

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, 2020

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:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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, 2020 was \$13,430,257 based on the closing price of \$2.68 per share of Quantum Computing, Inc. common stock as quoted on the OTC Marketplace on that date.

As of March 16, 2021, there were 28,667,925 shares of the registrant’s common stock outstanding.

Documents Incorporated by Reference
N/A.

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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

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, 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”, or “Convergent Risk”), 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.

The Computing Landscape and The End of Moore’s Law

For the past 45 years or so, silicon-based processor 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 processor industry has found it increasingly difficult to offer faster, more powerful processors due to fundamental physical effects limiting further size reduction of transistors.

Quantum computing is believed to be a potential solution to the hard limits now being approached by conventional computers that utilize silicon-based processors. 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 will be introduced by multiple vendors over the course of the next decade.

Additionally, conventional computers are known to struggle with optimization problems known as *NP-complete* problems, which are a class of mathematical problems that can, in principle, be solved by conventional computers, with that caveat that the time to solution will grow exponentially with the size of the problem. These NP-complete problems require complex calculations, which cannot currently be performed in any reasonable amount of time using conventional computer systems for problem sizes relevant to many industrial and government applications.

Research suggests that quantum computers may be ideally suited to run optimization algorithms, where further advancements in quantum annealing and other quantum computing hardware could result in computational benefit over currently used conventional systems. The ability to solve NP-complete problems in a reasonable period of time is of particular interest in compute-heavy fields that include, but are not limited to: big data, artificial intelligence, healthcare, and cybersecurity. We believe these are natural markets for quantum computing, due to the immense compute power required to process large data sets, which have experienced exponential growth in size and complexity in recent years.

Our Company

The Company is focused on providing software tools and applications for quantum computers. We believe there is significant business opportunity in the quantum computing industry, and that the quantum computer has the potential to disrupt several global industries. Independent of when quantum computing delivers compelling performance advantage over conventional computing, the software tools and applications necessary for accelerating real-world problems must be developed to deliver on quantum computing's full promise.

Quantum computing is a fundamentally new paradigm compared with conventional silicon-based computing, requiring a new and highly technical set of skills to create the software that will drive quantum results. Organizations seeking to gain advantage from the promise of quantum technology must acquire and develop skills in quantum mechanics, mathematics and physics, and a deep knowledge of the ever-changing quantum hardware. The pool of people with those skills today is limited and in high demand.

In order to address the steep learning curve and highly particular skillset associated with quantum computing, the Company is developing "quantum ready" software applications and solutions for commercial and government entities looking to leverage the expected future performance of quantum computing. We are focused on being an enabler – creating software that provide the advantages of advanced computing hardware for forward thinking clients.

By reducing the barriers to adoption for commercial and government entities in using quantum computing technologies to solve their most complex problems, we believe our products will accelerate quantum technology adoption similar to the adoption curve that has been witnessed with artificial intelligence. To this end, we are leveraging our collective expertise in finance, computing, mathematics and physics to develop a suite of applications that may enable global industries to utilize quantum computers, quantum annealers and digital simulators to improve their processes, profitability, and security.

Our Strategy

While the majority of the quantum computing market is focused on Quantum Computing hardware, we realized the traditional software development toolkit ("SDK") approach to creating quantum computing software is poorly suited for non-quantum experts, given the completely new programming paradigm.

This represents a significant barrier to entry for companies looking to leverage novel quantum computing capabilities for their business needs. Utilizing quantum computers for real-world problems requires an abstract blend of a wide range of computing and non-computing expertise, including but not limited to:

- **Subject Matter Expertise (SME):** As with any problem, the first step is for a business expert to rigorously define and describe what information and/or results the business requires.
- **Programming Excellence:** In the conventional computing world, a programmer will take the problem defined by a SME (subject matter expert) and implement it using standardized applications to run on the computer. In quantum computing, programmers are required to explicitly program it for the quantum computer they have access to, requiring a deep understanding of sophisticated areas of expertise.

- Mathematics: The problems that are attractive for being solved using quantum computers require significant mathematical expertise to a) optimize the data and problem for quantum computers, b) create the quantum-specific algorithms and formulas required to solve the problem, c) iterate upon the results in a way that optimizes the performance, cost and quality of result. Mathematics is at the core of the many steps involved in quantum computing for optimizing, compressing and applying algorithms to the data for obtaining truly optimal results.

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- Quantum Mechanics: Quantum computing demands deep knowledge of the principles driving the computing itself. Unlike conventional computers which utilize 0 or 1 bits, quantum computers utilize qubits, which leverage concepts of quantum mechanics such as probabilistic computation, superposition, and entanglement. Experts much understand these concepts to create the algorithms necessary to solve problems on a quantum computer. They must know how to “map” problems and their associated data into problems that are optimized in the specific way required for a quantum computer to accept and process the problem.
- Quantum Hardware Knowledge: QPUs (Quantum Processing Units) require that programmers manage the configuration, actions, and overall operations of all the underlying circuits utilized in solving the problem. For example, the programming to configure and access QPUs is low level and extremely complicated. This coding is proprietary to each vendor’s QPU idiosyncratic requirements, not to mention, unique to the specific count and version of QPUs in the system, right now. When the system is expended or a QPU upgraded, all the code has to be rewritten.

Given the dramatic differences in quantum computer hardware architectures currently under development, quantum software requires a dramatic shift from classic software, and requires creating every single circuit, gate, algorithm, action and process in software. Moreover, the collective requirements imposed upon companies looking to utilize quantum computers can require a training period of a year or longer, even for a highly qualified subject matter expert. Consequently, the time, difficult and expense of hiring such a diverse and deeply knowledgeable team to create quantum applications and workflows limits any organization’s ability to move forward quickly with the power of quantum computing.

Such difficulties have created a significant barrier to entry in quantum computing have informed the Company’s opportunities and goals, which are to:

- 1) Deliver production-ready software that de-risk the shift to quantum computing;
- 2) Empower SMEs and programmers to access the power of quantum computing without the prerequisite quantum expertise;
- 3) Eliminate the vendor lock-in created by the low-level coding required for individual QPUs by allowing users to freely select the best QPU for their specific problem with no low-level coding or programming changes;
- 4) Deliver the best performance results (speed, quality and diversity) at the lowest cost for our users; and
- 5) Provide software and the required hardware in the cloud to make it simple and cost effective for organizations to begin leveraging quantum computing.

Products and Products in Development

Qatalyst

Qatalyst (formerly Mukai) is our answer to the current state of the quantum computing industry. As the industry’s first publicly available Quantum Application Accelerator, Qatalyst enables developers to create and execute quantum-ready applications on conventional computers, while being ready to run on quantum computers where those systems

achieve performance advantage. Qatalyst performs the complex problem transformations necessary to be executed on a variety of quantum platforms today, and users can call upon the same Qatalyst APIs (Application Programming Interfaces) to achieve optimization performance advantages on conventional computers using our cloud-based solution.

Qatalyst dramatically reduces the time-to-quality results and the associated costs for both conventional and quantum computers. Unlike more common toolsets that require deep level quantum expertise to build new quantum problems and workflows, Qatalyst is not a tool kit, but a complete platform. It accelerates performance and results on classic and quantum computers, with no additional quantum programming or quantum computing expertise required. This is why it is unique in its approach to the quantum computing industry. Instead of invoking a team of quantum specialists to transform an optimization problem, an SME or programmer submits their current problem via a software API to the Qatalyst cloud-based platform. Qatalyst manages the workflow, optimizations, and results, without any further intervention by the user. Qatalyst provides a unique advantage to reduce applications development risks and costs by eliminating the need for scarce high-end quantum programmers.

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Qatalyst is integrated with the Amazon Cloud BRAKET API, offering access to multiple Quantum Processing Units (“QPUs”) including DWave, Rigetti, and IonQ. Qatalyst also integrates directly with IBM’s QPUs.

By using Qatalyst, application developers can run their applications on any or all of the available QPUs by merely selecting which QPU they prefer to run on based on the desired performance results of the application. We believe this provides a substantial advantage over any other toolkit or platform in the market today. These advantages are significant not just for application developers but for any company that is considering using or exploring quantum computing technology for business applications.

Qatalyst also eliminates the need for the low-level hardware programming expertise required by toolkits. This programming is time consuming and must be updated constantly as QPUs evolve and change, resulting in significant development costs. Qatalyst automatically optimizes the same problem submitted by a SME for multiple Quantum and Conventional Processors. The SME or programmer selects one, or many, processing resources and the problem will be submitted by Qatalyst. This is an enormous advantage over any tool set in the market today. These advantages are significant not just for application developers but for any company that is considering using or exploring quantum computing technology for business applications.

The Company’s innovative Qatalyst software masks the complexity of quantum programming via the Q API, a powerful six call API that users can learn in a day. Instead of spending months or years developing new applications and workflows requiring complex and extremely low-level coding, users, workflows or applications can immediately submit a problem to Qatalyst within a day, using the same familiar constructs they use right now, via the Q API. Users have utilized Qatalyst’s simple API and familiar constructs to solve their first complex problem within a week, as compared to the 6-12 months associated with quantum software toolkits.

