Update Report **June 1, 2010**

QUORUM INFORMATION TECHNOLOGIES INC.

($0.15, TSX-V: QIS)

Recommendation
Speculative Buy

Risk
High

Price (June 1, 2010)
$0.15

52-Week Range
$0.25 - $0.035

Target Price (12 Months)
$0.40

Shares O/S
39.3 million

Market Cap
$5.90 million

Average Daily Volume
50-day: 22,400
200-day: 23,700

Year-End
December 31

C$	BVPS	EPS
2007A	$0.38	($0.05)
2008A	$0.38	($0.02)
2009A	$0.39	$0.01
2010E	$0.39	$0.01

BVPS: Book Value Per Share
EPS: Earnings Per Share

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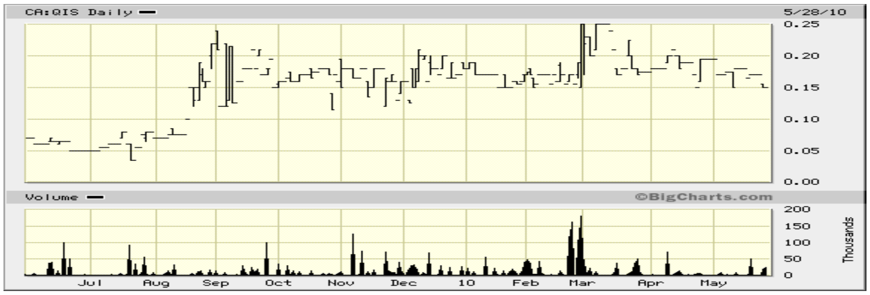


Source: www.BigCharts.com

UPFRONT

With prudent cost controls and advanced technology, Quorum Information Technologies Inc. (“Quorum” or the “Company”) survived the severe impact of the economic downturn and the North American automobile industry restructuring. This is all the more impressive since 80% of its revenues, directly or indirectly, come from General Motors Corporation (GM).

The longer-term prospects for Quorum are promising, as it has begun to expand and diversify its customer base, and produce positive EBITDA, which is expected to grow at a faster pace as the customer base increases.

We believe that the potential for the Company is manifest in it achieving a higher critical mass in its customer base (about 300 installations compared to its current 225) in order to obtain greater economies of scale, which will also drive higher EBITDA.

RECOMMENDATION

We are maintaining our recommendation of Quorum as a Speculative Buy for longer-term risk-tolerant investors. Our 12-month Target Price is $0.40 (see page 2, and our Valuation, page 12). Our price objective represents approximately the Company’s current Book Value. Thus, the stock trades at 38% of Book!, which represents a 62% discount!

PROFILE

Quorum Information Technologies Inc. develops, markets, implements and supports its software product – XSELLERATOR™ – a dealership management system (“DMS”) for the automotive retail market. Quorum’s customers include General Motors (GM), Chrysler, Hyundai and other dealerships in North America.

HIGHLIGHTS

- Strong product brand – XSELLERATOR – that has appeal to the dealership market.

- Despite the economic downturn and the GM problem, the Company has approximately 225 active dealership rooftops (230 at the time of our Initiating Report). The Company sold 16 dealership rooftops in the last quarter of 2009.

- The Company has produced positive EBITDA for the fifth consecutive quarter. EBITDA in 2009 was C$1.55 million (negative EBITDA of $0.039 million in 2008).

- The Company has diversified its customer base with approximately 75% of installations being with GM as opposed to 90% prior to GM entering bankruptcy protection. The Company is the second largest DMS provider to GM dealers in Canada (25% of the Canadian market). Potential for multi auto manufacturers in the U.S. market is promising.

- Prudent cost control plan has been in place during the survivor mode period (2008-2009); gross margin improved to 61.3% in 2009 compared with 43.3% in 2008. Operating expenses declined significantly to under C$3 million in 2009 from almost C$3.7 million in 2008. Cost controls will continue to be in place going forward and, with the current cost base being relatively low, that translates into higher profitability as the business picks up.

- Reasonable liquidity with over $1.3 million in cash and low debt leverage (under 10%); over 80% of total revenues are recurring, which provides a strong and sustained cash flow from operations.

- The number of auto dealerships was on a declining trend due to the industry restructuring, especially GM dealerships; however, the GM impact on the Company is moderate: GM cut 42% of its franchise in the U.S. and Canada but only 23% of Quorum's customers were affected. Of the 23% affected, 2/3rds of those changed to another form of dealership and still require Quorum's DMS.

- The Company targets 40 new sales and 35 installations in 2010 and 60 new sales and 52 installations in 2011. The highest number of new installations was 34 in 2006 (only 7 new installations in 2009).

TARGET PRICE

In our Initiating Report we did not set a specific Target Price due to the then-challenging environment for Quorum and the uncertainty prevailing in the automobile industry.

Since Quorum survived the downturn, and with GM and the rest of the North American automobile industry recovering, the outlook is more conducive to setting a share price objective for Quorum.

