



2010 3rd 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.

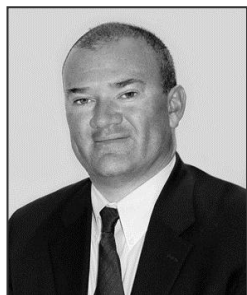
Teamwork

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



Focus on Results

Quorum delivers its dealership management system (DMS), XSELLERATOR™, and related services to dealerships throughout North America.

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

Quorum is focused on responsible growth and exceptional customer care. Our overriding strategic goals are to continue to expand our customer base through new sales while generating sustained positive cash flow every quarter. At the same time, we are committed to providing outstanding service and support to our loyal customers. Following are highlights of our progress towards those goals in Q3 FY2010:

- Growth– the Company completed 27 rooftop installations for the nine months ended September 30, 2010 compared with six for the nine months ended September 30, 2009. We continue to meet our goals of high implementation rates (compared to 2009), quality installs and positive cash flow every quarter. Continued growth of our customer base is critical to improving Quorum's long term profitability.
- Dealership Mix - As part of GM's 2009 restructuring, GM announced that 42% of its franchised dealerships in both Canada and the U.S. would not have their franchises renewed. This has significantly impacted Quorum's customer base and many of our dealerships changed their business over to a different manufacturer or closed their business. In Q3 FY2010, the last of the dealerships affected by GM's announcement made their decisions and in Q4 FY2010 we have managed the last of the dealership "change-overs" and closures. We are now looking forward to continued growth in both our customer base and ongoing XSELLERATOR software support revenues in 2011.

A positive outcome to the GM 2009 restructuring is that Quorum now has a more diverse customer base, as 25% of our dealerships are now non-GM franchised dealerships, up from 10% at June 30, 2009. The Company currently supports GM, Isuzu, Chrysler, Hyundai, KIA, Nissan, Subaru, NAPA and Bumper to Bumper dealerships.

- Customer Care – the focus was on three key activities in this quarter:
 - o Our semi-annual GM IDMS customer satisfaction survey results showed that two-thirds of our Dealer Principals would definitely recommend us and the remaining one-third would likely recommend us.
 - o During the quarter we completed most of the development for a new release of XSELLERATOR that was installed in our pilot dealerships in November 2010. The release contains the largest number of key enhancements in a single release in the Company's history.

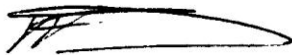
- During the quarter we also completed most of the development of a new self-help web-based customer support portal (the “Dealer Resource Center”) that was general released in November 2010.
- Financial Results – the quarter produced mixed results. Revenue was up slightly from Q3 FY2009; however it was down from Q2 FY2010. We remained cash flow positive and posted strong EBITDA. However, a large non-cash tax adjustment created a net loss after tax. Despite these items, the most important achievement is that Q3 FY2010 was our fifth consecutive cash flow positive quarter.

The following is a summary of our Q3 FY2010 financial performance:

- Revenue increased by 1% compared to Q3 FY2009 and was down 8% compared to Q2 FY2010. The Q3 FY2009 revenue included \$180K from the last of our SQL Server migrations revenue. Based only on net new, support and integration revenue our revenue increased by 11% over Q3 FY2009. Our revenue was down from Q2 FY2010 largely because of less installs and lower revenue per install.
- Gross Profit margin of 57% was the same as the margin in Q2 FY2010 and was down from 66% in Q3 FY2009. The Q3 FY2009 gross margin was up due to the high gross margin SQL Server migrations.
- EBITDA (earnings before interest, taxes, depreciation and amortization) in Q3 FY2010 was \$326K versus \$530K in Q3 FY2009 and \$383K in Q2 FY2010. Our EBITDA remained relatively strong compared to Q2 FY2010 given that we completed less installs at slightly lower margins.
- Net income for Q3 FY2010 was negative \$226K compared to positive \$9K in Q3 FY2009 and positive \$330K for Q2 FY2010. Quorum’s non-cash deferred tax expense of \$234K was high during the quarter compared to previous quarters due to an adjustment in our transfer pricing policy percentages. These changes were implemented for the filing of the 2009 fiscal year taxes during Q3 FY2010 and will be implemented in future filings. The change was made to more accurately match our transfer pricing to the true business operations. The effect was that Quorum utilized more of our high tax rate U.S. taxes losses, which resulted in a large reduction in our future tax asset and our computed tax expense.
- Positive quarterly cash flow from operating activities of \$298K was achieved in Q3 FY2010 versus \$332K in Q3 FY2009 and \$305K in Q2 FY2010. Net cash outflows for investing and financing activities were \$218K in Q3 FY2010 for a quarterly increase in cash of \$81K. We closed the quarter with \$1,630K in cash.

Conclusion

Quorum continues to generate positive cash flow despite a weaker revenue quarter. We continue to be a market leader in product innovation backed by strong implementation and support services. This is evidenced by our excellent customer satisfaction results. We look forward to continuing to grow our customer base, customer satisfaction and results.