Qatalyst Features

Today, SMEs can leverage the power of Qatalyst to solve high-value discrete optimization problems present in finance, bio/pharma, and cybersecurity. Currently, Qatalyst offers the following features:

- Quantum-ready engines tuned for complex computations. These engines automatically optimize, submit, and iterate to return excellent, diverse results for supply chain and other constrained optimization problems.
- Transparent abstraction from quantum hardware variance. Qatalyst eliminates the need to write low-level, assembly-type code to support different vendors’ quantum hardware architectures, such as D-Wave, Rigetti, IBM and ION-Q. The same problem can run seamlessly across all quantum types and architectures.

- Qatalyst Core: an engine that utilizes sophisticated mathematics, quantum transformation and iterative processing to find highly optimal answers across both classic and quantum computers. For example, LaGrange multipliers, which work to compress and simplify the problem prior to constraint optimization. The Core applies these advanced mathematical techniques, based on the type of problem and processing required.
- Q Graph: a powerful transformation engine that empowers SMEs to submit and analyze graph models as part of their complex optimizations. Q Graph accepts familiar graph models and functions including Clique Cover, Community Detection and Partitioning.
- Qontrol: a portal that provides administrative management tools for user administration, request control, statuses and alerts. Qontrol also enables system administrators and users to import Qatalyst results into popular analysis applications such as Excel or Tableau.

Market Opportunity

It is important to note that our product utilizes a software technique known as a “Solver” (qci-Qbsolv), which is a set of instructions whose function is to calculate the minimum values of a large optimization problem, which is presented in the form of a quadratic unconstrained binary optimization or “QUBO”. The Company’s Solvers deliver the the aforementioned performance advantages while running on today’s conventional computers and will be able to deliver significantly improved performance as better QPU technology becomes available. To that end, the Company is beginning to seek marketing and distribution partnerships where our current solver technologies can be deployed to enable industry-specific application performance.

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The Company is also working on software products to address community detection to aid researchers in discovering correlations that may not have been imagined. We believe that community detection holds significant promise in pharmaceutical applications such as evaluating client trial outcomes, and in epidemiology to enable detection of common factors among a population.

In addition to commercial markets, the Company is pursuing a number of US government funded opportunities.

The US Government, through the National Quantum Initiative Act of 2018 (Public Law No: 115-368 - 12/21/2018) directed the President to implement a National Quantum Initiative Program to, among other things, establish the goals and priorities for a 10-year plan to accelerate the development of quantum information science and technology applications. (Sec. 103) The National Science and Technology Council shall establish a Subcommittee on Quantum Information Science, including membership from the National Institute of Standards and Technology (NIST) and the National Aeronautics and Space Administration (NASA), to guide program activities. (Sec. 104) The President must establish a National Quantum Initiative Advisory Committee to advise the President and subcommittee on the program and trends and developments in quantum information science and technology. Significant government funding has been allocated for research initiatives including a fiscal year 2020 Department of Energy initiative of \$625 million over the next five years to establish two to five multidisciplinary Quantum Information Science (QIS) Research Centers in support of the National Quantum Initiative. The Quantum Economic Development Consortium (QED-C), a consortium of stakeholders that aims to enable and grow the U.S. quantum industry. QED-C was established with support from the National Institute of Standards and Technology (NIST) as part of the Federal strategy for advancing quantum information science and as called for by the National Quantum Initiative Act enacted in 2018. Quantum Computing Inc. is one of the founding members of the QED-C.

Technology Provider Partnerships

The Company is pursuing a number of commercial partnerships and research areas funded by the government that directly relate to its capabilities. To strengthen its technology base, the Company has entered into teaming agreements with companies to partner on joint pursuit of those opportunities or to offer services available through those partners.

Splunk Technology Alliance Partnership Agreement

The Company is pursuing a number of research areas funded by the government that directly relate to its capabilities. To strengthen its technology base, the Company has entered into a Technology Alliance Partnership agreement with Splunk, Inc. (NASDAQ: SPLK). The Company is partnering with Splunk to pursue government funded efforts to do both fundamental and applied research and develop analytics that exploit conventional large-data cybersecurity stores and data-analytics workflows, combined with quantum-ready graph and constrained-optimization algorithms. These algorithms will initially be developed using the Company's Qatalyst software platform, which enables quantum-ready algorithms to execute on conventional hardware and also to run without modification on QC hardware when ready. Once proofs of concept are completed, the Company and Splunk will develop new analytics with these algorithms in the Splunk data-analytics platform, to evaluate quantum analytics readiness on real-world data. The Splunk platform/toolkits help customers address challenging analytical problems via neural nets or custom algorithms, extensible to Deep Learning frameworks through an open source approach that incorporates existing and custom libraries. The initial efforts of our partnership with Splunk will focus on three key challenges; network security, dynamic logistics and scheduling.

Amazon Web Services – BRAKET

Quantum Computing is the first company with a quantum software development and execution platform to provide the widest selection of QCs via the cloud, including those offered by IonQ, D-Wave, Rigetti, and others via Amazon Braket. Amazon Braket is a fully managed quantum computing service that helps researchers and developers get started with the technology to accelerate research and discovery. Amazon Braket provides a development environment for users to explore and build quantum algorithms, test them on quantum circuit simulators, and run them on different quantum hardware technologies. Quantum Computing provides access to subject matter experts and applications developers to quantum computers available on Amazon Braket via its Qatalyst software. The Company intends to expand the capabilities available through the Amazon Braket service going forward, and also plans to provide access to additional quantum computers through Qatalyst over the next several months.

QikStart

Management believes that the development of real-world use cases, not just science projects, is critical to the forward momentum of quantum computing as a practical tool. To that end, the Company has created an internally funded program called QikStart which provides access to Qatalyst and cloud-based resources, experts, and funding to explore and push the boundaries of quantum computing for delivering practical business results, today.

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. 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. 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 such as Google, Honeywell and IBM 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.

We believe competition in this market segment will intensify. Many of our competitors may have longer operating histories, significantly greater financial, technical, product development and marketing resources, and greater name recognition. Our competitors could use these resources to market or develop products or services that are more effective or less costly than any or all of our products or services.

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 fifteen full time employees and five contract staff, thirteen of whom are focused on product and software development, and seven Technical Advisors (one from the National Security Domain, four from the Quantum/AI Domain, and two 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 Nevada on July 25, 2001 as Ticketcart, Inc. Ticketcart operated as a seller of ink-jet printer cartridges until July 2007, when Ticketcart acquired Innovative Beverage Group, Inc. and changed the name of the business to Innovative Beverage Group Holdings, Inc. (“IBGH”), IBGH operated as a producer and distributor of non-alcoholic beverages until it ceased operations in 2013. A group of investors acquired control of IBGH in January 2018 and redomiciled the business to Delaware on February 22, 2018 under the name Quantum Computing Inc. The Company has been engaged in developing and marketing quantum software products since it was redomiciled to Delaware, but has not recorded any revenue from sales of products or services to date. Accordingly, the Company has 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 ARE NOT PROFITABLE AND MAY NEVER BE PROFITABLE.

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. We incurred negative cash flows from operating activities and recurring net losses in fiscal years 2020 and 2019. As of December 31, 2020 and 2019, our accumulated deficit was \$53,469,235 and \$28,760,955, respectively.

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 our ability to develop and commercialize our products. 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 24-30 months at the current level of operations. However, in the event that we exceed our expected growth rate, 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.

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 to manage our business. 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 our 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 our 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 developed 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.

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.

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.

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.

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 12, 2021, our directors and executive officers collectively beneficially own approximately 18.33% of the shares of our common stock including the beneficial ownership of Mr. Liscouski of 3.53% 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.

ITEM 3. LEGAL PROCEEDINGS.

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 subsidiaries, 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.

Authorized Capital

The Company is authorized by its Certificate of Incorporation to issue an aggregate of 250,000,000 shares of common stock, \$0.0001 par value per share (the “Common Stock”), and 10,000,000 shares of blank check preferred. As of March 17, 2021, 28,667,925 shares of Common Stock were issued and outstanding and no shares of preferred stock were outstanding.

Holdings of Common Equity

As of March 17, 2021, there were approximately 561 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, 2020, 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, 2020 and 2019 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 quantum 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, supply chain and logistics management;

pharmaceutical design, heavy manufacturing, and computer security (cyber) market segments. The Company's development team includes mathematicians, physicists, and software developers.

Results of Operations

Twelve Months Ended December 31, 2020 vs. December 31, 2019

Revenues

<i>(In thousands)</i>	For the Twelve Months Ended December 31, 2020		For the Twelve Months Ended December 31, 2019		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, 2020 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 quantum computing is a novel idea for most potential customers, so the Company was focused on building customer awareness rather than pressing for immediate sales. We have developed and released two products and are now in the process of marketing and commercialization. We expect to generate revenue in 2021.

Cost of Revenues

Cost of revenues for the Twelve Months ended December 31, 2020 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, 2020 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, 2020 were \$17,343,007 as compared with \$2,547,652 for the comparable prior year period, an increase of \$14,795,355 or 581%. The increase in operating expenses is due to a \$10,962,226 increase in stock based compensation expenses, a \$1,322,310 increase in consulting expenses, a \$648,391 increase in R&D expenses, an increase of \$195,062 in legal fees, an increase of \$140,698 in related party marketing expenses, and a \$147,533 increase in salaries expense, compared to the comparable prior year period. In addition, there was an increase of \$1,574,197 in other SG&A expenses compared to the comparable prior year period.

