2010.

**f) Summary of adjustments to Deficit**

The following is a summary of transitional adjustments to the Corporation's deficit from Canadian GAAP to IFRS:

	December 31, 2010	September 30, 2010	January 1, 2010
Deficit as reported under Canadian GAAP	\$ (9,904,461)	\$ (9,879,886)	\$ (9,999,544)
IFRS adjustments increase (decrease):			
Stock-based compensation Note a	(89,890)	(82,333)	(76,693)
Property and equipment Note c	(14,593)	(14,830)	(15,541)
Intangibles Note b	(4,753,501)	(4,710,820)	(4,670,822)
Deferred tax Note d	1,321,536	1,252,502	1,318,514
Provisions	-	73,417	-
Long-term debt	-	(33,171)	-
	(3,536,448)	(3,515,235)	(3,444,542)
Deficit as reported under IFRS	\$ (13,440,909)	\$ (13,395,121)	\$ (13,444,086)

**g) Material adjustments to the consolidated statement of cash flows for 2010**

Consistent with the Corporation's accounting policy choice under IAS 7, the Statement of Cash Flows has no material difference between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP.

**Quorum Information Technologies Inc.**  
**Notes to the Condensed Consolidated Financial Statements (unaudited)**

**5. Property and Equipment**

The Corporation's property and equipment comprise computer hardware and software, office equipment and leasehold improvements. The carrying amount can be analyzed as follows:

	Computer Hardware	Computer Software	Office Equipment	Leasehold Improvements	Total
<b>Gross Carrying Amount</b>					
Balance at January 1, 2011	\$ 928,838	\$ 535,718	\$ 393,224	\$ 85,101	\$1,942,881
Additions	10,151	729	2,274	1,675	14,829
Disposals	-	-	-	-	-
Revaluation increase	-	-	-	-	-
Net exchange differences	-	-	-	-	-
Balance at September 30, 2011	938,989	536,447	395,498	86,776	1,957,710
<b>Amortization and Impairment</b>					
Balance at January 1, 2011	817,128	535,718	303,381	39,750	1,695,977
Disposal	-	-	-	-	-
Net exchange differences	159	-	-	-	159
Amortization	25,550	364	13,551	9,153	48,618
Balance at September 30, 2011	842,837	536,082	316,932	48,903	1,744,754
Carrying amount September 30, 2011	\$ 96,152	\$ 365	\$ 78,566	\$ 37,873	\$212,956

	Computer Hardware	Computer Software	Office Equipment	Leasehold Improvements	Total
<b>Gross Carrying Amount</b>					
Balance at January 1, 2010	\$ 922,336	\$ 535,718	\$ 391,540	\$ 386,613	\$2,236,207
Additions	6,502	-	1,684	-	8,186
Disposals	-	-	-	(301,512)	(301,512)
Revaluation increase	-	-	-	-	-
Net exchange differences	-	-	-	-	-
Balance at December 31, 2010	928,838	535,718	393,224	85,101	1,942,881
<b>Amortization and Impairment</b>					
Balance at January 1, 2010	770,646	535,718	281,131	329,105	1,916,600
Disposal	-	-	-	(301,512)	(301,512)
Net exchange differences	-	-	-	-	-
Amortization	46,482	-	22,250	12,157	80,889
Balance at December 31, 2010	817,128	535,718	303,381	39,750	1,695,977
Carrying amount December 31, 2010	\$ 111,710	\$ -	\$ 89,843	\$ 45,351	\$ 246,904

**Quorum Information Technologies Inc.**  
**Notes to the Condensed Consolidated Financial Statements (unaudited)**

**6. Intangible Assets**

The Corporation's other intangible assets comprise internally generated software development costs and vendor distribution rights. The carrying amounts for the reporting periods under review can be analyzed as follows:

