

## 10-K 1 f10k2019\_quantumcomputing.htm ANNUAL REPORT

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-K**

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

**For the fiscal year ended December 31, 2019**

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

Commission File Number: **000-56015**

**QUANTUM COMPUTING INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction  
of incorporation)

**82-4533053**

(IRS Employer  
Identification No.)

**215 Depot Court SE, Suite 215**

**Leesburg, VA 20175**

(Address of principal executive offices)

**(703) 436-2121**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
None	None	None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that registrant was required to submit and post such files. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No .

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of June 30, 2019 was \$8,607,862 based on the closing price of \$4.45 per share of Quantum Computing, Inc. common stock as quoted on the OTC Marketplace on that date.

As of March 27, 2020, there were 7,764,046 shares of the registrant's common stock outstanding.

#### **Documents Incorporated by Reference**

N/A.

---

---

## TABLE OF CONTENTS

### PART I

ITEM 1.	<u>BUSINESS.</u>	1
ITEM 1A.	<u>RISK FACTORS.</u>	8
ITEM 1B.	<u>UNRESOLVED STAFF COMMENTS.</u>	20
ITEM 2.	<u>PROPERTIES.</u>	21
ITEM 3.	<u>LEGAL PROCEEDINGS.</u>	21
ITEM 4.	<u>MINE SAFETY DISCLOSURES</u>	21

### PART II

ITEM 5.	<u>MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES.</u>	22
ITEM 6.	<u>SELECTED FINANCIAL DATA.</u>	22
ITEM 7.	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.</u>	22
ITEM 7A.	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.</u>	27
ITEM 8.	<u>FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.</u>	28
ITEM 9.	<u>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.</u>	28
ITEM 9A.	<u>CONTROLS AND PROCEDURES.</u>	28
ITEM 9B.	<u>OTHER INFORMATION.</u>	30

### PART III

ITEM 10.	<u>DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.</u>	31
ITEM 11.	<u>EXECUTIVE COMPENSATION.</u>	34
ITEM 12.	<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.</u>	35
ITEM 13.	<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS; AND DIRECTOR INDEPENDENCE.</u>	37
ITEM 14.	<u>PRINCIPAL ACCOUNTING FEES AND SERVICES</u>	38

### PART IV

ITEM 15.	<u>EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.</u>	39
----------	--	----

## Introductory Comments

Throughout this Annual Report on Form 10-K, the terms “we,” “us,” “our,” “the Company,” “our Company,” “QCI” and “QUBT,” refer to Quantum Computing, Inc., a Delaware corporation, and unless the context indicates otherwise, also includes our wholly-owned subsidiary.

## PART I

### FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). In some cases, forward-looking statements are identified by terms such as “may,” “will,” “should,” “could,” “would,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “projects,” “predicts,” “potential” and similar expressions intended to identify forward-looking statements.

These forward-looking statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements, expressed or implied, by such forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this Annual Report on Form 10-K. Except as otherwise required by law, we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this Annual Report on Form 10-K to reflect any change in our expectations or any change in events, conditions or circumstances on which any of our forward-looking statements are based. Factors that could cause or contribute to differences in our future financial and other results include those discussed in the risk factors set forth in Part I, Item 1A of this Annual Report on Form 10-K as well as those discussed elsewhere in this Annual Report on Form 10-K. We qualify all of our forward-looking statements by these cautionary statements.

### ITEM 1. BUSINESS.

#### History

The Company was incorporated in the State of Nevada on July 25, 2001 as Ticketcart, Inc. Ticketcart’s original business plan involved in the sale of ink-jet cartridges online. Ticketcart offered remanufactured and compatible cartridges for Hewlett-Packard, Epson, Lexmark, and Canon inkjet printers. On July 25, 2007, Ticketcart, Inc. acquired Innovative Beverage Group, Inc. and changed its name to Innovative Beverage Group Holdings, Inc. (“IBGH”) to better reflect its business operations at the time which was beverage distribution and product development. In 2013, IBGH ceased operations. On May 22, 2017, one of IBGH’s shareholders, William Alessi (the “Plaintiff”), filed suit against the Company alleging “(1) fraud; and (2) breach of fiduciary duties of care, loyalty and good faith to the Corporation’s shareholders.” Mr. Alessi’s complaint alleged that the officers and directors of IBGH had abandoned it and allowed the Company’s assets to be wasted, causing injury to the Company and its shareholders. Mr. Alessi sought damages of \$30,000 for each claim, plus reimbursement of filing costs of \$1,000, and the appointment of a Receiver for the Company.

On August 28, 2017, the North Carolina Court, Superior Court Division (the “North Carolina Court”), entered a default judgment for Plaintiff and appointed an exclusive Receiver (the “Receiver”) over the Company. The default judgment provided that Innovative Beverage Group Holdings, Inc. was (i) to issue to the Plaintiff 18,500,000 shares of free-trading stock without registration under Section 3(a)(10) of the Securities Act of 1933, as amended, (ii) issue 100,000,000 shares of stock to Innovative Beverage Group Holdings, Inc.’s treasury, and (iii) that the receivership be terminated upon any change of control, and that any and all claims against Innovative Beverage Group Holdings, Inc. that were not submitted to the Receiver as of September 16, 2017, were disallowed. On October 4, 2017 the Receiver filed Articles of Incorporation in North Carolina for Innovative Beverage Group Holdings, Inc., a wholly-owned subsidiary of the Company, (“IBGH North Carolina”). On October 26, 2017, Innovative Beverage Group, Inc. redomiciled to North Carolina.

On January 22, 2018, while the Company was in receivership, the Company (acting through the court-appointed receiver in her capacity as CEO and sole Director of the Company) sold 500,000 shares (the “CRG Shares”) of its common stock to Convergent Risk Group (“CRG”), an entity owned and operated by the Company’s Chief Executive Officer, Robert Liscouski, for \$155,000. On February 21, 2018, by written consent of the majority shareholder (Convergent Risk), Mr. Robert Liscouski (the Chief Executive Officer of Convergent Risk) and Mr. Christopher Roberts were elected as members of the Company’s Board of Directors. Mr. Liscouski was simultaneously elected as Chairman of the Board. The majority shareholder also directed the Company to take the necessary action to change its domicile from North Carolina to Delaware and change its name to Quantum Computing Inc. On February 21, 2018 the Company filed Articles of Conversion in North Carolina to convert the Company to a Delaware corporation with the name changed to Quantum Computing Inc. On February 22, 2018 the Company filed a Certificate of Conversion in Delaware to convert to a Delaware corporation with the name changed to Quantum Computing Inc. and re-domiciled to the state of Delaware on February 23, 2018.

## **Our Company**

The Company has chosen to focus on quantum computing because the computer industry is approaching some fundamental physical limitations on the ability of conventional computers, using silicon-based semiconductor chips to offer continual performance improvements for the indefinite future and we believe there is significant business opportunity in the quantum computing industry. For the past 45 years or so, silicon-based computer chip manufacturers have been able to double their processing power every 18 to 24 months, a phenomenon known in the computer industry as “Moore’s Law.” Recently the computer chip industry has found it increasingly difficult to offer faster, more powerful processors. Quantum computing is believed to be a potential solution to the hard limits now being approached by conventional silicon-based computers. The date of practical relevance of quantum computers is hard to determine. We believe it could be as soon as 2021, but a more conservative estimate is that quantum computers with gradually increasing performance capability will be introduced by multiple vendors over the course of the next decade.

The Company is developing “quantum ready” software applications and solutions for companies that want to leverage the promise of quantum computing. We believe the quantum computer holds the potential to disrupt several global industries. Independent of when quantum computing delivers compelling performance advantage over classical computing, the software tools and applications to accelerate real-world problems must be developed to deliver quantum computing’s full promise. We specialize in quantum computer-ready software application, analytics, and tools, with a mission to deliver differentiated performance using non-quantum processors in the near-term.

We are leveraging our collective expertise in finance, computing, mathematics and physics to develop a suite of quantum software applications that may enable global industries to utilize quantum computers, quantum annealers and digital simulators to improve their processes, profitability, and security. We primarily focus on the quadratic unconstrained binary optimization (QUBO) formulation, which is equivalent to the Ising model implemented by hardware annealers, both non-quantum from Fujitsu and others and quantum from D-Wave Systems, and also mappable to gate-model quantum processors. We are building a software stack that maps and optimizes problems in the QUBO form and then solves them powerfully on cloud-based processors. Our software is designed to be capable of running on both classical computers and on annealers such as D-Wave’s quantum processor. We are also building applications and analytics that deliver the power of our software stack to high-value discrete optimization problems posed by financial, bio/pharma, and cybersecurity analysts. The advantages our software delivers can be faster time-to-solution to the same results, more-optimal solutions, or multiple solutions.

## Our Strategy and Market Opportunities

The Company has adopted a “two-division” development strategy for quantum computing applications:

- Software Applications to solve high value compute-intensive problems, and
- Software Stack that enables the Software Applications to run on a variety of Quantum Annealers and Gate Model Quantum Computers.

The Company intends to be a leading provider of software that run on quantum computers. We are focused on being an enabler – creating software that will realize the advantages of advanced computing hardware for clients aiming to be “Quantum Ready”. Our initial focus for our Software Application division is the financial services sector. We expect other potential markets for quantum computing applications include industries in the field of pharmaceuticals, healthcare, logistics, and cybersecurity.

The Company has hired physicists, applied mathematicians (algorithm developers) and software developers as part of the technical team developing and designing quantum-ready software applications. Company developers devise the applied math algorithms, design software solutions implementing the algorithms and then test the code to ensure reliable and accurate performance of the software product.

In addition, the Company has formed an advisory board consisting of leading industry experts from well-known institutions from the financial services industry and leading financial institutions, medical research field, cybersecurity and US government agencies to serve as technical advisors to the Company. We are also pursuing U.S. Government initiatives in quantum computing and AI, including grants and funding, that are fostering U.S. innovation in those domains.

The Company does not currently intend to be a quantum hardware manufacturer. However, we expect to use quantum computers from hardware vendors and possibly their quantum simulators to prepare our applications for quantum execution. Our plan is to license our software as a cloud based service, but we are not ruling out selling turn-key hardware systems that would incorporate and support our own quantum inspired computing solutions.

### *Products and Products in Development*

Quantum Asset Allocator: We have released our first commercial product for the FinTech, or Financial Technology, market, the Quantum Asset Allocator (QAA). The target market for QAA is financial institutions who are currently addressing asset allocation problems but are looking for better tools with which to optimize portfolio performance. QAA is available both as a cloud-based software service and as an on-premises software-plus-hardware system. Both implementations are designed to quickly return optimal or near-optimal interactive solutions and analyses of financial asset allocation problems. The finance industry has used quantitative finance software applications for several decades. However, existing products have been limited in their performance due to the lack of computing power needed to solve the relevant classes of optimization problems.

“Mukai” quantum application development platform: The Company recently released its “Mukai” quantum application development platform. Mukai can be used to solve extremely complex optimization problems, which are at the heart of some of the most difficult computing challenges in industry and government. Its software stack enables developers to create and execute quantum-ready applications on classic computers, while being ready to run on quantum computers when those systems can achieve performance advantages. Mukai uses highly-optimized parallel code, and is currently centered on the quadratic unconstrained binary optimization (QUBO) formulation well known to quantum annealing users. QUBO is a pattern matching technique, also commonly used for machine learning applications. Mukai is available today running on QCI’s scalable, classical cloud infrastructure and is being marketed and sold either as a licensed service for an enterprise or users can purchase access in blocks of time. The Company has already demonstrated superior performance against established computational benchmarks for some applications built on Mukai and running on classical computers.

The Company is currently working on software products to address, community detection (analysis for pharmaceutical applications and epidemiology), optimization of job shop scheduling, logistics, and dynamic route optimization for transportation systems. The Company is continuing to seek out difficult problems for which our technology may provide improvement over existing solutions.

### Financial Application

The Company is currently focused on a number of software application development efforts relating to finance. We are working with early users of our QAA product, to find related problems that are large and complex enough to benefit from quantum acceleration. The finance industry has used quantitative finance software applications for several decades. However, existing software applications have been limited in their performance due to the lack of computing power needed to solve the relevant classes of optimization problems.

We are continuing to develop software to address two classes of financial optimization problems: Asset allocation and Yield Curve Trades. For asset allocation, our target clients are the asset allocation departments of large funds, who we envision using our application to improve their allocation of capital into various asset classes.

Development of these algorithms has been on-going for the past three quarters and we have been working with beta clients for our financial application since August of 2019. Once client beta testing is completed we plan to hire sales staff to begin commercial sales and marketing anticipated to begin in the third or fourth quarter of 2020.

### **Applications Beyond FinTech**

Our longer-term software development plan targets the optimization problems known as *NP-complete* problems, which are a class of mathematical problems that can in principle be solved by conventional computers but the solution requires time that grows exponentially with the size of the problem. These NP-complete problems require complex calculations, which cannot currently be performed in reasonable amounts of time for problem sizes relevant to many industrial uses using conventional computer systems. These problems are intractable because of the inability of classical bit-based systems to handle combinatorial problems at scale. The recent developments in quantum annealing and other quantum hardware suggests that these new technologies may soon deliver computational benefit. Optimization algorithms are ideally suited to run on a class of quantum computers, known as *annealers*, that are currently becoming available in the market by various manufacturers. The software infrastructure to solve such problems effectively on first non-quantum, then quantum computers, will require extensive development, and it may be that the value of that infrastructure to application developers outside the Company will justify marketing the software infrastructure separately from the Company's applications.

Additional application markets we intend to explore beyond FinTech include the Pharmaceutical, Logistics, Artificial Intelligence, Healthcare, and Cybersecurity Industries.

We believe these are natural markets for quantum computing, due to the immense computer power required to process large data sets, which have experienced exponential growth in size and complexity in recent years.

### Healthcare Application

Working in conjunction with our technical advisor, Dr. Michael Liebman, the Company's healthcare application, now in early development, focuses on detection of communities in biotech and pharma settings. We believe quantum computers can assist in valuable operations such as the enhancement of community detection, which can enable more specific (possibly more effective) targeting of diagnosis and patient populations for clinical trials. In a large drug trial, which can involve thousands of patients over many years, the aggregate results may indicate that the pharmaceutical being evaluated has little effect on the overall population. However, we believe that quantum software can sort through the vast quantity of data generated by a drug trial and locate one or more small subsets of the larger population for which the drug has a statistically significant impact. This is known as "community detection." Knowing that a drug works well for certain types of people, based on characteristics such as age, sex, prior conditions, race, etc., can help the medical community provide treatments tailored to those individuals.

### Cybersecurity Application(s)

The security or privacy of data on a computer network is often paramount to national security, competitive advantage, and consumer trust. The growth of mobile devices and cloud computing have greatly complicated the challenge of keeping an organization's data secure and private and have increased the types of possible attacks. Cybersecurity analysts have compelling needs for better analytic tools. The ability to deeply analyze large graphs (collections of vertices and edges) for global structure can provide insight into many types of cyber-attacks. Our team has expertise deploying compute-intense graph algorithms to solve particular cybersecurity problems and will work with leading-edge customers to identify high-value problems where graph-based analytics will be of most value.

### Big Data/ Artificial Intelligence Analysis Application

We are exploring a partnership with a big data aggregator and Artificial Intelligence software development firm to develop an AI analysis prototype. Our team is developing algorithms to identify behavioral trends and characteristics based on commercially available signals and geo-location data. Based on our organic experience and expertise in specific areas of counterterrorism and behavioral analysis, we believe there is significant commercial opportunity for us from the Government and Commercial-sector entities.

### Software Infrastructure as a Product

As noted above, the Company has developed the Mukai software stack, a multi-layer package of software that accepts a problem from the user application, and then maps and optimizes the problem into a format that a quantum computer can work with, and then passes the problem to the cloud-based quantum processor, and finally translates the results from the quantum processor back into a format that the end user application can work with. Quantum computers today primarily require problems formatted in a mathematical structure known as Quadratic Unconstrained Binary Optimization or "QUBO" which is not a natural format for most user applications to work with. The Company refers to this package of software as the "Mukai Software Stack" and we believe that Mukai may be valuable to other organizations who seek to develop quantum-ready applications without also developing the QUBO formatting and optimizing tools. Accordingly, the Company may choose to offer the Software Stack as a product under packaging and terms that are quite different from those of its end-user applications. The Company's software stack, which was released in Q4 2019 and is now undergoing beta testing, solves large and "hard" QUBOs faster than any other known software stack. The Company's software stack has been engineered to execute scalably in a cloud environment.

### **Industry Overview**

We operate in the large and global high-performance computing industry, which is comprised of hardware, software, and services for compute intensive applications. The rapid adoption of technologies such as artificial intelligence, 3D imaging, and the Internet of Things (IoT), have served to exponentially increase the generation of data, driving up the demand for high-performance computing. Computationally intensive applications are ubiquitous across various industries, including, but not limited to: IT, aerospace, healthcare, automotive, and e-commerce. Examples of compute intensive applications include optimization, data management, analytics, and complex modeling. According to Grand View Research, the High-Performance computing market was valued at \$34.62 billion in 2018 and is expected to reach a value of \$59.65 billion by 2025.

Quantum Computing is a nascent and rapidly developing technology ecosystem that has shown promise in delivering potentially disruptive computing capabilities. We believe Quantum Computing's immense compute capabilities qualify it as a subset of High-Performance Computing. Allied Market Research expects the global enterprise quantum computing market to grow from \$650 million to \$5.85 billion from 2017 to 2025. As quantum computing hardware continues to advance, we expect a corresponding growth in demand for software capable of leveraging the compute capabilities of Quantum Computing hardware. We are developing hardware agnostic software capable of delivering high-performance computing capabilities to various industries while mitigating dependency risks that may emerge from a dominant quantum computing hardware vendor. As an early participant in this rapidly growing ecosystem, we believe we are well-positioned to capture and drive a meaningful amount of this category growth. We also believe there is a significant international market opportunity for our future products.



We expect continued growth in the research and developing of the quantum computing industry, driven by interest from both the private and public sectors. According to an article in the August 2018 issue of WIRED Magazine, CB Insights estimate that \$241 million has been invested in quantum hardware and software startup businesses. In addition, the US Government has committed \$1.3 billion to funding quantum information science programs under the National Quantum Initiative enacted in 2018. The Company is a member of the Quantum Economic Development Consortium (QED-C). The QED-C, whose members include companies such as Google and Microsoft, has been tasked with developing the U.S. Quantum Computing Industry.

## **Competition**

The Quantum Computing Industry is new and rapidly developing, and as such, is and will remain dynamic and extremely competitive for the foreseeable future. As this industry continues to grow and mature, we expect a steady influx of new products, hardware advances, and new concepts to emerge that can dramatically transform the industry and our business. One such example would be a practical application of “quantum supremacy”, which we expect to radically accelerate the interest and entry in the quantum computing industry. At Quantum Computing Inc., we perform a broad range of research and development efforts to identify and position for the changing demands of future customers and users, industry trends, and competitive forces.

To our knowledge, there are over 130 companies and research universities who are known to be engaged in research and development relating to quantum computing. These entities range in size from diversified global companies with significant research and development resources to smaller privately funded startups whose narrower product focuses may let them be more effective in deploying resources towards a specific industry demand. Our business objectives and near term strategy put us in direct competition with existing software vendors for high performance computing, who may not be operating in the quantum computing ecosystem.

The software segment of the quantum computing ecosystem is still in its infancy, and to our knowledge a market-dominant entity has not yet been established. Due to the high price point of quantum computing hardware, novel business models may emerge to adapt to consumer preferences in the high-performance computing industry. Our ability to evolve and adapt rapidly over an extended period of time will be critical in remaining competitive.

## **Government Regulation and Incentives**

### *Financial Algorithms*

US firms and FINRA members that use financial algorithms to conduct high frequency trading are subject to SEC and FINRA regulations that govern their trading activities under long standing rules governing supervision and control practices to reduce the likelihood of market disruptions and ensure effective communication between the firm’s compliance staff and its trading strategy personnel. Additional regulation on financial algorithms has been proposed by the Commodity Futures Trading Commission (“CFTC”) aimed at limiting the potential for financial algorithms and high frequency trading to disrupt markets. The proposed regulations would require firms using such algorithms to implement pre-trade risk controls, limit self-trading and make the source code of the software programs available to the government upon request. To the Company’s knowledge, these regulations, especially the mandatory source code disclosure provisions, have been vigorously opposed by the industry and have not yet been implemented.