Maury Marks
President & Chief Executive Officer

Financial Highlights

(dollar figures in '000)

	Nine Months Ended Sept. 30, 2010	Nine Months Ended Sept. 30, 2009	Q3 Ended Sept. 30, 2010	Q3 Ended Sept. 30, 2009	Q2 Ended June 30, 2010	Q2 Ended June 30, 2009	Q1 Ended March 31, 2010	Q1 Ended March 31, 2009
Gross revenue	\$ 5,840	\$ 5,386	\$ 1,863	\$ 1,853	\$ 2,031	\$ 1,636	\$ 1,946	\$ 1,896
Gross profit	3,297	3,226	1,059	1,216	1,162	903	1,076	1,107
EBITDA expenses¹	2,291	2,077	733	686	779	653	779	738
Operating income before interest, taxes, depreciation and amortization (EBITDA)	1,006	1,149	326	530	383	250	297	369
Net income (loss)	120	201	(226)	9	330	3	15	189
Cash flow from operating activities	888	673	298	332	305	53	285	289
Quarterly cash expenditures (cash payments for operating and investing activities)	\$ 5,889	\$ 5,881	\$ 2,060	\$ 1,849	\$ 2,014	\$ 2,072	\$ 1,815	\$ 1,960
KEY MANAGEMENT METRICS								
XSELLERATOR installations – in the period	27	6	8	3	9	1	10	2
XSELLERATOR active dealership rooftops	235	221	235	221	228	224	221	225

¹ EBITDA expenses include salaries and benefits, general and administrative and sales and marketing

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

The following discussion and analysis provides information that management believes 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" should be read in conjunction with the unaudited interim consolidated financial statements for the nine months ended September 30, 2010 and the audited annual consolidated financial statements of the Corporation for the year ended December 31, 2009 and the notes thereto. Comparisons made to prior periods are to the corresponding period in the preceding year unless otherwise indicated.

Background and Description of Business

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

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

Q3 FY2010 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. During Q3 FY2010, the Corporation continued to expand its customer base and implemented eight new dealerships compared to three in Q3 FY2009. Three of these dealerships are located in Canada and five in the United States. This brings the existing total of implemented customers for the Corporation at September 30, 2010 to 235 dealerships. As part of GM 2009 restructuring, GM announced that 42% of its franchised dealerships in both Canada and the US would not have their GM franchise renewed. This had a significant impact on Quorum's customer base and many of our dealerships changed over to a different manufacturer or closed their business. In Q3 FY2010 the last of the dealerships affected by GM's announcement made their decision and in Q4 FY2010 the Company will manage the last of the dealership change-overs and closures.

Net working capital at September 30, 2010 was \$696K, with a current ratio of 1.35, compared to \$1,844K at December 31, 2009, with a current ratio of 3.33. In Q2 FY2010, the \$1,500K convertible debenture was moved from a long-term liability to a current liability as it will mature on April 15, 2011. As of the end of Q3 FY2010, Quorum had a cash balance of \$1,630K. If convertible debt was excluded from the working capital equation, net working capital at September 30, 2010 would be \$566K, with a current ratio of 4.79.

The Corporation continues to invest significantly in the further development of its proprietary software product, XSELLERATOR. During the quarter, the Corporation invested \$293K compared to \$221K in Q3 FY2009. XSELLERATOR represents the “next generation” of Dealership Management Systems for the automotive market. New investment is now more focused on development that will improve XSELLERATOR’s value equation, increase customer satisfaction, reduce support calls (and our cost of support), paid integration work through the GM IDMS contract and other Original Equipment Manufacturing (OEM) integration work. The result of the Q3 FY2010 development will be a major release of XSELLERATOR in Q4 FY2010. The release contains the largest number of key enhancements in a single release in the Company’s history. Additionally a new web based self-help customer support portal was developed in Q3 FY2010.

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

Q3 FY2010 Financial Highlights

- **1% increase in gross revenues over Q3 FY2009**
- **7% increase in cash receipts from customers**
- **1% increase in on-going annuity XSELLERATOR software support and dealer services revenue over Q3 FY2009**
- **13% increase in Integration revenue over Q3 FY2009**
- **6% increase in customer base to 235 installs from 221 at September 30, 2009**

Results of Operations

(dollar figures in '000)

	Nine Months Ended Sept. 30, 2010	Nine Months Ended Sept. 30, 2009	Q3 Ended Sept. 30, 2010	Q3 Ended Sept. 30, 2009	Q2 Ended June 30, 2010	Q2 Ended June 30, 2009	Q1 Ended March 31, 2010	Q1 Ended March 31, 2009
Gross revenue	\$ 5,840	\$ 5,386	\$ 1,863	\$ 1,853	\$ 2,031	\$ 1,636	\$ 1,946	\$ 1,896
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² EBITDA expenses include salaries and benefits, general and administrative and sales and marketing

Detailed Discussion on Operating Results for the Periods Ended September 30, 2010 and September 30, 2009

Revenue and Gross Profit Analysis

	Nine Months Ended Sept. 30, 2010	Nine Months Ended Sept. 30, 2009	Q3 Ended Sept. 30, 2010	Q3 Ended Sept. 30, 2009	Q2 Ended June 30, 2010	Q2 Ended June 30, 2009	Q1 Ended March 31, 2010	Q1 Ended March 31, 2009
Gross revenue	\$5,839,898	\$5,385,619	\$1,862,811	\$1,852,905	\$ 2,031,488	\$ 1,636,363	\$ 1,945,599	\$ 1,896,352
Cost of products and services sold	2,542,886	2,159,709	804,247	637,211	869,470	733,227	869,169	789,270
Gross profit	\$3,297,012	\$3,225,910	\$1,058,564	\$1,215,694	\$ 1,162,018	\$ 903,136	\$ 1,076,430	\$ 1,107,082
Gross profit %	56%	60%	57%	66%	57%	55%	55%	58%
Support and other revenue	\$4,476,329	\$4,399,728	\$1,494,710	\$1,478,978	\$ 1,556,825	\$ 1,460,510	\$ 1,424,794	\$ 1,460,241
Net new and migrations	944,836	674,397	237,882	258,368	343,823	131,759	363,131	284,270
Integration	418,733	311,494	130,219	115,559	130,840	44,094	157,674	151,841
Gross revenue	\$5,839,898	\$5,385,619	\$1,862,811	\$1,852,905	\$ 2,031,488	\$ 1,636,363	\$ 1,945,599	\$ 1,896,352