We have derived the following intrinsic values using three valuation methodologies (see page 12) for 2010 and 2011:

- Price/Book Valuation: $0.39 - $0.60 per share
- Revenue/Market Cap Valuation: $0.31 - $0.45 per share
- EBITDA Multiple Valuation: $0.29 - $0.36 per share

From these intrinsic values, we are setting our 12-month Target Price for Quorum shares of C$0.40 (see page 13).

THE COMPANY

Quorum Information Technologies Inc. has its headquarters in Calgary, Alberta, with offices in St. John's, Newfoundland and Detroit, Michigan. The Company currently has over 70 employees and has been in operation since 1996.

Quorum is a software developer with a focus on developing, marketing, implementing, and supporting integrated, Windows-based applications for the auto retail industry.

PRODUCTS

The Company's product – XSELLERATOR – is a complete suite of software applications for the automotive retail dealership market. XSELLERATOR can automate all aspects of a retail dealership's operation.

COMPETITIVE ADVANTAGES

Quorum has the following competitive advantages:

- XSELLERATOR is a fully-integrated, windows-based system that integrates the sales, service, parts, customer relationship management, and accounting departments of dealerships; new versions of XSELLERATOR incorporate customer feedback to meet the needs of the retail dealers;
- One fully-normalized data base that can reduce duplicate customer and vehicle data. XSELLERATOR provides a 360-degree view of the customer, providing a complete understanding of customer history and their needs;
- Quorum has established and maintains a strong position in providing vertical integration to the manufacturer;
- As a strategic integration partner with GM, the Company has built 15 new B2B integration points with GM including: GM leads, electronic vehicle invoicing and orders, incentives and residuals, customer delivery reporting, VIS XML for recalls, factory warranty, RouteOne credit applications, Parts Orders, Material Returns & Claims, etc.;
- XSELLERATOR provides an end-to-end business process for each department in a dealership that is integrated both to other departments (horizontal) and to the manufacturer (vertical);
- Customer satisfaction ratings about XSELLERATOR are high at over 90%; and
- On average, XSELLERATOR improves dealer efficiency by 10%-20%.

CUSTOMERS

As of May 2010, Quorum maintained an extensive customer base, comprising 225 in Canada and the U.S.A., (down by only 5 customers from the end of 2008, prior to GM restructuring). Approximately 75% of the Company's customers are GM dealerships.

Quorum has expanded its customer base and has successfully integrated to Hyundai and KIA Canada and has completed necessary integration and successful pilots for Chrysler dealerships in North America. The Company is also working on specific integration for other OEMs (Original Equipment Manufacturers).

However, GM dealerships remain the most significant customers for Quorum and account for about 75% of revenues. The Company has approximately 160 dealerships in Canada and 65 in the U.S.A. The Company is currently in the fifth year of a seven-year contract (plus two one-year extension options) with GM as a designated GM Integrated Dealer Management System (GM IDMS) partner for North America.

INVESTMENT CONSIDERATIONS

(1) Strengths

- The Company has developed a unique product – XSELLERATOR – that helps car dealerships to significantly reduce operating costs and improve customer services.

- The Company is the second largest supplier of DMS to GM dealerships in Canada.

- The retail dealership market in North America, although facing a decline, still presents a good opportunity for Quorum to expand its current operation. Currently, there are over 21,000 automobile dealerships in North America (approximately 3,237 in Canada), of which over 5,000 are exclusive GM (approximately 499 GM dealerships in Canada).

- Installation of XSELLERATOR often represents a large monthly savings for new customers and, therefore, the Company is well positioned to serve the dealerships that are looking to reduce spending in light of the challenging economic conditions.

- The Company's 225 dealerships in the U.S.A. and Canada contribute recurring revenues; the customer base is expected to grow by 40 and 60 new sales in each of 2010 and 2011, respectively.

- Quorum generated positive EBITDA in 2009 in the amount of $1.55 million. Although EBITDA for 2010 is expected to decline to $1.2 million reflecting the impact of customer loss in 2009 and expansion of sales and implementations in 2010, it is expected to reach $2.0 million in 2011.

(2) Challenges

- The credit market crisis and the economy in North America have not fully recovered and investors' confidence in small cap and high-risk companies such as Quorum has not been fully restored.

- Quorum is a small company, relative to ADP Dealer Services (ADP) and Reynolds & Reynolds (R&R). As a result, it is challenging for the Company to compete with these two market leaders, which account for approximately 80% of the retail dealership market, because of their greater financial and management resources.

- The American Big Three auto companies starting to recover from their recent financial distress. The market is optimistic yet cautious but should see some growth over the next couple of years.

- Revenues from GM (directly or indirectly) account for approximately 80% of total revenues. Although GM is recovering, the number of GM dealerships has declined.

- The XSELLERATOR product is subject to technological change. Substantial capital expenditures are required every year for research and product development. In this regard, we believe that the Company can generate sufficient cash flow to finance its expenditures internally.

