

Edgar Filing: Quantum Information, Inc. - Form 10-Q

Quantum Information, Inc.  
Form 10-Q  
December 11, 2008

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 31, 2008

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: None

QUANTUM INFORMATION, INC.

Nevada  
-----  
State or other jurisdiction  
of incorporation

26-1749145  
-----  
(IRS) Employer  
Identification Number

13414 South 47th Place  
Phoenix, AZ 85044  
-----  
Address of principal executive offices

(866) 200-0918  
-----  
Registrant's telephone number, including area code

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) had been subject to such filing requirements for the past 90 days.

Yes \_\_\_\_\_ No X

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

Large accelerated filer [ ] Accelerated filer [ ]  
Non-accelerated filer [ ] Smaller reporting company [X]  
(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Exchange Act Rule 12b-2 of the Exchange Act).

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Yes \_\_\_\_\_ No X

|                |                        |                   |
|----------------|------------------------|-------------------|
| Class of Stock | No. Shares Outstanding | Date              |
| Common         | 2,860,000              | December 10, 2008 |

## QUANTUM INFORMATION INC. (A Development Stage Company) Balance Sheet

|                             | ASSETS              |                  |
|-----------------------------|---------------------|------------------|
|                             | October 31,<br>2008 | April 30<br>2008 |
|                             | -----               |                  |
|                             | (Unaudited)         |                  |
| Current Assets              |                     |                  |
| Cash and Cash Equivalents   | \$ 37,552           | \$ 76,697        |
| Accounts Receivable         | 14,118              | -                |
| Prepays                     | 1,500               | 1,500            |
|                             | -----               | -----            |
|                             | 53,170              | 78,197           |
|                             | -----               | -----            |
| Property and Equipment, net |                     |                  |
| Equipment                   | 22,086              | 23,264           |
|                             | -----               | -----            |
| <br>TOTAL ASSETS            | <br>\$ 75,256       | <br>\$101,461    |
|                             | =====               | =====            |

## LIABILITIES & STOCKHOLDERS' EQUITY

|  |               |               |
|--|---------------|---------------|
| Current Liabilities  |               |               |
| Officer Loan   | \$ -          | \$ 1,750      |
|  | -----         | -----         |
| <br>Commitments and contingencies (Note 4)   |               |               |
| <br>Stockholders' Equity   |               |               |
| Common Stock, \$0.001 par value, 75,000,000 shares<br>authorized, 2,860,000 shares issued and outstanding<br>at April 30, 2008 |               |               |
| 2,860,000 shares issued and outstanding at October<br>31, 2008   | 2,860         | 2,860         |
| Additional paid-in capital   | 120,138       | 120,138       |
| Deficit accumulated in the development stage   | (47,742)      | (23,287)      |
|  | -----         | -----         |
| Total Stockholders' Equity   | 75,256        | 99,711        |
|  | -----         | -----         |
| <br>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY   | <br>\$ 75,256 | <br>\$101,461 |
|  | =====         | =====         |

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

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QUANTUM INFORMATION INC.  
(A Development Stage Company)  
Statement of Operations  
(Unaudited)