	<b>Software Development Costs</b>	<b>Vendor Distribution Rights</b>	<b>Total</b>
<b>Gross Carrying Amount</b>			
Balance at January 1, 2011	\$ 11,157,328	\$ 42,646	\$ 11,199,974
Additions	415,732	-	415,732
Disposals	-	-	-
Net exchange differences	-	-	-
Balance at September 30, 2011	11,573,060	42,646	11,615,706
<b>Amortization and impairment</b>			
Balance at January 1, 2011	6,981,976	28,053	7,010,029
Amortization	349,458	661	350,119
Impairment losses	-	-	-
Disposals	-	-	-
Net exchange differences	-	-	-
Balance at September 30, 2011	7,331,434	28,714	7,360,148
Carrying amount September 30, 2011	\$ 4,241,626	\$ 13,932	\$ 4,255,558
<b>Gross Carrying Amount</b>			
Balance at January 1, 2010	\$ 10,643,817	\$ 42,646	\$ 10,686,463
Additions	513,511	-	513,511
Disposals	-	-	-
Net exchange differences	-	-	-
Balance at December 31, 2010	11,157,328	42,646	11,199,974
<b>Amortization and impairment</b>			
Balance at January 1, 2010	6,575,045	27,105	6,602,150
Amortization	406,931	948	407,879
Impairment losses	-	-	-
Disposals	-	-	-
Net exchange differences	-	-	-
Balance at December 31, 2010	6,981,976	28,053	7,010,029
Carrying amount December 31, 2010	\$ 4,175,352	\$ 14,593	\$ 4,189,945

In accordance with IFRS 1, the Corporation was required to perform an impairment test of its intangible assets as of the Transition Date. The Corporation's impairment analysis as of January 1, 2010 indicated that the recoverable amount of the net assets was below its respective carrying value and, therefore, an impairment existed. Details of the impairment are included in Note 4.

**7. Operating Line of Credit**

On December 15, 2010, the Corporation entered into a credit facility agreement with HSBC Bank that allows Quorum to borrow up to \$525,000 to meet working capital requirements, subject to the value of certain accounts receivable.

The Facility is secured by a first priority security interest in all of the Corporation's present and after - acquired property.

As of September 30, 2011, based on eligible accounts receivable, the maximum available draw on the Facility was \$525,000 (December 31, 2010 - \$525,000). Amounts drawn on the Facility incur interest at a rate of prime plus 1.75%. The balance drawn as of September 30, 2011 was \$Nil (December 31, 2010 - \$Nil).

**8. Long-term Debt**

Long-term debt includes the following financial liabilities:

	<b>September 30, 2011</b>	<b>December 31, 2010</b>
ACOA financing	<b>\$ 270,903</b>	\$ 300,243
Installments due within one year	<b>52,514</b>	41,557
<b>Total long-term debt</b>	<b>\$ 218,389</b>	\$ 258,686

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 September 30, 2011, the loan has been received in full and recorded at a fair value of \$270,903, based on a 20% rate of interest over 5 years. The difference between the fair value of the loan and the cash received has been accounted for as a government grant (refer to note 9). On a cash basis, \$383,338 is remaining on the loan and \$99,996 is required to be repaid within the next 12 months.

Scheduled principal repayments at September 30, 2011 are as follows:

2011 – 3 months	\$ 12,218
2012	56,166
2013	70,774
2014	85,383
2015	46,362
<b>Total</b>	<b>\$ 270,903</b>

## 9. Government Grants and Assistance

On June 12, 2007, the Corporation entered into an agreement with the Government of Newfoundland and Labrador, Department of Innovation, Trade and Rural Development to provide an eight percent subsidy of the Corporation's gross payroll costs including approved benefits associated with Newfoundland and Labrador employees, for a period of five years. In order to maintain this subsidy, the Corporation must maintain a high level of qualified employees (minimum of 35 full-time positions) each earning annual salaries aggregating \$35,000 or higher, net of benefits.

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 IAS 20 under IFRS. 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.

On March 11, 2011, the Corporation entered into 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. 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 is to be repaid over a four-year term starting December 2012.