The government agencies charged with regulating financial markets in the US and around the world have so far not closely regulated financial algorithms or algorithmic trading, but that could change in response to future market events. The benefit of algorithmic trading is that it can bring greater liquidity, transparency and accountability to markets, and also reduces price variations between global markets. Financial markets in many developing countries have benefited from implementation of algorithmic trading. There are, of course, limitations to what financial algorithms can accomplish today with conventional super computers, and when multiple algorithms trade in lockstep a single price fluctuation can trigger a cascade of downward trades that can crash a market very quickly, before human intervention can stop the downward spiral. This phenomenon is known as a “Flash Crash” and regulators have imposed some regulations to slow down or suspend trading when a market drops more than a fixed percentage in a short period of time.

## *Encryption*

The U.S. government has historically tightly regulated the export of cryptographic technologies under the Arms Export Control Act and the associated International Traffic in Arms regulations (ITAR) as a form of munition. The logic behind the export restrictions is that the ability to secure information has great value to the military and intelligence agencies, and the US Government does not want those technologies sold or distributed to foreign adversaries. These regulations were relaxed in 1996 by executive order, but restrictions are still in place under the Export Administration Act that limit the export of some advanced encryption methods and technologies. Export of commercial encryption products to certain designated countries and terrorist groups is restricted, as are exports of military quality encryption technologies. Restrictions on encryption technology are in place in many other countries but the extent of regulation varies widely from country to country. Domestically, encryption technology is largely unregulated but law enforcement, intelligence and investigative agencies work closely with encryption technology developers to enable the US government to access encrypted data under certain conditions. We believe that the quantum encryption and decryption products that QCI plans to develop can be marketed to government agencies seeking to unlock encrypted data or to encrypt and protect sensitive government data from unauthorized exposure.

## *Incentives*

In 2018, Congress authorized \$1.3 billion to fund quantum related research projects. This funding is being administered by the U.S. Department of Defense which will solicit proposals for research. The Company intends to submit proposals for funding, but there can be no guarantee the Company will be chosen or that the Company will receive any government funding. In addition, in 2018 President Trump announced the formation of a National Quantum Initiative consisting of key technology companies working in the field of quantum computing. The Company is a member of that Initiative and is also a member of the Quantum Economic Development Council.

In December 2018 Congress passed the National Quantum Initiative Act (the “Quantum Act”), which was signed into law on December 21, 2018. The purpose of the Quantum Act is to “ensure the continued leadership of the United States in quantum information science” and to develop a unified national strategy for researching quantum information science. The Quantum Act authorizes a National Quantum Coordination Office inside the White House’s Office of Science and Technology Policy to help coordinate research between agencies, serve as the federal point of contact and promote private commercialization of federal research breakthroughs over the next decade.

The Quantum Act also authorized:

- Up to five National Quantum Information Science Research Centers within the Department of Energy.
- Research and education centers in the National Science Foundation.
- A “workshop of stakeholders” administered by the National Institute of Standards and Technology “to discuss the future measurement, standards, cybersecurity, and other appropriate needs for supporting the development of a robust quantum information science and technology industry in the United States.”
- A Subcommittee on Quantum Information Science (“QIS”) under the National Science and Technology Council.
- A National Quantum Initiative Advisory Committee to advise the President.

The overall goals of the Quantum Act include the eventual creation of industry standards for QIS development, new research grant funding and increased collaboration with the private sector. Quantum technology, including quantum computing, has drawn significant attention from Congress and the White House for its theoretical potential to increase computing power and disrupt encryption standards. Rival countries like China and Russia are pushing hard to improve their own QIS capabilities.

## Employees

We currently have seven full time employees and five contract staff, seven of whom are focused on product and software development, and seven Technical Advisors (one from the National Security Domain, three from the Quantum/AI Domain, and three from the Financial Services Domain). We also have two third party partners providing software development and big data analysis services. The employees are not part of a collective bargaining agreement and labor relationships are good.

### ITEM 1A. RISK FACTORS.

This Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties, such as statements of our objectives, expectations and intentions. The cautionary statements made in this Annual Report on Form 10-K should be read as applicable to all forward-looking statements wherever they appear in this report. Our actual results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include those discussed below, as well as those discussed elsewhere in this Annual Report on Form 10-K.

#### Risks Related to Our Business

##### ***WE HAVE A LIMITED OPERATING HISTORY.***

The Company was incorporated under the laws of the State of Delaware on February 22, 2018 and has engaged in limited operations to date. Accordingly, the Company has only a limited operating history with which you can evaluate its business and prospects. An investor in the Company must consider its business and prospects in light of the risks, uncertainties and difficulties frequently encountered by early-stage companies, including limited capital, delays in product development, possible marketing and sales obstacles and delays, inability to gain customer and merchant acceptance or inability to achieve significant distribution of our products and services to customers. The Company cannot be certain that it will successfully address these risks. Its failure to address any of these risks could have a material adverse effect on its business.

##### ***WE HAVE A HISTORY OF ACCUMULATED DEFICITS, RECURRING LOSSES AND NEGATIVE CASH FLOWS FROM OPERATING ACTIVITIES. WE MAY BE UNABLE TO ACHIEVE OR SUSTAIN PROFITABILITY OR CONTINUE AS A GOING CONCERN.***

To date, we have not yet recorded revenues from the sale of our products. If we are unable to generate revenues, we will not be able to achieve and maintain profitability. Beyond this, we may incur significant losses in the future for a number of reasons including other risks described in this document, and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown events. Accordingly, we may not ever be able to achieve profitability. We incurred negative cash flows from operating activities and recurring net losses in fiscal years 2019 and 2018. As of December 31, 2019 and 2018, our accumulated deficit was \$28,760,955 and \$20,379,867, respectively. These factors, among others, raise substantial doubt about our ability to continue as a going concern. The financial statements included in this prospectus do not include any adjustments that might result from the outcome of this uncertainty. In order for us to remove substantial doubt about our ability to continue as a going concern, we must achieve profitability, generate positive cash flows from operating activities and obtain necessary debt or equity funding. If we are unable to increase revenues or obtain additional financing, we will be unable to continue the development of our products and services and we may have to cease operations. In that event you could lose your entire investment.

Our consolidated financial statements have been prepared on the assumption that we will continue as a going concern. Our independent registered public accounting firms have included an explanatory paragraph in our consolidated financial statements for the fiscal years ended December 31, 2019 and 2018 stating that the Company's ability to continue as a going concern is dependent upon its ability to develop additional sources of capital or ultimately acquire an entity which the Company hopes will become profitable at some time in the near future. To date, it has been necessary to rely upon debt and the sale of our equity securities to sustain operations. Our management anticipates that we will require additional capital to fund ongoing operations without taking into account the proceeds from this offering.

There can be no guarantee that we will be able to obtain such funds, or obtain them on satisfactory terms, and that such funds would be sufficient. If such additional funding is not obtained, we may be required to scale back or cease operations.

***WE ARE NOT PROFITABLE AND MAY NEVER BE PROFITABLE.***

Since inception through the present, we have been dependent on raising capital to support our working capital needs. During this same period, we have recorded net accumulated losses and are yet to achieve profitability. Our ability to achieve profitability depends upon many factors, including its ability to develop and commercialize our websites. There can be no assurance that we will ever achieve any significant revenues or profitable operations.

***OUR OPERATING EXPENSES EXCEED OUR REVENUES AND WILL LIKELY CONTINUE TO DO SO FOR THE FORESEEABLE FUTURE.***

We are in an early stage of our development and we have not generated any revenues to offset our operating expenses. Our operating expenses will likely continue to exceed our operating income for the foreseeable future, until such time as we are able to monetize our brands and generate substantial revenues, particularly as we undertake payment of the increased costs of operating as a public company.

***WE WILL NEED ADDITIONAL CAPITAL, WHICH MAY BE DIFFICULT TO RAISE AS A RESULT OF OUR LIMITED OPERATING HISTORY OR ANY NUMBER OF OTHER REASONS.***

We expect that we will have adequate financing for the next 3-4 months. However, in the event that we exceed our expected growth, we would need to raise additional capital. There is no assurance that additional equity or debt financing will be available to us when needed, on acceptable terms or even at all. Our limited operating history makes investor evaluation and an estimation of our future performance substantially more difficult. As a result, investors may be unwilling to invest in us or such investment may be on terms or conditions which are not acceptable. In the event that we are not able to secure financing, we may have to scale back our growth plans or cease operations.

***WE HAVE NOT ADOPTED VARIOUS CORPORATE GOVERNANCE MEASURES, AND AS A RESULT STOCKHOLDERS MAY HAVE LIMITED PROTECTIONS AGAINST INTERESTED DIRECTOR TRANSACTIONS, CONFLICTS OF INTEREST AND SIMILAR MATTERS.***

Recent Federal legislation, including the Sarbanes-Oxley Act of 2002, has resulted in the adoption of various corporate governance measures designed to promote the integrity of corporate management and the securities markets. Because our securities are not yet listed on a national securities exchange, we are not required to adopt these corporate governance measures and have not done so voluntarily in order to avoid incurring the additional costs associated with such measures. Among these measures is the establishment of independent committees of the Board of Directors. However, to the extent a public market develops for our securities, such legislation will require us to make changes to our current corporate governance practices. Those changes may be costly and time-consuming. Furthermore, the absence of the governance measures referred to above with respect to our Company may leave our shareholders with more limited protection in connection with interested director transactions, conflicts of interest and similar matters.

***FAILURE TO IDENTIFY ERRORS IN THE QUANTITATIVE MODELS WE UTILIZE TO MANAGE OUR BUSINESS COULD ADVERSELY IMPACT PRODUCT PERFORMANCE AND CLIENT RELATIONSHIPS.***

We employ various quantitative models. Any errors in the underlying models or model assumptions could have unanticipated and adverse consequences on our business and reputation.

***WE MAY BE UNABLE TO DEVELOP NEW PRODUCTS AND SERVICES AND THE DEVELOPMENT OF NEW PRODUCTS AND SERVICES MAY EXPOSE US TO ADDITIONAL COSTS OR OPERATIONAL RISK.***

Our financial performance depends, in part, on its ability to develop, market and manage new products and services. The development and introduction of new products and services require continued innovative efforts and may require significant time and resources as well as ongoing support and investment. Substantial risk and uncertainties are associated with the introduction of new products and services, including the implementation of new and appropriate operational controls and procedures, shifting client and market preferences, the introduction of competing products or services and compliance with regulatory requirements.

***OUR PROPRIETARY TECHNOLOGY MAY BE SUBJECT TO CLAIMS FOR INFRINGEMENT OR MISAPPROPRIATION OF INTELLECTUAL PROPERTY RIGHTS OF OTHERS, OR MAY BE INFRINGED OR MISAPPROPRIATED BY OTHERS.***

We rely, and may rely in the future, upon a combination of license agreements, confidentiality policies and procedures, confidentiality provisions in employment agreements, confidentiality agreements with third parties and technical security measures to maintain the confidentiality, exclusivity and trade secrecy of our proprietary information. We also rely, and most likely will rely in the future, on trademark and copyright laws to protect our intellectual property rights in the United States and abroad. Despite our protective measures and intellectual property rights, we may not be able to adequately protect against theft, copying, reverse engineering, misappropriation, infringement or unauthorized use or disclosure of our intellectual property, which could have an adverse effect on our competitive position.

***WE MAY BECOME SUBJECT TO LEGAL PROCEEDINGS THAT COULD HAVE A MATERIAL ADVERSE IMPACT ON OUR FINANCIAL POSITION AND RESULTS OF OPERATIONS.***

From time to time and in the ordinary course of our business, we and certain of our subsidiaries may become involved in various legal proceedings. All such legal proceedings are inherently unpredictable and, regardless of the merits of the claims, litigation may be expensive, time-consuming and disruptive to our operations and distracting to management. If resolved against us, such legal proceedings could result in excessive verdicts, injunctive relief or other equitable relief that may affect how we operate our business. Similarly, if we settle such legal proceedings, it may affect how we operate our business. Future court decisions, alternative dispute resolution awards, business expansion or legislative activity may increase our exposure to litigation and regulatory investigations. In some cases, substantial noneconomic remedies or punitive damages may be sought. Although we maintain liability insurance coverage, there can be no assurance that such coverage will cover any particular verdict, judgment or settlement that may be entered against us, that such coverage will prove to be adequate or that such coverage will continue to remain available on acceptable terms, if at all. If we incur liability that exceeds our insurance coverage or that is not within the scope of the coverage in legal proceedings brought against us, it could have an adverse effect on our business, financial condition and results of operations.

- Certification, licensing or regulatory requirements with regard to the technology we expect to develop relating to financial and cybersecurity applications;
- Unexpected changes in regulatory requirements such as the National Quantum Initiative Act or other federal or state laws that may require us to take certain actions; and
- Changes to or reduced protection of intellectual property rights in some countries which may affect or ability to protect and maintain intellectual property rights relating to our applications.

***WE INTEND TO CONTINUE EXPLORING STRATEGIC BUSINESS ACQUISITIONS AND OTHER COMBINATIONS, WHICH ARE SUBJECT TO INHERENT RISKS.***

In order to expand our solutions, services, and grow our market and client base, we may continue to seek and complete strategic business acquisitions and other combinations that we believe are complementary to our business. Acquisitions have inherent risks which may have a material adverse effect on our business, financial condition, operating results or prospects, including, but not limited to: 1) failure to successfully integrate the business and financial operations, services, intellectual property, solutions or personnel of an acquired business and to maintain uniform standard controls, policies and procedures; 2) diversion of management's attention from other business concerns; 3) entry into markets in which we have little or no direct prior experience; 4) failure to achieve projected synergies and performance targets; 5) loss of clients or key personnel; 6) incurrence of debt or assumption of known and unknown liabilities; 7) write-off of software development costs, goodwill, client lists and amortization of expenses related to intangible assets; 8) dilutive issuances of equity securities; and, 9) accounting deficiencies that could arise in connection with, or as a result of, the acquisition of an acquired company, including issues related to internal control over financial reporting and the time and cost associated with remedying such deficiencies. If we fail to successfully integrate acquired businesses or fail to implement our business strategies with respect to these acquisitions, we may not be able to achieve projected results or support the amount of consideration paid for such acquired businesses.

***IF WE ARE UNABLE TO MANAGE OUR GROWTH IN THE NEW MARKETS IN WHICH WE OFFER SOLUTIONS OR SERVICES, OUR BUSINESS AND FINANCIAL RESULTS COULD SUFFER.***

Our future financial results will depend in part on our ability to profitably manage our business in the new markets that we enter. Difficulties in managing future growth in new markets could have a significant negative impact on our business, financial condition and results of operations.

***WE RELY HEAVILY ON OUR MANAGEMENT, AND THE LOSS OF THEIR SERVICES COULD ADVERSELY AFFECT OUR BUSINESS.***

Our success is highly dependent upon the continued services of our management including our Chief Executive Officer, Robert Liscouski, and our Chief Financial Officer, Mr. Christopher Roberts. The loss of Mr. Liscouski's and/or Mr. Roberts' services would have a material adverse effect on the Company and its business operations.

***OUR CHIEF FINANCIAL OFFICER IS NOT A FULL-TIME EMPLOYEE.***

Our Chief Financial Officer, Mr. Christopher Roberts, is an independent contractor and shares time with other clients. The inability to retain a full-time Chief Financial Officer, Principal Financial Officer or governor of the financial responsibilities of the Company may impair our ability to meet our reporting obligations and implement financial controls to protect the Company.

***WE MAY NOT BE ABLE TO IMPLEMENT OUR GROWTH AND MARKETING STRATEGY SUCCESSFULLY OR ON A TIMELY BASIS OR AT ALL.***

Our future success depends, in large part, on our ability to implement our growth strategy of expanding distribution and sales of our product portfolio, attracting new consumers and introducing new product lines and product extensions.

Our sales and operating results will be adversely affected if we fail to implement our growth strategy or if we invest resources in a growth strategy that ultimately proves unsuccessful.

***CYBER SECURITY RISKS AND THE FAILURE TO MAINTAIN THE INTEGRITY OF DATA BELONGING TO OUR COMPANY COULD EXPOSE US TO DATA LOSS, LITIGATION AND LIABILITY, AND OUR REPUTATION COULD BE SIGNIFICANTLY HARMED.***

We may from time to time collect and retain large volumes of data relating to our business and from our customers for business purposes, including for transactional and promotional purposes, and our various information technology systems enter, process, summarize and report such data. The integrity and protection of this data is critical to our business. Maintaining compliance with the evolving regulations and requirements applicable to data security and information privacy protection could be difficult and may increase our expenses. In addition, a penetrated or compromised data system or the intentional, inadvertent or negligent release or disclosure of data could result in theft, loss or fraudulent or unlawful use of data relating to our company or our employees, independent distributors or preferred customers, which could harm our reputation, disrupt our operations, or result in remedial and other costs, fines or lawsuits.

***COMPUTER MALWARE, VIRUSES, HACKING, PHISHING ATTACKS AND SPAMMING COULD HARM OUR BUSINESS AND RESULTS OF OPERATIONS.***

Computer malware, viruses, physical or electronic break-ins and similar disruptions could lead to interruption and delays in our services and operations and loss, misuse or theft of data. Computer malware, viruses, computer hacking and phishing attacks against online networking platforms have become more prevalent and may occur on our systems in the future.

Any attempts by hackers to disrupt our internal systems, if successful, could harm our business, be expensive to remedy and damage our reputation or brand. Our network security business disruption insurance may not be sufficient to cover significant expenses and losses related to direct attacks on our website or internal systems. Efforts to prevent hackers from entering our computer systems are expensive to implement and may limit the functionality of our services. Though it is difficult to determine what, if any, harm may directly result from any specific interruption or attack, any failure to maintain performance, reliability, security and availability of our products and services and technical infrastructure may harm our reputation, brand and our ability to attract customers. Any significant disruption to our website or internal computer systems could result in a loss of customers and could adversely affect our business and results of operations.

We have previously experienced, and may in the future experience, service disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, third-party service providers, human or software errors and capacity constraints. If our mobile application is unavailable when customers attempt to access it or it does not load as quickly as they expect, customers may seek other services.

Our platform functions on software that is highly technical and complex and may now or in the future contain undetected errors, bugs, or vulnerabilities. Some errors in our software code may only be discovered after the code has been deployed. Any errors, bugs, or vulnerabilities discovered in our code after deployment, inability to identify the cause or causes of performance problems within an acceptable period of time or difficulty maintaining and improving the performance of our platform, particularly during peak usage times, could result in damage to our reputation or brand, loss of revenues, or liability for damages, any of which could adversely affect our business and financial results.

We expect to continue to make significant investments to maintain and improve the availability of our platform and to enable rapid releases of new features and products. To the extent that we do not effectively address capacity constraints, upgrade our systems as needed and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business and operating results may be harmed.

***GROWING OUR CUSTOMER BASE DEPENDS UPON THE EFFECTIVE OPERATION OF OUR APPLICATIONS WITH OPERATING SYSTEMS, NETWORKS AND STANDARDS THAT WE DO NOT CONTROL.***

We will be dependent on the interoperability of our applications with operating systems that we do not control, and any changes in such systems that degrade our potential products' functionality or give preferential treatment to competitive products could adversely affect the usage of our applications on mobile devices. Additionally, in order to deliver high quality products, it is important that our products work well with a range of mobile technologies, systems, networks and standards that we do not control. We may not be successful in developing relationships with key participants in the mobile industry or in developing products that operate effectively with these technologies, systems, networks or standards.

***WE MAY NEVER SUCCESSFULLY COMMERCIALIZE ANY PRODUCTS.***

We have invested a substantial amount of our time and resources in developing various new products and computing technologies. Commercialization of these products will require additional development, clinical evaluation, beta testing, significant marketing efforts and substantial additional investment before they can provide us with any revenue. Despite our efforts, these products may not become commercially successful products for a number of reasons, including but not limited to:

- our products or technologies may not prove to be effective in trials;
- we may experience delays in our development program;
- any products or technologies that are approved may not be accepted in the marketplace;

- we may not have adequate financial or other resources to complete the development or to commence the commercialization of our products or will not have adequate financial or other resources to achieve significant commercialization of our products;
- we may not be able to manufacture any of our products in commercial quantities or at an acceptable cost;
- rapid technological change may make our products obsolete;
- we may be unable to effectively protect our intellectual property rights or we may become subject to claims that our activities have infringed the intellectual property rights of others; and
- we may be unable to obtain or defend patent rights for our products or technologies.