- Financing operating losses and capex through external funds is difficult due to continuing tight credit markets. Although Quorum expects to produce positive EBITDA in 2010-2011, this is contingent on how fast the market improves, which is beyond the Company's control.

COMPETITION

1. Dominant Companies

The retail automotive market is dominated by two major software providers: ADP Dealer Services (ADP); and Reynolds & Reynolds (R&R). Together, they control approximately 80% of the market.

In the USA, the Company is competing against four main competitors within the GM Integrated Dealership Management System (IDMS) program as follows:

(1) ADP, which has about 25,500 dealers in automotive, truck, motorcycles, and marine recreational vehicles internationally. ADP offers a range of software solutions, but most are based on older generation technologies;

(2) DealerTrack DMS (formerly ARKONA) has approximately 1,000 customers. This company offers an ASP system that is older technology with graphical overlay;

(3) AutoSoft, a private company, which has a customer base of approximately 1,700 dealers (600 GM customers); it provides a low-cost PC based system serving mostly small dealerships; and

(4) Auto/Mate, a small private company that offers a low-cost PC based system in the USA.

COMMENT: *In Canada, the Company only competes against ADP within the GM IDMS Program.*

Outside of the IDMS program, the main player is R&R. After the 2006 acquisition of UCS, the #3 DMS supplier, R&R reached a market share of nearly 40%, similar to that of ADP. R&R offers two unique products lines: ERA and Power.

The ERA dealer management is built on a foundation application for dealerships connecting the showroom to finance, insurance, and parts departments. The Power system is a dealership management system.

2. Other Companies

The other 20% of the market is served by approximately 20 dealer software providers (DSPs). Many of these companies lack financial resources and market tools to compete with the major players. Some small players are expected either to be absorbed by bigger competitors, or cease operations due to: (a) financial difficulties in trying to cope with the recent market crisis; and (b) increases in operating costs.

COMMENT: *Although the auto dealership market will remain competitive, particularly as the auto industry is undergoing restructuring, we view those companies, such as Quorum, that offer "alternative" solutions for auto dealers that enable them significantly to reduce their operating costs and improve efficiency will perform relatively well in 2010.*

FINANCIAL REVIEW & OUTLOOK

A. Income Statement Analysis

(1) Consolidated Results

The Company generates revenues from:

- **Support**: recurring revenues, monthly service charges to existing customers;
- **Net New**: revenue from installing the latest version of XSELLERATOR for new customers;
- **Migrations**: assisting customers to convert the old system to the latest version of XSELLERATOR;
- **Integration Services**: providing Business-to-Business integration projects with GM; and
- **Dealer Services**: providing process and practice training to existing customers.

Statement of Income (C$)	Dec. 31 2006	Dec. 31 2007	Dec. 31 2008	Dec. 31 2009	12 months Mar. 2010
Gross Revenue	7,423,733	8,162,503	8,451,030	7,267,857	7,317,104
Cost of Products & Services Sold	6,233,650	5,610,441	4,802,411	2,813,728	2,893,627
Gross Profit	1,190,083	2,552,062	3,648,619	4,454,129	4,423,477
Gross Margin	16.0%	31.3%	43.2%	61.3%	60.5%
Operating Expenses	(4,937,912)	(3,648,722)	(3,688,550)	(2,905,166)	(3,126,242)
EBITDA	(3,747,829)	(1,096,660)	(39,931)	1,548,963	1,297,235
Depreciation and Amortization	(494,080)	(775,721)	(575,838)	(580,261)	(473,176)
EBIT	(4,241,909)	(1,872,381)	(615,769)	968,702	824,059
Interest expense	(62,410)	(38,925)	(219,321)	(309,425)	(320,908)
EBT	(4,304,319)	(1,911,306)	(835,090)	659,277	503,151
Future Income Tax Recovery	1,193,063	570,545	163,779	(5,819)	(22,494)
Other Items	(555,097)	(611,155)	45,632	(417,413)	(418,159)
Net Income	(3,666,353)	(1,951,916)	(625,679)	236,045	62,498
Total Shares Outstanding	33,747,054	39,298,438	39,298,438	39,298,438	39,298,438
Weighted Average Shares Outstanding	31,517,432	38,214,449	38,214,449	39,298,438	39,298,438
Earnings (Loss) Per Share	($0.12)	($0.05)	($0.02)	$0.01	

- The table above shows a 15% revenue decline in 2009, due to the impact of the North American economic downturn as well as GM's restructuring. Approximately 23% of the Company's customers did not have their franchise renewed. Of the 23% affected, only 1/3 (8% of Quorum's total dealerships) closed their business. However, sales in 2010 starts showing improvement as more new installations are achieved.

- The financial data shows strong cost control management at Quorum during this "survivor mode" period. The Company managed to cut the cost of products and sales services by 70% and the operating expenses by 27%. Despite significant cost reductions, Quorum was still able to maintain an adequate level of quality services to its existing customers.