|  | For the<br>six<br>months<br>ended<br>October 31,<br>2007 | For the<br>three<br>months<br>ended<br>October 31,<br>2007 | For the<br>six<br>months<br>ended<br>October 31,<br>2008 | For the<br>three<br>months<br>ended<br>October 31,<br>2008 | For the period<br>of Inception,<br>from May 19,<br>2005 through<br>October 31,<br>2008 |
|--|--|--|--|--|--|
| Revenues   |  |  |  |  |  |
| Cinematogrphy  | \$ -   | \$ -   | \$ 11,475  | \$ 3,650   | \$ 14,675  |
| Equipment rental   | -  | -  | 11,475   | 3,650  | 14,675   |
|  | \$ -   | \$ -   | \$ 22,950  | \$ 7,300   | \$ 29,350  |
| Costs and Expenses   |  |  |  |  |  |
| Professional Fees  | -  | -  | 25,525   | 22,900   | 45,489   |
| Consulting   | -  | -  | -  | -  | -  |
| Occupancy Expense  | -  | -  | 6,000  | 3,000  | 11,930   |
| Depreciation   | -  | -  | 1,178  | 1,178  | 1,478  |
| Other General &<br>Administrative                                      | -  | -  | 14,702   | 8,613  | 18,195   |
| Total Expenses   | -  | -  | 47,405   | 35,691   | 77,092   |
| Operating Loss   | -  | -  | (24,455)   | (28,391)   | (47,742)   |
| Net Income (Loss)  | \$ -   | \$ -   | \$ (24,455)  | \$ (28,391)  | \$ (47,742)  |
| Basic and Dilutive net<br>loss per share                               | \$ -   | \$ -   | \$ (0.01)  | \$ (0.01)  |  |
| Weighted average number<br>of shares outstanding,<br>basic and diluted | -  | -  | 2,860,000  | 2,860,000  |  |

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

QUANTUM INFORMATION INC.  
(A Development Stage Company)  
Statements of Cash Flows  
(Unaudited)

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|   | For the<br>six<br>months<br>ended<br>October 31,<br>2007 | For the<br>three<br>months<br>ended<br>October 31,<br>2007 | For the<br>six<br>months<br>ended<br>October 31,<br>2008 | For the<br>three<br>months<br>ended<br>October 31,<br>2008 | For the period<br>of Inception,<br>from May 19,<br>2005 through<br>October 31,<br>2008 |
|---|--|--|--|--|--|
| CASH FLOWS FROM<br>OPERATING ACTIVITIES:  |  |  |  |  |  |
| Net Income (Loss)   | \$ -   | \$ -   | \$ (24,455)  | \$ (28,391)  | \$ (47,742)  |
| Adjustments to reconcile<br>net loss to net cash<br>used by operating activities: |  |  |  |  |  |
| Depreciation  | -  | -  | 1,178  | 1,178  | 1,478  |
| Change in operating assets<br>and liabilities:                                    |  |  |  |  |  |
| (Increase) Decrease<br>in Accounts Receivable                                     | -  | -  | (14,118)   | (1,468)  | (14,118)   |
| Increase (Decrease) in<br>prepaids  |  |  | -  | -  | (1,500)  |
| Net Cash provided by<br>(used by) Operating<br>Activities                         | -  | -  | (37,395)   | (28,681)   | (61,882)   |
| CASH FLOWS FROM INVESTING ACTIVITIES  |  |  |  |  |  |
| Purchase of equipment   | -  | -  | -  | -  | (23,564)   |
| Net Cash (used by)<br>Investing Activities  | -  | -  | -  | -  | (23,564)   |
| CASH FLOWS FROM FINANCING ACTIVITIES  |  |  |  |  |  |
| Proceeds from the sale of<br>Common Stock   | -  | -  | -  | -  | 122,998  |
| Proceeds from loan from<br>officer  | -  | -  | (1,750)  | -  | -  |
| Net Cash provided by<br>(used by) Financing<br>Activities                         | -  | -  | (1,750)  | -  | 122,998  |
| NET INCREASE IN CASH  | -  | -  | (39,145)   | (28,681)   | 37,552   |
| CASH AT BEGINNING OF PERIOD   | -  | -  | 76,697   | 66,233   | -  |
| CASH AT END OF PERIOD   | \$ -   | \$ -   | \$ 37,552  | \$ 37,552  | \$37,552   |
| CASH PAID FOR:  |  |  |  |  |  |
| Interest  | \$ -   | \$ -   | \$ -   | \$ -   | \$ -   |
| Income Taxes  | \$ -   | \$ -   | \$ -   | \$ -   | \$ -   |