***THE MARKET OPPORTUNITY FOR OUR PRODUCTS AND TECHNOLOGIES MAY NOT DEVELOP IN THE WAYS THAT WE ANTICIPATE.***

The demand for our products and technologies can change quickly and in ways that we may not anticipate because the market in which we operate is characterized by rapid, and sometimes disruptive, technological developments, evolving industry standards, frequent new product introductions and enhancements, changes in customer requirements and a limited ability to accurately forecast future customer orders. Our operating results may be adversely affected if the market opportunity for our products and services does not develop in the ways that we anticipate or if other technologies or products become more accepted or standard in our industry or disrupt our technologies and products.

***WE FACE SIGNIFICANT COMPETITION AND MANY OF OUR COMPETITORS ARE LARGER AND HAVE GREATER FINANCIAL AND OTHER RESOURCES THAN WE DO.***

Some of our product offerings and technologies compete and will compete with other similar products from our competitors. These competitive products could be marketed by well-established, successful companies that possess greater financial, marketing, distributional, personnel and other resources than we possess. In certain instances, competitors with greater financial resources also may be able to enter a market in direct competition with us offering attractive marketing tools to encourage the sale of products that compete with our products or present cost features that our target end users may find attractive.

***OUR INABILITY TO PROTECT OUR INTELLECTUAL PROPERTY COULD IMPAIR OUR COMPETITIVE ADVANTAGE, REDUCE OUR REVENUE, AND INCREASE OUR COSTS.***

Our success and ability to compete depends and will depend in part on our ability to obtain and maintain the proprietary aspects of our technologies and products. We intend to rely on a combination of trade secrets, patents, copyrights, trademarks, confidentiality agreements, and other contractual provisions to protect our intellectual property, but these measures may provide only limited protection. We may not always be able to enforce these agreements and may fail to enter into any such agreement in every instance when appropriate. We may from time to time license from third party's their brands or certain technology used in and for our products. These third-party licenses are granted with restrictions; therefore, such third-party technology may not remain available to us on terms beneficial to us. Our failure to enforce and protect our intellectual property rights or obtain from third parties the right to use necessary technology could have a material adverse effect on our business, operating results, and financial condition. In addition, the laws of some foreign countries do not protect proprietary rights as fully as do the laws of the United States.

Patents may not issue from the patent applications that we may file in the future. Our issued patents may be challenged, invalidated, or circumvented, and claims of our patents may not be of sufficient scope or strength, or issued in the proper geographic regions, to provide meaningful protection or any commercial advantage. We plan to register certain of our trademarks in the United States and other countries. We cannot assure you that we will obtain registrations of principal or other trademarks in key markets in the future. Failure to obtain registrations could compromise our ability to protect fully our trademarks and brands, and could increase the risk of challenge from third parties to our use of our trademarks and brands.



***WE MAY NOT BE ABLE TO PROTECT OUR SOURCE CODE FROM COPYING IF THERE IS AN UNAUTHORIZED DISCLOSURE OF SOURCE CODE.***

Source code, the detailed program commands for our operating systems and other software programs, is critical to our business. Although we license portions of our application and operating system source code to several licensees, we take significant measures to protect the secrecy of large portions of our source code. If a significant portion of our source code leaks, we might lose future trade secret protection for that source code. It may become easier for third parties to compete with our products by copying functionality, which could adversely affect our revenue and operating margins.

***OUR FAILURE TO KEEP PACE WITH RAPID TECHNOLOGY CHANGES COULD HAVE A NEGATIVE IMPACT ON OUR BUSINESS, FINANCIAL CONDITION AND FINANCIAL RESULTS.***

The markets for our products and services are characterized by rapid technological developments and frequent changes in customer requirements. We must continually improve the performance, features and reliability of our products and services, particularly in response to competitive offerings, to keep pace with these developments. We must ensure that our products and services address evolving operating environments, devices, industry trends, certifications and standards. We also may need to develop products that are compatible with new operating systems while remaining compatible with existing, popular operating systems. Our business could be harmed by our competitors announcing or introducing new products and services that could be perceived by customers as superior to ours. We spend considerable resources on technology research and development, but our research and development resources are more limited than many of our competitors.

Our failure to introduce new or enhanced products on a timely basis, to keep pace with rapid industry, technological or market changes or to gain customer acceptance for our new and existing products and services, such as mobile device data protection, could have a material adverse effect on our business, financial condition and financial results.

***IMPROVEMENTS TO PUBLIC KEY CRYPTOGRAPHY TECHNOLOGY COULD REDUCE DEMAND FOR OUR PRODUCTS AND SERVICES AND COULD NEGATIVELY AFFECT OUR BUSINESS, FINANCIAL CONDITION AND FINANCIAL RESULTS.***

Our business will employ encryption technologies to encrypt and decrypt sensitive data. The security afforded by encryption depends on the integrity of the private key, which is predicated on the assumption that it is very difficult to mathematically derive the private key from the related public key with conventional computers. Our business plan calls for the development and marketing of quantum based encryption and decryption technologies, which are based on different mathematical principals than public key encryption and should be more difficult to break. Successful decryption of intercepted encrypted email, or public reports of successful decryption, whether or not true, could reduce demand for our products and services. If new methods or technologies, make it easier to derive the private key from the related public key, or to break quantum encryption algorithms, the security of encryption services could be impaired and our products and services could become less marketable. That could require us to make significant changes to our services, which could increase our costs, damage our reputation, or otherwise harm our business. Any of these events could reduce our revenues, increase our expenses and materially adversely affect our business, financial condition and financial results.

***WE FACE STRONG COMPETITION, WHICH COULD NEGATIVELY AFFECT OUR BUSINESS, FINANCIAL CONDITION AND FINANCIAL RESULTS.***

The markets in which we compete are characterized by rapid change and converging technologies and are very competitive. There is strong competition for encryption products and services. Our business competes with products and services offered by companies such as ID Quantique (Switzerland), MagiQ Technologies (US), Nucrypt (US), Infineon Technologies (Germany), Qutools (Germany), Quintessence Labs (Australia), Riggetti (US), Crypta Labs (UK), PQ Solutions (U), Zapata (US) and Qubitekk (US). These companies currently offer quantum cryptography solutions to commercial clients around the world. Strong competition requires us to develop new technology solutions and service offerings to expand the functionality and value that we offer to our customers. Our competitors may develop products and services that are perceived by customers as equivalent to, or having advantages over, our products and services. Competitors could capture a significant share in our markets, causing our sales and revenue to decline or grow more slowly. Barriers to entry are relatively low, and new ventures are often formed that create products competitive with our products. Competitive pressures could lead to price discounting or to increases in expenses such as advertising and marketing costs. Increased competition could also decrease demand for our products and services. Competition could reduce our revenues and net income and materially adversely affect our business, financial condition and financial results.



***GOVERNMENTAL RESTRICTIONS ON THE SALE OF OUR PRODUCTS AND SERVICES IN NON-U.S. MARKETS COULD NEGATIVELY AFFECT OUR BUSINESS, FINANCIAL CONDITION AND FINANCIAL RESULTS.***

Exports of software solutions and services using advanced encryption technology such as ours are generally restricted by the U.S. government. Although we are confident that we can obtain U.S. government approval to export our solutions to almost all countries, the list of countries to which we (and our distributors) cannot export our products and services could be expanded in the future. In addition, some countries impose restrictions on the importation and use of encryption solutions and services such as ours. The cost of compliance with U.S. and other export laws, or our failure to obtain governmental approvals to offer our products and services in non-U.S. markets, could affect our ability to sell our products and services and could impair our international expansion. We face a variety of other legal and compliance risks. If we or our distributors fail to comply with applicable law and regulations, we may become subject to penalties, fines or restrictions that could materially adversely affect our business, financial condition and financial results.

***WE MAY FAIL TO RECRUIT AND RETAIN KEY PERSONNEL, WHICH COULD IMPAIR OUR ABILITY TO MEET KEY OBJECTIVES.***

Our success depends on our ability to attract and retain highly-skilled technical, managerial, sales, and marketing personnel. Changes in key personnel may be disruptive to our business. It could be difficult, time consuming and expensive to replace key personnel. Integrating new key personnel may be difficult and costly. Volatility, lack of positive performance in our stock price or changes to our overall compensation program including our stock incentive program may adversely affect our ability to retain key employees, many of whom are compensated, in part, based on the performance of our stock price. The loss of services of any of our key personnel, the inability to retain and attract qualified personnel in the future or delays in hiring required personnel could make it difficult to meet key objectives. Any of these impairments related to our key personnel could negatively affect our business, financial condition and financial results.

To remain competitive in our industries, we must attract, motivate and retain highly skilled managerial, sales, marketing, consulting and technical personnel, including executives, consultants, programmers and systems architects skilled in quantum computing, computing, and the technical environments in which our solutions, devices and services are needed. Competition for such personnel in our industries is intense in both the United States and abroad. Our failure to attract additional qualified personnel to meet our needs could have a material adverse effect on our prospects for long-term growth. In addition, we invest significant time and expense in training our associates, which increases their value to clients and competitors who may seek to recruit them and increases the cost of replacing them. Our success is dependent to a significant degree on the continued contributions of key management, sales, marketing, consulting and technical personnel. The unexpected loss of key personnel could have a material adverse impact on our business and results of operations, and could potentially inhibit development and delivery of our solutions, devices and services and market share advances.

***THE SEC, CFTC AND OTHER REGULATORY AGENCIES MAY ADOPT REGULATIONS RELATING TO HIGH FREQUENCY TRADING.***

Congress, regulators and some media have been increasingly scrutinizing electronic trading, the structure of equity markets and high frequency trading in recent years. The SEC continues to consider various potential market structure changes, which could result in reduced trading volumes, or which could negatively affect our business. To the extent the SEC adopts regulatory changes, our business, financial condition and operating results could be negatively impacted. In addition, the continued growth of high frequency trading has been the subject of private litigation and regulatory enforcement actions alleging that high frequency trading firms have received unfair advantages at the expense of other traders. High frequency trading accounts for a meaningful percentage of the daily volume in the U.S. and European equity markets, and these actions and other efforts to slow trading could lead to a reduction in trading volumes, negatively impacting all trading markets, including our business.

***IF WE FAIL TO ESTABLISH AND MAINTAIN AN EFFECTIVE SYSTEM OF INTERNAL CONTROL, WE MAY NOT BE ABLE TO REPORT OUR FINANCIAL RESULTS ACCURATELY OR PREVENT FRAUD. ANY INABILITY TO REPORT AND FILE OUR FINANCIAL RESULTS ACCURATELY AND TIMELY COULD HARM OUR REPUTATION AND ADVERSELY IMPACT THE TRADING PRICE OF OUR COMMON STOCK.***

Effective internal control is necessary for us to provide reliable financial reports and prevent fraud. If we cannot provide reliable financial reports or prevent fraud, we may not be able to manage our business as effectively as we would if an effective control environment existed, and our business and reputation with investors may be harmed. As a result, our small size and any current internal control deficiencies may adversely affect our financial condition, results of operations and access to capital.

***OUR BUSINESS DEPENDS ON OUR ABILITY TO ATTRACT AND RETAIN TALENTED EMPLOYEES.***

Our performance relies upon successfully attracting and retaining talented employees representing diverse backgrounds, and skill sets. Our future success depends on our continuing ability to identify, hire, motivate, develop, and retain highly skilled individuals for all areas of our organization. The market for highly skilled workers and leaders in our nascent industry is extremely competitive. Maintaining and improving our corporate culture, in addition to our diverse and inclusive work environment that enables all our employees to thrive, are salient factors in our ability to recruit and retain employees. In addition, our compensation arrangements, such as our equity award programs, may not always be successful in attracting new employees and retaining and motivating our existing employees. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate our existing employees.

We are also limited in our ability to recruit internationally by restrictive domestic immigration laws. Changes to U.S. immigration policies that restrain the flow of technical and professional talent may inhibit our ability to adequately staff our research and development efforts. If we are less successful in our recruiting efforts, or if we cannot retain highly skilled workers and key leaders, our ability to develop and deliver successful products and services may be adversely affected. Effective succession planning is also important to our long-term success. Failure to ensure effective transfer of knowledge and smooth transitions involving key employees could hinder our strategic planning and execution. How employment-related laws are interpreted and applied to our workforce practices may result in increased operating costs and less flexibility in how we meet our workforce needs.

***THE QUANTUM COMPUTING INDUSTRY IS IMMATURE AND VOLATILE, AND IF IT DOES NOT DEVELOP, IF IT DEVELOPS MORE SLOWLY THAN WE EXPECT, IF IT ENCOUNTERS NEGATIVE PUBLICITY OR IF OUR SOLUTION DOES NOT DRIVE COMMERCIAL ENGAGEMENT, THE GROWTH OF OUR BUSINESS WILL BE HARMED.***

With respect to our quantum computing application services, the quantum computing industry is relatively new and unproven, and it is uncertain whether it will achieve and sustain high levels of demand, consumer acceptance and market adoption. Our success will depend to a substantial extent on the willingness of our potential customers to use, and increase their utilization of, our solution, as well as on our ability to demonstrate the value of quantum computing to their respective organization, government agencies, and other purchasers of quantum computing offerings. Negative publicity concerning our solution or the quantum computing industry as a whole could limit market acceptance of our solution. If our clients and partners do not perceive the benefits of our solution, or if our solution does not drive member engagement, then our market may not develop at all, or it may develop more slowly than we expect. Similarly, individual and industry concerns or negative publicity regarding technophobic views in the context of quantum computing could limit market acceptance of our quantum computing services. If any of these events occur, it could have a material adverse effect on our business, financial condition or results of operations.

***RAPID TECHNOLOGICAL CHANGE IN OUR INDUSTRY PRESENTS US WITH SIGNIFICANT RISKS AND CHALLENGES.***

The quantum computing market is characterized by rapid technological change, changing user requirements, uncertain product lifecycles and evolving industry standards. Our success will depend on our ability to enhance our solution with next-generation technologies and to develop or to acquire and market new services to access new consumer populations. There is no guarantee that we will possess the resources, either financial or personnel, for the research, design and development of new applications or services, or that we will be able to utilize these resources successfully and avoid technological or market obsolescence. Further, there can be no assurance that technological advances by one or more of our competitors or future competitors will not result in present or future applications and services becoming uncompetitive or obsolete.

**Risks Related to Our Common Stock*****OUR STOCK PRICE MAY BE VOLATILE OR MAY DECLINE REGARDLESS OF OUR OPERATING PERFORMANCE, AND YOU MAY LOSE PART OR ALL OF YOUR INVESTMENT.***

The market price of our common stock may fluctuate widely in response to various factors, some of which are beyond our control, including:

- actions by competitors;
- actual or anticipated growth rates relative to our competitors;
- the public's response to press releases or other public announcements by us or third parties, including our filings with the SEC;
- economic, legal and regulatory factors unrelated to our performance;
- any future guidance we may provide to the public, any changes in such guidance or any difference between our guidance and actual results;
- changes in financial estimates or recommendations by any securities analysts who follow our common stock;
- speculation by the press or investment community regarding our business;
- litigation;
- changes in key personnel; and
- future sales of our common stock by our officers, directors and significant shareholders.

In addition, the stock markets, including the over-the-counter markets where we are quoted, have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These broad market fluctuations may materially affect our stock price, regardless of our operating results. Furthermore, the market for our common stock historically has been limited and we cannot assure you that a larger market will ever be developed or maintained. The price at which investors purchase shares of our common stock may not be indicative of the price that will prevail in the trading market. Market fluctuations and volatility, as well as general economic, market and political conditions, could reduce our market price. As a result, these factors may make it more difficult or impossible for you to sell our common stock for a positive return on your investment. In the past, shareholders have instituted securities class action litigation following periods of market volatility. If we were involved in securities litigation, we could incur substantial costs and our resources and the attention of management could be diverted from our business.

***FUTURE SALES OF SHARES OF OUR COMMON STOCK, OR THE PERCEPTION IN THE PUBLIC MARKETS THAT THESE SALES MAY OCCUR, MAY DEPRESS OUR STOCK PRICE.***

The market price of our common stock could decline significantly as a result of sales of a large number of shares of our common stock. In addition, if our significant shareholders sell a large number of shares, or if we issue a large number of shares, the market price of our stock could decline. Any issuance of additional common stock by us in the future, or warrants or options to purchase our common stock, if exercised, would result in dilution to our existing shareholders. Such issuances could be made at a price that reflects a discount or a premium to the then-current trading price of our common stock. Moreover, the perception in the public market that shareholders might sell shares of our stock or that we could make a significant issuance of additional common stock in the future could depress the market for our shares. These sales, or the perception that these sales might occur, could depress the market price of our common stock or make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

We have issued shares of common stock and convertible notes which are convertible into shares of our common stock in connection with our private placements and certain employment, director and consultant agreements. In addition, we issued shares of our common stock and convertible notes which are convertible into shares of our common stock, in financing transactions and pursuant to employment agreements that are deemed to be “restricted securities,” as that term is defined in Rule 144 promulgated under the Securities Act. From time to time, certain of our shareholders may be eligible to sell all or some of their restricted shares of common stock by means of ordinary brokerage transactions in the open market pursuant to Rule 144, subject to certain limitations. The resale pursuant to Rule 144 of shares acquired from us in private transactions could cause our stock price to decline significantly.

***“PENNY STOCK” RULES MAY MAKE BUYING OR SELLING OUR COMMON STOCK DIFFICULT.***

If the market price for our common stock is below \$5.00 per share, trading in our common stock may be subject to the “penny stock” rules. The SEC has adopted regulations that generally define a penny stock to be any equity security that has a market price of less than \$5.00 per share, subject to certain exceptions. These rules would require that any broker-dealer that would recommend our common stock to persons other than prior customers and accredited investors, must, prior to the sale, make a special written suitability determination for the purchaser and receive the purchaser’s written agreement to execute the transaction. Unless an exception is available, the regulations would require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated with trading in the penny stock market. In addition, broker-dealers must disclose commissions payable to both the broker-dealer and the registered representative and current quotations for the securities they offer. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from effecting transactions in our common stock, which could severely limit the market price and liquidity of our common stock.

***SALES OF OUR CURRENTLY ISSUED AND OUTSTANDING STOCK MAY BECOME FREELY TRADABLE PURSUANT TO RULE 144 AND MAY DILUTE THE MARKET FOR YOUR SHARES AND HAVE A DEPRESSIVE EFFECT ON THE PRICE OF THE SHARES OF OUR COMMON STOCK.***

A substantial majority of our outstanding shares of common stock are “restricted securities” within the meaning of Rule 144 under the Securities Act. As restricted shares, these shares may be resold only pursuant to an effective registration statement or under the requirements of Rule 144 or other applicable exemptions from registration under the Act and as required under applicable state securities laws. Rule 144 provides in essence that an Affiliate (as such term is defined in Rule 144(a)(1)) of an issuer who has held restricted securities for a period of at least six months (one year after filing Form 10 information with the SEC for shell companies and former shell companies) may, under certain conditions, sell every three months, in brokerage transactions, a number of shares that does not exceed the greater of 1% of a company’s outstanding shares of common stock or the average weekly trading volume during the four calendar weeks prior to the sale (the four calendar week rule does not apply to companies quoted on the OTC Bulletin Board). Rule 144 also permits, under certain circumstances, the sale of securities, without any limitation, by a person who is not an Affiliate of the Company and who has satisfied a one-year holding period. A sale under Rule 144 or under any other exemption from the Act, if available, or pursuant to subsequent registrations of our shares of common stock, may have a depressive effect upon the price of our shares of common stock in any active market that may develop.

***POTENTIAL FUTURE FINANCINGS MAY DILUTE THE HOLDINGS OF OUR CURRENT SHAREHOLDERS.***

In order to provide capital for the operation of our business, in the future we may enter into financing arrangements. These arrangements may involve the issuance of new shares of common stock, preferred stock that is convertible into common stock, debt securities that are convertible into common stock or warrants for the purchase of common stock. Any of these items could result in a material increase in the number of shares of common stock outstanding, which would in turn result in a dilution of the ownership interests of existing common shareholders. In addition, these new securities could contain provisions, such as priorities on distributions and voting rights, which could affect the value of our existing common stock.

***WE CURRENTLY DO NOT INTEND TO PAY DIVIDENDS ON OUR COMMON STOCK. AS A RESULT, YOUR ONLY OPPORTUNITY TO ACHIEVE A RETURN ON YOUR INVESTMENT IS IF THE PRICE OF OUR COMMON STOCK APPRECIATES.***

We currently do not expect to declare or pay dividends on our common stock. In addition, in the future we may enter into agreements that prohibit or restrict our ability to declare or pay dividends on our common stock. As a result, your only opportunity to achieve a return on your investment will be if the market price of our common stock appreciates and you sell your shares at a profit.