Revenue

For Q3 FY2010, revenues from operations were \$1.86 million compared to \$1.85 million for Q3 FY2009, an increase of \$0.01 million or 1%. Quorum revenue results were as follows:

- Recurring support and other revenue increased to \$1.49 million in Q3 FY2010, compared to \$1.48 million in Q3 FY2009, an increase of 1%. At the end of Q3 FY2010 the Company reached a record number of active dealership rooftops.
- Integration revenue for Q3 FY2010 was \$0.13 million compared to \$0.12 million in Q3 FY2009. Currently Quorum is completing two integration projects, and new integration projects are planned for FY2011.
- Net new and migrations revenue was \$0.24 million in Q3 FY2010 compared to \$0.26 million in Q3 FY2009. Net new revenue was \$0.24 million of the total for Q3 FY2010 compared to \$0.08 million of the total for Q3 FY2009. Net new revenue improved because the Corporation completed eight rooftop installations in Q3 FY2010 compared to three in Q3 FY2009. Migrations revenue is generated from the migrations of our existing customers to the Microsoft SQL Server version of XSELLERATOR. Quorum had no migrations revenue in Q3 FY2010 due to the completion of the SQL Server migrations project.

Cost of Products and Services Sold and Gross Profit

The Cost of Products and Services Sold includes all direct costs related to implementations and support including all the implementation, migrations, dealer services and support staff. For Q3 FY2010, gross profit decreased to \$1.06 million or 57% compared to \$1.22 million or 66% for Q3 FY2009. New installations are low gross profit revenue and the Corporation completed eight rooftop installations in Q3 FY2010 compared to three in Q3 FY2009. Also, with the completion of the migration project prior to Q3 FY2010, there was no revenue or profit generated from this source during the quarter.

Expenses

	Nine Months Ended Sept. 30, 2010	Nine Months Ended Sept. 30, 2009	Q3 Ended Sept. 30, 2010	Q3 Ended Sept. 30, 2009	Q2 Ended June 30, 2010	Q2 Ended June 30, 2009	Q1 Ended March 31, 2010	Q1 Ended March 31, 2009
Salaries & benefits	\$ 1,183,826	\$ 904,741	\$ 347,742	\$ 269,428	\$ 406,819	\$ 271,897	\$ 429,266	\$ 363,416
Employee stock option benefits	99,880	(6,768)	29,740	(78,364)	35,070	37,275	35,070	34,324
General & administrative	940,898	1,006,014	327,988	355,560	320,287	333,031	292,623	317,423
Sales & marketing	166,304	166,602	56,875	61,154	51,665	48,342	57,764	57,106
Total expenses	\$ 2,390,908	\$ 2,070,589	\$ 762,345	\$ 607,778	\$ 813,841	\$ 690,545	\$ 814,723	\$ 772,269

Total expenses before interest, taxes, amortization and foreign exchange for Q3 FY2010 were \$762,345 or 41% of sales compared to \$607,778 or 33% of sales for Q3 FY2009. This increase is largely due to an increase in staff throughout FY2010 offset by a continued reduction in G&A expenses.

Salaries and benefits expense for Q3 FY2010 was \$347,742 compared to \$269,428 in Q3 FY2009, an increase of \$78,314 or 29%. This increase is due to new hires brought on at the end of FY2009 and during the first three quarters of FY2010 to provide the necessary level of service required for the implementations scheduled for the first three quarters.

Employee stock option benefits expense for Q3 FY2010 was \$29,740 compared to \$(78,364) in Q3 FY2009, an increase of \$108,104 or 138%. During Q3 FY2009, all options related to outgoing board members were cancelled and any estimated expenses relating to these options were adjusted. On January 5, 2009, all staff stock options were cancelled and new options were issued at a price of \$0.15 per option. During Q3 FY2010, 387,381 new options were issued to staff at a price of \$0.12 per option. The employee stock option expense is a non-cash expense.

General and administrative expenses for Q3 FY2010 were \$327,988 compared to \$355,560 for Q3 FY2009, a decrease of \$27,572 or 8%. This decrease is due to the concentrated effort of management to control and reduce operating costs.

Sales and marketing expenses for Q3 FY2010 were \$56,875 or 3% of sales compared to \$61,154 or 3% of sales for Q3 FY2009. The Corporation leverages significant benefit through IDMS-related press in key trade publications and through the GM corporate messaging systems.

Capitalization & Amortization

During Q3 FY2010, the Corporation continued to invest significantly in the further development of its proprietary software product, XSELLERATOR. XSELLERATOR represents the “next generation” of Dealership Management Systems (DMS) in the automotive market, and is one of the most advanced, fully-integrated Windows-based product in the marketplace.