Net Loss

Our net loss for the Twelve Months ended December 31, 2020 was \$24,734,280 as compared with a net loss of \$8,381,088 for the comparable prior year period, an increase of \$16,353,193 or 195%. The increase in net loss is primarily due to the increase in operating expenses recorded in the current period compared to the comparable prior year period, as noted above, and the increase of \$5,681,612 in interest expense, primarily related to financing cost that

was incurred in connection with several offerings of the Company's common stock, which was offset in part by a \$1,961,460 decrease in interest expense relating to derivative mark to market and a \$1,100,777 decrease in warrant expense in the current period.

Liquidity and Capital Resources

Since commencing operations as Quantum Computing in February 2018, the Company has raised \$17,226,000 through private placement of equity and \$5,158,550 through private placements of Convertible Promissory Notes for a total of \$22,384,550 in new investment. The Company has one bank loan outstanding under the Small Business Administration's Paycheck Protection Program ("PPP") in the amount of \$218,371, no lines of credit, and no long-term debt obligations outstanding. As of March 17, 2021, the Company had cash and equivalents of \$14,296,102 on hand.

Critical Accounting Policies

Basis of Presentation:

The accompanying Balance Sheet as of December 31, 2020, 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, 2020, 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. The accounting policies followed by the Company are set forth in Note 1 to the Company's consolidated financial statements contained herein, and it is suggested that these financial statements be read in conjunction therewith.

Accounting Changes

Quantum has consistently applied the accounting policies to all periods presented in these unaudited financial statements.

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.

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.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Our consolidated financial statements are contained in pages F-1 through F-23 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.

None.

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, 2020, 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, 2020 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.

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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, 2020. 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, 2020, 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, 2020, 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.

Name	Current Age	Position
Robert Liscouski	67	Chairman of the Board of Directors, President, and Chief Executive Officer (Principal Executive Officer)

Christopher Roberts	67	Chief Financial Officer, (Principal Financial Officer) (Principal Accounting Officer), Director
Bertrand Velge	62	Director
Justin Schreiber	39	Director
Robert Fagenson	72	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 67, 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 67, 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 37 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 39, 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 telehealth 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 62, 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 Université Catholique de Louvain.

Robert Fagenson, Director

Mr. Fagenson serves as a member of the board of directors of National Holdings Corporation (“NHS”) since March 2012. He serves as vice chairman of the board of directors of NHS since September 2016. Mr. Fagenson previously served as co-chief executive officer of NHS from January 3, 2017 to January 31, 2017, as chief executive officer and chairman of the board of directors of NHS from December 2014 to September 2016, and as executive vice-chairman of the board of directors of NHS from July 2012 to December 2014. Mr. Fagenson has been a branch owner at NHS, an operating company of NHS, since 2012, and president of Fagenson & Co., Inc., a family investment company, since 1982. Mr. Fagenson spent the majority of his career at the New York Stock Exchange (NYSE), where he was managing partner of one of the exchange’s largest specialist firms. While at the NYSE, Mr. Fagenson served as a governor on the trading floor and was elected to the NYSE board of directors in 1993, where he served for six years, eventually becoming vice chairman of the NYSE board of directors from 1998 to 1999 and 2003 to 2004. Mr. Fagenson has served as director of the New York City Police Museum since 2005, and as director of the Federal Law Enforcement Officers Association Foundation since 2009. He has also served on the board of directors of Sigma Alpha Mu Foundation since 2011 and on the board of directors of New York Edge since 2015. In addition, Mr. Fagenson served as the non-executive chairman of Document Security Systems, Inc. from 2012 to 2018 (NYSEMKT: DSS). He is currently a member of the alumni boards of the Whitman School of Business at Syracuse University.

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Mr. Fagenson received his B.S. in Transportation Sciences & Finance from Syracuse University in 1970. The Board believes that Mr. Fagenson’s experience in the securities industry and knowledge of the Company as its former chief executive officer qualifies him to serve as a member of the board.

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, 2020 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.

Board Composition and Director Independence

Our board of directors consists of five 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, Justin Schreiber and Robert Fagenson 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

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee. Each committee has its own charter, which is available on our website at www.quantumcomputing.com. Each of the board committees has the composition and responsibilities described below.

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Members will serve on these committees until their resignation or until otherwise determined by our Board of Directors.

Bertrand Velge, Justin Schreiber and Robert Fagenson are our independent directors.

The members of each committee are, as follows:

Audit Committee: Bertrand Velge, Justin Schreiber and Robert Fagenson with Mr. Fagenson serving as the Chairman. Our Board has determined the Mr. Fagenson is currently qualified as an "audit committee financial expert", as such term is defined in Item 407(d)(5) of Regulation S-K.

Compensation Committee: Bertrand Velge, Justin Schreiber and Robert Fagenson. Mr. Schreiber serves as Compensation Committee Chairman.

Nominating and Governance Committee: Bertrand Velge, Justin Schreiber and Robert Fagenson. Mr. Velge serves as Chairman of the Nominating and Governance Committee.

Audit Committee

The Audit Committee oversees our accounting and financial reporting processes and oversee the audit of our consolidated financial statements and the effectiveness of our internal control over financial reporting. The specific functions of this Committee include, but are not limited to:

- selecting and recommending to our board of directors the appointment of an independent registered public accounting firm and overseeing the engagement of such firm;
- approving the fees to be paid to the independent registered public accounting firm;
- helping to ensure the independence of the independent registered public accounting firm;
- overseeing the integrity of our financial statements;
- preparing an audit committee report as required by the SEC to be included in our annual proxy statement;
- resolving any disagreements between management and the auditors regarding financial reporting;
- reviewing with management and the independent auditors any correspondence with regulators and any published reports that raise material issues regarding the Company's accounting policies;
- reviewing and approving all related-party transactions; and
- overseeing compliance with legal and regulatory requirements.

Compensation Committee

Our Compensation Committee assists the board of directors in the discharge of its responsibilities relating to the compensation of the board of directors and our executive officers.

The Committee's compensation-related responsibilities include, but are not limited to:

- reviewing and approving on an annual basis the corporate goals and objectives with respect to compensation for our Chief Executive Officer;
- reviewing, approving and recommending to our board of directors on an annual basis the evaluation process and compensation structure for our other executive officers;
- determining the need for and the appropriateness of employment agreements and change in control agreements for each of our executive officers and any other officers recommended by the Chief Executive Officer or board of directors;
- providing oversight of management's decisions concerning the performance and compensation of other company officers, employees, consultants and advisors;
- reviewing our incentive compensation and other equity-based plans and recommending changes in such plans to our board of directors as needed, and exercising all the authority of our board of directors with respect to the administration of such plans;
- reviewing and recommending to our board of directors the compensation of independent directors, including incentive and equity-based compensation; and

- selecting, retaining and terminating such compensation consultants, outside counsel or other advisors as it deems necessary or appropriate.

Nominating and Corporate Governance Committee

The purpose of the Nominating and Corporate Governance Committee is to recommend to the board nominees for election as directors and persons to be elected to fill any vacancies on the board, develop and recommend a set of corporate governance principles and oversee the performance of the board.

The Committee's responsibilities include:

- recommending to the board of directors nominees for election as directors at any meeting of stockholders and nominees to fill vacancies on the board;
- considering candidates proposed by stockholders in accordance with the requirements in the Committee charter;
- overseeing the administration of the Company's code of business conduct and ethics;
- reviewing with the entire board of directors, on an annual basis, the requisite skills and criteria for board candidates and the composition of the board as a whole;
- the authority to retain search firms to assist in identifying board candidates, approve the terms of the search firm's engagement, and cause the Company to pay the engaged search firm's engagement fee;
- recommending to the board of directors on an annual basis the directors to be appointed to each committee of the board of directors;
- overseeing an annual self-evaluation of the board of directors and its committees to determine whether it and its committees are functioning effectively; and
- developing and recommending to the board a set of corporate governance guidelines applicable to the Company.

The Nominating and Corporate Governance Committee may delegate any of its responsibilities to subcommittees as it deems appropriate. The Nominating and Corporate Governance Committee is authorized to retain independent legal and other advisors, and conduct or authorize investigations into any matter within the scope of its duties.

Code of Business Conduct and Ethics

We have adopted a code of business conduct and ethics applicable to our principal executive, financial and accounting officers and all persons performing similar functions. A copy of that code is available on our corporate website at www.quantumcomputing.com. We expect that any amendments to such code, or any waivers of its requirements, will be disclosed on our website.

Disclosure of Commission Position on Indemnification of Securities Act Liabilities

Our directors and officers are indemnified as provided by the Delaware corporate law and our bylaws. We have agreed to indemnify each of our directors and certain officers against certain liabilities, including liabilities under the Securities Act. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the provisions described above, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act

and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than our payment of expenses incurred or paid by our director, officer or controlling person in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

We have been advised that in the opinion of the SEC indemnification for liabilities arising under the Securities Act is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities is asserted by one of our directors, officers, or controlling persons in connection with the securities being registered, we will, unless in the opinion of our legal counsel the matter has been settled by controlling precedent, submit the question of whether such indemnification is against public policy to a court of appropriate jurisdiction. We will then be governed by the court's decision.

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, 2020 and 2019.