***YOU MAY EXPERIENCE DILUTION OF YOUR OWNERSHIP INTEREST DUE TO THE FUTURE ISSUANCE OF ADDITIONAL SHARES OF OUR COMMON STOCK.***

We are in a capital intensive business and we do not have sufficient funds to finance the growth of our business or the costs of our development projects or to support our projected capital expenditures. As a result, we will require additional funds from future equity or debt financings, including tax equity financing transactions or sales of preferred shares or convertible debt, to complete the development of new projects and pay the general and administrative costs of our business. We may in the future issue our previously authorized and unissued securities, resulting in the dilution of the ownership interests of holders of our common stock. We are currently authorized to issue 250,000,000 shares of common stock. The potential issuance of such additional shares of common stock or preferred stock or convertible debt may create downward pressure on the trading price of our common stock. We may also issue additional shares of common stock or other securities that are convertible into or exercisable for common stock in future public offerings or private placements for capital raising purposes or for other business purposes. The future issuance of a substantial number of common shares into the public market, or the perception that such issuance could occur, could adversely affect the prevailing market price of our common shares. A decline in the price of our common shares could make it more difficult to raise funds through future offerings of our common shares or securities convertible into common shares.

***OUR SHARES OF COMMON STOCK ARE VERY THINLY TRADED, AND THE PRICE MAY NOT REFLECT OUR VALUE AND THERE CAN BE NO ASSURANCE THAT THERE WILL BE AN ACTIVE MARKET FOR OUR SHARES OF COMMON STOCK EITHER NOW OR IN THE FUTURE.***

Our shares of common stock are very thinly traded, and the price, if traded, may not reflect our value. There can be no assurance that there will be an active market for our shares of common stock either now or in the future. The market liquidity will be dependent on the perception of our operating business and any steps that our management might take to increase awareness of our Company with investors. There can be no assurance given that there will be any awareness generated. Consequently, investors may not be able to liquidate their investment or liquidate it at a price that reflects the value of the business. If a more active market should develop, the price may be highly volatile. Because there may be a low price for our shares of common stock, many brokerage firms may not be willing to effect transactions in the securities. Even if an investor finds a broker willing to effect a transaction in the shares of our common stock, the combination of brokerage commissions, transfer fees, taxes, if any, and any other selling costs may exceed the selling price. Further, many lending institutions will not permit the use of such shares of common stock as collateral for loans.

***WE HAVE A SIGNIFICANT NUMBER OF SHARES OF OUR COMMON STOCK ISSUABLE UPON CONVERSION OF CERTAIN OUTSTANDING WARRANTS, OPTIONS, AND CONVERTIBLE NOTES, AND THE ISSUANCE OF SUCH SHARES UPON EXERCISE OR CONVERSION WILL HAVE A SIGNIFICANT DILUTIVE IMPACT ON OUR STOCKHOLDERS. SALES OF A SUBSTANTIAL NUMBER OF SHARES OF OUR COMMON STOCK FOLLOWING THE EXPIRATION OF LOCK-UPS MAY ADVERSELY AFFECT THE MARKET PRICE OF OUR COMMON STOCK AND THE ISSUANCE OF ADDITIONAL SHARES WILL DILUTE ALL OTHER STOCKHOLDERS.***

As of March 27, 2020, there are 4,566,465 shares of Common Stock issuable upon conversion of our convertible notes.

In addition, our articles of incorporation, as amended, permits the issuance of up to 250 million shares of Common Stock. Thus, we have the ability to issue substantial amounts of Common Stock in the future, which would dilute the percentage ownership held by stockholders.

***FUTURE ISSUANCE OF OUR COMMON STOCK, PREFERRED STOCK, OPTIONS AND WARRANTS COULD DILUTE THE INTERESTS OF EXISTING STOCKHOLDERS.***

We may issue additional shares of our common stock, preferred stock, options and warrants in the future. The issuance of a substantial amount of common stock, options and warrants could have the effect of substantially diluting the interests of our current stockholders. In addition, the sale of a substantial amount of common stock or preferred stock in the public market, or the exercise of a substantial number of warrants and options either in the initial issuance or in a subsequent resale by the target company in an acquisition which received such common stock as consideration or by investors who acquired such common stock in a private placement could have an adverse effect on the market price of our common stock.

***OUR EXECUTIVE OFFICERS AND DIRECTORS POSSESS SIGNIFICANT VOTING POWER WITH RESPECT TO OUR COMMON STOCK, WHICH WILL LIMIT YOUR INFLUENCE ON CORPORATE MATTERS.***

As of March 27, 2020, our directors and executive officers collectively beneficially own approximately 37.90% of the shares of our common stock including the beneficial ownership of Mr. Liscouski and his affiliates of 7.89% of the shares of our common stock.

As a result, our insiders have the ability to significantly influence our management and affairs through the election and removal of our Board and all other matters requiring stockholder approval, including any future merger, consolidation or sale of all or substantially all of our assets. This concentrated voting power could discourage others from initiating any potential merger, takeover or other change-of-control transaction that may otherwise be beneficial to our stockholders. Furthermore, this concentrated control will limit the practical effect of your influence over our business and affairs, through any stockholder vote or otherwise. Any of these effects could depress the price of our common stock.

***OUR ARTICLES OF INCORPORATION GRANTS OUR BOARD THE POWER TO ISSUE ADDITIONAL SHARES OF COMMON AND PREFERRED SHARES AND TO DESIGNATE OTHER CLASSES OF PREFERRED SHARES, ALL WITHOUT STOCKHOLDER APPROVAL.***

Our authorized capital consists of 260,000,000 shares of capital stock of which 10,000,000 shares are authorized as preferred stock. Our Board, without any action by our stockholders, may designate and issue shares of preferred stock in such series as it deems appropriate and establish the rights, preferences and privileges of such shares, including dividends, liquidation and voting rights, provided it is consistent with Delaware law.

The rights of holders of our preferred stock that may be issued could be superior to the rights of holders of our shares of common stock. The designation and issuance of shares of capital stock having preferential rights could adversely affect other rights appurtenant to shares of our common stock. Furthermore, any issuances of additional stock (common or preferred) will dilute the percentage of ownership interest of then-current holders of our capital stock and may dilute our book value per share.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS.**

Not applicable



**ITEM 2. PROPERTIES.**

We maintain our current principal office at 215 Depot Court SE #215, Leesburg, VA 20175. Our telephone number at this office is (703) 436-2161. The Company leases approximately 350 square feet on a month-to-month basis in a multi-tenant facility that provides conference room space, 24/7 co-working space, and other services on an as-needed basis in Leesburg, VA. The facility lease can be terminated upon 30 days written notice by the Company. The Company also leases dedicated space for transmission equipment and 40 square feet of dedicated collocation space on a raised floor area in a data center building in Middletown, VA through a Master License and Service Agreement (MLSA). The Middletown Data Center facility provides 24/7 support services for the Company's secure development environment and intra-company communications and data storage servers. The MLSA was terminated by the Company in January 2020.

**ITEM 3. LEGAL PROCEEDINGS.**

On March 14, 2019, we filed a complaint against REMTCS, Inc. ("REMTCS"), Mr. Richard Malinowski ("Malinowski") and Mr. Thomas Kelly ("Kelly"), the latter two are a former employee and consultant, respectively, in the Superior Court of New Jersey, Monmouth County, alleging multiple breach of contract claims, unjust enrichment, breach of fiduciary duties, among other claims pursuant to certain employment and consulting agreements between the parties, REMTCS, Malinowski and Kelly. The amount the Company sought was in excess of \$670,000. REMTCS, Malinowski and Kelly answered the Company's complaint and denied the claims asserted. Additionally, REMTCS, Malinowski and Kelly requested that the Company specify the damages requested. The Company and REMTC commenced mediation of these claims in November 2019. On January 8, 2020, the Company and REMTCS agreed to settle the litigation for a sum of money, a mutual release of all claims and the transfer of certain computer equipment the Company had purchased through REMTC in 2018. In addition, the Company and REMTC stipulated to dismiss the New Jersey litigation with prejudice.

We are not currently involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, or proceeding by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our Company or our subsidiary, threatened against or affecting our Company, our common stock, our subsidiary or of our companies or our subsidiary's officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock is qualified for quotation on the OTC Markets-OTCQB under the symbol "QUBT" and has been quoted on the OTCQB since August 2019. Previously, our common stock was quoted on the OTC Pink until August 2019. Prior to July 2018, our common stock was quoted on the OTC Pink, under the symbol "IBGH."

#### Authorized Capital

The Company is authorized by its Certificate of Incorporation to issue an aggregate of 260,000,000 shares of common stock, \$0.0001 par value per share (the "Common Stock"), and 10,000,000 shares of blank check preferred. As of December 31, 2019, 7,362,046 shares of Common Stock were issued and outstanding and no shares of preferred stock were outstanding.

#### *Holdings of Common Equity*

As of March 27, 2020, there were approximately 226 stockholders of record. Because shares of our common stock are held by depositaries, brokers and other nominees, the number of beneficial holders of our shares is substantially larger than the number of stockholders of record.

#### *Dividend Information*

We have not paid any cash dividends to our holders of common stock. The declaration of any future cash dividends is at the discretion of our board of directors and depends upon our earnings, if any, our capital requirements and financial position, our general economic conditions, and other pertinent conditions. It is our present intention not to pay any cash dividends in the foreseeable future, but rather to reinvest earnings, if any, in our business operations.

#### Unregistered Sales of Equity Securities and Use of Proceeds

During the year ended December 31, 2019, we have issued securities that were not registered under the Securities Act, all of which were previously disclosed in a Quarterly Report on Form 10-Q or a Current Report on Form 8-K.

### ITEM 6. SELECTED FINANCIAL DATA.

We are not required to provide the information required by this item because we are a smaller reporting company.

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.

*The following discussion and analysis of the results of operations and financial condition for the years ended December 31, 2019 and 2018 should be read in conjunction with our consolidated financial statements and the notes to those consolidated financial statements that are included elsewhere in this Annual Report. Our discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors. See "Forward-Looking Statements."*

Management's discussion and analysis of results of operations and financial condition ("MD&A") is a supplement to the accompanying condensed financial statements and provides additional information on Quantum Computing Inc.'s ("Quantum" or the "Company") business, current developments, financial condition, cash flows and results of operations.

When we say "we," "us," "our," "Company," or "Quantum," we mean Quantum Computing Inc.

#### Overview

At the present time, we are a development stage company with limited operations. The Company plans to enter the market for high performance computers and software applications, specifically focusing on what are known as "quantum computers". The Company has assembled a team of experts in super computing software technology and quantum mathematics, which will focus on the design and

development of several quantum software applications targeting solutions to non-deterministic polynomial applications. The Company's development team has initially focused on addressing computational problems in the financial services, defense, heavy manufacturing, and computer security (cyber) market segments. The Company's development team includes world class mathematicians, physicists, and software developers.

## Results of Operations

### Twelve Months Ended December 31, 2019 vs. December 31, 2018

#### Revenues

<i>(In thousands)</i>	For the Twelve Months Ended December 31, 2019		For the Twelve Months Ended December 31, 2018		Change
	Amount	Mix	Amount	Mix	
Products	0	0%	0	0%	0%
Services	0	0%	0	0%	0%
Total	\$ 0	100.0%	\$ 0	100.0%	0%

Revenues for the Twelve Months ended December 31, 2019 were \$0 as compared with \$0 for the comparable prior year period, a change of \$0, or 0%. The lack of revenue is due to the fact that the Company had not yet completed the development and testing of any products for sale, or offered services to any customers, until late in the year. We have developed and released two products and are now in the process of marketing and commercialization. We expect to generate revenue in 2020.

#### Cost of Revenues

Cost of revenues for the Twelve Months ended December 31, 2019 was \$0 as compared with \$0 for the comparable prior year period, a change of \$0 or 0%. There was no cost of revenues recorded because the Company has not yet commenced marketing and selling products or services.

#### Gross Margin

Gross margin for the Twelve Months ended December 31, 2019 was \$0 as compared with \$0 for the comparable prior year period. There was no gross margin because the Company has not yet commenced marketing and selling products or services.

#### Operating Expenses

Operating expenses for the Twelve Months ended December 31, 2019 were \$2,547,652 as compared with \$5,798,953 for the comparable prior year period, a decrease of \$3,251,301, or 56%. The decrease in operating expenses is due to a \$3,967,130 decrease in stock based compensation expenses, and a \$25,184 decrease in salaries expense, which were offset in part by a \$640,486 increase in research and development expenses, a \$38,824 increase in consulting fees, a \$189,846 increase in legal and audit fees compared to the comparable prior year period, and a \$128,143 decrease in other SG&A expenses compared to the comparable prior year period.

#### Net Loss

Our net loss for the Twelve Months ended December 31, 2019 was \$8,381,088 as compared with a net loss of \$10,507,093 for the comparable prior year period, a decrease of \$2,126,006 or 20.2%. The decrease in net loss is primarily due to the decrease in operating expenses recorded in the current period compared to the comparable prior year period, as noted above, and the decrease of \$3,192,165 in beneficial conversion feature expense that was incurred in connection with an offering of Convertible Promissory Notes, and a decrease of \$625,333 in asset impairment charges which were offset in part by an increase in accrued interest expense on the outstanding Convertible Promissory Notes of \$63,877 and an increase in derivative and warrant expenses of \$4,887,726 in the current period.

## Liquidity and Capital Resources

Since commencing operations as Quantum Computing in February 2018, the Company has raised \$75,000 through private placement of equity and \$4,495,500 through private placements of Convertible Promissory Notes for a total of \$4,570,500 in new investment. The Company has no bank loans or lines of credit, and no long-term debt obligations. As of March 27, 2020, the Company had cash and equivalents of \$245,249 on hand.

## Financings

To finance the acquisition of the control block of shares in IBGH, an investor group (the “Initial Investors”), loaned Convergent Risk Group, LLC (“Convergent”) \$275,000, in exchange for Promissory Notes from Convergent (the “Promissory Notes”) in the total amount of \$275,000. Convergent, a Virginia limited liability company, is owned 100% by Mr. Robert Liscouski, the Company’s CEO. To induce Mr. Liscouski to serve as CEO of the Company, the Company assumed the “Promissory Notes” in the total amount of \$275,000 and certain liabilities (the “Liabilities”). The Liabilities and the Promissory Notes are collectively the “Convergent Liabilities.” The Convergent Liabilities assumed by the Company were exchanged for Convertible Promissory Notes issued by the Company for \$275,000 (the same amount that Convergent had issued them for). The Convertible Promissory Notes accrue interest at eight percent (8%) per annum and are convertible into common stock of the Company at a conversion price of \$0.10 per share at any time prior to or at August 10, 2020. The Company also assumed a promissory note from one of the Initial Investors to Convergent in the amount of \$100,000, which is payable on or before June 30, 2019. The promissory note was issued in payment for a promissory note from Convergent to the Initial Investor, which has also been assumed by the Company in exchange for a Convertible Promissory Note in the amount of \$100,000, convertible to Company common shares at a conversion price of \$0.10 per share. If the promissory note is paid in full on or before June 30, 2019, the Company’s Convertible Promissory Note will convert and shares will be issued. If the promissory note is not paid in full on or before December 31, 2020, the Company’s Convertible Promissory Note held by this investor will be cancelled, and no shares will be issued. While the conversion of the Convertible Promissory Notes is mandatory prior to August 10, 2020, the election to convert is at the option of the Initial Investor. The Company has no obligation to repay the Initial Investors in cash. However, the conversion of the Convertible Promissory Notes will result in dilution of other shareholders once the Initial Investors convert their notes into the Company’s common stock.

## Critical Accounting Policies

### Basis of Presentation:

The accompanying Balance Sheet as of December 31, 2019, which was derived from audited financial statements, and the unaudited interim financial statements of the Company have been prepared in accordance with U.S. GAAP for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, the accompanying audited, financial statements contain all adjustments necessary to present fairly the financial position of the Company as of December 31, 2019, and the cash flows and results of operations for the twelve months then ended. Such adjustments consisted only of normal recurring items. The results of operations for the twelve months ended December 31 are not necessarily indicative of the results for subsequent periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The accounting policies followed by the Company are set forth in Note 1 to the Company’s consolidated financial statements contained in the Company’s 2018 Form 10-K, filed with Securities and Exchange Commission, and it is suggested that these financial statements be read in conjunction therewith.

### Accounting Changes

Except for the changes discussed below, Quantum has consistently applied the accounting policies to all periods presented in these unaudited financial statements.

### Adoption of ASC 842

On January 1, 2019, we adopted FASB Accounting Standards Codification, or ASC, Topic 842, Leases (“ASC 842”) which requires the recognition of the right-of-use assets and relating operating and finance lease liabilities on the balance sheet. As permitted by ASC 842, we elected the adoption date of January 1, 2019, which is the date of initial application. As a result, the consolidated balance sheet prior to January 1, 2019 was not restated, continues to be reported under ASC Topic 840, Leases (“ASC 840”), which did not require the recognition of operating lease liabilities on the balance sheet, and is therefore not comparative. Under ASC 842, all leases are required to be recorded on the balance sheet and are classified as either operating leases or finance leases. The lease classification affects the expense recognition in the income statement. Operating lease charges are recorded entirely in operating expenses. Finance lease charges are split, where amortization of the right-of-use asset is recorded in operating expenses and an implied interest component is recorded in interest expense. The expense recognition for operating leases and finance leases under ASC 842 is substantially consistent with ASC 840. As a result, there is no significant difference in our results of operations presented in our consolidated income statement and consolidated statement of comprehensive income for each period presented.

We adopted ASC 842 using a modified retrospective approach for all leases existing at January 1, 2019. The adoption of ASC 842 had a minor impact on our balance sheet. The most significant impact was the recognition of the operating lease right-of-use assets and the liability for operating leases. The accounting for finance leases (capital leases) was substantially unchanged. Accordingly, upon adoption, leases that were classified as operating leases under ASC 840 were classified as operating leases under ASC 842, and we recorded an adjustment of \$2,491 to operating lease right-of-use asset and the related lease liability. The lease liability is based on the present value of the remaining minimum lease payments, determined under ASC 840, discounted using our incremental borrowing rate at the effective date of January 1, 2019. As permitted under ASC 842, we elected several practical expedients that permit us to not reassess (1) whether a contract is or contains a lease, (2) the classification of existing leases, and (3) whether previously capitalized costs continue to qualify as initial indirect costs. The application of the practical expedients did not have a significant impact on the measurement of the operating lease liability. As of December 31, 2018 and December 31, 2019 we had no finance leases.

The impact of the adoption of ASC 842 on the balance sheet at December 31, 2018 was:

	<b>As Reported December 31, 2018</b>	<b>Adoption of ASC 842 Increase (Decrease)</b>	<b>Revised Balance January 1, 2019</b>
Other Current Assets	1,767,080		1,767,080
Operating Lease right-of-use assets	-	2,491	2,491
Total assets	1,797,156	2,491	1,799,647
Other current liabilities	3,314,102		3,314,102
Lease Liability-current	-	2,491	2,491
Long-term Liabilities	-	-	-
Total Liabilities and equity	1,797,156	2,491	1,799,647

We lease substantially all our office space used to conduct our business. We adopted ASC 842 effective January 1, 2019. For contracts entered into on or after the effective date, at the inception of a contract we assess whether the contract is, or contains, a lease. Our assessment is based on (1) whether the contract involves the use of a distinct identified asset, (2) whether we obtain the right to substantially all the economic benefit from the use of the asset throughout the period, and (3) whether we have the right to direct the use of the asset. At inception of a lease, we allocate the consideration in the contract to each lease component based on its relative stand-alone price to determine the lease payments. Leases entered into prior to January 1, 2019 are accounted for under ASC 840 and were not reassessed.

Leases are classified as either finance leases or operating leases. A lease is classified as a finance lease if any one of the following criteria are met: (1) the lease transfers ownership of the asset by the end of the lease term, (2) the lease contains an option to purchase the asset that is reasonably certain to be exercised, (3) the lease term is for a major part of the remaining useful life of the asset or (4) the present value of the lease payments equals or exceeds substantially all of the fair value of the asset. A lease is classified as an operating lease if it does not meet any one of these criteria. Substantially all our operating leases are comprised of office space leases and as of December 31, 2018 and December 31, 2019 we had no finance leases.

For all leases at the lease commencement date, a right-of-use asset and a lease liability are recognized. The right-of-use asset represents the right to use the leased asset for the lease term. The lease liability represents the present value of the lease payments under the lease. The Company is currently leasing space on a month-to-month basis while we evaluate alternatives for expansion facilities. Accordingly, no right-of-use asset or lease liability are currently recognized.