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

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QUANTUM INFORMATION INC.  
(A Development Stage Company)  
Statement of Stockholders' Equity (Deficit)  
(Unaudited)

|   | Common<br>Shares | Stock<br>Amount | Additional<br>Paid-in<br>Capital | Accumulated<br>Deficit During<br>the Development<br>Stage | Total    |
|---|------------------|-----------------|----------------------------------|---|----------|
| Balances at May 19, 2007  | -                | \$ -            | \$ -                             | \$ -  | \$ -     |
| Common stock issued for cash on<br>January 10, 2008 at \$0.01 per<br>share  | 1,800,000        | 1,800           | 16,200                           |   | 18,000   |
| Common stock issued for cash on<br>February 20, 2008 at \$0.10 per<br>share | 1,060,000        | 1,060           | 103,938                          |   | 104,998  |
| Net loss for the year ended April<br>30, 2008                               |                  |                 |                                  | (23,287)  | (23,287) |
| Balances at April 30, 2008  | 2,860,000        | \$2,860         | \$120,138                        | \$ (23,287)   | \$99,511 |
| Net income for the 6 months ended<br>Oct. 31, 2008                          |                  |                 |                                  | (24,455)  | (24,455) |
| Balances at October 31, 2008  | 2,860,000        | \$2,860         | \$120,138                        | \$ (47,742)   | \$75,256 |

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

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QUANTUM INFORMATION INC.  
NOTES TO FINANCIAL STATEMENTS  
For the Six Months Ended October 31, 2008

NOTE 1 - BUSINESS AND CONTINUED OPERATIONS

The Company was incorporated under the name Inkie Entertainment Group on May 19, 2005 in the State of Nevada. The Company was formed for the purpose of engaging in all lawful businesses. The Company changed its name in January, 2008 to Quantum Information Inc. The Company's authorized capital consists of 75,000,000 shares of \$0.001 par value common voting stock.

The financial statements presented include all adjustments which are, in the opinion of management, necessary to present fairly the financial position,

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results of operations and cash flows for the period presented in accordance with the accounting principles generally accepted in the United States of America. All adjustments are of a normal recurring nature.

### Current Business of the Company

The Company had no material business operations from inception May 19, 2005 through 2007. In 2008 the Company made plans to produce feature films at low cost, using its own digital camera equipment. To this end the Company raised capital, purchased camera equipment and entered the development stage of film production. Limited revenue was received from renting the camera equipment.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Cash and equivalents

Cash and equivalents include investments with initial maturities of three months or less.

#### Fair Value of Financial Instruments

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 107, "Disclosures About Fair Value of Financial Instruments." SFAS No. 107 requires disclosure of fair value information about financial instruments when it is practicable to estimate that value. The carrying amounts of the Company's financial instruments as of July 31, 2008 approximate their respective fair values because of the short-term nature of these instruments. Such instruments consist of cash, accounts payable and accrued expenses. The fair value of related party payables is not determinable.

#### Income Taxes

The Company utilizes SFAS No. 109, "Accounting for Income Taxes," which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the tax basis of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income.

Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The Company generated deferred tax credits through net operating loss carryforwards. However, a valuation allowance of 100% has been established, as the realization of the deferred tax credits is not reasonably certain, based on going concern considerations outlined below.

#### Equipment

Equipment, including camera equipment, is recorded at cost and depreciated using straight line methods over the estimated useful lives of the related assets ranging from 3 to 10 years. The Company reviews the carrying value of long-term assets to be held and used when events and circumstances warrant such a review. If the carrying value of a long-lived asset is considered impaired, a loss is recognized based on the amount by which the carrying value exceeds the fair market value. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. The cost of

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normal maintenance and repairs is charged to operations as incurred. Major overhaul that extends the useful life of existing assets is capitalized. When equipment is retired or disposed, the costs and related accumulated depreciation are eliminated and the resulting profit or loss is recognized in income. Equipment at October 31, 2008 and 2007 consisted of:

|                          | 2008<br>----- | 2007<br>---- |
|--------------------------|---------------|--------------|
| Camera Equipment         | \$ 23,564     | 0            |
| Accumulated Depreciation | 1,478         | 0            |
|                          | -----         |              |
| Equipment, net           | \$ 22,086     | 0            |
|                          | =====         |              |

### Going Concern

The Company's financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company had a net loss of \$24,455 in the six months ended October , 2008 and a positive stockholders' equity of \$75,256. The Company is renting its film equipment with a cinematographer, but has not yet established an ongoing source of revenues sufficient to cover its operating costs and to allow it to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease development of operations.