## 10. Provisions

Provisions are considered long-term. The carrying amounts may be analyzed as follows:

	<b>Central Consulting Services Inc.</b>
Carrying amount, January 1, 2011	\$ 34,251
Additional provisions	9,512
Amount utilized	-
Reversals	-
Carrying amount, September 30, 2011	\$ 43,763
Carrying amount, January 1, 2010	\$ 29,929
Additional provisions	4,322
Amount utilized	-
Reversals	-
Carrying amount, December 31, 2010	\$ 34,251

On July 13, 2009, the Corporation entered into an agreement with Central Consulting Services Inc. to prepare the Scientific Research & Economic Development (SR&ED) claim for the years ended December 31, 2007, through to December 31, 2010. The amount of \$87,917, recorded at a fair value of \$43,763, is not payable until the Corporation is in a position to utilize the SR&ED Investment Tax Credits (ITCs). The Corporation does not expect to utilize those ITCs until the year ended December 31, 2015.

**11. 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
2010		147,903
		<b>\$ 2,969,545</b>

**12. Share Capital**

**(a) Authorized**

The Corporation is authorized to issue an unlimited number of Common shares and Preferred shares issuable in series.

**(b) Issued and Outstanding**

A summary of the changes to shareholders' equity for the period is presented below:

	<b>Number of Shares</b>	<b>Amount</b>
<b>Common Shares</b>		
Balance, December 31, 2010	<b>39,298,438</b>	<b>\$ 23,399,937</b>
Issued, January 1 – September 30, 2011	-	-
<b>Total share capital at September 30, 2011</b>	<b>39,298,438</b>	<b>\$ 23,399,937</b>

**(c) Net income per share**

In calculating the basic and diluted net income per share for the nine months ended September 30, 2011 and 2010, the weighted average number of shares used in the calculation is shown in the table below. The diluted shares for 2011 are based on an average stock price of \$0.10 for the three months ended September 30 and \$0.13 for the nine months ended September 30. The diluted shares for 2010 are based on an average stock price of \$0.14 for the three months ended September 30 and \$0.16 for the nine months ended September 30.

**Quorum Information Technologies Inc.**  
**Notes to the Condensed Consolidated Financial Statements (unaudited)**

**12. Share Capital** *(continued)*

	<u>Three Months Ended Sept 30</u>		<u>Nine Months Ended Sept 30</u>	
	2011	2010	2011	2010
<b>Net income (loss)</b>	<b>\$ 411,338</b>	\$ (291,733)	<b>\$ 404,032</b>	\$ 48,965
<b>Common Shares</b>				
Balance	<b>39,298,438</b>	39,298,438	<b>39,298,438</b>	39,298,438
Options issued at \$0.12	-	-	<b>385,881</b>	387,381
Options issued at \$0.15	-	-	-	3,004,500
Options issued at \$0.16	-	-	-	96,000
<b>Diluted shares outstanding</b>	<b>39,298,438</b>	39,298,438	<b>39,684,319</b>	42,786,319
<b>Net income per share – basic</b>	<b>\$ 0.0105</b>	\$ (0.0074)	<b>\$ 0.0103</b>	\$ 0.0012
<b>Net income per share – diluted</b>	<b>\$ 0.0105</b>	\$ (0.0074)	<b>\$ 0.0103</b>	\$ 0.0012

**13. Stock-Based Compensation**

As at September 30, 2011, a total of 3,929,844 stock options were reserved for issuance under the Corporation's Stock Option Plan of which 395,778 stock options remain available for grant. Pursuant to the Stock Plan, options may be granted to purchase common shares of the Corporation up to a maximum of 10% of common shares currently issued and outstanding.

Quorum provides incentives to employees, officers and directors of the Corporation by issuing options to acquire common shares. 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 1/3 of the stock options granted to any one individual shall vest in any twelve-month period.