- The Company expects to have revenue growth in double digits over the next 3 years.

> **COMMENT**: *We believe this to be reasonable as the economy is recovering and the automobile industry is emerging from a very difficult period. We expect sales services costs and operating expenses to increase proportionally to the level of new sales to be acquired.*

- The Company's current low fixed cost base is positive for future profitability as the business picks up.

(2) Revenue by Product

Revenues by Products (C$ millions)	Dec. 31 2005	Dec. 31 2006	Dec. 31 2007	Dec. 31 2008	Dec. 31 2009
Support and Other (Dealer Services)	1.95	3.03	4.31	5.45	5.84
Net New and Migrations	2.24	3.26	3.42	2.42	1.02
Integration			0.44	0.59	0.41
Palm Project and Net New	1.59	1.14			
Total	5.77	7.43	8.16	8.45	7.27
New Installations	27	34	29	31	7
Total Installations	143	175	201	232	222

Source: the Company

- Support and Other (including Dealer Services) represent the recurring revenue portion (80%) of total revenues. This segment earns higher margins than other segments. The majority of the dealerships that closed in 2009 did not close their business until late in the year so support fees were received for most of the year.

COMMENT: *We expect this segment to show the impact of the closings in 2010.*

- A significant reduction in non-recurring revenues at Net New and Migrations and at Integration was due to the fact that customers delayed installations services since mid-2008 due to the economic uncertainty.

COMMENT: *We expect a significant increase in revenue in this segment as the Company starts to make more new sales and begins its installation services. It is expected that approximately 40 new sales could be obtained in 2010.*

(3) Revenue by Country

Revenues by Country (C$ millions)	2005	2006	2007	2008	2009
Canada	3.51	4.55	6.70	5.82	5.37
United States	2.26	2.89	1.46	2.63	1.90
Total	5.77	7.43	8.16	8.45	7.27
% of Revenue from Canada	60.8%	61.2%	82.1%	68.9%	73.8%
% of Revenue from the U.S.	39.2%	38.8%	17.9%	31.1%	26.2%

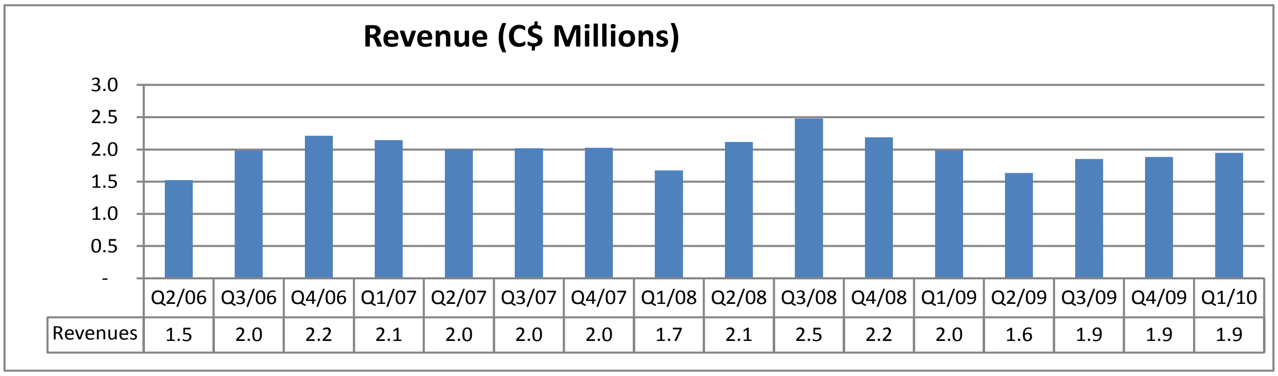
Source: the Company

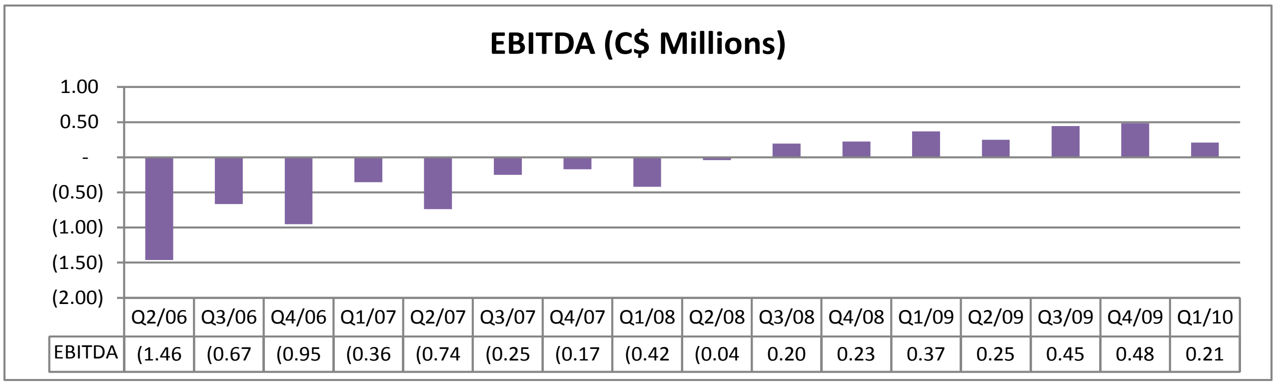
- The table above shows the impact on revenues in both Canada and the U.S.A. Revenues from the U.S.A. decreased by 38% while the decline in Canada was only 8.5%. Most of the reduction was from non-recurring revenues (Net New and Migrations).