The right-of-use asset is initially measured at cost, which primarily comprises the initial amount of the lease liability, plus any initial direct costs incurred, consisting mainly of brokerage commissions, less any lease incentives received. All right-of-use assets are reviewed for impairment. The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, our secured incremental borrowing rate for the same term as the underlying lease. For our real estate and other operating leases, we use our secured incremental borrowing rate. For our finance leases, we use the rate implicit in the lease or our secured incremental borrowing rate if the implicit lease rate cannot be determined.

Lease payments included in the measurement of the lease liability comprise the following: the fixed noncancelable lease payments, payments for optional renewal periods where it is reasonably certain the renewal period will be exercised, and payments for early termination options unless it is reasonably certain the lease will not be terminated early.

Lease expense for operating leases consists of the lease payments plus any initial direct costs, primarily brokerage commissions, and is recognized on a straight-line basis over the lease term.

#### Adoption of ASU 2018-02

On January 1, 2019, we adopted ASU 2018-02, Income Statement – Reporting Comprehensive Income: Reclassification of Certain Tax effects from Accumulated Other Comprehensive Income (“ASU 2018-02”), which requires the reclassification from accumulated other comprehensive income to retained earnings for the stranded tax effects arising from the reduction of the U.S. federal statutory income tax rate from 35% to 21%, effective January 1, 2018. ASU 2018-02 modifies ASC 740, Income Taxes (“ASC 740”), which requires businesses to adjust the value of deferred tax assets and liabilities upon a change in the tax law. ASC 740 specifies that changes in tax assets and liabilities related to the tax rate change must be presented in earnings, even when the corresponding deferred taxes relate to items initially recognized in accumulated other comprehensive income such as pension adjustments, gains or losses on cash flow hedges, foreign currency translation adjustments and unrealized gains or losses on available-for-sale securities. The Company had no deferred tax assets or liabilities as of December 31, 2017, accordingly there were no stranded tax effects to reclassify and the adoption of ASU 2018-02 had no impact on the Company’s financial statements.

#### Adoption of ASU 2018-07

On January 1, 2019, we adopted ASU 2018-07, Improvements to Nonemployee Share-Based Payment Accounting (“ASU 2018-07”), which aligns the accounting for share-based payments to nonemployees for goods and services with the requirements for accounting for share-based payments to employees under ASC 718 Compensation - Stock Compensation. ASU 2018-07 provides that nonemployee share-based payments are measured at the grant date at the fair value of the equity instruments to be provided to the nonemployee when the goods or services have been delivered. Prior to ASU 2018-07 nonemployee share-based payments were measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever could be more reliably measured.

We adopted ASU 2018-07 using a modified retrospective approach with a cumulative effect adjustment to retained earnings as of the implementation date for all nonemployee share-based payments that (1) have not been settled as of the adoption date and (2) nonemployee share-based payments for which a measurement date has not been established. We made no adjustment to retained earnings as a result of adopting ASU 2018-07.

#### Use of Estimates:

These financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America. Because a precise determination of assets and liabilities, and correspondingly revenues and expenses, depends on future events, the preparation of financial statements for any period necessarily involves the use of estimates and assumptions, an example being assumptions in valuation of stock options. Actual amounts may differ from these estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below. Certain of our accounting policies require the application of significant judgment by our management, and such judgments are reflected in the amounts reported in our condensed consolidated financial statements. In applying these policies, our management uses judgment to determine the appropriate assumptions to be used in the determination of estimates. Those estimates are based on our historical experience, terms of existing contracts and agreements, our observance of market trends, information provided by our strategic partners and information available from other outside sources, as appropriate. Actual results may differ significantly from the estimates contained in our condensed consolidated financial statements

#### Cash and Cash Equivalents

The Company's policy is to present bank balances under cash and cash equivalents, which at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

#### Property and Equipment

Property and equipment are stated at cost or contributed value. Depreciation of furniture, software and equipment is calculated using the straight-line method over their estimated useful lives, and leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the lease term. The cost and related accumulated depreciation of equipment retired or sold are removed from the accounts and any differences between the undepreciated amount and the proceeds from the sale are recorded as a gain or loss on sale of equipment.

#### Net Loss Per Share:

Net loss per share is based on the weighted average number of common shares and common shares equivalents outstanding during the period.

#### Going Concern

The Company's financial statements have been prepared on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company has earned no revenue from operations in the twelve-month periods ended December 31, 2019 and 2018, and has an accumulated deficit of \$28,760,955 and \$20,379,867 respectively. The Company's ability to continue as a going concern is dependent upon its ability to develop additional sources of capital or ultimately acquire an entity which the Company hopes will become profitable at some time in the near future. The accompanying financial statements do not include any adjustments that might result from the outcome of these uncertainties. Management is seeking additional capital to finance the operations of the Company.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

We are not required to provide the information required by this Item because we are a smaller reporting company.



**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

Our consolidated financial statements are contained in pages F-1 through F-19 which appear at the end of this Annual Report on Form 10-K.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

On January 30, 2019, the Board of Directors dismissed Thayer O’Neal Company, LLC (“Thayer”) as the Company’s independent registered public accounting firm, effective as of such date.

The audit reports of Thayer on the consolidated financial statements of the Company for each of the two most recent fiscal years ended December 31, 2017 and December 31, 2016 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. The audit reports for the years ended December 31, 2017 and December 31, 2016 contained an explanatory paragraph disclosing the uncertainty regarding the Company’s ability to continue as a going concern.

During the Company’s two most recent fiscal years ended December 31, 2017 and December 31, 2016 and during the subsequent interim period from January 1, 2018 through January 30, 2019, (i) there were no disagreements with Thayer on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures that, if not resolved to Thayer’s satisfaction, would have caused Thayer to make reference to the subject matter of the disagreement in connection with its reports and (ii) there were no “reportable events” as defined in Item 304(a)(1)(v) of Regulation S-K.

On February 4, 2019, the Board of Directors engaged BF Borgers CPA PC (“BF”) as the Company’s independent registered public accounting firm for the year ending December 31, 2018.

During the two most recent fiscal years ended December 31, 2019 and December 31, 2018 and during the subsequent interim period from January 1, 2020 through March 27, 2020, neither the Company nor anyone on its behalf consulted BF regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company’s financial statements, and neither a written report nor oral advice was provided to the Company that BF concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing or financial reporting issue, or (ii) any matter that was either the subject of a “disagreement” or a “reportable event”, each as defined in Regulation S-K Item 304(a)(1)(iv) and 304(a)(1)(v), respectively.

**ITEM 9A. CONTROLS AND PROCEDURES.****Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act of 1934 filings are recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our President and Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do, and management was necessarily required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of December 31, 2019, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of December 31, 2019 due to limited resources for adequate personnel to prepare and file reports under the Securities Exchange Act of 1934 within the required periods, and material weaknesses in our internal control over financial reporting relating to our accounting for complex equity transactions as described below under the heading “Report of Management on Internal Control over Financial Reporting”. Management plans to remediate this weakness by taking the actions described below.

### **Report of Management on Internal Control over Financial Reporting**

We are responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act, as a process designed by, or under the supervision of our principal executive and principal financial officers and effected by our board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and disposition of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorization of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Our internal control system is designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We have assessed the effectiveness of our internal control over financial reporting as of December 31, 2019. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013).

Based on this assessment, management believes that, as of December 31, 2019, the Company did not maintain effective internal control over financial reporting because of the effect of material weaknesses in our internal control over financial reporting discussed below.

Public Company Accounting Oversight Board Auditing Standard No. 2 defines a material weakness as a significant deficiency, or combination of significant deficiencies, that results in there being a more than remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. Based upon this definition, our management concluded that, as of December 31, 2019, a material weakness existed in our internal control over financial reporting related to accounting for complex equity transactions.

Specifically, we identified material weaknesses in our internal control over financial reporting related to the following matters:

- We identified a lack of sufficient segregation of duties. Specifically, this material weakness is such that the design over these areas relies primarily on detective controls and could be strengthened by adding preventative controls to properly safeguard Company assets.
- Management has identified a lack of sufficient personnel in the accounting function due to our limited resources with appropriate skills, training and experience to perform the review processes to ensure the complete and proper application of generally accepted accounting principles, particularly as it relates to valuation of warrants and other complex debt /equity transactions. Specifically, this material weakness resulted in audit adjustments to the annual consolidated financial statements and revisions to related disclosures.



- Limited policies and procedures that cover recording and reporting of financial transactions.
- Lack of multiple levels of review over the financial reporting process
- Our plan to remediate those material weaknesses is as follows:
  - Improve the effectiveness of the accounting group by augmenting our existing resources with additional consultants or employees to assist in the analysis and recording of complex accounting transactions, and to simultaneously achieve desired organizational structuring for improved segregation of duties. We plan to mitigate this identified deficiency by hiring an independent consultant once we generate significantly more revenue or raise significant additional working capital.
  - Improve expert review and achieve desired segregation procedures by strengthening cross approval of various functions including quarterly internal audit procedures where appropriate.

Notwithstanding the assessment that our ICFR was not effective and that there are material weaknesses as identified herein, we believe that our consolidated financial statements contained in this Annual Report fairly present our financial position, results of operations and cash flows for the years covered thereby in all material respects.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm as we are a smaller reporting company and are not required to provide the report.

#### **Changes in Internal Control Over Financial Reporting**

There has been no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) of the Exchange Act that occurred during the quarter ended December 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting, except the implementation of the controls identified above.

#### **ITEM 9B. OTHER INFORMATION.**

None.

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

#### Directors

The following table contains information with respect to our directors and executive officers. To the best of our knowledge, none of our directors or executive officers have an arrangement or understanding with any other person pursuant to which he or she was selected as a director or officer. There are no family relationships between any of our directors or executive officers. Directors serve one year terms. Our executive officers are appointed by and serve at the pleasure of the Board of Directors.

<b>Name</b>	<b>Current Age</b>	<b>Position</b>
Robert Liscouski	65	Chairman of the Board of Directors, President, and Chief Executive Officer (Principal Executive Officer)
Christopher Roberts	65	Chief Financial Officer, (Principal Financial Officer) (Principal Accounting Officer), Director
Bertrand Velge	60	Director
Justin Schreiber	37	Director

The following noteworthy experience, qualifications, attributes and skills for each Board member, led to our conclusion that the person should serve as a director in light of our business and structure:

#### **Robert Liscouski, President, Chief Executive Officer and Chairman of the Board**

Mr. Liscouski, age 65, is the Chairman and CEO of Quantum Computing. Mr. Liscouski is CEO and Founder of Convergent Risk Group LLC and a proven security professional, thought leader and successful entrepreneur with over 35 years of senior level security operational and company leadership experience in government and public and private companies.

Mr. Liscouski is a recognized Security Industry leader in assessing, mitigating and managing physical and cyber security risk in private sector enterprises and state and federal government agencies. Mr. Liscouski has extensive experience in leading innovative start up and turn around companies as well as building programs for large government organizations and is recognized as a leader in identifying emerging security technologies. He serves as a “Trusted Advisor” to senior officials within government and private sector, providing guidance in areas such as physical and cyber security, crisis management, organizational development and strategic planning. Mr. Liscouski’s career has spanned local law enforcement, senior government and private sector positions from operations to senior leadership and Boards of Directors. He started his career as an undercover and homicide investigator, and Special Agent with the Diplomatic Security Service and progressed to senior federal government positions where he served as a senior advisor to the intelligence community and was appointed by President George W. Bush as the first Assistant Secretary for Infrastructure Protection at the Department of Homeland Security. He most recently was President of a public company that became a leader in the explosive trace detection industry culminating in the sale of the technology to L3 Communications. Mr. Liscouski is a frequent contributor to CNBC, CNN, Fox News, and other business and security media on Homeland Security and Terrorism issues.

#### **Christopher Roberts, Chief Financial Officer and Director**

Mr. Roberts, age 65, is the Company’s Chief Financial Officer. Mr. Roberts has a law degree from the University of Virginia Law School and a B.S. in Electrical Engineering and an M.B.A., both from the Massachusetts Institute of Technology. His M.B.A. was concentrated in Finance and Management of Technology. He started his career working for Raytheon Co. (a Fortune 500 company). Thereafter, he practiced law at two large NYC law firms. Since leaving the private practice of law, Mr. Roberts has worked primarily in financial management roles with a number of government contractors in the aerospace, defense and Information technology sectors.

Mr. Roberts has more than 30 years’ experience in public and private corporate finance and government contracting, including professional services, software products, and hardware manufacturing businesses. Mr. Roberts has served as the Chief Financial Officer of both public and private companies during the course of his career, including Secure Point Technologies, Systems Made Simple, Inc. (now a subsidiary of Leidos), Integral Systems Inc. (a publicly company traded on NASDAQ under the symbol “ISYS.” now a subsidiary of Kratos), and Pearson Analytic Solutions (now a subsidiary of General Dynamics). From 2012 to November 2016, he worked first as the CFO, and later as the President of Systems Made Simple, Inc., a wholly owned subsidiary of Leidos. Mr. Roberts is a co-author of Antitrust for Business, and has published articles on antitrust and patent law, space policy, information technology, and corporate finance.



**Justin Schreiber, Director**

Mr. Schreiber, age 37, is the President and founder of JLS Ventures, a venture capital and capital markets advisory firm that partners with entrepreneurs and emerging growth companies to build disruptive products and technologies in the technology, healthcare and consumer products verticals. Since February 2018, Mr. Schreiber has been the President, CEO and a Director of Conversion Labs Inc., a publicly traded direct to consumer e-commerce company. Prior to founding JLS Ventures, Mr. Schreiber ran a consulting business that provided investor relations, advisory services and capital raising solutions to small publicly traded companies. In addition to his capital markets experience, Mr. Schreiber previously worked for a global healthcare consulting firm as well as in the foreign currency trading business. He holds a BS in International Business from Elizabethtown College and a BA in International Management from the ICN École de management in Nancy, France.

**Bertrand Velge, Director**

Mr. Velge, age 60, is the Managing Director of Graftyset, Ltd., a privately held company based in the United Kingdom. Graftyset is a wholesale distributor of wine, beer and other alcoholic and non-alcoholic beverage, based in Sidcup, Kent (UK). Mr. Velge has served as Managing Director since the company was incorporated in 2003 under the name of Otterden Vintners, Ltd. Mr. Velge also served as Director for Aliunde Ltd. since 2005. Mr. Velge has over twenty years of experience in multi-disciplinary venture investing and was managing director and co-founder of a fund that trades equities in Europe, Asia and the US focusing on IPOs. He speaks English, Flemish and French, and is a graduate of the Universite Catholique de Louvain.

**Family Relationships.**

There are no family relationships between any of our directors or executive officers.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires the Company's executive officers and directors, and persons who own more than 10% of the Company's common stock, to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the SEC.

Based solely on the Company's review of the copies of such Forms and written representations from certain reporting persons, the Company believes that all filings required to be made by the Company's Section 16(a) reporting persons during the Company's fiscal year ended December 31, 2019 were made on a timely basis.

**Code of Ethics**

The Company currently maintains a Code of Ethics which applies to all directors, officers, and employees. A copy of our Code of Ethics can be found on our website at [www.quantumcomputinginc.com](http://www.quantumcomputinginc.com).

**Board Composition and Director Independence**

Our board of directors consists of four members. The directors will serve until our next annual meeting and until their successors are duly elected and qualified. The Company defines "independent" as that term is defined in Rule 5605(a)(2) of the NASDAQ listing standards.

In making the determination of whether a member of the board is independent, our board considers, among other things, transactions and relationships between each director and his immediate family and the Company, including those reported under the caption "*Certain Relationships and Related-Party Transactions*". The purpose of this review is to determine whether any such relationships or transactions are material and, therefore, inconsistent with a determination that the directors are independent. On the basis of such review and its understanding of such relationships and transactions, our board affirmatively determined that Bertrand Velge and Justin Schreiber are qualified as independent and that they have no material relationship with us that might interfere with his or her exercise of independent judgment.

**Board Committees; Audit Committee Financial Expert; Stockholder Nominations**

At the present time, the board of directors has not established an audit, a compensation or a nominating and corporate governance committee. The functions of those committees are being undertaken by the board of directors as a whole. In addition, none of the

Company's directors is an "audit committee financial expert". It is the board of directors' desire and intent to establish such committees as soon as practicable.

The Company does not have a policy regarding the consideration of any director candidates which may be recommended by the Company's stockholders.



**Involvement in Certain Legal Proceedings.**

Our Chief Executive Officer, Mr. Robert Liscouski, was President of Implant Sciences Corporation, which filed a petition for bankruptcy on October 11, 2016 in the Delaware Bankruptcy Court.

With the exception of the foregoing, to the best of our knowledge, none of our directors or executive officers has, during the past ten years:

- been convicted in a criminal proceeding or been subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- had any bankruptcy petition filed by or against the business or property of the person, or of any partnership, corporation or business association of which he was a general partner or executive officer, either at the time of the bankruptcy filing or within two years prior to that time;
- been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or federal or state authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting, his involvement in any type of business, securities, futures, commodities, investment, banking, savings and loan, or insurance activities, or to be associated with persons engaged in any such activity;
- been found by a court of competent jurisdiction in a civil action or by the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
- been the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated (not including any settlement of a civil proceeding among private litigants), relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Except as set forth in our discussion below in “Certain Relationships and Related Transactions,” none of our directors or executive officers has been involved in any transactions with us or any of our directors, executive officers, affiliates or associates which are required to be disclosed pursuant to the rules and regulations of the Commission.

**ITEM 11. EXECUTIVE COMPENSATION****Summary Compensation Table**

The following summary compensation table sets forth all compensation awarded to, earned by, or paid to the named executive officers paid by us during the years ended December 31, 2019 and 2018.

**2019 EXECUTIVE OFFICER COMPENSATION TABLE**

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Bonus (\$)</b>	<b>Stock Awards (\$)</b>	<b>Option Awards (\$)</b>	<b>Non-Equity Incentive Plan Compensation (\$)</b>	<b>Non-Qualified Deferred Compensation Earnings (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Angela Collete (Receiver)	2019	-							0
	2018	0	0	0	0	0	0	0	0
	2017								
Robert Liscouski Chief Executive Officer (PEO)	2019	360,000							360,000
	2018	300,000	0	504,000	0	0	0	0	804,000
	2017	—	—	—	—	—	—	—	—
Christopher Roberts Treasurer (PFO)	2019	184,650							184,650
	2018	165,763	0	1,512,000	0	0	0	0	1,677,763
	2017	—	—	—	—	—	—	—	—

**Employment Agreements and Change-in-Control Provisions*****Executive Employment Agreements******Mr. Liscouski Employment Agreement***

We entered into an employment agreement with Robert Liscouski, our Chief Executive Officer, on February 15, 2018 (the “Liscouski Employment Agreement”). The agreement is for an indefinite term, subject to periodic review by the Board of Directors, stipulates a base salary (the “Base Salary”) of \$360,000 per year. For the fiscal year ending December 31, 2019 and for subsequent fiscal years, the Liscouski Employment Agreement allows for an annual incentive bonus in the amount up to \$150,000 per year, subject to Mr. Liscouski achieving certain performance based milestones that are established by the Board of Directors. In connection with the Liscouski Employment Agreement, Mr. Liscouski was issued 100,000 restricted shares of the Company’s common stock in 2018.

As a full-time employee of the Company, Mr. Liscouski will be eligible to participate in the Company’s benefit programs.

Mr. Liscouski’s employment may be terminated by the Company with or without “Cause”. “Cause” shall mean (i) conviction or entry of nolo contendere to any felony or a crime involving moral turpitude, fraud or embezzlement of Company property; (ii) dishonesty, gross negligence or gross misconduct that is materially injurious to the Company or material failure to perform her/his duties under this Agreement which has not been cured by Mr. Liscouski within 10 days after he shall have received written notice from the Company stating with reasonable specificity the nature of such failure to perform; and (iii) illegal use or use of drugs, alcohol, or other related substances that is materially injurious to the Company. If the Company terminates Mr. Liscouski’s employment without “Cause” the Company will continue payment of Mr. Liscouski’s Base Salary for an additional twelve (12) months from the date Mr. Liscouski is terminated.

### *Severance Arrangements*

Robert Liscouski is entitled to receive a severance payment, upon the execution of a release in favor of the Company, if terminated by us without cause. The severance benefits would include a payment in an amount equal to one year of such executive officer's annualized base salary compensation plus accrued paid time off. Additionally, he would also be entitled to receive medical and dental insurance coverage for one year following the date of termination.