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

	<u>As at September 30, 2011</u>		<u>As at December 31, 2010</u>	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Balance, beginning of period	<b>3,732,481</b>	<b>\$0.17</b>	3,400,500	\$0.18
Granted during the period	-	-	396,381	\$0.12
Exercised during the period	-	-	-	-
Forfeited during the period	<b>(198,415)</b>	<b>\$0.15</b>	(64,400)	\$0.15
Balance, end of period	<b>3,534,066</b>	<b>\$0.18</b>	3,732,481	\$0.17
Exercisable options, end of period	<b>3,167,941</b>	<b>\$0.18</b>	2,443,527	\$0.19

**Quorum Information Technologies Inc.**  
**Notes to the Condensed Consolidated Financial Statements (unaudited)**

**13. Stock-Based Compensation** *(continued)*

For the nine months ended September 30, 2011, stock based compensation expense of \$52,543 (2010 - \$105,522) was recorded related to the Corporation's stock based compensation plan. The following table summarizes information about stock options outstanding at September 30, 2011:

Exercise prices	Number outstanding	Weighted average remaining contractual life in years	Weighted average exercise price
\$ 0.12	355,866	3.8	\$ 0.12
\$ 0.15	2,818,200	2.6	\$ 0.15
\$ 0.16	60,000	3.2	\$ 0.16
\$ 0.49	300,000	0.8	\$ 0.49
	3,534,066	2.6	\$ 0.18

The Corporation accounts for its stock-based compensation plan using the fair value method, under which compensation expense for each tranche of an award is measured at the grant date and recognized over the vesting period. Assumptions utilized in the calculation thereof using the Black-Scholes model for option valuation are as follows:

	2011	2010
Volatility rate	108%	108%
Stock option holding period (years)	5	5
Risk free interest rate	1.8%	1.8%
Dividend yield	0%	0%

**14. Contributed Surplus**

The following table reconciles the Corporation's contributed surplus:

	Nine Months Ended September 30, 2011	Year Ended December 31, 2010
Contributed surplus, beginning of period	\$ 2,057,702	\$ 1,741,139
Stock-based compensation	52,543	142,820
Convertible debt	-	173,743
Exercise of share options	-	-
Contributed surplus, end of period	\$ 2,110,245	\$ 2,057,702

## 15. Operating leases

The Corporation's future minimum operating lease payments are as follows:

2011 – 3 months	\$ 139,920
2012	541,051
2013	465,232
2014	259,051
2015	-
<b>Total</b>	<b>\$ 1,405,254</b>

Lease payments recognized as an expense during the nine month period ending September 30, 2011 amount to \$578,957 (2010 - \$570,798). This amount consists of minimum lease payments. Sublease payments of \$143,718 (2010 - \$96,943) were received.

The rental contract for the office rented since October 1, 2007 at 10655 Southport Road, Calgary, Alberta has a non-cancellable term of seven years. The rental contract for the office rented since June 1, 2008 at 136 Crosbie Road, St. John's, Newfoundland and Labrador has a non-cancellable term of five years. The rental contract for the office rented since June 1, 2007 at 2109-39 Ottawa Street, Windsor, Ontario has a non-cancellable term of five years

The Corporation's operating lease agreements do not contain any contingent rent clauses. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions regarding dividends, further leasing or additional debt.

## 16. Financial Instruments and Risk Management

### a) *Financial instrument measurement and classification*

The classification of financial instruments remains consistent at September 30, 2011 with that as at December 31, 2010.