- Going forward, the Company expects that approximately 50% of the new installation will be in the U.S. market. The 2010 revenue mix expected to be 70% for Canada and 30% for the U.S.

COMMENT: *This still provides the Company with good geographic diversification.*

(4) Revenue and EBITDA by Quarter





- The above chart for Revenue shows a slight volatility in quarterly sales. This reflects the fluctuation in non-recurring revenues (revenues from installations). Installation services depend on the number of new sales and installations in the period. In 2009, most of dealerships delayed installations because of the uncertainty in the automobile industry.

- EBITDA continues to show improvement despite lower revenues in Q3 and Q4/2009. The improvement reflects (1) management's prudent cost control; and (2) strong recurring revenues from the high margin Support and Other segment. This segment was only modestly impacted by the GM dealership closings in 2009 since most of the closings occurred late in the year.

- EBITDA in Q1/2010 shows the impact of revenue loss from customer closings in late 2010. However, with new installations in Q1/2010, we expect some improvement of EBITDA in Q3 and Q4 2010.

B. Cash Flow Statement Analysis

Statement of Cash Flow (C$)	Dec. 31 2006	Dec. 31 2007	Dec. 31 2008	Dec. 31 2009	12 months Mar. 2010
Net Income Before Non-recurring Item	(4,304,319)	(1,911,306)	(835,090)	659,277	503,151
Depreciation and Amortization	494,080	775,721	575,838	580,261	473,176
Cash Flow From Operations	(3,810,239)	(1,135,585)	(259,252)	1,239,538	976,327
Change in Working Capital & Other	70,401	310,044	238,184	(173,541)	85,719
Cash Flow Before Investment	**(3,880,640)**	**(1,445,629)**	**(21,068)**	**1,065,997**	1,062,046
Capital Expenditures	(2,236,706)	(1,912,137)	(1,305,322)	(1,016,098)	(963,151)
Other Investment & Disposals	-	-	(81,416)	(8,903)	(8,945)
Cash Flow Before Financing	(6,117,346)	(3,357,766)	(1,407,806)	40,996	89,950
Change in Equity	6,650,167	3,723,115			-
Change in Debt	(9,000)	(80,589)	(63,566)	392,680	19,452
Change in Capital Lease	(54,390)	(77,308)	(23,162)		-
Other Financing	-	-	1,450,721	203,303	203,303
Change in Cash	469,431	207,452	(43,813)	636,979	312,705
Cash, Beginning of the Period	73,733	543,164	750,616	706,803	1,071,933
Cash, End of the Period	543,164	750,616	706,803	1,343,782	1,384,638

- 2009 is the first year the Company generated positive cash flow from operations since its inception. This trend is expected to continue in 2010.

COMMENT: *This achievement is remarkable given the automobile industry restructuring and the economic downturn.*

- Cash flow was sufficient to cover research and developments.

COMMENT: *The importance of positive free cash flow is that it indicates a sign of self-sustained operations. However, the question of whether the Company could maintain the same level of positive cash flow going forward depends on whether the Company could reach its critical mass (in terms of a number of installations).*

C. Balance Sheet

Balance Sheet (C$)	Dec. 31 2006	Dec. 31 2007	Dec. 31 2008	Dec. 31 2009	12 months Mar. 2010
Cash	543,164	750,616	706,803	1,343,782	1,384,638
Accounts Receivable	1,442,024	1,495,190	1,559,288	1,200,435	1,206,967
Inventory	130,886	128,541	24,204	2,377	2,652
Prepaid Expenses	111,377	96,671	88,959	88,458	90,765
Total Current Assets	2,227,451	2,471,018	2,379,254	2,635,052	2,685,022
Property/Equipment/Software Resale Licenses	1,015,516	793,085	550,024	340,915	315,957
Software Development Costs	8,051,470	8,373,827	9,434,629	8,755,135	8,929,039
Future Tax Asset	2,676,733	3,247,278	3,739,697	3,481,822	3,406,208
Investment Tax Credits	472,833	1,509,104	1,509,104	2,477,564	2,477,564
Total Assets	**14,444,003**	**16,394,312**	**17,612,708**	**17,690,488**	17,813,790
Liabilities & Equity					0
Accounts Payable & Accru' Liabilities	1,283,503	1,229,500	1,300,453	763,582	812,188
Current Portion of Long-term Debt	160,815	97,303	83,931	27,940	25,947
Total Current Liabilities	1,444,318	1,326,803	1,384,384	791,522	838,135
Long-term Debt	200,056	78,638	12,124	260,558	265,625
Convertible Debenture	0		1,294,162	1,377,883	1,399,163
Total Liabilities	1,644,374	1,405,441	2,690,670	2,429,963	2,502,923
Equity	12,799,629	14,988,871	14,922,038	15,260,525	15,310,867
Total Liabilities & Equity	**14,444,003**	**16,394,312**	**17,612,708**	**17,690,488**	17,813,790
Book Value (S.E.) Per Share	$0.38	$0.38	$0.38	$0.39	0.39

- The balance sheet is reasonably solid as the Company has low a low debt level in the capital structure. Debt and convertible debenture count for less than 10%.