### *Mr. Roberts Consulting Agreement*

We entered into a consulting agreement with Christopher Roberts, our Chief Financial Officer, on March 1, 2018 (the "Roberts Agreement") whereby Mr. Roberts is to provide the Company with financial and accounting and business strategy services. Mr. Roberts is to be paid \$150.00 on an hourly basis. In connection with the Roberts Agreement, Mr. Roberts was issued 300,000 restricted shares of the Company's common stock.

The Roberts Agreement may be terminated by either party at will, for any reason or no reason, upon fourteen (14) days prior written notice.

### *Mr. Shuster Employment Agreement*

We entered into an employment agreement with Sergey Shuster, an employee of the Company, on February 28, 2018 (the "Shuster Employment Agreement"). Mr. Shuster is entitled to a monthly salary of \$25,000. In connection with the Shuster Employment Agreement, Mr. Shuster also received 400,000 restricted shares of the Company's common stock, over a three-year period.

The Company terminated Mr. Shuster as an employee effective May 3, 2019.

### ***Outstanding Equity Awards at Fiscal Year End***

There were no Outstanding Equity Awards as of December 31, 2019.

### **Director Compensation**

The Company's directors are not currently compensated for their service in such capacity

### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.**

The following table sets forth certain information as of March 27, 2020 concerning the beneficial ownership of common stock for: (i) each director and director nominee, (ii) each Named Executive Officer in the Summary Compensation Table under "Executive Compensation" above, (iii) all executive officers and directors as a group, and (iv) each person (including any "group" as that term is used in Section 13(d)(3) of the Exchange Act) known by us to be the beneficial owner of 5% or more of our common stock. The address for each of the persons below who are beneficial owners of 5% or more of our common stock is our corporate address at 215 Depot Court SE #215, Leesburg, VA 20175.

Beneficial ownership has been determined in accordance with the rules of the SEC and is calculated based on 7,764,046 shares of our common stock issued and outstanding as of March 27, 2020. Shares of common stock subject to options, warrants, preferred stock or other securities convertible into common stock that are currently exercisable or convertible, or exercisable or convertible within 60 days of March 27, 2020, are deemed outstanding for computing the percentage of the person holding the option, warrant, preferred stock, or convertible security but are not deemed outstanding for computing the percentage of any other person.

Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the table below have sole voting and investment power with respect to all shares of common stock that they beneficially own.

The following table sets forth, as of March 27, 2020, the number of shares of common stock owned of record and beneficially by our executive officers, directors and persons who hold 5% or more of the outstanding shares of common stock of the Company.

The amounts and percentages of our common stock beneficially owned are reported on the basis of SEC rules governing the determination of beneficial ownership of securities. Under the SEC rules, a person is deemed to be a “beneficial owner” of a security if that person has or shares “voting power,” which includes the power to vote or to direct the voting of such security, or “investment power,” which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has the right to acquire beneficial ownership within 60 days through the exercise of any stock option, warrant or other right. Under these rules, more than one person may be deemed a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which such person has no economic interest. Unless otherwise indicated, each of the shareholders named in the table below, or his or her family members, has sole voting and investment power with respect to such shares of our common stock. Except as otherwise indicated, the address of each of the shareholders listed below is: c/o Quantum Computing Inc., 215 Depot Court SE #215, Leesburg, VA 20175.

Applicable percentage ownership is based on 7,764,046 shares of Common Stock outstanding as of March 27, 2020. In computing the number of shares of Common Stock beneficially owned by a person and the percentage ownership of that person, we deemed to be outstanding all shares of Common Stock as held by that person or entity that are currently exercisable or that will become exercisable within 60 days of March 27, 2020.

<b>Name and Address of Beneficial Owner</b>	<b>Common Stock Owned Beneficially</b>	<b>Percent of Class</b>
<b><i>Named Executive Officers and Directors</i></b>		
Robert Liscouski, Chief Executive Officer and Chairman (1)	612,500	7.89
Christopher Roberts, Chief Financial Officer (2)	325,000	4.19
Bertrand Velge (3)	1,774,888	20.85
Justin Schreiber (4)	385,734	4.98
<b>All directors and officers as a group (4 persons)</b>	3,098,122	37.90
<b><i>5% or greater shareholders</i></b>		
Peter Schultz (5)	1,002,422	12.91
Gordon Rudolph (6)	635,090	8.18
<b>Total</b>	<b>4,735,634</b>	<b>58.99</b>

\* Less than 1%

(1) Includes 612,500 shares of common stock.

(2) Includes 325,000 shares of common stock.

(3) Includes 1,024,888 shares of common stock and 750,000 shares of common stock underlying convertible notes.

(4) Mr. Schreiber has voting and investment control of the following shares: 1,000,000 shares of common stock underlying convertible notes which JOJ Holdings, LLC holds, however the convertible promissory notes are not exercisable to the extent that the shares of common stock issuable upon the exercise of the convertible notes would result in a beneficial ownership of Mr. Schreiber above 4.99% of the Company’s outstanding share amount. Mr. Schreiber is the President of JOJ Holdings, LLC and is the beneficial owner of these securities.

(5) Includes 1,002,422 shares of common stock.

(6) Includes 635,090 shares of common stock.

## Changes in Control

We are not aware of any arrangements that may result in “changes in control” as that term is defined by the provisions of Item 403(c) of Regulation S-K.

## Equity Compensation Plan Information

We maintain an equity compensation plan for employees, officers, directors and other entities and individuals whose efforts contribute to our success. The table below sets forth certain information as of our fiscal year ended December 31, 2019 regarding the shares of our common stock available for grant or granted under our equity compensation plan.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options</b>	<b>Weighted-average price of outstanding options</b>	<b>Number of securities available for future issuance under equity compensation plans</b>
Equity compensation plan approved by security holders - 2019 Quantum Computing Inc. Equity Incentive Plan	1,030,000	\$ 1.55	470,000

On February 19, 2019, the Board of Directors adopted the 2019 Quantum Computing Inc. Equity and Incentive Plan (the “Plan”) which provides for the issuance of up to 1,500,000 shares of the Company’s common stock, subject to shareholder approval. The principal purpose of the Plan is to provide an incentive to designated employees, certain consultants and advisors who perform services for us and non-employee directors to contribute to our growth by continuing to align the interests of participants with the interests of our stockholders. The Plan was approved by written consent of a majority of the shareholders in September 2019.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS; AND DIRECTOR INDEPENDENCE.

The following is a summary of transactions since January 1, 2018 to which we have been or will be a party in which the amount involved exceeded or will exceed \$ (one percent of the average of our total assets at year-end for our last two completed fiscal years) and in which any of our directors, executive officers or beneficial holders of more than 5% of any class of our capital stock, or any immediate family member of, or person sharing a household with, any of these individuals, had or will have a direct or indirect material interest, other than compensation arrangements that are described under the section captioned “Executive compensation.”

Other than as disclosed below, there have been no transactions involving the Company since the beginning of the last fiscal year, or any currently proposed transactions, in which the Company was or is to be a participant and the amount involved exceeds \$120,000 or one percent of the average of the Company’s total assets at year-end for the last two completed fiscal years, and in which any related person had or will have a direct or indirect material interest.

To finance the acquisition of the control block of shares in IBGH, an investor group (the “Initial Investors.”), loaned Convergent Risk Group, LLC (Convergent) \$275,000, in exchange for Promissory Notes from Convergent (the “Promissory Notes”) in the total amount of \$275,000. Convergent, a Virginia limited liability company, is owned 100% by Mr. Robert Liscouski, who is the CEO and currently the majority shareholder of the Company. To induce Mr. Liscouski to serve as CEO of the Company, the Company assumed the “Promissory Notes” in the total amount of \$275,000 and certain liabilities (the “Liabilities”). The Liabilities and the Promissory Notes are collectively the “Convergent Liabilities.” The Convergent Liabilities assumed by the Company were exchanged for Convertible Promissory Notes issued by the Company for \$275,000 (the same amount that Convergent had issued them for). The Convertible Promissory Notes accrue interest at eight percent (8%) per annum and are convertible into common stock of the Company at a conversion price of \$0.10 per share at any time prior to or at August 10, 2020. The Company also assumed a promissory note from one of the Initial Investors to Convergent in the amount of \$100,000, which is payable on or before December 31, 2019. While the conversion of the Convertible Promissory Notes is mandatory at the maturity date, August 10, 2020, the election to convert is at the option of the Initial Investor. The Company has no obligation to repay the Initial Investors in cash. However, the conversion of the Convertible Promissory Notes will result in dilution of other shareholders once the Initial Investors convert their notes into the Company’s common stock.



The Company contracted with REMTCS, Inc. (“REMTCS”), an entity wholly owned by Richard Malinowski, who was the Company’s Chief Technology and Operations Officer at the time, to acquire the necessary hardware and software, configure and install the REMTCS proprietary security system, known as “PASS.” The total cost of the PASS System was approximately \$670,000. Since that time, the Company, Mr. Malinowski and REMTCS have unwound this agreement, and Mr. Malinowski has left the Company. The Company initiated a law suit against Mr. Malinowski and REMTCS in connection with the foregoing which was subsequently settled. See “Legal Proceedings”.

#### **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

BF Borgers CPA PC served as our independent registered public accountants for the years ended December 31, 2018 and 2019.

##### **Audit Fees**

For the Company’s fiscal years ended December 31, 2019 and 2018, we were billed approximately \$206,605 and \$58,859, respectively, for professional services rendered by our independent auditors for the audit and review of our financial statements.

##### **Tax Fees**

For the Company’s fiscal years ended December 31, 2019 and 2018, there were no fees for professional services rendered by our independent auditors for tax compliance, tax advice, and tax planning.

##### **All Other Fees**

For the Company’s fiscal years ended December 31, 2019 and 2018, we were billed approximately \$20,000 and \$1,800, respectively, for professional services rendered by our independent auditors related to the Registration Statement on Form 10-12(g) and amendments thereto filed with the SEC in those years.

##### **Pre-Approval Policies**

All of the above services and fees were reviewed and approved by the entire Board. No services were performed before or without approval.

## PART IV

## ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

Exhibit Number	Exhibit Description	Reference		Filed or Furnished	
		Form	Exhibit	Filing Date	Herewith
3.1(i)	<a href="#">Articles of Incorporation, as amended through April 17, 2018</a>	10-12(g)	3.1(i)	01/09/2019	
3.2(i)	<a href="#">By-laws</a>	10-12(g)	3.2(i)	01/09/2019	
4.1	<a href="#">Common Stock Specimen</a>	10-12(g)	4.1	01/09/2019	
4.2	<a href="#">Form of 8% Convertible Promissory Note</a>	10-12(g)	4.2	01/09/2019	
4.3	<a href="#">Form of Promissory Note, dated October 14, 2019 and effective October 16, 2019</a>	8-K	10.2	10/18/2019	
10.1*	<a href="#">Robert Liscouski Employment Agreement dated February 15, 2018</a>	10-12(g)	10.1	01/09/2019	
10.2*	<a href="#">Christopher Roberts Employment Agreement dated March 1, 2018</a>	10-12(g)	10.2	01/09/2019	
10.3	<a href="#">2019 Quantum Computing Inc. Equity and Incentive Plan</a>	S-1/A	10.8	11/22/2019	
10.4	<a href="#">Securities Purchase Agreement, dated October 14, 2019 and effective October 16, 2019</a>	8-K	10.1	10/18/2019	
10.5	<a href="#">Form of Common Stock Purchase Warrant, dated October 14, 2019 and effective October 16, 2019</a>	8-K	10.3	10/18/2019	
10.6	<a href="#">Form of Registration Rights Agreement, dated October 14, 2019 and effective October 16, 2019</a>	8-K	10.4	10/18/2019	
10.7	<a href="#">Amendment No. 1 to Warrant Agreement, dated February 14, 2020</a>	8-K	10.1	02/25/2020	
21.1	<a href="#">List of Subsidiaries</a>	10-12(g)	21.1	01/09/2019	
31.1	<a href="#">Principal Executive Officer Certification Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>				X
31.2	<a href="#">Principal Financial Officer Certification Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>				X
32.1**	<a href="#">Principal Executive Officer Certification Pursuant to Item 601(b)(32) of Regulation S-K, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**</a>				X
32.2	<a href="#">Principal Financial Officer Certification Pursuant to Item 601(b)(32) of Regulation S-K, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**</a>				X
101.INS	XBRL Instance Document.				X
101.SCH	XBRL Taxonomy Extension Schema Linkbase Document.				X
101.CAL	XBRL Taxonomy Calculation Linkbase Document.				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.				X
101.LAB	XBRL Taxonomy Label Linkbase Document.				X
101.PRE	XBRL Taxonomy Presentation Linkbase Document.				X

\* Indicates a management contract or compensatory plan or arrangement.



**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 27, 2020

Quantum Computing Inc.

By: /s/ Robert Liscouski  
 Robert Liscouski  
 Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacity and on the dates indicated.

Name	Capacity	Date
<u>/s/ Robert Liscouski</u> Robert Liscouski	Chairman of the Board of Directors and Chief Executive Officer, Treasurer (Principal Executive Officer)	March 27, 2020
<u>/s/ Christopher Roberts</u> Christopher Roberts	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 27, 2020
<u>/s/ Justin Schreiber</u> Justin Schreiber	Directors	March 27, 2020
<u>/s/ Bertrand Velge</u> Bertrand Velge	Director	March 27, 2020

**QUANTUM COMPUTING INC.  
(FORMERLY INNOVATIVE BEVERAGE GROUP HOLDINGS, INC.)**

**AUDITED FINANCIAL STATEMENTS**

December 31, 2019 and 2018

**QUANTUM COMPUTING INC.**  
**(Formerly Innovative Beverage Group Holdings, Inc.)**  
Index to the Financial Statements  
(Audited)

<b>Description</b>	<b>Page</b>
<a href="#">Report of Independent Registered Public Accounting Firm</a>	F-2
<a href="#">Audited Balance Sheets as of December 31, 2019 and December 31, 2018</a>	F-3
<a href="#">Audited Statement of Operations for the Three and Twelve Months Ended December 31, 2019 and 2018</a>	F-4
<a href="#">Audited Statement of Stockholders' Deficit for the Twelve Months Ended December 31, 2019</a>	F-5
<a href="#">Audited Statement of Cash Flows for the Twelve Months Ended December 31, 2019 and 2018</a>	F-7
<a href="#">Notes to the Audited Financial Statements</a>	F-8

## Report of Independent Registered Public Accounting Firm

To the shareholders and the board of directors of Quantum Computing, Inc.

### Opinion on the Financial Statements

We have audited the accompanying balance sheets of Quantum Computing, Inc. (the "Company") as of December 31, 2019 and 2018, the related statements of operations, stockholders' equity (deficit), and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company's significant operating losses raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ BF Borgers CPA PC

**BF Borgers CPA PC**

We have served as the Company's auditor since 2019.

Lakewood, CO

March 27, 2020

**QUANTUM COMPUTING INC.**  
**(Formerly Innovative Beverage Group Holdings, Inc.)**  
 Balance Sheets  
 (Audited)

	<b>December 31,</b>	<b>December 31</b>
	<b>2019</b>	<b>2018</b>
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 101,100	\$ 1,767,080
Prepaid Expenses	21,549	23,179
Lease right-of-use	-	-
Fixed Assets (net of depreciation)	<u>25,596</u>	<u>6,897</u>
Total assets	<u><u>\$ 148,245</u></u>	<u><u>\$ 1,797,156</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Current liabilities		
Accounts payable	\$ 218,261	\$ 54,018
Accrued Expenses	152,547	89,584
Lease Liability	-	-
Derivative Liability	980,730	-
Convertible promissory notes – related party	100,000	100,000
Convertible promissory notes	<u>1,509,000</u>	<u>3,070,500</u>
Total liabilities	<u><u>2,960,538</u></u>	<u><u>3,314,102</u></u>
Stockholders' equity (deficit)		
Common stock, \$0.0001 par value, 250,000,000 shares authorized; 7,362,046 and 4,724,161 shares issued and outstanding as of December 31, 2019 and December 31, 2018, respectively	736	472
Additional paid-in capital	17,002,297	10,935,029
APIC-Beneficial Conversion Feature in Equity	4,798,835	3,995,500
APIC-Stock Based Compensation	4,246,794	4,031,920
Subscription Receivable	(100,000)	(100,000)
Accumulated deficit	<u>(28,760,955)</u>	<u>(20,379,867)</u>
Total stockholders' equity (deficit)	<u><u>(2,812,293)</u></u>	<u><u>(1,516,946)</u></u>
Total liabilities and stockholders' equity (deficit)	<u><u>\$ 148,245</u></u>	<u><u>\$ 1,797,156</u></u>

*The accompanying notes are an integral part of these audited financial statements.*

**QUANTUM COMPUTING INC.**  
**(Formerly Innovative Beverage Group Holdings, Inc.)**  
Statement of Operations  
(Audited)

	<b>Twelve Months Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Total revenue	\$ -	\$ -
Cost of revenue	-	-
Gross profit	-	-
Salaries	495,143	520,327
Consulting	361,102	322,278
Research & Development	891,126	250,640
Stock Based Compensation	214,884	4,182,014
Selling General & Administrative -Other	585,397	523,694
Operating expenses	<u>2,547,652</u>	<u>5,798,953</u>
Loss from Operations	(2,547,652)	(5,798,953)
Interest Income – Money Market	8,810	-
Interest Expense – Promissory Notes	(151,185)	(87,307)
Interest Expense - Beneficial Conversion Feature	(803,335)	(3,995,500)
Interest Expense – Promissory Notes	(4,887,726)	(87,307)
Asset Impairment Charge	-	(625,333)
Other income (expense)	<u>(5,833,436)</u>	<u>(4,708,140)</u>
Federal income tax expense	-	-
Net loss	<u><u>\$ (8,381,088)</u></u>	<u><u>\$ (10,507,093)</u></u>
Weighted average shares - basic and diluted	<u>7,362,046</u>	<u>4,724,161</u>
Loss per share - basic and diluted	<u><u>\$ (1.14)</u></u>	<u><u>\$ (2.22)</u></u>

*The accompanying notes are an integral part of these audited financial statements.*

**QUANTUM COMPUTING INC.**  
**(Formerly Innovative Beverage Group Holdings, Inc.)**  
Statement of Stockholders' Deficit  
For the Twelve Months Ended December 31, 2018  
(Audited)

	<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>in Capital</u>	<u>Deficit</u>	
<b>BALANCES, December 31, 2017</b>	943,735	\$ 94	\$ 9,871,180	\$ (9,872,774)	\$ (1,500)
Issuance of shares for cash	2,980,426	298	1,063,849	-	1,064,147
Beneficial Conversion Feature			3,995,500		3,995,500
Subscription Receivable			(100,000)		(100,000)
Stock based compensation	800,000	80	4,031,920		4,032,000
Net loss	-	-	-	(10,507,093)	(10,507,093)
<b>BALANCES, December 31, 2018</b>	<u>4,724,161</u>	<u>\$ 472</u>	<u>\$18,862,449</u>	<u>\$ (20,379,867)</u>	<u>\$ (1,516,946)</u>

*The accompanying notes are an integral part of these audited financial statements.*

**QUANTUM COMPUTING INC.**  
**(Formerly Innovative Beverage Group Holdings, Inc.)**  
Statement of Stockholders' Deficit  
For the Twelve Months Ended December 31, 2019  
(Audited)

	<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>in Capital</u>	<u>Deficit</u>	
<b>BALANCES, December 31, 2018</b>	4,724,161	\$ 472	\$18,862,449	\$ (20,379,867)	\$(1,516,946)
Issuance of shares for cash	2,529,525	253	2,160,273	-	2,160,526
Beneficial Conversion Feature			803,335		803,335
Subscription Receivable			-	-	-
Derivatives & Warrants			3,906,996	-	3,906,996
Stock based compensation	108,360	11	214,873	-	214,884
Net loss	-	-	-	(8,381,088)	(8,381,088)
<b>BALANCES, December 31, 2019</b>	<u>7,362,046</u>	<u>\$ 736</u>	<u>\$18,862,449</u>	<u>\$ (28,760,955)</u>	<u>\$(2,812,293)</u>

*The accompanying notes are an integral part of these audited financial statements.*



**QUANTUM COMPUTING INC.**  
**(Formerly Innovative Beverage Group Holdings, Inc.)**  
Statement of Cash Flows  
For the Twelve Months Ended December 31, 2019 and 2018  
(Audited)

	<b>Twelve Months Ended</b>	
	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$(8,381,088)	\$(10,507,093)
<b>Adjustments to reconcile net income (loss) to net cash</b>		
Prepaid Expenses	1,630	(23,180)
Loan from Officer	-	-
Depreciation	2,640	117
Accrued Expenses	62,963	89,584
Stock Based Compensation	214,874	4,032,000
Accounts payable	164,243	52,518
Warrant Expense	3,906,996	-
Note Derivative Liability	980,730	-
Beneficial Conversion Feature	803,335	3,995,500
<b>CASH USED IN OPERATING ACTIVITIES</b>	<b><u>(2,243,677)</u></b>	<b><u>(2,360,554)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed Assets – Computer Software and Equipment	(21,339)	(7,014)
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b><u>(21,339)</u></b>	<b><u>(7,014)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance (repayment/conversion) of Convertible Promissory Notes	(1,561,500)	3,070,500
Proceeds from stock issuance	2,160,536	1,064,148
Note Receivable	-	-
<b>CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b><u>599,036</u></b>	<b><u>4,134,648</u></b>
<b>Net increase (decrease) in cash</b>	<b>(1,665,980)</b>	<b>1,767,080</b>
<b>Cash, beginning of period</b>	<b><u>1,767,080</u></b>	<b><u>-</u></b>
<b>Cash, end of period</b>	<b><u>\$ 101,100</u></b>	<b><u>\$ 1,767,080</u></b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
<b>NON-CASH INVESTING ACTIVITIES</b>		
Subscription receivable created from issuance of note payable	\$ -	\$ 100,000
<b>NON-CASH FINANCING ACTIVITIES</b>		
Note payable issued in exchange for a Subscription receivable	-	100,000
Common stock issued for compensation	(214,874)	4,032,000
Convertible Promissory Notes issued as Compensation – related party	\$ -	\$ 175,000
Conversion of Convertible Promissory Notes to Common Stock	(2,035,500)	

*The accompanying notes are an integral part of these financial statements.*



**QUANTUM COMPUTING INC.**  
**(Formerly Innovative Beverage Group Holdings, Inc.)**  
Notes to Financial Statements  
December 31, 2019  
(Audited)

Note 1 – Organization and Summary of Significant Accounting Policies:

Organization:

Quantum Computing Inc., formerly known as Innovative Beverage Group Holdings, Inc. a Delaware corporation (the “Company”) was the surviving entity as the result of a merger between Ticketcart, Inc. and Innovative Beverage Group, Inc., both Nevada corporations. Innovative Beverage Group, Inc. was the surviving entity as the result of a merger between Kat-A-Tonic Distributing, Inc., a Texas corporation and United European Holdings, Ltd., a Nevada Corporation.