### b) *Credit risk*

Credit risk reflects the risk of loss if counterparties do not fulfill their contractual obligations to the Corporation. The Corporation manages credit risk by assessing the creditworthiness of its customers on an ongoing basis as well as monitoring the amount and age of balances outstanding. Accounts receivable primarily includes balances from customers operating primarily automotive dealership industry. Accordingly, the Corporation views the credit risks on these amounts as normal for the industry. An analysis of accounts receivable, net of impairment provisions, which are past due but not impaired is as follows:

	<b>September 30, 2011</b>	December 31, 2010
Past due 61 – 90 days	<b>\$ 8,791</b>	\$ 2,188
Past 90 days	<b>49,982</b>	27,948
<b>Total past due</b>	<b>\$ 58,773</b>	<b>\$ 30,136</b>

**16. Financial Instruments and Risk Management** *(continued)*

The Corporation reduces an account receivable to its estimated recoverable amount. At September 30, 2011, the Corporation had recorded a provision of \$48,215 (December 31, 2010 – \$Nil, January 1, 2010 - \$139,513) relating to accounts receivable which may not be collectible.

*c) Interest rate risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. The Corporation is exposed to interest rate risk as a result of funds borrowed at floating interest rates. The Corporation manages this risk by monitoring interest rate trends and forecasted economic conditions. As of September 30, 2011, the Corporation had not entered into any interest rate derivatives to manage its exposure to fluctuations in interest rates.

*d) Foreign currency risk*

Foreign currency risk is the risk that the value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Corporation's foreign currency risk arises from its working capital balances denominated in foreign currencies and on the translation of its foreign operations. The Corporation uses the U.S. dollar as its functional currency for the operations of Quorum Information Technologies (US) Inc. The Corporation manages foreign currency risk by monitoring exchange rate trends and forecasted economic conditions. A 10% increase or decrease is used when reporting foreign currency risk internally and represents management's assessment of the reasonable change in foreign exchange rates. For the three and nine months ended September 30, 2011, a 10% increase/decrease in the Canadian dollar vis-à-vis the U.S. dollar is estimated to decrease/increase net income of the Corporation from unrealized gains/losses by approximately \$239,276 and \$247,201 respectively (2010 – decrease/increase of \$110,555 and \$309,648 respectively).

*e) Liquidity risk*

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due and describes the Corporation's ability to access cash. The Corporation requires sufficient cash resources to finance operations, debt, and settle other liabilities of the Corporation as they come due. The Corporation manages liquidity risk by maintaining a line of credit facility and through management of its operational cash flows.

Payments Due By Period

	<b>Less than 3 months</b>	<b>3 months to 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>5+ years</b>	<b>Total</b>
Accounts payable and accrued liabilities	\$418,457	\$ -	\$ -	\$ -	\$ -	\$418,457
Lease commitments	139,920	541,051	724,283			1,405,254
Long-term debt <sup>6</sup>	12,215	40,299	146,418	71,971	-	270,903
Provisions	-	-	-	29,264	14,499	43,763
<b>Total</b>	<b>\$570,592</b>	<b>\$581,350</b>	<b>\$870,701</b>	<b>\$101,235</b>	<b>\$ 14,499</b>	<b>\$2,183,377</b>

<sup>6</sup> Long-term debt obligations reflect principal payments and excludes any associated interest portion

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**Quorum Information Technologies Inc.**  
**Notes to the Condensed Consolidated Financial Statements (unaudited)**

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### 17. Segmented Information

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

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

	<b>Three months ended September 30, 2011</b>	<b>Three months ended September 30, 2010</b>	<b>Nine months ended September 30, 2011</b>	<b>Nine months ended September 30, 2010</b>
Canada	\$ 1,309,898	\$ 1,262,833	\$ 3,879,495	\$ 4,155,086
United States	564,599	599,978	1,736,785	1,684,812
Total gross revenue	\$ 1,874,497	\$ 1,862,811	\$ 5,616,280	\$ 5,839,898

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### 18. Economic Dependence

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The Corporation is an information technology company that has an Integrated Dealership Management System (IDMS) contract with General Motors. Currently, the Corporation receives 75% of its recurring support revenue from General Motors dealerships under the terms of this contract.

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### 19. 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



## 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

**Marilyn Bown**  
Chief Financial Officer

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

**Bankers**  
HSBC Bank Canada  
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**