- On a net debt basis, the Company almost has no debt.

- With stable cash flow from recurring revenues and over C$1.3 million in cash, we view the Company's liquidity position as reasonable relative to its liabilities.

D. Outlook

*e*Research considered two scenarios, one of 5% growth and one of 10% growth, as set out below. We are using actual reported results for 2009 as our base. EBITDA in 2009 reflects a reduction in fees from the high margin Support and Dealership Services business that was not impacted by the dealership closings in late 2009. However, the impact will show in 2010.

(a) Scenario 1: 5% Revenue and EBITDA Growth (*e*Research estimate)

	2009A	2010E	2011E	2012E	2013E
Total Revenue	7,267.8	7,631.2	8,012.7	8,413.4	8,834.1
EBITDA	1,548.9	1,373.6	1,442.3	1,514.4	1,590.1
EBITDA margin	21.3%	18.0%	18.0%	18.0%	18.0%

- Under this scenario, we assume revenue growth of 5% from the 2009 base.

- Over the forecast period, we assume the Company could maintain an average EBITDA margin of 18% (as opposed to the Management Projection (see below) where the EBITDA margin falls within the range of 17% to 23%).

- Under this scenario, the Company could produce EBITDA of $1,373.6 million in 2010 and $1,590.1 million in 2013.

(b) Scenario 2: 10% Revenue and EBITDA Growth (*e*Research estimate)

	2009A	2010E	2011E	2012E	2013E
Total Revenue	7,267.8	7,994.6	8,794.0	9,673.4	10,640.8
EBITDA	1,548.9	1,439.0	1,582.9	1,741.2	1,915.3
EBITDA margin	21.3%	18.0%	18.0%	18.0%	18.0%

- Under this scenario, we assume revenue growth of 10% from the 2009 base.

- We again assume that the Company could maintain an average EBITDA margin of 18%.

Management Projection

Management Projection	2009A	2010E	2011E	2012E	2013E
Support, Dealer Services & Other	5,839.3	6,034.9	7,010.9	8,466.3	10,477.8
Integration	411.5	568.0	500.0	500.0	500.0
Net New Canada	(*)	728.0	910.0	1,368.0	2,016.0
Net New U.S.	(*)	652.8	832.0	1,152.0	1,536.0
Migrations	1,017.0	240.0	400.0	400.0	400.0
Total Revenue	7,267.8	8,223.7	9,652.9	11,886.3	14,929.8
Year over year growth (YOY)		13%	17%	23%	26%
EBITDA	1,548.9	1,410.1	2,021.4	2,321.6	3,389.7
EBITDA Margin (%)	21.3%	17.1%	20.9%	19.5%	22.7%
(*) Included in Migrations in 2009					

- Management anticipates lower EBITDA in 2010 due to revenue loss resulting from a number of dealership closings in late 2009. The closings did not have much impact in 2009 but will reduce EBITDA in 2010.

- Management's high expectation is based on 40 new sales or 35 new installations in 2010 (by the end of Q2, 2010, the Company has already achieved 20 installations). For 2011, the Company projects 60 new sales and 52 installations.

- Management's Base Case provides for strong growth in profitability, represented by EBITDA, which is projected to increase to nearly C$3.4 million in 2013.

- As shown, Management expects the EBITDA margin to range between 17% and 23%. (*e*Research used an average of 18% in our projections.)

VALUATION

We have valued Quorum using three methodologies:
(1) Book Value Multiple Method;
(2) Revenue Multiple Method; and
(3) EBITDA Multiple Method.

1. Book Value Multiple Method (P/BV)

The price-to-book value method determines an appropriate valuation for the shares of Quorum based on the following assumptions:

- Equity book value at the end of 2010 and 2011 is estimated.
- The number of shares outstanding remains unchanged from December 31, 2009, at 39.3 million; the assumption is that the Company will generate sufficient cash flow to cover capex and operating expenses.
- Convertible debentures will not be converted into common shares during this period.