2020 EXECUTIVE OFFICER COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Robert Liscouski	2020	360,000	40,000	1,264,000	75,000	0	0	0	1,739,000
Chief Executive Officer (PEO)	2019	360,000	0	0	0	0	0	0	360,000
Christopher Roberts	2020	202,750	0	1,264,000	45,000	0	0	0	1,511,750
Treasurer (PFO)	2019	175,237	0	0	0	0	0	0	175,237

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.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth information regarding equity awards held by the Named Executive Officers as of December 31, 2020:

Name	Option Awards(1)				Stock Awards	
	Number of Securities Underlying Unexercised Options, Exercisable (#)	Number of Securities Underlying Unexercised Options, Not Exercisable (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Robert Liscouski	-	75,000	1.00	May 1 2025	400,000	5,644,000
Christopher Roberts		45,000	1.00	May 1, 2025	400,000	5,644,000

Director Compensation

The Company's directors did not receive compensation for their services as directors in fiscal year 2020. Beginning in 2021, Directors will receive cash compensation of \$5,000 per quarter for their service.

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

The following table sets forth certain information as of March 17, 2021 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 28,667,925 shares of our common stock issued and outstanding as of March 17, 2021. 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 17, 2021, 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 15, 2021, 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 28,667,925 shares of Common Stock outstanding as of March 15, 2021. 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 15, 2021.

Name and Address of Beneficial Owner	Common Stock Owned Beneficially	Percent of Class
<i>Named Executive Officers and Directors</i>		
Robert Liscouski, Chief Executive Officer and Chairman (1)	1,012,500	3.53
Christopher Roberts, Chief Financial Officer (2)	725,000	2.53
Bertrand Velge (3)	2,167,888	7.56
Justin Schreiber (4)	1,250,000	4.36
Robert Fagenson (5)	100,000	0.35
All directors and officers as a group (5 persons)	5,255,388	18.33
<i>5% or greater shareholders</i>		
None		

Total	<u>5,255,388</u>	<u>18.33</u>
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*Less than 1%

- (1) Includes 1,012,500 shares of common stock.
- (2) Includes 725,000 shares of common stock.
- (3) Includes 2,167,888 shares of common stock.
- (4) Mr. Schreiber has voting and investment control of the following shares: 1,250,000 shares of common stock held by JOJ Holdings, LLC. Mr. Schreiber is the President of JOJ Holdings, LLC and is the beneficial owner of these securities.
- (5) Includes options for 100,000 shares of common stock.

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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

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. 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 a majority of the shareholders in September 2019.

The table below sets forth certain information as of our fiscal year ended December 31, 2020 regarding the shares of our common stock available for grant or granted under our equity compensation plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities available for future issuance under equity compensation plans
Equity compensation plan approved by security holders			
- 2019 Quantum Computing Inc. Equity Incentive Plan	1,500,000	\$ 1.62	-
Equity compensation not approved by shareholders (1)	888,640	\$ 2.28	

- 1) In addition to the stock options issued pursuant to the Plan, the Company has issued 1,722,240 non-qualified stock options to employees and advisors outside of the Plan with a weighted average price of \$5.98. The total number of stock options issued and outstanding as of March 17, 2021 is 3,221,240.

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 were convertible into common stock of the Company at a conversion price of \$0.10 per share. As of December 31, 2020 all of the Convertible Promissory Notes had been converted to common stock.

To provide the Company with advertising and marketing services, the Company contracted with JLS Ventures LLC (“JLS”), an entity wholly owned by Justin Schreiber, a member of the Company’s board of directors, to procure and manage advertising services. The agreement with JLS is for a period of one year and is terminable upon thirty days’ notice. During the year ending December 31, 2021, the Company reimbursed JLS \$140,698 for costs associated with advertisement procurement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

BF Borgers CPA PC served as our independent registered public accountants for the years ended December 31, 2019 and 2020.

Audit Fees

For the Company’s fiscal years ended December 31, 2020 and 2019, we were billed approximately \$43,200 and \$57,100, 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, 2020 and 2019, 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, 2020 and 2019, we were billed approximately \$5,400 and \$20,000, 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.

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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)	Articles of Incorporation, as amended through April 17, 2018	10-12(g)	3.1(i)	01/09/2019	
3.2(i)	By-laws	10-12(g)	3.2(i)	01/09/2019	
4.1	Common Stock Specimen	10-12(g)	4.1	01/09/2019	
4.2	Form of 8% Convertible Promissory Note	10-12(g)	4.2	01/09/2019	
4.3	Form of Promissory Note, dated October 14, 2019 and effective October 16, 2019	8-K	10.2	10/18/2019	
4.4	Description of Securities				X
10.1*	Robert Liscouski Employment Agreement dated February 15, 2018	10-12(g)	10.1	01/09/2019	
10.2*	Christopher Roberts Employment Agreement dated March 1, 2018	10-12(g)	10.2	01/09/2019	
10.3*	Sergey Shuster Employment Agreement dated February 28, 2018	10-12(g)	10.3	01/09/2019	
10.4*	Richard Malinowski Employment Agreement dated July 23, 2018	10-12(g)	10.4	01/09/2019	
10.5	Form Subscription Agreement	10-12(g)	10.6	01/09/2019	
10.6	Form Subscription Agreement	10-12(g)	10.7	01/09/2019	
10.7	Form Subscription Agreement	10-12(g)	10.8	01/09/2019	
10.8	2019 Quantum Computing Inc. Equity and Incentive Plan	S-1/A	10.8	11/22/2019	
10.9	Securities Purchase Agreement, dated October 14, 2019 and effective October 16, 2019	8-K	10.1	10/18/2019	
10.10	Form of Common Stock Purchase Warrant, dated October 14, 2019 and effective October 16, 2019	8-K	10.3	10/18/2019	
10.11	Form of Registration Rights Agreement, dated October 14, 2019 and effective October 16, 2019	8-K	10.4	10/18/2019	
10.12	Securities Purchase Agreement	8-K	10.1	05/08/2020	
10.13	Convertible Promissory Note	8-K	10.2	05/08/2020	
10.14	Common Stock Purchase Warrant	8-K	10.3	05/08/2020	
10.15	Equity Purchase Agreement	8-K	10.4	05/08/2020	
10.16	Registration Rights Agreement	8-K	10.5	05/08/2020	
10.17	Paycheck Protection Program Note, dated May 6, 2020, issued to BB&T/Truist Bank N.A.	8-K	10.1	05/08/2020	
10.18	Amendment No. 1 to Warrant Agreement, dated February 14, 2020	8-K	10.1	02/25/2020	
10.19	Form Subscription Agreement	8-K	10.1	08/03/2020	
10.20	Form Warrant	8-K	10.2	08/03/2020	
10.21	Form Stock Purchase Agreement	10-Q	10.3	11/13/2020	
10.22	Form Warrant	10-Q	10.4	11/13/2020	
10.23	Form Subscription Agreement	8-K	10.1	12/08/2020	
10.24	Form Director Agreement	8-K	10.1	02/23/2021	

21.1	List of Subsidiaries	X
31.1	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.	X
31.2	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.	X
32.1**	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.**	X
32.2	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.**	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.

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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 18, 2021

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 18, 2021
<u>/s/ Christopher Roberts</u> Christopher Roberts	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 18, 2021
<u>/s/ Justin Schreiber</u> Justin Schreiber	Directors	March 18, 2021
<u>/s/ Bertrand Velge</u> Bertrand Velge	Director	March 18, 2021

/s/ Robert Fagenson
Robert Fagenson

Director

March 18, 2021

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QUANTUM COMPUTING INC.
AUDITED FINANCIAL STATEMENTS

December 31, 2020 and 2019

QUANTUM COMPUTING INC.
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(Audited)

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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, 2020 and 2019, 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, 2020 and 2019, 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.

/s/ BF Borgers CPA PC

BF Borgers CPA PC

We have served as the Company's auditor since 2019
Lakewood, CO
March 17, 2021

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QUANTUM COMPUTING INC.

Balance Sheets
(Audited)

	December 31,	December 31
	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 15,196,322	\$ 101,100
Prepaid Expenses	40,773	21,549
Lease right-of-use	-	-
Fixed Assets (net of depreciation)	30,956	25,596
Total assets	<u>\$ 15,268,051</u>	<u>\$ 148,245</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable	\$ 366,706	\$ 218,261
Accrued Expenses	108,130	152,547
Lease Liability	-	-
Derivative Liability	-	980,730
Loans Payable	218,371	-
Convertible promissory notes – related party	-	100,000
Convertible promissory notes	-	1,509,000
Total liabilities	<u>693,207</u>	<u>2,960,538</u>

Stockholders' equity (deficit)		
Common stock, \$0.0001 par value, 250,000,000 shares authorized; 27,966,096 and 7,362,046 shares issued and outstanding as of December 31, 2020 and December 31, 2019, respectively	2,797	736
Additional paid-in capital	47,744,803	17,002,297
APIC-Beneficial Conversion Feature in Equity	4,898,835	4,798,835
APIC-Stock Based Compensation	15,423,644	4,246,794
Subscription Receivable	-	(100,000)
Accumulated deficit	(53,495,235)	(28,760,955)
Total stockholders' equity (deficit)	14,574,844	(2,812,293)
Total liabilities and stockholders' equity (deficit)	<u>\$ 15,268,051</u>	<u>\$ 148,245</u>

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

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QUANTUM COMPUTING INC.