In order to continue as a going concern, develop a reliable source of revenues, and achieve a profitable level of operations the Company will need, among other things, additional capital resources. Management's plans to continue as a going concern include raising additional capital through sales of common stock. In the interim, shareholders of the Company are committed to meeting its minimal operating expenses. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

### Development-Stage Company

The Company is considered a development-stage company, having limited operating revenues during the period presented, as defined by Statement of Financial Accounting Standards ("SFAS") No. 7. SFAS No. 7 requires companies to report their operations, shareholders deficit and cash flows since inception through the date that revenues are generated from management's intended operations, among other things. Management has defined inception as May 19, 2005. Since inception, and more particularly since commencing business in January, 2008, the Company has incurred an operating loss of \$47,742. Much of this related to consultants, as a means to generate working capital. The Company's working

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capital has been generated through the sales of common stock and renting its camera equipment. Management has provided financial data since May 19, 2005, "Inception", in the financial statements, as a means to provide readers of the Company's financial information to make informed investment decisions.

### Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

### Earnings (Loss) Per Share

Statement of Financial Accounting Standards No. 128 "Earnings Per Share" requires presentation of basic earnings per share and diluted earnings per share. Basic income (loss) per share ("Basic EPS") is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share ("Diluted EPS") is similarly calculated using the treasury stock method except that the denominator is increased to reflect the potential dilution that would occur if dilutive securities at the end of the applicable period were exercised. There were no potential dilutive securities as at October 31, 2008.

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the three months ended October 31, 2008 and 2007.

|                                       | 2008        | 2007 |
|---------------------------------------|-------------|------|
|                                       | ----        | ---- |
| Numerator:                            |             |      |
| Basic and diluted net loss per share: |             |      |
| Net Loss                              | \$ (24,455) | 0    |
| Denominator:                          |             |      |
| Basic and diluted weighted average    |             |      |
| number of shares outstanding          | 2,860,000   | 0    |
| Basic and Diluted Net Loss Per Share: | \$ (0.01)   | 0    |

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### NOTE 3 - RELATED PARTY TRANSACTIONS

On January 10, 2008 the Board authorized the issue of common stock to two Directors:

|   |   |
|---|---|
| Joel Klandrud<br>President, Chief Operating<br>Officer and Director | 900,000 shares at a price of \$0.01 per share |
| Sandra Dosdall<br>Director  | 900,000 shares at a price of \$0.01 per share |

### NOTE 4 - COMMITMENTS AND CONTINGENCIES

There were no commitments or contingencies as at October 31, 2008.



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### NOTE 5 - CAPITAL STOCK TRANSACTIONS

On January 10, 2008, 1,800,000 common shares were issued for cash at \$0.01 per share, realizing \$18,000.

On February 20, 2008, 1,060,000 common shares were issued for cash at \$0.10 per share, realizing \$104,998.

At October 31, 2008 the Company had authorized 75,000,000 common shares, of which the total issued and outstanding was 2,860,000.

### NOTE 6 - LITIGATION

There were no legal proceedings against the Company with respect to matters arising in the ordinary course of business. Neither the Company nor any of its officers or directors is involved in any other litigation either as plaintiffs or defendants, and have no knowledge of any threatened or pending litigation against them or any of the officers or directors.

### QUANTUM INFORMATION, INC.

#### Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of financial condition and results of operations should be read in conjunction with the financial statements and the notes to the financial statement, which are included elsewhere in this report.