Price/Book Value	Actual Dec-07	Actual Dec-08	Actual Dec-09	Estimate Dec-10	Estimate Dec-11
Equity (millions)	$14.988	$14.922	$15.261	$15.283	$15.622
Book Value Multiple (times)	1.55	0.24	0.46	**1.00**	**1.50**
Market Capitalization (millions)	$23.186	$3.589	$7.073	$15.283	$23.433
Stock Price (C$)	**$0.59**	**$0.09**	**$0.18**	**$0.39**	**$0.60**

Analysis:

- The range from December 31, 2007 to December 31, 2009 of the P/BV ratio is from 0.24x to 1.55x.
- The Company's fundamentals have remained strong since 2007. However, the market for the dealerships deteriorated significantly in 2008 and 2009, but began to recover in 2010.
- For that reason, we believe that the P/BV ratio could improve to the pre-crisis value of 1.50x in 2011. As a result, we believe that the ratio ranging from 1.00x to 1.50x is appropriate.
- The stock price would be $0.39 at a ratio of 1.00x in 2010, and $0.60 at a ratio of 1.50x in 2011.

2. Market Capitalization-to-Revenue Multiple Valuation Method

This method determines an appropriate valuation for the shares of Quorum based on the following assumptions:

- Revenues will increase by 10% per year for 2010 and 2011.
- Our assumption of revenue growth is more conservative than that of the Company and is based on the reasonable estimate of the customer base growth by 25 new installations per year.
- The number of shares outstanding remains the same for 2009 and 2010, at 39.3 million.
- Internally-generated cash flow is sufficient to cover capital expenditures.

Market Capitalization/Revenue	Actual Dec-07	Actual Dec-08	Actual Dec-09	Estimate Dec-10	Estimate Dec-11
Revenue (millions)	$8.162	$8.451	$7.268	$7.995	$8.794
Market Cap/Revenue (times)	2.84	0.42	0.97	**1.50**	**2.00**
Market Capitalization (millions)	$23.186	$3.537	$7.074	$11.992	$17.589
Stock Price (C$)	**$0.59**	**$0.09**	**$0.18**	**$0.31**	**$0.45**

Analysis:

- The market and industry for the dealerships have begun to recover as the automobile industry shows signs of emerging out of the bottom.
- Based on the Market Capitalization/Revenue ratio for comparable companies in equivalent industries, we believe that a ratio of 1.50x to 2.00x is reasonable.
- At the Market Cap/Revenue ratio of 1.50x for 2010, we arrive at a stock price of $0.31 over the next 12 months.
- At the Revenue/Market Cap ratio of 2.00x for 2011, we arrive at a stock price of $0.45, over the next 24 months.

3. EBITDA Multiple Valuation Method

The multiple of EBITDA method determines an appropriate valuation for the shares of Quorum based on the following assumptions:

- EBITDA is estimated at $1.439 million in 2010 and will increase by 10% in 2011. The reason for a lower EBITDA in 2010 is due to the impact of some dealership closings in late 2009.

- The number of shares outstanding remains the same for 2010 and 2011, at 39.3 million.
- Internally-generated cash flow is sufficient to cover capital expenditures.

	Actual	Actual	Actual	Estimate	Estimate
Market Cap/EBITDA	**Dec-07**	**Dec-08**	**Dec-09**	**Dec-10**	**Dec-11**
EBITDA (millions)	($1.096)	($0.500)	$1.549	$1.439	$1.583
EBITDA Multiple (times)	(21.15)	(7.07)	4.57	**8.00**	**9.00**
Market Capitalization (millions)	$23.186	$3.537	$7.074	$11.512	$14.246
Stock Price (C$)	**$0.59**	**$0.09**	**$0.18**	**$0.29**	**$0.36**

Analysis:

- EBITDA projected in the table is reasonable, given the impact of the dealership closing and the number of new sales obtained in late 2009 and the first 5 months of 2010.
- Based on the Price/EBITDA for comparable companies in equivalent industries, we believe that an EBITDA ratio of 8.0x–90x is reasonable.
- At the Price/EBITDA multiple of 8.00x, we arrive at a stock price of $0.29.
- At the Price/EBITDA multiple of 9.00x, we arrive at a stock price of $0.36.

4. Summary

Range:	**End of 2010**	**End of 2011**
P/BV = 1.00x	$0.39	
P/BV = 1.50x		$0.60
MK Cap/Revenue = 2.00x	$0.31	
MK Cap/Revenue = 3.00x		$0.45
Price/EBITDA = 5.00x	$0.29	
Price/EBITDA = 7.50x		$0.36
Average of the above	$0.33	$0.47

- The average of the three valuations for 2010 is $0.33 per share.
- The average for 2011 is $0.47 per share but, to this, we apply a 15% discount to get $0.40.

5. Conclusion

Based on our valuation approaches, our estimate of the intrinsic value for Quorum over the next 12 months ranges between C$0.29 and C$0.39 per share, for an average of $0.33.

The 24-month range is $0.36-$0.60, for an average of $0.47. Since this is for 2011, we apply a 15% discount and derive a current value of $0.40.

From these calculations, and giving consideration to the all of the factors impacting upon Quorum and the auto industry as discussed within this report, we are setting a Target Price of $0.40 per share.