Statement of Operations (Audited)

	Twelve Months Ended December 31,	
	2020	2019
Total revenue	\$ -	\$ -
Cost of revenue	-	-
Gross profit	-	-
Salaries	642,676	495,143
Consulting	1,683,412	361,102
Research & Development	1,539,517	891,126
Stock Based Compensation	11,177,111	214,884
Related Party Marketing	140,698	-
Selling General & Administrative -Other	2,159,593	585,397
Operating expenses	<u>17,343,007</u>	<u>2,547,652</u>
Loss from Operations	(17,343,007)	(2,547,652)
Other Income and Expense		
Interest Income – Money Market	27	8,810
Misc. Income – Legal Settlements	425,000	-
Misc. Income – Government Grants	17,500	-
Interest Expense – Promissory Notes	(226,699)	(151,185)
Interest Expense - Beneficial Conversion Feature	(100,000)	(803,335)
Interest Expense –Warrants	(2,806,219)	(3,906,996)
Interest Expense – Derivatives mark to market	980,730	(980,730)
Interest Expense – Financing expenses	(5,681,612)	-
Net Other income (expense)	(7,391,273)	(5,833,436)
Federal income tax expense	-	-
Net loss	<u><u>\$(24,734,280)</u></u>	<u><u>\$(8,381,088)</u></u>

Weighted average shares - basic and diluted	<u>27,966,096</u>	<u>7,362,046</u>
Loss per share - basic and diluted	<u>\$ (0.88)</u>	<u>\$ (1.14)</u>

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

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QUANTUM COMPUTING 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>	
BALANCES, December 31, 2018	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)
BALANCES, December 31, 2019	<u>7,362,046</u>	<u>\$ 736</u>	<u>\$25,947,926</u>	<u>\$ (28,760,955)</u>	<u>\$(2,812,293)</u>

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

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QUANTUM COMPUTING INC.
Statement of Stockholders' Deficit
For the Twelve Months Ended December 31, 2020
(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>	
BALANCES, December 31, 2019	7,362,046	\$ 736	\$25,947,926	\$ (28,760,955)	\$ (2,812,293)
Issuance of shares for cash	12,492,318	1,249	20,754,091	-	20,755,340
Issuance of shares for debt conversion	4,429,054	443	1,952,131		1,952,574
Issuance of shares for services	1,067,678	107	5,230,066	-	5,230,173
Beneficial Conversion Feature	-	-	100,000	-	100,000
Subscription Receivable	-	-	100,000	-	100,000
Derivatives & Warrants	-	-	2,806,219	-	2,806,219
Stock Options			1,300,168	-	1,300,168
Stock based compensation	2,615,000	262	9,876,681	-	9,876,943

Net loss	-	-	-	(24,734,280)	(24,734,280)
BALANCES, December 31, 2020	<u>27,966,096</u>	<u>\$ 2,797</u>	<u>\$68,067,282</u>	<u>\$ (53,495,235)</u>	<u>\$(14,574,844)</u>

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

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QUANTUM COMPUTING INC.

Statement of Cash Flows
For the Twelve Months Ended December 31, 2020 and 2019
(Audited)

	Twelve Months Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$(24,734,281)	\$(8,381,088)
Adjustments to reconcile net income (loss) to net cash		
Prepaid Expenses	(19,224)	1,630
Depreciation	6,613	2,640
Accounts Payable	148,445	164,243
Accrued Expenses	(44,416)	62,963
Derivative Mark to Market	(980,730)	980,730
Stock Based Compensation	11,176,850	214,874
Warrant Expense	2,806,219	3,906,996
Beneficial Conversion Feature	100,000	803,335
CASH USED IN OPERATING ACTIVITIES	<u>(11,540,524)</u>	<u>(2,243,677)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed Assets – Computer Software and Equipment	(11,973)	(21,339)
CASH USED IN INVESTING ACTIVITIES	<u>(11,973)</u>	<u>(21,339)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance (repayment/conversion) of Convertible Promissory Notes	(1,609,000)	(1,561,500)
Proceeds from loans	218,371	-
Subscription Receivable	100,000	-
Proceeds from stock issuance	27,938,348	2,160,536
CASH PROVIDED BY FINANCING ACTIVITIES	<u>26,647,719</u>	<u>599,036</u>
Net increase (decrease) in cash	15,095,222	(1,665,980)
Cash, beginning of period	<u>101,100</u>	<u>1,767,080</u>
Cash, end of period	<u>\$15,196,322,</u>	<u>\$ 101,100</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	<u>\$ 1,465,438</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>
NON-CASH INVESTING ACTIVITIES		

Subscription receivable created from issuance of note payable	\$	-	\$	-
NON-CASH FINANCING ACTIVITIES				
Note payable issued in exchange for a Subscription receivable		(100,000)		-
Common stock issued for compensation		(11,176,850)		(214,874)
Conversion of Convertible Promissory Notes to Common Stock		(1,672,055)		(2,035,500)

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

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QUANTUM COMPUTING INC.

Notes to Financial Statements

December 31, 2020

(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” or “Convergent Risk”), 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.

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QUANTUM COMPUTING INC.

Notes to Financial Statements

December 31, 2020

(Audited)

Business

For the past 45 years or so, silicon-based processor 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 processor industry has found it increasingly difficult to offer faster, more powerful processors due to fundamental physical effects limiting further size reduction of transistors.

Quantum computing is believed to be a potential solution to the hard limits now being approached by conventional computers that utilize silicon-based processors. 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 will be introduced by multiple vendors over the course of the next decade.

Additionally, conventional computers are known to struggle with optimization problems known as *NP-complete* problems, which are a class of mathematical problems that can, in principle, be solved by conventional computers, with that caveat that the time to solution will grow exponentially with the size of the problem. These NP-complete problems require complex calculations, which cannot currently be performed in any reasonable amount of time using conventional computer systems for problem sizes relevant to many industrial and government applications.

Research suggests that quantum computers may be ideally suited to run optimization algorithms, where further advancements in quantum annealing and other quantum computing hardware could result in computational benefit over currently used conventional systems. The ability to solve NP-complete problems in a reasonable period of time is of particular interest in compute-heavy fields that include, but are not limited to: big data, artificial intelligence, healthcare, and cybersecurity. We believe these are natural markets for quantum computing, due to the immense compute power required to process large data sets, which have experienced exponential growth in size and complexity in recent years.

Company

The Company is focused on providing software tools and applications for quantum computers. We believe there is significant business opportunity in the quantum computing industry, and that the quantum computer has the potential to disrupt several global industries. Independent of when quantum computing delivers compelling performance advantage over conventional computing, the software tools and applications necessary for accelerating real-world problems must be developed to deliver on quantum computing’s full promise.

Quantum computing is a fundamentally new paradigm compared with conventional silicon-based computing, requiring a new and highly technical set of skills to create the software that will drive quantum results. Organizations seeking to gain advantage from the promise of quantum technology must acquire and develop skills in quantum mechanics, mathematics and physics, and a deep knowledge of the ever-changing quantum hardware. The pool of people with those skills today is limited and in high demand.

In order to address the steep learning curve and highly particular skillset associated with quantum computing, the Company is developing “quantum ready” software applications and solutions for commercial and government entities looking to leverage the expected future performance of quantum computing. We are focused on being an enabler – creating software that provide the advantages of advanced computing hardware for forward thinking clients.

By reducing the barriers to adoption for commercial and government entities in using quantum computing technologies to solve their most complex problems, we believe our products will accelerate quantum technology adoption similar to the adoption curve that has been witnessed with artificial intelligence. To this end, we are leveraging our collective expertise in finance, computing, mathematics and physics to develop a suite of applications that may enable global industries to utilize quantum computers, quantum annealers and digital simulators to improve their processes, profitability, and security.

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QUANTUM COMPUTING INC.
Notes to Financial Statements
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(Audited)

Strategy

While the majority of the quantum computing market is focused on quantum computing hardware, the Company realized the traditional software development toolkit (“SDK”) approach to creating quantum computing software is poorly suited for non-quantum experts, given the completely new programming paradigm.

This represents a significant barrier to entry for companies looking to leverage novel quantum computing capabilities for their business needs. Utilizing quantum computers for real-world problems requires an abstract blend of a wide range of computing and non-computing expertise, including:

- **Subject Matter Expertise (SME):** As with any problem, the first step is for a business expert to rigorously define and describe what information and/or results the business requires.
- **Programming Excellence:** In the conventional computing world, a programmer will take the problem defined by a SME (subject matter expert) and implement it using standardized applications to run on the computer. In quantum computing, programmers are required to explicitly program it for the quantum computer they have access to, requiring a deep understanding of sophisticated areas of expertise as described below.
- **Mathematics:** The problems that are attractive for being solved using quantum computers require significant mathematical expertise to a) optimize the data and problem for quantum computers, b) create the quantum-specific algorithms and formulas required to solve the problem, c) iterate upon the results in a way that optimizes the performance, cost and quality of result. Mathematics is at the core of the many steps involved in quantum computing for optimizing, compressing and applying algorithms to the data for obtaining truly optimal results.
- **Quantum Mechanics:** Quantum Computing demands deep knowledge of the principles driving the computing itself. Unlike conventional computers which utilize 0 or 1 bits, quantum computers utilize qubits, which leverage concepts of quantum mechanics such as probabilistic computation, superposition, and entanglement. Experts much understand these concepts to create the algorithms necessary to solve problems on a quantum

computer. They must know how to “map” problems and their associated data into problems that are optimized in the specific way required for a quantum computer to accept and process the problem.