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

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	Q3 Ended September 30, 2010	Q3 Ended September 30, 2009
Total software development costs capitalized	\$ 769,725	\$ 707,560	\$ 293,419	\$ 220,515
Amortization of software development costs	\$ 259,940	\$ 360,560	\$ 77,760	\$ 118,420

All research and development costs are expensed as incurred unless they satisfy the generally accepted accounting criteria for deferral and subsequent amortization. As noted above, the Corporation continues to conduct ongoing research and development towards the improvement of XSELLERATOR and has capitalized payroll costs of \$254,660, net of \$11,190 of wage subsidies from the Newfoundland and Labrador government, and direct overheads of \$38,759 for a total of \$293,419 in Q3 FY2010 compared to \$176,725 of capitalized payroll costs and direct overheads of \$43,790 in Q3 FY2009 for a total of \$220,515. The result of the Q3 FY2010 development will be a major release of XSELLERATOR in Q4 FY2010. The release will contain the largest number of key enhancements in a single release in the Company’s history. Additionally a new web-based self-help customer support portal was developed in Q3 FY2010. XSELLERATOR is a leading-edge product in the automotive DMS field and the Corporation intends to maintain this through continued investment in the product. We will continue to focus on development work that will improve XSELLERATOR’s value equation, increase customer satisfaction, reduce calls (and the corresponding cost of support) or on paid integration work through the GM IDMS contract and other manufacturer integration work.

Amortization for Q3 FY2010 decreased to \$77,760 compared to \$118,420 for Q3 FY2009. Net New, added licenses and migrations sales are used to calculate amortization. With no migration sales in Q3 FY2010, amortization was down compared to Q3 FY2009.

Foreign Exchange

The Corporation has a low exposure risk to realized foreign exchange 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. As of September 30, 2010, the Canadian/US exchange rate decreased from 1.0606 at June 30, 2010 to 1.0298 at September 30, 2010. This decrease had a direct impact on the Canadian dollar value of net assets held by Quorum in the U.S. The unrealized loss on the assets held was \$108,285 during Q3 FY2010 compared to a \$249,181 loss during Q3 FY2009. There was a realized foreign exchange gain of \$10,940 during Q3 FY2010, and a realized gain of \$13,990 during Q3 FY2009.

Net Income, EBITDA and Earnings per Share

	Q3 FY 2010 September 30	Q3 FY 2009 September 30
EBITDA	\$ 325,959	\$ 529,552
Net income	\$ (225,540)	\$ 9,459
Earnings per share		
- Basic	\$ (0.006)	\$ 0.000
- Diluted	\$ (0.006)	\$ 0.000
Weighted average number of common shares		
- Basic	39,298,438	39,298,438
- Diluted	39,685,819	39,298,438

EBITDA for Q3 FY2010 was \$325,959 or \$0.008 per share compared to \$529,552 or \$0.013 per share for Q3 FY2009, a decrease of \$203,593. The decrease from is due in part to an increase in the low gross profit new installations performed during the quarter compared to Q3 FY2009, as well as an increase in salaries and benefits as a result of new hires and the completion of the migration project prior to Q3 FY2010. Net income for Q3 FY2010 was (\$225,540) compared to \$9,459 for Q3 FY2009, a decrease of \$234,999. The decrease in net income is due to an increase in the non-cash future income tax expense. This expense was high during the quarter compared to Q3 FY2009 due to a change in the Company's transfer pricing policy percentages. The change was implemented to more accurately match our transfer pricing to the true business operations. As a result, the Company utilized more of the high tax rate US tax losses, which resulted in a larger future tax expense.

Liquidity and Financial Resources

	September 30, 2010	December 31, 2009
Current Assets		
Cash	\$ 1,629,908	\$ 1,343,782
Accounts receivable	972,296	1,200,435
Inventory	10,679	2,377
Prepaid expenses	96,559	88,458
	2,709,442	2,635,052
Current Liabilities		
Accounts payable and accrued liabilities	361,650	517,984
Deferred revenue	166,306	229,698
Current portion of long-term debt	37,905	27,940
Convertible debenture	1,447,883	-
Deferred government assistance	-	15,900
	2,013,744	791,522
Net working capital	\$ 695,698	\$ 1,843,530

Net working capital at September 30, 2010 was \$695,698, with a current ratio of 1.35, compared to \$1,843,530 at December 31, 2009, with a current ratio of 3.33.

Current assets remained relatively consistent over the period. During Q2 FY2010, the convertible debenture became a current liability as it will mature on April 15, 2011.

If convertible debt was excluded from the working capital equation, net working capital at September 30, 2010 would be \$566K, with a current ratio of 4.79.

Cash Flows

The Corporation's cash balance increased by \$80,602 in Q3 FY2010 compared to an increase of \$64,697 in Q3 FY2009.

Cash flows from operating activities were \$298,467 in Q3 FY2010 compared to \$331,785 in Q2 FY2009. During the quarter, cash receipts were up due to an increase in net new revenue but payments to suppliers were also up due to the timing of additional installation costs. Interest payments on the Debenture continue to be the only source of cash interest incurred by the Corporation. The emphasis on these areas has enabled the Corporation to obtain positive cash flow from operations for the last seven quarters, since Q1 FY2009.

Cash flows relating to financing activities were \$77,102 in Q3 FY2010 compared to (\$17,282) in Q3 FY2009. During the quarter, Quorum received \$85,665 through the approval of the 2009 SR&ED claim and \$8,563 of loan repayments were made as per the ACOA loan agreement. \$17,282 of loan repayments were made in Q3 FY2009, pursuant to a software license agreement and a loan agreement, all entered into in early 2006.

The Corporation has a strong commitment to continually enhance and improve XSELLERATOR and invested \$293,419, net of wage subsidies from the Newfoundland and Labrador government, in product development in Q3 FY2010.

Current Liabilities

Accounts payable and accrued liabilities were \$361,650 at September 30, 2010 compared to \$517,984 at December 31, 2009 and \$548,845 at September 30, 2009. The decrease compared to September 30, 2009 is due to the emphasis the Corporation has put on managing cash flow and purchasing processes.