MANAGEMENT & DIRECTORS

Maury Marks - President & CEO; Director & Officer
Maury Marks has over 15 years' experience in the automotive retail technology industry. He is one of the original founders of Quorum. Mr. Marks received his Chartered Accountant designation in 1991 while at Deloitte and Touche where he worked with many different companies involving technology implementation and system supports. Mr. Marks left Deloitte and Touche in 1992 and began his own practice of technology consulting for small businesses. Shortly afterwards, his family's auto business asked him to find a new dealer management system for their dealership. Mr. Marks and his partners founded Quorum in 1996. Since that time, he has focused the Company on the development of its flagship XSELLERATOR™ DMS software.

John Carmichael – Chairman of the Board
John Carmichael is the Dealer Principal of City Buick Pontiac Cadillac in Toronto, Ontario. With a staff of over 130, City is one of Canada's largest Buick Pontiac Cadillac dealerships. John has an outstanding reputation as a leader in the use of technology and Customer Relationship Management. He has been involved at the most senior level on many projects with General Motors and is a past Chairman of the Canadian Automobile Dealers' Association (CADA).

Mark Allen – Vice President, Sales, Marketing and Services
Mark Allen has over 20 years' experience within the automotive and information technology industries. He has direct dealership experience, and has held executive positions at companies such as General Motors Corporation and Electronic Data Systems (EDS), including its Automotive Retail Group.

Scot Eisenfelder - Director
Scot Eisenfelder received a Bachelor of Arts Degree from Princeton University in 1986 and a Masters of Business Administration from the Wharton School, University of Pennsylvania in 1991. Currently he is Vice President Strategy for AutoNation and previously was group vice president of JM Family Enterprises, responsible for the dealer software business. Prior to that, he was senior vice president and an officer at Reynolds & Reynolds, responsible for the U.S. business from 2005 to 2007. Scot Eisenfelder ran J.D. Power's auto retail research and consulting practice. Previously, he was a partner in the global auto practice where he specialized in sales, marketing and distribution issues. Scot Eisenfelder has focused on helping automotive companies and dealer groups improve performance for almost two decades.

Craig Nieboer, CA - Director
Craig Nieboer received a BComm at the University of Calgary in 1988, and is a member of the Institute of Chartered Accountants of Alberta. He has over twenty years of experience in senior financial positions with internationally recognized service and exploration and production companies including Amerada Hess, BrazAlta Resources Corp., and currently is CFO of Canadian Energy Services L.P. He also held the position of CFO with Quorum Information Technologies Inc. from 2003 through 2006 where he played a major role in securing the GM IDMS contract.

Mick Podovilnikoff, MBA - Director
Mick Podovilnikoff obtained a Masters of Business Administration from Queens University in 1998. He has also successfully completed various degree courses in Management, Engineering, Business and Human resources from various universities and learning institutes. He has served on the board of directors for TR Labs, on the Conference Board of Canada Human Resource Committee, and was a member of multiple national and international committees and forums within the telecommunications discipline. He worked in the high tech industry for more than 35 years in various executive positions. Mick Podovilnikoff currently consults on various business-related matters.

ANALYST CERTIFICATION

Each Research Analyst who was involved in the preparation of this Research Report hereby certifies that:

(1) the views, opinions, and recommendations expressed in this Research Report reflect accurately the Research Analyst's personal views concerning any and all securities and issuers that are discussed herein and are the subject matter of this Research Report; and

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*e*Research analysts on this report:

Eric Eng, BA (Acct., Econ.), MBA Eric Eng worked at DBRS as an Analyst/Vice President for 10 years. He obtained a BA in Accounting and Economics and a MBA in Finance at the University of Toronto. He joined *e*Research in January 2008.

Bob Weir, B. Comm, B.Sc., CFA Bob Weir has 42 years of investment research and analytical experience in both the equity and fixed-income sectors, and in the commercial real estate industry. He was at Dominion Bond Rating Service (DBRS) from 1994 to 2001, latterly as Executive Vice-President responsible for conducting the day-to-day management affairs of the company. He joined *e*Research in 2004.

Analyst Affirmation: I, Eric Eng, and I, Bob Weir, hereby state that, at the time of issuance of this research report, I do not own, directly or indirectly, any shares of Quorum Information Technologies Inc.

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Hold:	Expected total return within the next 12 months is between 0% and 10%.
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Medium Risk: *Financial* - Several years of revenue and positive earnings, balance sheet in line with industry average, positive free cash flow, adequate working capital solvency, may or may not pay a dividend.
Operational - Competitive market position and cost structure, industry stable, business model/technology is well established and consistent with current state of industry.

Low Risk: *Financial* - Strong revenue growth and earnings over several years, stronger than average balance sheet, strong positive free cash flows, above average working capital solvency, company may pay (and stock may yield) substantial dividends or company may actively buy back stock.
Operational - Dominant player in its market, below average cost structure, company may be a consolidator, company may have a leading market/technology position.

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