History

Quantum Computing Inc. (“QCI” or the “Company”), was incorporated in the State of Nevada on July 25, 2001 as Ticketcart, Inc. Ticketcart’s original business plan involved in the sale of ink-jet cartridges online. Ticketcart offered remanufactured and compatible cartridges for Hewlett-Packard, Epson, Lexmark, and Canon inkjet printers. On July 25, 2007, Ticketcart, Inc. acquired Innovative Beverage Group, Inc. and changed its name to Innovative Beverage Group Holdings, Inc. (“IBGH”) to better reflect its business operations at the time which was beverage distribution and product development. In 2013, IBGH ceased operations. On May 22, 2017, one of IBGH’s shareholders, William Alessi (the “Plaintiff”), filed suit against the Company alleging “(1) fraud; and (2) breach of fiduciary duties of care, loyalty and good faith to the Corporation’s shareholders.” Mr. Alessi’s complaint alleged that the officers and directors of IBGH had abandoned it and allowed the Company’s assets to be wasted, causing injury to the Company and its shareholders. Mr. Alessi sought damages of \$30,000 for each claim, plus reimbursement of filing costs of \$1,000, and the appointment of a Receiver for the Company.

On August 28, 2017, the North Carolina Court, Superior Court Division (the “North Carolina Court”), entered a default judgment for Plaintiff and appointed an exclusive Receiver (the “Receiver”) over the Company. The default judgment provided that Innovative Beverage Group Holdings, Inc. was (i) to issue to the Plaintiff 18,500,000 shares of free-trading stock without registration under Section 3(a)(10) of the Securities Act of 1933, as amended, (ii) issue 100,000,000 shares of stock to Innovative Beverage Group Holdings, Inc.’s treasury, and (iii) that the receivership be terminated upon any change of control, and that any and all claims against Innovative Beverage Group Holdings, Inc. that were not submitted to the Receiver as of September 16, 2017, were disallowed. On October 4, 2017 the Receiver filed Articles of Incorporation in North Carolina for Innovative Beverage Group Holdings, Inc., a wholly-owned subsidiary of the Company, (“IBGH North Carolina”). On October 26, 2017, Innovative Beverage Group, redomiciled to North Carolina.

On January 22, 2018, while the Company was in receivership, the Company (acting through the court-appointed receiver in her capacity as CEO and sole Director of the Company) sold 500,000 shares (the “CRG Shares”) of its common stock to Convergent Risk Group (“CRG”), an entity owned and operated by the Company’s Chief Executive Officer, Robert Liscouski, for \$155,000. On February 21, 2018, by written consent of the majority shareholder (Convergent Risk), Mr. Robert Liscouski (the Chief Executive Officer of Convergent Risk) and Mr. Christopher Roberts were elected as members of the Company’s Board of Directors. Mr. Liscouski was simultaneously elected as Chairman of the Board. The majority shareholder also directed the Company to take the necessary action to change its domicile from North Carolina to Delaware and change its name to Quantum Computing Inc. On February 21, 2018 the Company filed Articles of Conversion in North Carolina to convert the Company to a Delaware corporation with the name changed to Quantum Computing Inc. On February 22, 2018 the Company filed a Certificate of Conversion in Delaware to convert to a Delaware corporation with the name changed to Quantum Computing Inc. and re-domiciled to the state of Delaware on February 23, 2018.

**QUANTUM COMPUTING INC.**  
**(Formerly Innovative Beverage Group Holdings, Inc.)**  
Notes to Financial Statements  
December 31, 2019  
(Audited)

Business

Quantum Computing Inc. (OTCQB: QUBT) is a technology company that is an emerging leader in the development of “quantum-ready” software application and solutions for companies looking to leverage the capabilities of quantum computing and quantum computing-inspired processing capabilities. We plan to leverage our collective expertise in finance, computing, mathematics, physics, and software development to develop a suite of quantum software applications that may enable global industries to utilize quantum computers and simulators to improve their processes, profitability, and security. We believe the quantum computer holds the potential to disrupt several global industries, and may be one of the most significant technological advances in processing capability.

The Company has adopted a “two-division” development strategy for quantum computing applications:

- Software Applications to solve high value compute-intensive problems, and
- Software Stack that enables the Software Applications to run on a variety of quantum computers, including annealers and gate quantum computers.

The initial focus for our Software Application division is the financial services sector. We anticipate other potential markets for quantum computing applications include industries in the field of machine learning, logistics, healthcare, and cybersecurity.

We intend to be a leading provider of software that run on quantum computers. we are focused on being an enabler – creating software that will realize the advantages of advanced computing hardware for clients aiming to be “Quantum Ready”.

The first commercial market for which we are developing a software product to be adopted is in the financial technology or “FinTech” market, for which we are developing quantitative financial related products such as a financial portfolio optimizer. The portfolio optimizer is designed to help financial advisors and investment managers allocate their capital across multiple asset classes or investment options (stocks bonds, commodities, ETFs, etc.) so as to achieve the highest return with the lowest expected aggregate risk. The finance industry has used quantitative finance software applications for several decades. However, existing products have been limited in their performance due to the lack of computing power needed to solve the relevant classes of optimization problems.

Our longer-term software development plan targets the optimization problems known as *NP-complete* problems, which are a class of mathematical problems that can in principle be solved by conventional computers but the solution requires time that grows exponentially with the size of the problem. These NP-complete problems require complex calculations, which cannot currently be performed in reasonable amounts of time for problem sizes relevant to many industrial uses using conventional computer systems. These problems are intractable because of the inability of classical bit-based systems to handle combinatorial problems at scale. The recent developments in quantum annealing and other quantum hardware suggests that these new technologies may soon deliver computational benefit.

Additional application markets we intend to explore beyond FinTech include Big Data, Artificial Intelligence, Healthcare, and Cybersecurity. We believe these are natural markets for quantum computing, due to the immense computer power required to process large data sets, which have experienced exponential growth in size and complexity in recent years. We are in the process of negotiating partnerships with Artificial Intelligence and Big Data firms to develop algorithms to identify behavioral trends and characteristics based on commercially available signals and geo-location data. We believe our focus and expertise have positioned the Company to pursue contract opportunities in the US government and commercial sectors based on our experience in specific areas of counterterrorism and behavioral analysis.

To achieve these goals, we have assembled a team with deep expertise in financial services, quantitative and applied mathematics, high-performance computing, quantum physics, and machine learning fields. We plan to file patents for new technology we may develop over the coming months based on our current progress, but we cannot guarantee this timeline or that we will be awarded any such patents in the future.

**QUANTUM COMPUTING INC.**  
**(Formerly Innovative Beverage Group Holdings, Inc.)**  
Notes to Financial Statements  
December 31, 2019  
(Audited)

Business Strategy

The Company plans to enter the market for high performance computers and software applications, specifically focusing on what are known as “quantum computers”. The Company has assembled a team of experienced engineers in super computing technology and quantum mathematics, which will focus on design and development of several quantum software applications that target solutions to problems including non-deterministic polynomial applications.

The Company has hired physicists, applied mathematicians (algorithm developers) and software developers to support the technical team in developing and designing quantum software applications. Applied mathematicians develop the algorithms and algorithm/software developers design software solutions utilizing the algorithms provided to them by mathematicians. Software engineers test the algorithm code to ensure reliable and accurate performance of the software product.

In addition, the Company has retained outside leading industry experts from well-known institutions from the financial services industry and leading financial institutions, and expects to retain additional advisors from cybersecurity firms and government agencies to serve as technical advisors to the Company. We have formed an advisory board of additional subject matter experts, which is expected to assist us to shape our business strategy and direction as well as work with us to establish our market approach. The Company is also pursuing US Government initiatives in quantum computing and AI, including grants and funding, that are fostering U.S. innovation in those domains.

The Company does not currently intend to be a hardware manufacturer. However, due to the cutting-edge nature of quantum computing and the high cost and limited availability of quantum computers, as well as limitations on the capabilities of existing quantum simulators, we may find it necessary over the next two years to develop our own quantum simulators upon which we can develop and test our quantum software products. If such development becomes necessary, our simulators are expected to emulate the characteristics and capabilities of a quantum computer such as superposition and quantum entanglement. Our plan is to license our software as a cloud-based service, but we are not ruling out selling turn-key hardware systems that would incorporate and support our own quantum inspired computing solutions.

**QUANTUM COMPUTING INC.**  
**(Formerly Innovative Beverage Group Holdings, Inc.)**  
Notes to Financial Statements  
December 31, 2019  
(Audited)

The Company's technical leadership intends to leverage industry expertise and innovative methods to develop quantum computer application solutions capable of solving increasingly complex problems in a more rapid and thorough manner. The Company will initially focus on addressing computational problems in the financial services, and cybersecurity quantum-secure encryption markets, followed later by addressing problems in the AI and genetics marketplaces.

The Company's fiscal year end is December 31.

Basis of Presentation:

The accompanying Balance Sheet as of December 31, 2019, which was derived from audited financial statements, and the unaudited interim financial statements of the Company have been prepared in accordance with U.S. GAAP for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, the accompanying audited, financial statements contain all adjustments necessary to present fairly the financial position of the Company as of December 31, 2019, and the cash flows and results of operations for the twelve months then ended. Such adjustments consisted only of normal recurring items. The results of operations for the twelve months ended December 31 are not necessarily indicative of the results for subsequent periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The accounting policies followed by the Company are set forth in Note 1 to the Company's consolidated financial statements contained in the Company's 2018 Form 10-K, filed with Securities and Exchange Commission, and it is suggested that these financial statements be read in conjunction therewith.

Accounting Changes

Except for the changes discussed below, Quantum has consistently applied the accounting policies to all periods presented in these unaudited financial statements.

Adoption of ASC 842

On January 1, 2019, we adopted FASB Accounting Standards Codification, or ASC, Topic 842, Leases ("ASC 842") which requires the recognition of the right-of-use assets and relating operating and finance lease liabilities on the balance sheet. As permitted by ASC 842, we elected the adoption date of January 1, 2019, which is the date of initial application. As a result, the consolidated balance sheet prior to January 1, 2019 was not restated, continues to be reported under ASC Topic 840, Leases ("ASC 840"), which did not require the recognition of operating lease liabilities on the balance sheet, and is therefore not comparative. Under ASC 842, all leases are required to be recorded on the balance sheet and are classified as either operating leases or finance leases. The lease classification affects the expense recognition in the income statement. Operating lease charges are recorded entirely in operating expenses. Finance lease charges are split, where amortization of the right-of-use asset is recorded in operating expenses and an implied interest component is recorded in interest expense. The expense recognition for operating leases and finance leases under ASC 842 is substantially consistent with ASC 840. As a result, there is no significant difference in our results of operations presented in our consolidated income statement and consolidated statement of comprehensive income for each period presented.

**QUANTUM COMPUTING INC.**  
**(Formerly Innovative Beverage Group Holdings, Inc.)**  
Notes to Financial Statements  
December 31, 2019  
(Audited)

We adopted ASC 842 using a modified retrospective approach for all leases existing at January 1, 2019. The adoption of ASC 842 had a minor impact on our balance sheet. The most significant impact was the recognition of the operating lease right-of-use assets and the liability for operating leases. The accounting for finance leases (capital leases) was substantially unchanged. Accordingly, upon adoption, leases that were classified as operating leases under ASC 840 were classified as operating leases under ASC 842, and we recorded an adjustment of \$2,491 to operating lease right-of-use asset and the related lease liability. The lease liability is based on the present value of the remaining minimum lease payments, determined under ASC 840, discounted using our incremental borrowing rate at the effective date of January 1, 2019. As permitted under ASC 842, we elected several practical expedients that permit us to not reassess (1) whether a contract is or contains a lease, (2) the classification of existing leases, and (3) whether previously capitalized costs continue to qualify as initial indirect costs. The application of the practical expedients did not have a significant impact on the measurement of the operating lease liability. As of December 31, 2018 and December 31, 2019 we had no finance leases.

The impact of the adoption of ASC 842 on the balance sheet at December 31, 2018 was:

	<b>As Reported December 31, 2018</b>	<b>Adoption of ASC 842 Increase (Decrease)</b>	<b>Revised Balance January 1, 2019</b>
Other Current Assets	1,767,080		1,767,080
Operating Lease right-of-use assets	-	2,491	2,491
Total assets	1,797,156	2,491	1,799,647
Other current liabilities	3,314,102		3,314,102
Lease Liability-current	-	2,491	2,491
Long-term Liabilities	-	-	-
Total Liabilities and equity	1,797,156	2,491	1,799,647

We lease substantially all our office space used to conduct our business. We adopted ASC 842 effective January 1, 2019. For contracts entered into on or after the effective date, at the inception of a contract we assess whether the contract is, or contains, a lease. Our assessment is based on (1) whether the contract involves the use of a distinct identified asset, (2) whether we obtain the right to substantially all the economic benefit from the use of the asset throughout the period, and (3) whether we have the right to direct the use of the asset. At inception of a lease, we allocate the consideration in the contract to each lease component based on its relative stand-alone price to determine the lease payments. Leases entered into prior to January 1, 2019 are accounted for under ASC 840 and were not reassessed.

Leases are classified as either finance leases or operating leases. A lease is classified as a finance lease if any one of the following criteria are met: (1) the lease transfers ownership of the asset by the end of the lease term, (2) the lease contains an option to purchase the asset that is reasonably certain to be exercised, (3) the lease term is for a major part of the remaining useful life of the asset or (4) the present value of the lease payments equals or exceeds substantially all of the fair value of the asset. A lease is classified as an operating lease if it does not meet any one of these criteria. Substantially all our operating leases are comprised of office space leases and as of December 31, 2018 and December 31, 2019 we had no finance leases.

For all leases at the lease commencement date, a right-of-use asset and a lease liability are recognized. The right-of-use asset represents the right to use the leased asset for the lease term. The lease liability represents the present value of the lease payments under the lease. The Company is currently leasing space on a month-to-month basis while we evaluate alternatives for expansion facilities. Accordingly, no right-of-use asset or lease liability are currently recognized.

The right-of-use asset is initially measured at cost, which primarily comprises the initial amount of the lease liability, plus any initial direct costs incurred, consisting mainly of brokerage commissions, less any lease incentives received. All right-of-use assets are reviewed for impairment. The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, our secured incremental borrowing rate for the same term as the underlying lease. For our real estate and other operating leases, we use our secured incremental borrowing rate. For our finance leases, we use the rate implicit in the lease or our secured incremental borrowing rate if the implicit lease rate cannot be determined.





**QUANTUM COMPUTING INC.**  
**(Formerly Innovative Beverage Group Holdings, Inc.)**  
Notes to Financial Statements  
December 31, 2019  
(Audited)

Lease payments included in the measurement of the lease liability comprise the following: the fixed noncancelable lease payments, payments for optional renewal periods where it is reasonably certain the renewal period will be exercised, and payments for early termination options unless it is reasonably certain the lease will not be terminated early.

Lease expense for operating leases consists of the lease payments plus any initial direct costs, primarily brokerage commissions, and is recognized on a straight-line basis over the lease term.

#### Adoption of ASU 2018-02

On January 1, 2019, we adopted ASU 2018-02, Income Statement – Reporting Comprehensive Income: Reclassification of Certain Tax effects from Accumulated Other Comprehensive Income (“ASU 2018-02”), which requires the reclassification from accumulated other comprehensive income to retained earnings for the stranded tax effects arising from the reduction of the U.S. federal statutory income tax rate from 35% to 21%, effective January 1, 2018. ASU 2018-02 modifies ASC 740, Income Taxes (“ASC 740”), which requires businesses to adjust the value of deferred tax assets and liabilities upon a change in the tax law. ASC 740 specifies that changes in tax assets and liabilities related to the tax rate change must be presented in earnings, even when the corresponding deferred taxes relate to items initially recognized in accumulated other comprehensive income such as pension adjustments, gains or losses on cash flow hedges, foreign currency translation adjustments and unrealized gains or losses on available-for-sale securities. The Company had no deferred tax assets or liabilities as of December 31, 2017, accordingly there were no stranded tax effects to reclassify and the adoption of ASU 2018-02 had no impact on the Company’s financial statements.

#### Adoption of ASU 2018-07

On January 1, 2019, we adopted ASU 2018-07, Improvements to Nonemployee Share-Based Payment Accounting (“ASU 2018-07”), which aligns the accounting for share-based payments to nonemployees for goods and services with the requirements for accounting for share-based payments to employees under ASC 718 Compensation - Stock Compensation. ASU 2018-07 provides that nonemployee share-based payments are measured at the grant date at the fair value of the equity instruments to be provided to the nonemployee when the goods or services have been delivered. Prior to ASU 2018-07 nonemployee share-based payments were measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever could be more reliably measured.

We adopted ASU 2018-07 using a modified retrospective approach with a cumulative effect adjustment to retained earnings as of the implementation date for all nonemployee share-based payments that (1) have not been settled as of the adoption date and (2) nonemployee share-based payments for which a measurement date has not been established. We made no adjustment to retained earnings as a result of adopting ASU 2018-07.

#### Use of Estimates:

These financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America. Because a precise determination of assets and liabilities, and correspondingly revenues and expenses, depends on future events, the preparation of financial statements for any period necessarily involves the use of estimates and assumption an example being assumptions in valuation of stock options. Actual amounts may differ from these estimates. These financial statements have, in management’s opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

#### Cash and Cash Equivalents

The Company’s policy is to present bank balances under cash and cash equivalents, which at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

#### Property and Equipment

Property and equipment are stated at cost or contributed value. Depreciation of furniture, software and equipment is calculated using the straight-line method over their estimated useful lives, and leasehold improvements are amortized on a straight-line basis over the

shorter of their estimated useful lives or the lease term. The cost and related accumulated depreciation of equipment retired or sold are removed from the accounts and any differences between the undepreciated amount and the proceeds from the sale are recorded as a gain or loss on sale of equipment.

Net Loss Per Share:

Net loss per share is based on the weighted average number of common shares and common shares equivalents outstanding during the period.