Repayment of a loan with the Atlantic Canada Opportunities Agency (ACOA) began on July 2, 2010. As of September 30, 2010, \$37,905 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 \$166,306 at September 30, 2010 compared to \$229,698 at December 31, 2009. Under the GM IDMS contract, the Corporation's support billings are billed in advance. As of September 30, 2010, there was \$166,306 of support fees billed that relate to October 1-19th, 2010.

On April 15, 2008 the Corporation issued a \$1.5 million secured convertible debenture ("the Debenture"). The Debenture is secured by a fixed and floating charge on all assets of the Company. The Debenture bears interest at a rate of 12% per annum, payable monthly in arrears, and matures and becomes payable April 15, 2011. The Debenture is convertible any time prior to maturity, at the Debenture holders' option, into common shares of Quorum Information Technologies Inc. at a price of \$0.55 per common share, equating to 2,727,272 common shares. The fair value is \$1,447,883, less legal fees of \$38,328 with accrued interest of \$154,519. Please refer to *Liquidity Risk* in the *Business Risks* section of this MD&A for further discussion on the Debenture.

Long-Term Debt

On March 31, 2009, the Corporation completed an agreement with ACOA to provide a \$500,000 interest-free, unsecured loan (the "ACOA Facility") to provide funding to develop version 4.7 of the XSELLERATOR system and to expand the office in St. John's, Newfoundland. As of September 30, 2010, the full amount of \$500,000 had been drawn on the ACOA Facility. Repayment of the loan commenced on July 2, 2010 at \$8,333 per month over 5 years.

During Q3 FY2010, interest on long-term debt, including the Convertible Debenture, was \$79,456 compared to \$81,022 in Q3 FY2009. The debt incurred cash interest of \$60,231 (\$51,055 in Q3 FY2009)

and non-cash interest from loan accretion of \$19,225 (\$29,967 in Q3 FY2009). The increase in non-cash interest relates to the ACOA Facility.

Share Capital

There has been no change in the share capital of the Corporation since December 31, 2009. Note 8 of the September 30, 2010 unaudited consolidated financial statements of the Corporation provides further details on share capital.

In Q1 FY2009, 1,516,000 stock options were granted to staff, management and board members with a weighted average price of \$0.15. The options have a maximum term of five years and no more than one-third of the stock options granted to any one individual shall vest in any twelve-month period. In addition, in January 2009, 1,699,100 stock options with exercise prices ranging from \$0.33 - \$0.75 were cancelled and reissued with an exercise price of \$0.15.

During Q3 FY2010, the share price ranged from a high of \$0.17 and a low of \$0.10. The average share price over the period was \$0.14. In calculating the Earnings per share (EPS) and Fully diluted EPS, the options with an exercise price below the \$0.14 are considered. A total of 387,381 options with a price of \$0.12 were included to create a fully diluted level of shares of 39,685,819 for Q3 FY2010. The average share price over the nine month ended September 30, 2010 was \$0.162. A total of 3,477,581 options with a price ranging from \$0.12- \$0.16 were included to create a fully diluted level of shares of 42,776,019.

On July 23, 2010, 387,381 stock options were granted to staff and management with a weighted average price of \$0.12. Under this grant, there were no options granted to Officers or Board members.

Material Contracts & Commitments

On March 31, 2009, the Corporation completed an agreement with ACOA to provide funding to develop version 4.7 of the XSELLERATOR system and to expand the office in St. John's, Newfoundland. On March 31, 2009, \$384,000 was received. A further \$91,000 was received in Q4 FY2009 and the final \$25,000 was received on April 20, 2010. This loan is to be repaid with equal installments over a five-year period with payments that commenced on July 2, 2010.

On June 7, 2007, the Corporation entered into a wage subsidy agreement with the provincial government of Newfoundland and Labrador. The agreement entitles the Corporation to an 8% subsidy of all gross payroll costs, including benefits, associated with Newfoundland and Labrador employees for a period of five years. The Corporation must maintain a minimum of 35 full time positions during each reporting period to receive this subsidy. As of the date of this MD&A, 40 full time positions were maintained by the Corporation in Newfoundland and Labrador.

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

During FY2006, the Corporation entered into six capital lease agreements for computer hardware and two financing agreements for computer software and software licenses. The maturity dates of these obligations range from December, 2007 to February, 2010. As of September 30, 2010, all capital leases and financing agreements have been fully repaid.

Off Balance Sheet Arrangements

Other than the lease commitments noted in Note 15 of the December 31, 2009 audited financial statements, the Corporation has not entered into any off balance sheet arrangements.

Critical Accounting Policies

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

The Corporation's significant accounting policies are described in detail in Note 2 to the FY2009 audited consolidated financial statements.

International Financial Reporting Standards

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

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

Quorum is completing a detailed assessment of the impact of the IFRS differences. At this time, the quantitative impact on Quorum's financial statements has not yet been completed. Quorum plans to complete this assessment in the fourth quarter of 2010.

As the review of accounting policies to be adopted is completed, appropriate changes to ensure the integrity of internal control over financial reporting and disclosure controls and procedures will be made. For example, changes in accounting policies could result in additional controls or procedures being required to address reporting of first time adoption as well as ongoing IFRS reporting requirements. At this point, Quorum has not implemented the adoption of any new accounting policies. If a new policy differs significantly from an existing policy, additional controls will need to be designed and implemented to ensure that the recorded balance is fairly stated at each reporting period. The certifying officers plan to complete the design, and initially evaluate the effectiveness, of any new controls in the fourth quarter of 2010 to prepare for certification under IFRS in 2011.