Quantum was incorporated on May 19, 2005 and plans to be engaged in the production, distribution and marketing of filmed entertainment products, including theatrical motion pictures, television programs, home video products, and digitally delivered entertainment and media.

Quantum expects to derive revenue from the exploitation of entertainment properties across multiple media and distribution channels. Quantum expects to receive revenue from all of the following sources on a project-by-project basis:

- o Producer and production fees for services in the creation and production of motion pictures, television programs and other visual media;
- o Royalties from future earnings of the projects that Quantum may develop or produce;
- o Royalty payments from merchandising consumer products bearing the logos, brands, and other forms of intellectual property from Quantum's films, television programs and other visual media; and
- o Royalties and license payments from exploitation of soundtrack and music publishing rights for music from Quantum's films, television programs and archives.

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As its first project, Quantum will attempt to produce a short (45 minutes) motion picture. The estimated costs to produce this motion picture are:

|  |           |
|--|-----------|
| Script acquisition and development                 | \$ 15,000 |
| Purchase of filmmaking equipment                   | 85,000    |
| Purchase of post production computers and software | 15,000    |
| Production expenses                                | 100,000   |
| Marketing  | 5,000     |
|  | -----     |
|  | \$220,000 |

Quantum will attempt to fund the costs of producing the motion picture through internal sources, the sale of its securities or through licensing or pre-selling the film to various distribution channels.

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As of November 30, 2008 Quantum:

- o had completed shooting a feature film called "King" as a production company. Quantum is currently negotiating to obtain an equity stake in the film and take associate producer credit. The film is currently in post production;
- o had completed shooting a 20-minute short film called "Heirophant" acting as director of photography and associate producer. This film played in a local film festival in November 2008;
- o had been hired on a variety of occasions to provide cinematography services. Clients include local film producers as well as Intel Corporation;
- o had been reviewing scripts for its first majority-owned production but has not yet found a suitable candidate; and
- o is in discussions with other producers concerning potential co-production projects.

Quantum does not know of any trends, events or uncertainties that have had or are reasonably expected to have a material impact on Quantum' operations or financial condition.

Between January and March 2008 Quantum sold 1,060,000 shares of its common stock, at a price of \$.10 CDN per share, to a group of private investors.

Quantum's future plans will be dependent upon the amount of capital Quantum is able to raise. Quantum may attempt to raise additional capital through the private sale of its equity securities or borrowings from third party lenders. Quantum does not have any commitments or arrangements from any person to provide Quantum with any additional capital. If additional financing is not available when needed, Quantum may cease operations. Quantum does not have any plans, arrangements or agreements to sell its assets or to merge with another entity.

Quantum's significant accounting policies are discussed in Note 2 to its financial statements included as part of this report.

Item 4.T. CONTROLS AND PROCEDURES

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Quantum's management is responsible for establishing and maintaining adequate internal control over financial reporting as required by Sarbanes-Oxley (SOX) Section 404.A. Quantum's internal control over financial reporting is a process designed under the supervision of its Chief Executive and Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of its financial statements for external purposes in accordance with Generally Accepted Accounting Principles.

There were no changes in Quantum's internal controls over financial reporting that occurred during the quarter ended October 31, 2008 that have affected, or are reasonably likely to materially affect, Quantum's internal control over financial reporting.

2

Joel Klandrud, Quantum's President and Principal Financial Officer, evaluated the effectiveness of Quantum's disclosure controls and procedures as of the end of the period covered by this report; and in his opinion Quantum's disclosure controls and procedures were effective.

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### PART II

Item 6. (a) Exhibits

| Number | Exhibit                       |
|--------|-------------------------------|
| 31     | Rule 13a-14(a) Certifications |
| 32     | Section 1350 Certifications   |

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### SIGNATURES

Pursuant to the requirements 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.

QUANTUM INFORMATION, INC.

December 11, 2008

/s/ Joel Klandrud

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Joel Klandrud, President and Principal