- **Quantum Hardware Knowledge:** QPUs (Quantum Processing Units) require that programmers manage the configuration, actions, and overall operations of all the underlying circuits utilized in solving the problem. For example, the programming to configure and access QPUs is low level and extremely complicated. This coding is proprietary to each vendor’s QPU idiosyncratic requirements, not to mention, unique to the specific count and version of QPUs in the system, right now. When the system is expended or a QPU upgraded, all the code has to be rewritten.

As one would expect given the dramatic differences in quantum computer hardware architectures currently under development, quantum software requires a dramatic shift from classic software. A user would have to literally have to create every single circuit, gate, algorithm, action and process in low level software. Moreover, the collective requirements imposed upon companies looking to utilize quantum computers can require a training period of a year or longer, even for a highly qualified subject matter expert. Consequently, the time, difficult and expense of hiring such a diverse and deeply knowledgeable team to create quantum applications and workflows limits any organization’s ability to move forward quickly with the power of quantum computing.

The Company’s strategic goals are simple.

- 6) Deliver production-ready software that de-risks the shift to quantum computing.
- 7) Empower SMEs and programmers to access the power of quantum computing without the prerequisite quantum expertise.
- 8) Eliminate the vendor lock-in created by the low-level coding required for individual QPUs by allowing users to freely select the best QPU for their specific problem with no low-level coding or programming changes.
- 9) Deliver the best performance results (speed, quality and diversity) at the lowest cost for our users.
- 10) Provide software and the required hardware in the cloud to make it simple and cost effective for organizations to begin leveraging quantum computing.

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QUANTUM COMPUTING INC.

Notes to Financial Statements

December 31, 2020

(Audited)

Products and Products in Development

Qatalyst

Qatalyst (formerly Mukai) is our answer to the current state of the quantum computing industry. As the industry’s only Quantum Application Accelerator, Qatalyst enables developers to create and execute quantum-ready applications on conventional computers, while being ready to run on quantum computers where those systems achieve performance advantage. Qatalyst performs the complex problem transformations necessary to be executed on a variety of quantum platforms today, and users can call upon the same Qatalyst APIs (Application Programming Interfaces) to achieve optimization performance advantages on conventional computers using our cloud-based solution.

Qatalyst dramatically reduces the time-to-quality results and the associated costs for both conventional and quantum computers. Unlike more common toolsets that require deep level quantum expertise to build new quantum problems and workflows, Qatalyst is not a tool kit, but a complete platform. It accelerates performance and results on classic

and quantum computers, with no additional quantum programming or quantum computing expertise required. This is why it is unique in its approach to the quantum computing industry. Instead of invoking a team of quantum specialists to transform an optimization problem, a subject matter expert (“SME”) or programmer submits their current problem via a software API to the Qatalyst cloud-based platform. Qatalyst manages the workflow, optimizations, and results, without any further intervention by the user. Qatalyst provides a unique advantage to reduce applications development risks and costs by eliminating the need for scarce high-end quantum programmers.

Qatalyst is integrated with the Amazon Cloud BRAKET API, offering access to multiple Quantum Processing Units (“QPUs”) including DWave, Rigetti, and IonQ. Qatalyst also integrates directly with IBM’s QPUs.

By using Qatalyst, application developers can run their applications on any or all of the available QPUs by merely selecting which QPU they prefer to run on based on the desired performance results of the application. This is an enormous advantage over any other toolkit or platform in the market today. These advantages are significant not just for application developers but for any company that is considering using or exploring quantum computing technology for business applications.

Qatalyst also eliminates the need for the low-level hardware programming expertise required by toolkits. This programming is time consuming and must be updated constantly as QPUs evolve and change, resulting in significant development costs. Qatalyst automatically optimizes the same problem submitted by a SME for multiple Quantum and Conventional Processors. The SME or programmer selects one, or many, processing resources and the problem will be submitted by Qatalyst. This is an enormous advantage over any tool set in the market today. These advantages are significant not just for application developers but for any company that is considering using or exploring quantum computing technology for business applications.

The Company’s innovative Qatalyst software masks the complexity of quantum programming via the Q API, a powerful six call API that users can learn in a day. Instead of spending months or years developing new applications and workflows requiring complex and extremely low-level coding, users, workflows or applications can immediately submit a problem to Qatalyst within a day, using the same familiar constructs they use right now, via the Q API. Users have utilized Qatalyst’s simple API and familiar constructs to solve their first complex problem within a week, as compared to the 6-12 months associated with quantum software toolkits.

Qatalyst Features

Today, SMEs can leverage the power of Qatalyst to solve high-value discrete optimization problems present in finance, bio/pharma, and cybersecurity. Currently, Qatalyst offers the following features:

- Quantum-ready engines tuned for complex computations. These engines automatically optimize, submit, and iterate to return excellent, diverse results for supply chain and other constrained optimization problems.
- Transparent abstraction from quantum hardware variance. Qatalyst eliminates the need to write low-level, assembly-type code to support different vendors’ quantum hardware architectures, such as D-Wave, Rigetti, IBM and ION-Q. The same problem can run seamlessly across all quantum types and architectures.
- Qatalyst Core: an engine that utilizes sophisticated mathematics, quantum transformation and iterative processing to find highly optimal answers across both classic and quantum computers. For example, LaGrange multipliers, which work to compress and simplify the problem prior to constraint optimization. The Core applies these advanced mathematical techniques, based on the type of problem and processing required.
- Q Graph: a powerful transformation engine that empowers SMEs to submit and analyze graph models as part of their complex optimizations. Q Graph accepts familiar graph models and functions including Clique Cover, Community Detection and Partitioning.
- Qontrol: a portal that provides administrative management tools for user administration, request control, statuses and alerts. Qontrol also enables system administrators and users to import Qatalyst results into popular analysis applications such as Excel or Tableau.

QUANTUM COMPUTING INC.

Notes to Financial Statements

December 31, 2020

(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, 2020, 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, 2020, and the cash flows and results of operations for the three and twelve months then ended. Such adjustments consisted only of normal recurring items. The results of operations for the twelve months ended December 31, 2020 are not necessarily indicative of the results for subsequent periods.

Accounting Changes

Except for the changes discussed below, Quantum has consistently applied the accounting policies to all periods presented in these unaudited financial statements. The Company has evaluated all recently implemented accounting standards and concluded that none currently apply to the Company.

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.

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QUANTUM COMPUTING INC.
Notes to Financial Statements
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(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.

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Net operating loss carry-forwards	\$ 2,841,745	\$ 1,294,728
Valuation allowance	(2,841,745)	(1,294,728)
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

At December 31, 2020, the Company had net operating loss carry forwards of approximately \$2,841,745.

The Company experienced a change in control during the 2018, 2019 and 2020 calendar years and therefore no more than an insignificant portion of this net operating allowance will ever be used against future taxable income.

In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally. In March 2020, the World Health Organization declared the COVID-19 outbreak to be a global pandemic, which continues to spread throughout the United States. Subsequently, federal, state and local authorities issued mandates for social distancing and working from home to delay the spread of the coronavirus, resulting in an overall decline in economic activity. The ultimate impact of COVID-19 on the Company is not reasonably estimable at this time. Management is currently evaluating the recent introduction of the COVID-19 virus and the related government mandates, and their impact on the software industry and has concluded that while it is reasonably possible that the virus and the associated government mandates restricting activity could have a negative effect on the ability of the Company to meet with potential customers and to raise additional capital, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty, and the Company has not recorded any reserves relating to potential COVID-19 financial impacts.

On March 27, 2020, the United States enacted the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), administered by the U.S. Small Business Administration (the “SBA”) as a response to the economic uncertainty resulting from COVID-19. Congress amended the CARES Act on December 27, 2020. The CARES Act established the Paycheck Protection Program (the “PPP”) to loan money to small businesses to enable them to continue to meet payroll obligations in the face of business interruptions and loss of revenue due to COVID-19 related restrictions. The CARES Act also includes modifications for net operating loss carryovers and carrybacks, limitations of business

interest expense deductions, immediate refund of alternative minimum tax (AMT) credit carryovers as well as a technical correction to the Tax Cuts and Jobs Act of 2017, referred to herein as the U.S. Tax Act, for qualified improvement property. The CARES Act also provides for deferred payment of the employer portion of social security taxes through the end of 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022. As of December 31, 2020, the Company expects that the carryback of NOL's will not have an impact on its current tax attributes.

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QUANTUM COMPUTING INC.

Notes to Financial Statements

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(Audited)

The Company elected not to implement the payroll tax deferral program under the CARES Act, but did apply for a PPP loan. On May 6, 2020, the Company executed an unsecured promissory note (the "Note") with BB&T Bank to evidence a loan to the Company in the amount of \$218,371 under the Paycheck Protection Program (the "PPP") established under the CARES Act.