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

Outlook

The automotive dealership market has traditionally implemented older, character-based technology for its in-house systems. However, in recent years the auto manufacturers have worked towards developing numerous new electronic interfaces between their systems and the auto dealerships' systems. As a Windows-based, fully-integrated product, XSELLERATOR is one of the most technologically advanced software products in the DMS field, and as such, is 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, including the Debenture, which may not be able to be funded from internal sources.

Management expects sales 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 is secured by a fixed and floating charge on all assets and is convertible any time prior to maturity. If the debenture is not converted, Quorum will be required to repay the full \$1.5 million on April 15, 2011. If the Corporation is not able to repay the full amount on the date of maturity, the Debenture holders will have entitlement to the Corporation's property and assets as collateral. Based on an existing cash balance of over \$1.5 million as of September 30, 2010, working capital balance (that includes the full convertible debenture amount) of \$0.696 million as of September 30, 2010, the trends we have achieved with regards to cash and profits, and the pursuit of alternative financing, although no guarantee can be given, the Corporation expects it will be able to pay back the Debenture on maturity.

Customer Concentration Risk

Although the Corporation has been expanding its coverage of various dealership brands, a significant portion of its business is conducted with General Motors Corporation and its dealerships in both Canada and the U.S. Prior to GM entering bankruptcy protection on June 1, 2009, over 90% of Quorum's 225 deployed dealership rooftops were GM dealerships. At that time, approximately 23% of Quorum's GM dealership customers received notifications that their franchises would not be renewed at the end of 2010. Of the 23% affected, 2/3 of those (15% of our total dealerships) are changing their business model to provide other automotive sales and services and intend to remain with Quorum to service their DMS needs. The remaining 1/3 (8% of our total dealerships) have closed their business. As of Q3 FY2010 approximately 75% of Quorum's 235 deployed dealership rooftops were GM dealerships.

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

Equally important is that GM continues its strong support of the GM IDMS program. Based on this program, Quorum receives support payments directly from GM, and not the dealer. If GM was unable to make these monthly payments to Quorum, the Corporation would not have enough cash to sustain itself over the long term. Based on the approximate current cash balance of the Corporation of \$1.63 million and the estimated current monthly operating cash requirements of \$0.50 million, net of non GM dealers of \$0.11 million, it is estimated that Quorum would be able to sustain itself for a total of 2.7 months.

The risk of GM going back into bankruptcy is considered low because the U.S. government has invested heavily in GM and now owns a significant percentage of GM. It is important to note that during the 2009 Chapter 11 bankruptcy, Quorum was deemed a "critical vendor" and received all support payments. Finally, if Quorum could not collect payments from GM, Quorum is entitled to go directly to the dealers which use the system to collect these support fees on a go-forward basis.

Server Reliability Risk

Quorum's XSELLERATOR product operates on a server that is installed at 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 – 7 days a week. Typically the service agreements also have 4 hour response times.
- Web-based backup services that are monitored by a Server View application built by Quorum.
- Anti-virus protection that is monitored by Server View.
- A disaster recovery environment located at Quorum's Calgary office. This is an optional service that dealerships can subscribe to.

Server downtime and lost data cost our customers in terms of lost productivity and 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.
Unaudited – Interim Consolidated Balance Sheets

As at		September 30, 2010	December 31, 2009
ASSETS			
Current:			
Cash		\$ 1,629,908	\$ 1,343,782
Accounts receivable		972,296	1,200,435
Inventory		10,679	2,377
Prepaid expenses		96,559	88,458
		2,709,442	2,635,052
Property and equipment	Note 3	277,028	335,148
Software development costs	Note 4	8,755,715	8,755,135
Software licenses held for resale		1,442	5,767
Future tax asset		3,272,857	3,481,822
Investment tax credits		2,821,642	2,477,564
		\$ 17,838,126	\$ 17,690,488
LIABILITIES			
Current:			
Accounts payable and accrued liabilities		361,650	517,984
Deferred revenue		166,306	229,698
Current portion of long-term debt	Note 6	37,905	27,940
Convertible debenture	Note 7	1,447,883	-
Deferred government assistance	Note 5	-	15,900
		2,013,744	791,522
Long-term debt	Note 6	344,318	260,558
Convertible debenture	Note 7	-	1,377,883
		2,358,062	2,429,963
SHAREHOLDERS' EQUITY			
Share capital	Note 8	23,399,937	23,399,937
Convertible debenture	Note 7	195,685	195,685
Contributed surplus		1,764,328	1,664,447
Deficit		(9,879,886)	(9,999,544)
		15,480,064	15,260,525
		\$ 17,838,126	\$ 17,690,488

See accompanying notes to interim consolidated financial statements.