**QUANTUM COMPUTING INC.**  
**(Formerly Innovative Beverage Group Holdings, Inc.)**  
 Notes to Financial Statements  
 December 31, 2019  
 (Audited)

Note 2 – Federal Income Taxes:

The Company has made no provision for income taxes because there have been no operations to date causing income for financial statements or tax purposes.

The Financial Accounting Standards Board (FASB) has issued Statement of Financial Accounting Standards Number 109 (“SFAS 109”). “Accounting for Income Taxes”, which requires a change from the deferred method to the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of “temporary differences” by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities.

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Net operating loss carry-forwards	\$ 1,294,728	\$ 310,755
Valuation allowance	(1,294,728)	(310,755)
Net deferred tax assets	\$ -	\$ -

At December 31, 2019, the Company had net operating loss carry forwards of approximately \$1,294,728.

The Company experienced a change in control during the 2018 and 2019 calendar years and therefore no more than an insignificant portion of this net operating allowance will ever be used against future taxable income.

Note 3 – Going Concern

The Company’s financial statements have been prepared on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company has earned no revenue from operations in the twelve-month periods ended December 31, 2019 and 2018, and has an accumulated deficit of \$28,760,955 and \$20,379,867 respectively. The Company’s ability to continue as a going concern is dependent upon its ability to develop additional sources of capital or ultimately acquire an entity which the Company hopes will become profitable at some time in the near future. The accompanying financial statements do not include any adjustments that might result from the outcome of these uncertainties. Management is seeking additional capital to finance the operations of the Company.

Note 4 – Financial Accounting Developments:

Recently Issued Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, we believe that the impact of recently issued standards that are not yet effective will not have a material impact on our financial position or results of operations upon adoption.

**QUANTUM COMPUTING INC.**  
**(Formerly Innovative Beverage Group Holdings, Inc.)**  
 Notes to Financial Statements  
 December 31, 2019  
 (Audited)

Note 5 – Subscription Receivable

The Company assumed a promissory note from one of the Initial Investors to Convergent Risk Group, LLC (see Note 9 – Related Parties) in the amount of \$100,000, which is payable by the Initial Investor on or before December 31, 2019. The promissory note was issued in payment for a promissory note from Convergent to the Initial Investor, which has also been assumed by the Company in exchange for a Convertible Promissory Note in the amount of \$100,000, convertible to Company common shares at a conversion price of \$0.10 per share. If the promissory note is paid in full on or before December 31, 2020, the Company's Convertible Promissory Note will convert and shares will be issued. If the promissory note is not paid in full on or before December 31, 2020, the Company's Convertible Promissory Note held by this investor will be cancelled, and no shares will be issued.

Note 6 – Property and Equipment

<b>Classification</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Hardware & Equipment	\$ 28,353	\$ 7,014
Software	0	0
Total cost of property and equipment	28,353	7,014
Accumulated depreciation	2,757	117
Property and equipment, net	<u>\$ 25,596</u>	<u>\$ 6,897</u>

The Company made Property and Equipment acquisitions of \$21,339 during the twelve months ended December 31, 2019. The Company depreciates computer equipment over a period of five years.

Note 7 – Convertible Promissory Notes

In March 2018 the Board authorized the Company to issue non-interest bearing convertible promissory notes at a conversion price of \$0.10 per share to the Initial Investors and others and \$500,000 of these convertible notes have been issued, for which only \$225,000 has been received by the Company in cash.

On May 24, 2018 the Board authorized a private placement of convertible promissory notes in the aggregate amount up to \$15,000,000 at a conversion price of \$1.00 per share (the "Convertible Note Offering"). The Notes accrue interest at eight percent (8%) per annum and are convertible into common stock of the Company at any time prior to or at the Maturity Date, twelve months from the Issuance Date. In connection with the \$1.00 Convertible Note Offering, the Company received funds of \$3,495,500 as of December 31, 2018. The Board terminated the Convertible Note Offering in October, 2018.

In total, the Company has issued convertible promissory notes of principal value \$3,995,500, for which the Company has received a total of \$3,720,500 in funds.

The convertible promissory notes were issued at different times during the year, and the difference between the conversion prices of the notes and the fair market value of the Company's common stock at the date of the investment, as measured by the closing price on the OTC Markets, was recorded as a Beneficial Conversion Feature interest expense.

**QUANTUM COMPUTING INC.**  
**(Formerly Innovative Beverage Group Holdings, Inc.)**  
Notes to Financial Statements  
December 31, 2019  
(Audited)

In June 2019, the Company refunded \$26,000 to a convertible promissory note investor. The accrued interest on that promissory note was written off by agreement with the investor.

In August 2019 the Company converted \$1,994,500 principal amount of Convertible Promissory Notes convertible at \$1.00 plus \$124,997 of accrued interest into 2,119,525 restricted shares of common stock per the terms of the Convertible Note subscription agreements the Company entered into in 2018 with 59 accredited investors. Accrued interest on the Notes was rounded up to the next whole dollar so the Company did not issue fractional shares. Also, in August, the Company converted \$21,000 principal amount of Convertible Promissory Notes (non-interest bearing) convertible at \$0.10 into 210,000 shares of common stock

In October 2019 the Company entered into a Securities Purchase Agreement (the "SPA"), dated October 14, 2019 and effective October 16, 2019 (the "Issuance Date"), by and between the Company and Auctus Fund, LLC, a Delaware limited liability company ("Auctus"), pursuant to which Auctus purchased from the Company, for a purchase price of \$500,000 (the "Purchase Price"): (i) a Convertible Promissory Note in the principal amount of \$500,000.00 (the "Auctus Note"); (ii) a common stock purchase warrant permitting Auctus to purchase up to 500,000 shares of the Company's common stock, par value \$0.0001 per share (the "Common Stock"), at an exercise price of \$2.75 per share (the "First Warrant"); (iii) a common stock purchase warrant permitting Auctus to purchase up to 350,000 shares of the Company's Common Stock at an exercise price of \$3.75 per share (the "Second Warrant"); and (iv) a common stock purchase warrant permitting Auctus to purchase up to 275,000 shares of the Company's Common Stock at an exercise price of \$4.75 per share (the "Third Warrant" and together with the First Warrant and the Second Warrant, the "Warrants", and together with the Note, the "Securities").

The Auctus Note accrues interest at a rate of ten percent (10%) per annum and matures on October 14, 2020 (the "Maturity Date"). If the Company prepays the Auctus Note, the Company shall pay all of the principal and interest, together with a prepayment penalty ranging from 125% to 150% depending upon the date of such prepayment. The Auctus Note contains customary events of default (each an "Event of Default"). If an Event of Default occurs, all outstanding obligations owing under the Auctus Note will become immediately due and payable in cash or Common Stock at Auctus' election. Any outstanding obligations owing under the Auctus Note which is not paid when due shall bear interest at the rate of twenty four percent (24%) per annum.

The Auctus Note is convertible into shares of the Company's Common Stock, subject to the adjustments described therein. The conversion price (the "Conversion Price") shall equal the lesser of: (i) \$1.50, and (ii) 50% multiplied by the lowest trading price for the Common Stock during the twenty-five (25) trading day period ending on the latest complete trading day prior to the conversion date (representing a discount rate of 50%). Notwithstanding anything contained in the Auctus Note to the contrary, prior to the occurrence of an Event of Default, the Conversion Price shall not be less than \$1.50 per share (the "Floor Price"). The Floor Price is subject to adjustment at the six (6) and nine (9) month anniversary of the Issuance Date. In the event that the Floor Price as of such dates is less than 70% multiplied by the volume weighted average price (VWAP) of the Common Stock during the five (5) trading day period immediately prior to such dates, the Floor Price is adjusted to such lesser amount.

Under the terms of the SPA, subject to certain conditions, upon effectiveness of a registration statement on Form S-1 (the "Registration Statement") filed with the U.S. Securities and Exchange Commission (the "Commission") registering all of the shares of Common Stock underlying the Auctus Note and the Warrants, Auctus agreed to provide the Company with an additional investment of up to \$1,000,000 through the issuance of an additional note or notes, as applicable (the "Additional Notes" together with the Note, the "Notes").

**QUANTUM COMPUTING INC.**  
**(Formerly Innovative Beverage Group Holdings, Inc.)**  
Notes to Financial Statements  
December 31, 2019  
(Audited)

The Auctus Notes and Warrants were not registered under the Securities Act, but qualified for exemption under Section 4(a)(2) and/or Regulation D of the Securities Act. The securities were exempt from registration under Section 4(a)(2) of the Securities Act because the issuance of such securities by the Company did not involve a “public offering,” as defined in Section 4(a)(2) of the Securities Act, due to the insubstantial number of persons involved in the transaction, size of the offering, manner of the offering and number of securities offered. The Company did not undertake an offering in which it sold a high number of securities to a high number of investors. In addition, the investor had the necessary investment intent as required by Section 4(a)(2) of the Securities Act since the investor agreed to, and received, the securities bearing a legend stating that such securities are restricted pursuant to Rule 144 of the Securities Act. This restriction ensures that these securities would not be immediately redistributed into the market and therefore not be part of a “public offering.” Based on an analysis of the above factors, the Company has met the requirements to qualify for exemption under Section 4(a)(2) of the Securities Act.

In connection with the SPA, the Company entered into a Registration Rights Agreement (the “RRA”) pursuant to which it committed (i) use its best efforts to file with the Commission the Registration Statement within ninety (90) days of the Issuance Date; and (ii) have the Registration Statement declared effective by the Commission within one hundred fifty (150) days of the Issuance Date. The Company filed a Registration Statement with the Commission in November 2019 and it was declared effective in December 2019, registering 1,625,000 shares.

On January 2020 the Board authorized a private placement of convertible promissory notes in the aggregate amount up to \$5,000,000 at a conversion price of \$1.50 per share (the “Second Convertible Note Offering”). The Notes accrue interest at eight percent (8%) per annum and are convertible into common stock of the Company at any time prior to or at the Maturity Date, twelve months from the Issuance Date. In connection with the \$1.50 Second Convertible Note Offering, the Company received funds of \$100,000 as of March 27, 2020.

Note 8 – Capital Stock:

On March 1, 2018 the Board authorized the Company to raise up to \$500,000 of equity capital at price of \$0.40 per share of common stock (the “Initial Raise”). In connection with the Initial Raise, the Company received subscriptions for \$75,000, and issued shares of restricted common stock pursuant to the Subscription Agreements. On September 5, 2018 the Board formally concluded the Initial Raise and ceased accepting investments.

On April 13, 2018, The Company’s board of directors authorized a 1:200 reverse stock split on the shares of the Company’s common stock. Accordingly, all references to numbers of common shares and per-share data in the accompanying financial statements have been adjusted to reflect the stock split on a retroactive basis. The Board and the majority stockholder also amended the Company’s Articles of Incorporation to increase the authorized capital of the company to 260,000,000 shares, consisting of 250,000,000 shares of common stock and 10,000,000 shares of preferred stock.

**QUANTUM COMPUTING INC.**  
**(Formerly Innovative Beverage Group Holdings, Inc.)**  
Notes to Financial Statements  
December 31, 2019  
(Audited)

In September 2018, the Company issued 4,800,000 shares of restricted common stock to key management and technical personnel, pursuant to their respective employment agreements which were entered into and executed in July 2018 and made effective as of March 1, 2018, the date employment with the Company commenced. The Company recognized stock-based compensation expense of \$24.2 million in connection with the grants of stock to key management and technical personnel, pursuant to ASC 718. The expense amount was calculated based on the closing price of the Company stock on the OTC Markets on the date the grants were executed. In November 2018, two of the key management employees resigned from the Company and returned all of their stock grants to the Company, for a total of 4,000,000 shares. The return of the stock grants was treated as a forfeiture under ASC 718 and accordingly the Company reversed \$20.16 million of the stock-based compensation expense after the shares were returned to the Company and cancelled.

The terms of the employee stock grants are spelled out in Restricted Stock Agreements and Lock Up Agreements (the “Stock Agreements”), which the Company entered into with each employee. The Stock Agreements specify that the stock grants are subject to restrictions spelled out in a restrictive legend, and that the grants vest in full upon the first date of employment. In addition, the employee is also subject to the Lock Up Agreement for three years from the date of employment. The Lock Up Agreement precludes the employee from selling, granting, lending, pledging, offering or in any way, directly or indirectly disposing of the shares granted by the Company. Because one hundred percent (100%) of the shares vest on the first day of employment, the employee has all of the rights of a shareholder including the ability to receive dividends and vote the shares. However, if the employee terminates their employment prior to the third anniversary of his/her date of hire, the Company has a right to recoup a portion of the stock grant. Specifically, the Company can recoup two thirds of the stock grant until the second anniversary date, and one third of the stock grant between the second and third anniversary dates. After the third anniversary date, the Company has no further recoupment rights.

To properly account for the compensation expense associated with the stock grants under ASC 718, we first analyzed whether there was a “requisite service period” associated with the stock grants. Because the shares vest immediately, we determined that there was no requisite service period, and the employees received taxable compensation as of the date of grant. We also examined whether there were conditions associated with the employee stock grants that would affect recording of compensation expense. We determined that the Company’s recoupment or “clawback” right constitutes a contingent feature of a stock grant such as a clawback feature that should be accounted for if, and when, the contingent event occurs. Moreover, while the company has a legal right to recoup shares under certain conditions, in practice there are a number of procedural hurdles we would have to overcome to actually get the shares back if the terminated employee does not voluntarily surrender the certificate, and there is no guarantee we would succeed. Therefore, because the restricted stock grants vested in full upon the Effective Date, and the clawback right is a contingent condition, in accordance with ASC 718 we determined that the full amount of the fair market value of the shares should be recognized as compensation expense as of the date of the grant, rather than recognizing the stock based compensation expense pro rata over the three year period of the contingent clawback feature.

In October 2018 the Company converted \$725,000 principal amount of Convertible Promissory Notes, plus \$16,711 of accrued interest, into 1,510,377 shares of common stock. The Company also issued 130,000 shares of common stock to CNLT, LLC, pursuant to the non-dilution covenant directed by the 2017 North Carolina court order. The shares were issued under Section 3(a)(10) of the Securities Act.

In December 2018 the Company converted \$100,000 principal amount of Initial Investor promissory notes, plus accrued interest of \$2,422, into 1,002,422 shares of common stock.

**QUANTUM COMPUTING INC.**  
**(Formerly Innovative Beverage Group Holdings, Inc.)**  
Notes to Financial Statements  
December 31, 2019  
(Audited)

In March 2019 the Company issued 25,000 shares of common stock to Lyons Capital, LLC, an investor relations firm, as compensation for services pursuant to the terms of an agreement the Company entered into with Lyons Capital in December 2018.

In June 2019 the Company converted \$20,000 principal amount of Convertible Promissory Notes into 200,000 shares of common stock. The Company also issued 350,000 shares of common stock to CNLT, LLC, pursuant to the non-dilution covenant directed by the 2017 North Carolina court order. The shares were issued under Section 3(a)(10) of the Securities Act.

In May 2019 the Company terminated an employee who had received a grant of 400,000 shares of restricted stock in September 2018 pursuant to an employment agreement. In August 2019 the Company exercised its rights under the Restricted Stock Agreement to recoup a portion of the original grant. The Company received back 266,640 shares of common stock from the former employee and the partial return of the stock grant was treated as a forfeiture under ASC 718 and accordingly the Company reversed \$1,343,866 of the stock-based compensation expense previously recorded, after the shares were returned to the Company and cancelled. This is consistent with ASC 718 and the Company's prior practice, as detailed above.

In August 2019 the Company converted \$2,015,500 principal amount of Convertible Promissory Notes plus \$124,997 of accrued interest into 2,329,525 restricted shares of common stock.

Note 9 – Related Party Transactions

Convergent Risk Group, LLC

To finance the acquisition of the control block of shares in IBGH, an investor group (the "Initial Investors."), loaned Convergent Risk Group, LLC (Convergent) \$275,000, in exchange for Promissory Notes from Convergent (the "Promissory Notes") in the total amount of \$275,000. Convergent, a Virginia limited liability company, is owned 100% by Mr. Robert Liscouski, who is the CEO and currently the majority shareholder of the Company. To induce Mr. Liscouski to serve as CEO of the Company, the Company assumed the "Promissory Notes" in the total amount of \$275,000 and certain liabilities (the "Liabilities"). The Liabilities and the Promissory Notes are collectively the "Convergent Liabilities." The Convergent Liabilities assumed by the Company were exchanged for Convertible Promissory Notes issued by the Company for \$275,000 (the same amount that Convergent had issued them for). The Convertible Promissory Notes accrue interest at eight percent (8%) per annum and are convertible into common stock of the Company at a conversion price of \$0.10 per share at any time prior to or at August 10, 2019. The Company also assumed a promissory note from one of the Initial Investors to Convergent in the amount of \$100,000, which is payable on or before June 30, 2019. While the conversion of the Convertible Promissory Notes is mandatory at the maturity date, August 10, 2020, the election to convert is at the option of the Initial Investor. The Company has no obligation to repay the Initial Investors in cash. However, the conversion of the Convertible Promissory Notes will result in dilution of other shareholders once the Initial Investors convert their notes into the Company's common stock.

REMTC, Inc.

To provide the Company with a highly secure development environment and intra-company data management and communication system, the Company contracted with REMTC, Inc. ("REMTC"), an entity wholly owned by Richard Malinowski, who was the Company's Chief Technology and Operations Officer at the time, to acquire the necessary hardware and software, configure and install the REMTC proprietary security system, known as "PASS." The total cost of the PASS System was approximately \$670,000 which the Company paid to REMTC. In November 2018, Mr. Richard Malinowski informed the Company of his decision to resign as Chief Technology and Operations Officer and the Board accepted his resignation and that of Mr. Thomas Kelly. The Company and REMTC have unwound the PASS agreement and the Company expects to receive approximately \$670,000 back from Mr. Malinowski and REMTC. The Company determined that the PASS System was unusable and therefore impaired, and wrote off the remaining undepreciated value of the PASS system as of December 31, 2018. In March 2019 the Company commenced litigation in New Jersey state court against REMTC, Mr. Malinowski and Mr. Kelly to recover the cost of the PASS System. In January 2020 the Company entered into a settlement of its claims against REMTC, Mr. Malinowski and Mr. Kelly and the litigation in New Jersey was dismissed.



**QUANTUM COMPUTING INC.**  
**(Formerly Innovative Beverage Group Holdings, Inc.)**  
Notes to Financial Statements  
December 31, 2019  
(Audited)

Note 10 – Reclassifications:

Certain reclassifications have been made to the prior period financial statements to conform to the current period financial statement presentation. Specifically, the Beneficial Conversion Feature expense relating to the offering of Convertible Promissory Notes in 2018 has been allocated to the periods in which the Promissory Notes were issued. These reclassifications had no effect on net earnings or cash flows as previously reported for calendar year 2018.

Note 11 – Subsequent Events:

In January 2020, the Company entered into a settlement agreement with RETMC, Mr. Richard Malinowski and Mr. Thomas Kelly to settle all claims against the parties. Upon receipt of the settlement payment the Company dismissed its litigation against REMTC, Mr. Malinowski and Mr. Kelly in the New Jersey State Courts.

In January 2020 the Auctus Fund LLC exercised its option to convert \$21,305 of the principal of its Convertible Note and accrued interest and fees of \$8,695 (a total of \$30,000) into 20,000 shares of the Company's common stock. The principal balance remaining on the Note following this conversion was \$478,695.

In February 2020 the Auctus Fund LLC exercised its option to convert \$138,998 of the principal of its Convertible Note and accrued interest and fees of \$11,002 (a total of \$150,000) into 100,000 shares of the Company's common stock. The principal balance remaining on the Note following this conversion was \$339,698.

In February 2020, the Company entered into an agreement with the Auctus Fund LLC to reduce the exercise price of the \$2.75 per share Warrants to \$1.50 per share. No other changes were made to the terms of the Warrants or the Convertible Note held by the Auctus Fund. In February, the Auctus Fund LLC exercised 167,000 options at \$1.50 per share, resulting in total proceeds to the company of \$250,500.

In February 2020, the Company raised \$100,000 through the sale of convertible promissory notes, convertible to common stock at \$1.50 per share.

In March 2020, the Company issued 115,000 shares of common stock under the Company's incentive compensation plan to four employees as a bonus for their performance during 2019.

On March 26, 2020, the Company filed a Form 8-K to announce that it had entered into a Technology Alliance Partnership Agreement with Splunk, Inc. (the "TAP Agreement") to perform research and develop analytics using the Company's Mukai software platform. No funds will be exchanged pursuant to the TAP Agreement.

There are no other events of a subsequent nature that in management's opinion are reportable.