In accordance with the requirements of the CARES Act, the Company used the proceeds from the loan exclusively for qualified expenses under the PPP, including payroll costs and employee benefits. Interest will accrue on the outstanding balance of the Note at a rate of 1.00% per annum. The Company expects to apply for forgiveness of up to the entire amount of the Note. Notwithstanding the Company's eligibility to apply for forgiveness, no assurance can be given that the Company will obtain forgiveness of all or any portion of the amounts due under the Note. The amount of forgiveness under the Note is calculated in accordance with the requirements of the PPP, including the provisions of Section 1106 of the CARES Act, subject to limitations and ongoing rule-making by the SBA and the maintenance of employee and compensation levels.

Subject to any forgiveness granted under the PPP, the Note is scheduled to mature two years from the date of first disbursement under the Note. The Note may be prepaid at any time prior to maturity with no prepayment penalties. The Note provides for customary events of default, including, among others, those relating to failure to make payments, bankruptcy, and significant changes in ownership. The occurrence of an event of default may result in the required immediate repayment of all amounts outstanding and/or filing suit and obtaining judgment against the Company. The Company's obligations under the Note are not secured by any collateral or personal guarantees.

Note 3 – 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. The Company has evaluated the recently implemented accounting standards and concluded that none currently apply to the Company.

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QUANTUM COMPUTING INC.

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(Audited)

Note 4 – Subscription Receivable

The Company assumed a promissory note from one of the Initial Investors to Convergent Risk Group, LLC (see Note 8 – Related Parties) in the amount of \$100,000, which is payable by the Initial Investor on or before December 31, 2020. 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.

In 2019 the Company engaged the Initial Investor as a consultant to provide advisory services for a one-year period. Upon satisfactory completion of the agreed services in July 2020, the Company deemed the services to be sufficiently valuable that in lieu of cash payment of invoice submitted the Company offset the invoice against the balance of the promissory note, which has been deemed paid in full. The Initial Investor has converted the full \$100,000 of its Convertible Promissory Note into 1,000,000 shares of common stock as of December 31, 2020.

Note 5 – Property and Equipment

Classification	December 31, December 31,	
	2020	2019
Hardware & Equipment	\$ 40,326	\$ 28,353
Software	0	0
Total cost of property and equipment	40,326	28,353
Accumulated depreciation	9,370	2,757
Property and equipment, net	<u>\$ 30,956</u>	<u>\$ 25,596</u>

The Company made Property and Equipment acquisitions of \$21,549 during the twelve months ended December 31, 2020. The Company depreciates computer equipment over a period of five years.

Note 6 – Convertible Promissory Notes and Loans

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”).

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.

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.

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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 warrants at \$1.50 per share, resulting in total proceeds to the Company of \$250,500.

In February 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 "2020 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 2020 Convertible Note Offering, the Company has received funds of \$100,000 as of June 30, 2020. The Board closed the 2020 Convertible Note Offering to further investment in June 2020.

Oasis Securities Purchase Agreement

On May 6, 2020 (the "Issuance Date"), Quantum Computing Inc., a Delaware corporation (the "Company") entered into a Securities Purchase Agreement (the "SPA") by and between the Company and Oasis Capital, LLC, a Puerto Rico limited liability company ("Oasis"), pursuant to which Oasis purchased from the Company, for a purchase price of \$500,000 (the "Purchase Price"): (i) a Convertible Promissory Note in the principal amount of \$563,055.00 (the "Note"); and (ii) a common stock purchase warrant (the "Warrant" and together with the Note, the "Securities") permitting Oasis to purchase up to 187,685 shares of the Company's common stock, par value \$0.0001 per share (the "Common Stock"), at an exercise price of \$1.50 per share (the "Exercise Price"). The Company received the Purchase Price on May 8, 2020.

The Note accrues interest at a rate of eight percent (8%) per annum and matures on the nine (9) months anniversary of the Issuance Date (the "Maturity Date"). In the event that the Company prepays the Note, the Company shall pay all of the principal and interest, together with a prepayment penalty ranging from 105% to 135% depending upon the date of such prepayment. The Note contains customary events of default (each an "Event of Default"). If an Event of Default occurs, all outstanding obligations owing under the Note will become immediately due and payable in cash or Common Stock at Oasis' election. Any outstanding obligations owing under the Note which are not paid when due shall bear interest at the rate of eighteen percent (18%) per annum.

The Note is convertible into shares of the Company's Common Stock, subject to the adjustments described therein. The conversion price (the "Conversion Price") per share shall be (i) \$1.50 during the six month period immediately following the Issuance Date, and (ii) after the six month period immediately following the Issue Date, the lower of: (a) \$1.50, and (b) 70% multiplied by the lowest volume weighted average 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 30%).

The Warrant is exercisable for a term of five-years from the date of issuance. The Warrants provide for cashless exercise to the extent that there is no registration statement available for the underlying shares of Common Stock. Until such time as there no longer an outstanding balance on the Note, if the Company shall, at any time while the Warrant is outstanding, sell any shares of Common Stock or securities entitling any person or entity to acquire shares of Common Stock at a price per share that is less than the Exercise Price (a "Dilutive Issuance"), than the Exercise Price shall be reduced to equal the Base Share Price (as defined in the Warrant) and the number of shares of Common

Stock issuable under the Warrant shall be increased such that the aggregate exercise price payable under the Warrant, after taking into account the decrease in the exercise price, shall be equal to the aggregate exercise price prior to such adjustment.

On May 7, 2020, in connection with its entry into the Securities Purchase Agreement, the Company issued 37,537 Inducement Shares (as defined in the Securities Purchase Agreement) to Oasis.

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Oasis Equity Purchase Agreement

On May 6, 2020 (the “Execution Date”), the Company entered into an Equity Purchase Agreement (“Equity Purchase Agreement”) and a Registration Rights Agreement (“Registration Rights Agreement”) with Oasis. Under the terms of the Equity Purchase Agreement, Oasis agreed to purchase from the Company up to \$10,000,000 of the Company’s Common Stock upon effectiveness of a registration statement on Form S-1 (the “Registration Statement”) filed with the U.S. Securities and Exchange Commission (the “Commission”) and subject to certain limitations and conditions set forth in the Equity Purchase Agreement.

Following effectiveness of the Registration Statement, and subject to certain limitations and conditions set forth in the Equity Purchase Agreement, the Company shall have the discretion to deliver put notices to Oasis and Oasis will be obligated to purchase shares of the Company’s Common Stock based on the investment amount specified in each put notice. The maximum amount that the Company shall be entitled to put to Oasis in each put notice shall not exceed the lesser of \$500,000 or two hundred and fifty percent (250%) of the average daily trading volume of the Company’s Common Stock during the ten (10) trading days preceding the put notice. Pursuant to the Equity Purchase Agreement, Oasis and its affiliates will not be permitted to purchase and the Company may not put shares of the Company’s Common Stock to Oasis that would result in Oasis’s beneficial ownership of the Company’s outstanding Common Stock exceeding 9.99%. The price of each put share shall be equal to ninety percent (90%) of the Market Price (as defined in the Equity Purchase Agreement). Puts may be delivered by the Company to Oasis until the earlier of (i) the date on which Oasis has purchased an aggregate of \$10,000,000 worth of Common Stock under the terms of the Equity Purchase Agreement; (ii) April 26, 2023; or (iii) written notice of termination delivered by the Company to Oasis, subject to certain equity conditions set forth in the Equity Purchase Agreement.

On May 7, 2020, in connection with its entry into the Equity Purchase Agreement and the Registration Rights Agreement, the Company issued 133,334 Commitment Shares (as defined in the Equity Purchase Agreement) to Oasis.

The Registration Rights Agreement provides that the Company shall (i) file with the Commission the Registration Statement by June 1, 2020; and (ii) use its best efforts to have the Registration Statement declared effective by the Commission at the earliest possible date (and in any event, within sixty (60) days of the Execution Date).

On May 8, 2020 the Company repaid the outstanding principal balance of the Auctus convertible note, including accrued interest and prepayment penalty interest, for a total of \$462,691.

In July 2020 the Company converted \$100,000 principal amount of Convertible Promissory Notes convertible at \$0.10 into 1,000,000 restricted shares of common stock per the terms of the Convertible Note subscription agreement the Company entered into in 2018 the accredited investor, currently a member of the Company’s Board of Directors.

In December 2020, Oasis converted the principal balance of its promissory note plus accrued interest into 596,869 shares of common stock.

Paycheck Protection Program Loan

On May 6, 2020, Quantum Computing Inc. (the “Company”) executed an unsecured promissory note (the “Note”) with BB&T/Truist Bank N.A. to evidence a loan to the Company in the amount of \$218,371 under the Paycheck Protection Program (the “PPP”) established under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), administered by the U.S. Small Business Administration (the “SBA”).

In accordance with the requirements of the CARES Act, the Company expects to use the proceeds from the loan exclusively for qualified expenses under the PPP, including payroll costs, mortgage interest, rent and utility costs. Interest will accrue on the outstanding balance of the Note at a rate of 1.00% per annum. The Company expects to apply for forgiveness of up to the entire amount of the Note. Notwithstanding the Company’s eligibility to apply for forgiveness, no assurance can be given that the Company will obtain forgiveness of all or any portion of the amounts due under the Note. The amount of forgiveness under the Note is calculated in accordance with the requirements of the PPP, including the provisions of Section 1106 of the CARES Act, subject to limitations and ongoing rule-making by the SBA and the maintenance of employee and compensation levels.