Approved on behalf of the Board:

(Maury Marks)

Director

Maury Marks
President & CEO

(John Carmichael)

Director

John Carmichael
Chairman of the Board of Directors

Quorum Information Technologies Inc.
Unaudited – Interim Consolidated Statements of Operations,
Comprehensive Income and Deficit

Period ended	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Gross revenue	\$ 1,862,811	\$ 1,852,905	\$ 5,839,898	\$ 5,385,619
Cost of products and services sold	804,247	637,211	2,542,886	2,159,709
Gross profit	1,058,564	1,215,694	3,297,012	3,225,910
Expenses				
Salaries and benefits	347,742	269,428	1,183,826	904,741
Employee stock option benefits	29,740	(78,364)	99,880	(6,768)
General and administrative	327,988	355,560	940,898	1,006,014
Sales and marketing	56,875	61,154	166,304	166,602
Interest expense on long-term debt	79,456	81,022	230,833	213,142
Bank charges and other interest expense	11,794	2,062	18,722	17,714
Amortization of software development costs	77,760	118,420	259,940	360,560
Amortization of property and equipment	20,230	27,466	60,570	83,572
Amortization of software licenses held for resale	1,442	17,300	4,326	51,900
Foreign exchange loss	97,345	235,191	46,226	410,621
Total expenses	1,050,372	1,089,239	3,011,525	3,208,098
Net income before income taxes	8,192	126,455	285,487	17,812
Future income tax expense (recovery)	233,732	116,996	165,829	(183,144)
Net income (loss) and comprehensive income (loss)	(225,540)	9,459	119,658	200,956
	(9,654,346)	(10,044,092)	(9,999,544)	(10,235,589)
Deficit, beginning of period				
Deficit, end of period	\$ (9,879,886)	\$(10,034,633)	\$(9,879,886)	\$(10,034,633)
Earnings (loss) per share				
- Basic	\$ (0.006)	\$ 0.000	\$ 0.003	\$ 0.005
- Diluted	\$ (0.006)	\$ 0.000	\$ 0.003	\$ 0.005
Weighted average number of common shares				
- Basic	39,298,438	39,298,438	39,298,438	39,298,438
- Diluted	39,685,819	39,298,438	42,786,319	39,298,438

See accompanying notes to interim consolidated financial statements.

Quorum Information Technologies Inc.
Unaudited – Interim Consolidated Statements of Cash Flows

Period ended	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Cash flow from operating activities				
Cash receipts from customers	\$ 2,063,729	\$ 1,930,731	\$ 6,004,644	\$ 5,781,592
Cash paid to suppliers and employees	(1,709,671)	(1,545,829)	(4,964,453)	(4,950,120)
Interest paid	(55,591)	(53,117)	(152,287)	(158,112)
	298,467	331,785	887,904	673,360
Cash flow from financing activities				
Proceeds from long-term debt	-	-	25,000	384,000
Proceeds from SR&ED	85,665	-	164,523	-
Repayment of long-term debt	(8,563)	(17,282)	(19,119)	(67,630)
	77,102	(17,282)	170,404	316,370
Cash flow from investing activities				
Purchase of property and equipment	(1,548)	(8,036)	(2,457)	(8,903)
Software development costs	(293,419)	(241,770)	(769,725)	(764,066)
	(294,967)	(249,806)	(772,182)	(772,969)
Increase in cash	80,602	64,697	286,126	216,761
Cash, beginning of period	1,549,306	858,867	1,343,782	706,803
Cash, end of period	\$ 1,629,908	\$ 923,564	\$ 1,629,908	\$ 923,564

See accompanying notes to interim consolidated financial statements.

Quorum Information Technologies Inc.

Notes to Unaudited Interim Consolidated Financial Statements

1. Nature of Operations

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.

2. Significant Accounting Policies and Basis of Presentation

The interim consolidated financial statements of the Corporation have been prepared by management following the same accounting policies and methods of computation as outlined in the audited consolidated financial statements for the fiscal year ended December 31, 2009. The results of operations for the interim periods are not necessarily indicative of the operating results for the full year. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto in the Corporation’s annual report for the year ended December 31, 2009. The preparation of these interim consolidated financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The interim consolidated financial statements have, in management’s opinion, been properly prepared using careful judgment within reasonable limits of materiality. The interim consolidated financial statements have not been reviewed by the Corporation’s external auditors.

3. Property and Equipment

September 30, 2010

	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 924,902	\$ 804,942	\$ 119,960
Computer software	535,718	535,718	-
Leasehold improvements	386,613	338,223	48,390
Office equipment	391,540	297,692	93,848
Vendor distribution rights	42,646	27,816	14,830
Total property and equipment	\$ 2,281,419	\$ 2,004,391	\$ 277,028

Quorum Information Technologies Inc.

Notes to Unaudited Interim Consolidated Financial Statements

3. Property and Equipment *(continued)*

December 31, 2009

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

4. Software Development Costs

	September 30, 2010	December 31, 2009
Cost	\$ 10,904,337	\$ 10,643,817
Accumulated amortization	2,148,622	1,888,682
Net book value	\$ 8,755,715	\$ 8,755,135

5. Deferred Government Assistance

On March 31, 2009, the Corporation entered into a \$500,000 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 December 31, 2009. The \$192,601 difference between the fair value of the loan and the cash received has been accounted for as a government grant, as prescribed by Section 3800 of the CICA Handbook. The amount relates to expenses and capital expenditures to be incurred over the term of the project. Any amounts allocated to capital expenditures will be deducted from the specific fixed assets with depreciation calculated on the net amount over the life of the asset. Any funding received during a period that related to expenditures yet to be incurred was recognized as deferred government assistance. At December 13, 2009, \$15,900 was recognized as deferred government assistance. The full amount was allocated to software development costs as of March 31, 2010.