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Subject to any forgiveness granted under the PPP, the Note is scheduled to mature two years from the date of first disbursement under the Note. The Note may be prepaid at any time prior to maturity with no prepayment penalties. The Note provides for customary events of default, including, among others, those relating to failure to make payments, bankruptcy, and significant changes in ownership. The occurrence of an event of default may result in the required immediate repayment of all amounts outstanding and/or filing suit and obtaining judgment against the Company. The Company’s obligations under the Note are not secured by any collateral or personal guarantees.

On May 8, 2020, the Company entered into an agreement with the Auctus Fund LLC to reduce the exercise price of the Amended First Warrants from \$1.50 per share to \$1.00 per share, and to reduce the exercise price of the Second Warrants from \$3.75 to \$2.50 per share. No other changes were made to the terms of the Warrants or the Convertible Note held by the Auctus Fund. In May, the Auctus Fund LLC exercised 50,000 warrants at \$1.00 per share, resulting in total proceeds to the Company of \$50,000. In June, the Auctus Fund LLC exercised 183,000 warrants at \$1.00 per share, resulting in total proceeds to the Company of \$183,000.

In April 2020 the Company applied to the US Small Business Administration (the “SBA”) for a loan under the Economic Injury Disaster Loan (EIDL) program. In May the SBA informed the Company that the EIDL loan application had been declined, but that the SBA would provide a \$10,000 forgivable advance under the EIDL program.

In May 2020 the Company raised \$30,000 from three stockholders in the form of short term, non-interest bearing, promissory notes, each in the amount of \$10,000. The promissory notes were repaid by the Company prior to the December 31, 2020 maturity date.

As of December 31, 2020, all of the Warrants held by Auctus and Oasis have been exercised, resulting in total proceeds to the Company of \$1,458,500.

In December 2020, two of the Company’s Initial Investors converted the remaining principal balance of their promissory notes, \$159,000, into 1,590,000 shares of the Company’s common stock at \$0.10 per share. In addition, one of the investors in the 2018 Convertible Note Offering converted the principal balance of his note plus accrued interest into 893,000 shares of the Company’s common stock.

Note 7 – 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.

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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.

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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.

In June 2020, the Company entered into twelve month Lock Up – Leak Out agreements with fifty holders of approximately 2 million shares of restricted stock in exchange for 443,273 incentive shares. Under the Lock Up-Leak Out agreements the stockholders are precluded from selling, granting, lending, pledging, offering or in any way, directly or indirectly disposing of their shares until June 11, 2021 and after that date they agreed to limit daily sales to no more than ten percent (10%) of the average daily trading volume of the Company's stock for the previous three trading days. Two additional holders of a total of 50,000 shares also entered into 12-month LockUp-Leak Out agreements, however, due to an administrative oversight, the Company did not issue their incentives shares, totaling 10,000 shares, until September 2020.

On June 10, 2020 the Board authorized a private placement of common stock with fifty percent (50%) warrant coverage at an exercise price of \$2.00 in the aggregate amount up to \$3,000,000 at a stock price of \$1.00 per share (the "2020 Units Offering"). In connection with the 2020 Units Offering, the Company received funds of \$342,000 as of August 24, 2020, and issued 342,000 shares of Common Stock and Warrants to purchase 171,000 shares of Common Stock. The Board closed the 2020 Units Offering to further investment in August 2020.

In June 2020 the Company issued 300,000 shares of common stock to Capital Market Access, LLC, an investor relations firm, as compensation for services pursuant to the terms of an agreement the Company entered into with Capital Market Access, LLC in May 2020.

On July 24, 2020, the Company entered into Restricted Stock Agreements (the “Restricted Stock Agreements”) with certain of its senior managers, including certain directors and officers, listed in the table below (each, a “Grantee” and together, the “Grantees”), pursuant to the 2019 Quantum Computing Inc. Equity and Incentive Plan (the “Incentive Plan”). Pursuant to the terms of the Restricted Stock Agreements, the stock grants are one hundred percent (100%) vested as of the date of grant, but are subject to the Company’s right to recoup or “clawback” a portion of the shares if the Grantee terminates their employment prior to the second anniversary of the date of grant, in accordance with the following schedule: (i) the Company can recoup 100% of the shares until May 31, 2021, and (ii) the Company can recoup 50% of the shares between June 1, 2021 and May 31, 2022. As of June 1, 2022, the Company has no further recoupment rights to the shares. The stock grants are also subject to LockUp agreements for three years from the Grantee’s date of employment. The Lock Up Agreements preclude the Grantees from selling, granting, lending, pledging, offering or in any way, directly or indirectly disposing of the shares in the Restricted Stock Agreements. In the aggregate the Company issued 2,000,000 shares to its senior managers, including the directors and officers listed below. The shares were granted at \$3.16 per share.

Name of Grantee	Position	Number of Shares
Robert Liscouski	Chairman, Chief Executive Officer, President	400,000
Christopher Roberts	Chief Financial Officer, Director	400,000

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In August 2020 the Board authorized a private placement of common stock in the aggregate amount up to \$4,500,000 at a stock price of \$1.00 per share (the “2020 \$1.00 Equity Offering”). The Company entered into Stock Purchase Agreements (the “SPA”) with approximately 94 accredited investors (the “Investors”), whereby the Investors purchased from the Company shares of the Company’s common stock in an aggregate amount of 4,237,500 (the “Shares”), for a purchase price of \$1.00 per share (the “Per Share Purchase Price”) resulting in gross proceeds to the company of \$4,237,500.

Under the terms of the SPA, the Investors shall have piggy-back registration rights to have the shares issued pursuant to the SPA included as part of any registration of securities filed by the Company (other than pursuant to Form S-4, Form S-8, or any equivalent form).

In connection with the Offering the Company issued an advisor 100,000 shares of the Company’s common stock and warrants to purchase an additional 325,000 shares of the Company’s common stock, at an initial exercise price) of \$3.40- per share, subject to adjustment (the “Warrants”). Warrants will expire on September 11, 2025. The Board closed the 2020 Units Offering to further investment in September, 2020.

In September 2020 the Company issued 20,000 shares of common stock to Capital Market Access, LLC, an investor relations firm, as compensation for services pursuant to the terms of an agreement the Company entered into with Capital Market Access, LLC in May 2020.

In September 2020 the Company issued 50,000 shares of common stock and warrants to purchase an additional 150,000 shares of the Company’s common stock, at an initial exercise price of \$1.00 per share, subject to adjustment (the “Warrants”), to Bridgewater Capital Corp, a financial and business strategy consulting firm, as compensation for

services pursuant to the terms of an agreement the Company entered into with Bridgewater Capital in August 2020. The Warrants will expire on September 11, 2025.

In October 2020 the Board authorized a private placement of common stock in the aggregate amount up to \$12,500,000 at a stock price of \$2.50 per share (the “2020 \$2.50 Equity Offering”). As of December 31, 2020, the Company has raised approximately \$14.4 million in the 2020 \$2.50 Equity Offering. The Board closed the 2020 \$2.50 Equity Offering to further investment effective December 31, 2020.

In connection with the 2020 \$2.50 Equity Offering the Company issued an advisor 367,678 shares of the Company’s common stock and warrants to purchase an additional 367,678 shares of the Company’s common stock, at an initial exercise price) of \$3.00 per share, subject to adjustment (the “Warrants”). Warrants will expire on December 23, 2025.

In December 2020 the Company issued 10,000 shares of common stock to Capital Market Access, LLC, an investor relations firm, as compensation for services pursuant to the terms of an agreement the Company entered into with Capital Market Access, LLC in May 2020.

In December 2020 the Company issued 170,000 shares of common stock to Bridgewater Capital Corp, a financial and business strategy consulting firm, as compensation for services pursuant to the terms of an agreement the Company entered into with Bridgewater Capital in October, 2020.

In December 2020 the Company issued 250,000 shares each to its two independent directors as compensation for their services on the Company’s Board of Directors from September 2018 through December 2020.

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Note 8 – 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.

JLS Ventures

To provide the Company with advertising and marketing services, the Company contracted with JLS Ventures LLC (“JLS”), an entity wholly owned by Justin Schreiber, a member of the Company’s board of directors, to procure and manage advertising services. The agreement with JLS is for a period of one year and is terminable upon thirty days’ notice. During the year ending December 31, 2021. The Company reimbursed JLS \$140,698 for costs associated with advertisement procurement.

Note 9 – 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 10 – Subsequent Events:

In January 2021 the Company issued 10,000 shares of common stock to Axis Partners, Inc., an investor relations firm, as compensation for services pursuant to the terms of an agreement the Company entered into with Axis Partners, Inc. in January 2021.

In January 2021 holders of warrants for 842,678 shares of common stock requested a cashless exercise of their warrants, resulting in the issuance of 616,273 shares of common stock.

In February 2021 the Company issued 33,333 shares of common stock, which vest ratably over a twelve month period, to a consultant as compensation for business development services pursuant to an agreement the Company entered into in January 2021.

In February 2021 the Company issued options for 650,000 shares of common stock, vesting over twelve months, to two investor relations consultants pursuant to agreements the Company entered into in February 2021. The Company also issued options for 193,500 shares of common stock, vesting over three years, to three business development consultants and one director.

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