Quorum Information Technologies Inc.
Notes to Unaudited Interim Consolidated Financial Statements

6. Long-term Debt

	September 30, 2010 CDN\$	September 30, 2010 US\$	December 31, 2009 CDN\$	December 31, 2009 US\$
Payable in Canadian dollars:				
ACOA financing (a)	\$ 308,807	\$ -	\$ 277,685	\$ -
Central Consulting Services (b)	73,416	-	-	-
	382,223		277,685	
Payable in U.S. dollars:				
Software licensing balance of purchase price (c)	-	-	10,813	9,900
	-	-	288,498	9,900
Installments due within one year	37,905	-	27,940	9,900
Total long-term debt	\$ 344,318	\$ -	\$ 260,558	\$ -

- (a) 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, 2010, \$500,000 had been received and recorded at a fair value of \$308,807, based on a 20% rate of interest over five 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 5).
- (b) On July 13, 2009, the Corporation entered into an agreement with Central Consulting Services Inc. to prepare the Scientific Research & Economic Development (SRED) claim for the years ended December 31, 2007, December 31, 2008 and December 31, 2009. The amount of \$73,416 is not payable until the Corporation is in a position to utilize the SRED Investment Tax Credits (ITCs). The Corporation does not expect to utilize those ITCs until the year ended December 31, 2015.
- (c) On January 31, 2006, the Corporation entered into a software license agreement with Cyclone Commerce, Inc. The purchase price of US\$238,000 is payable in variable quarterly installments commencing in January, 2006 and ended in February, 2010.

Quorum Information Technologies Inc.
Notes to Unaudited Interim Consolidated Financial Statements

7. Convertible Debenture

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

The debenture bears interest at a rate of 12% per annum, payable monthly in arrears, and the debenture matures on April 15, 2011 and is payable at that time. It is convertible any time prior to maturity, at the debenture holders' option, into common shares of Quorum Information Technologies Inc. at a price of \$0.55 per common share, equating to 2,727,272 shares. As of April 2010 the full amount of the Debenture was shown as a current liability on the balance sheet.

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

As at September 30, 2010, there have been no conversions exercised on the debenture.

	September 30, 2010	December 31, 2009
Convertible debenture issued, net of transaction costs	\$ 1,450,721	\$1,450,721
Valuation of conversion feature	(195,685)	(195,685)
Debt component of convertible debenture	1,255,036	1,255,036
Accretion of effective interest and legal fees	192,847	122,847
Convertible debenture-ending balance	\$1,447,883	\$1,377,883

Quorum Information Technologies Inc.
Notes to Unaudited Interim Consolidated Financial Statements

8. Share Capital

(a) AUTHORIZED

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

(b) ISSUED AND OUTSTANDING

	Number of Shares	Amount
Common Shares		
Balance, December 31, 2009	39,298,438	\$ 23,399,937
Issued, January 1 – September 30, 2010	-	-
Total share capital at September 30, 2010	39,298,438	\$ 23,399,937

Diluted Shares based on \$0.14 average stock price for 3rd Quarter, 2010

	Number of Shares
Common Shares	
Balance, September 30, 2010	39,298,438
Options issued at \$ 0.12	387,381
Total diluted share capital at September 30, 2010	39,685,819

(c) STOCK OPTIONS

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

Quorum Information Technologies Inc.
Notes to Unaudited Interim Consolidated Financial Statements

8. Share Capital *(continued)*

	As at September 30, 2010		As at December 31, 2009	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Options outstanding at beginning of period	3,400,500	\$0.18	2,978,797	\$0.55
Granted	387,381	\$0.12	1,516,000	0.15
Reissued at new price	-	-	1,699,100	0.15
Exercised	-	-	-	-
Expired	(56,700)	\$0.15	(1,094,297)	0.54
Cancelled	-	-	(1,699,100)	0.54
Options outstanding at end of period	3,731,181	0.18	3,400,500	0.18
Options exercisable at end of period	2,308,527	\$0.18	1,333,500	\$0.23

The following table summarizes information about stock options outstanding at September 30, 2010:

Exercise prices	Number outstanding	Weighted average remaining contractual life in years	Weighted average exercise price
\$ 0.15	2,951,700	3.5	\$ 0.15
\$ 0.16	96,000	4.2	\$ 0.16
\$ 0.49	300,000	1.8	\$ 0.49
\$ 0.12	383,481	4.8	\$ 0.12
	3,731,181	3.6	\$ 0.18

9. Related Party Transactions

During the quarter ended September 30, 2010, the Corporation incurred fees in the amount of \$Nil (September 30, 2009 – \$550) under a consulting agreement with the spouse of an officer and director, of which \$Nil (September 30, 2009 - \$Nil) remained unpaid at September 30, 2010. The fees were in relation to tax and consulting services.

Related party transactions have been recorded at their exchange amounts which represent carrying values.

Quorum Information Technologies Inc.

Notes to Unaudited Interim Consolidated Financial Statements

10. Segmented Information

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:

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Canada	\$ 1,262,833	\$ 1,361,916	\$ 4,155,086	\$ 4,015,668
United States	599,978	490,989	1,684,812	1,369,951
Total gross revenue	\$ 1,862,811	\$ 1,852,905	\$ 5,839,898	\$ 5,385,619

11. Economic Dependence

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.

12. Capital Structure

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
Chairman
City Buick Chevrolet Cadillac GMC
Ltd.



Scot Eisenfelder
Director
Vice President of Strategy
AutoNation Inc.



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



Michael Podovilnikoff
Director
Business Consultant

Officers

John Carmichael
Chairman of Board of Directors

Maury Marks
President & Chief Executive Officer

Jeff Sharpe
Chief Financial Officer

Corporate Counsel
Burnet Duckworth & Palmer
Calgary, Alberta

Bankers
Canadian Imperial Bank of Commerce
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

QUORUM INFORMATION TECHNOLOGIES

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