**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, DC 20549**

# FORM 10-K

**☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2021**

**OR**

**□ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission File Number: 001-37899**

**SCWORX CORP.**
**(Exact Name of Registrant as Specified in Its Charter)**

| Delaware | 47-5412331 |
|---|---|
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |

**590 Madison Avenue, 21st Floor**
**New York, New York 10022**
**(212) 739-7825**
**(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)**

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

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common stock, par value $0.001 per share | The Nasdaq Capital Market |

**Securities registered pursuant to Section 12(g) of the Act: 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 Section 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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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, 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.

| | | | |
|---|---|---|---|
| Large accelerated filer | □ | Accelerated filer | □ |
| Non-accelerated filer | ☒ | Smaller reporting company | ☒ |
| | | Emerging growth company | ☒ |

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

Indicate by check mark whether the registrant has fi led a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting fi rm that prepared or issued its audit report. □

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

As of June 30, 2021, the aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant was approximately $16.3 million, based on the last reported trading price of the Common Stock on that date, as reported on the Nasdaq Capital Market.

The number of shares outstanding of the registrant's common stock as of March 31, 2022 was 11,383,454.

**SCWORX CORP.**
**ANNUAL**
**REPORT ON FORM 10-K**
**FOR THE YEAR ENDED DECEMBER 31, 2021**
**TABLE OF CONTENTS**


| | | Page no |
|---|---|---|
| | PART I | |
| Item 1. | Business | 1 |
| Item 1A. | Risk Factors | 10 |
| Item 1B. | Unresolved Staff Comments | 24 |
| Item 2. | Properties | 24 |
| Item 3. | Legal Proceedings | 24 |
| Item 4. | Mine Safety Disclosures | 26 |
| | PART II | |
| Item 5. | Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities | 27 |
| Item 6. | [Reserved] | 27 |
| Item 7. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 27 |
| Item 7A. | Quantitative and Qualitative Disclosures About Market Risk | 39 |
| Item 8. | Financial Statements and Supplementary Data | 39 |
| Item 9. | Changes in and Disagreements with Accountants on Accounting and Financial Disclosure | 40 |
| Item 9A. | Controls and Procedures | 41 |
| Item 9B. | Other Information | 41 |
| Item 9C. | Disclosure Regarding Foreign Jurisdictions that Prevent Inspections. | 41 |
| | PART III | |
| Item 10. | Directors, Executive Officers and Corporate Governance | 42 |
| Item 11. | Executive Compensation | 45 |
| Item 12. | Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters | 47 |
| Item 13. | Certain Relationships and Related Transactions, and Director Independence | 48 |
| Item 14. | Principal Accountant Fees and Services | 48 |
| | PART IV | |
| Item 15. | Exhibits and Financial Statement Schedules | 50 |
| | Signatures | 51 |
| | Index to Consolidated Financial Statements | F-1 |
| | Index to Exhibits | 52 |

**Cautionary Statement Regarding Forward-Looking Statements**

*Certain statements that we make from time to time, including statements contained in this Annual Report on Form 10-K constitute "forward-looking statements" within the meaning Private Securities Litigation Reform Act of 1995, and of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical fact contained in this Annual Report on Form 10-K are forward-looking statements. These statements, among other things, relate to our business strategy, goals and expectations concerning our services, future operations, prospects, plans and objectives of management. The words "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", and similar terms and phrases are used to identify forward-looking statements in this presentation.*

*Our operations involve risks and uncertainties, many of which are outside our control, and any one of which, or a combination of which, could materially affect our results of operations and whether the forward-looking statements ultimately prove to be correct. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. Forward-looking statements in this Annual Report on Form 10-K include, without limitation, statements reflecting management's expectations for future financial performance and operating expenditures (including our ability to continue as a going concern, to raise additional capital and to succeed in our future operations), expected growth, profitability and business outlook, and operating expenses.*

*Forward-looking statements are only current predictions and are subject to 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 those anticipated by such statements. These factors include, among other things, the unknown risks and uncertainties that we believe could cause actual results to differ from these forward looking statements as set forth under the heading, "Risk Factors" and elsewhere in this Annual Report on Form 10-K. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all of the risks and uncertainties that could have an impact on the forward-looking statements, including without limitation, risks and uncertainties relating to our ability to:*

- reverse the recent decline in our revenue and resume growing our revenue;
- resolve the various litigation proceedings and investigations pending against us on favorable terms or at all;
- obtain additional financing in sufficient amounts or on acceptable terms so that we can fund our business plan;
- reduce our dependence on third-party subcontractors to perform some of the work on our contracts;
- mitigate the impact of new or changed laws, regulations or other industry standards that could adversely affect our ability to conduct our business;
- mitigate the impact of the COVID-19 pandemic on our revenues;
- adopt and master new technologies and adjust certain fixed costs and expenses to adapt to our industry's and customers' evolving demands; and
- mitigate the impact of changes in general market, economic and political conditions in the United States and global economies or financial markets, including those resulting from natural or man-made disasters.

*Although we believe that the expectations reflected in the forward-looking statements contained in this Annual Report on Form 10-K are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. In light of inherent risks, uncertainties and assumptions, the future events and trends discussed in this Annual Report on Form 10-K may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Except as required by law, we are under no duty to update or revise any of such forward-looking statements, whether as a result of new information, future events, or otherwise, after the date of this Annual Report on Form 10-K.*

*You should read this Annual Report on Form 10-K with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect.*

*All references to "SCWorx," "we," "us," "our" or the "Company" mean SCWorx Corp., a Delaware corporation, and where appropriate, its wholly owned subsidiaries*

## PART I

### Item 1. Business

#### Corporate Information

SCWorx, LLC (n/k/a SCW FL Corp.) ("SCW LLC") was a privately held limited liability company which was organized in Florida on November 17, 2016. On December 31, 2017, SCW LLC acquired Primrose Solutions, LLC ("Primrose"), a Delaware limited liability company, which became its wholly-owned subsidiary and focused on developing functionality for the software now used and sold by SCWorx Corp. (the "Company" or "SCWorx"). The majority interest holders of Primrose were interest holders of SCW LLC and based upon Staff Accounting Bulletin Topic 5G, the technology acquired has been accounted for at predecessor cost of $0. To facilitate the planned acquisition by Alliance MMA, Inc., a Delaware corporation ("Alliance"), on June 27, 2018, SCW LLC merged with and into a newly-formed entity, SCWorx Acquisition Corp., a Delaware corporation ("SCW Acquisition"), with SCW Acquisition being the surviving entity. Subsequently, on August 17, 2018, SCW Acquisition changed its name to SCWorx Corp. On November 30, 2018, the Company and certain of its stockholders agreed to cancel 6,510 shares of common stock. In June 2018, the Company began to collect subscriptions for common stock. From June to November 2018, the Company collected $1,250,000 in subscriptions and issued 3,125 shares of common stock to new third-party investors. In addition, on February 1, 2019, (i) SCWorx Corp. (f/k/a SCWorx Acquisition Corp.) changed its name to SCW FL Corp. (to allow Alliance to change its name to SCWorx Corp.) and (ii) Alliance acquired SCWorx Corp. (n/k/a SCW FL Corp.) in a stock-for-stock exchange transaction and changed Alliance's name to SCWorx Corp., which is the Company's current name, with SCW FL Corp. becoming the Company's subsidiary. On March 16, 2020, in response to the COVID-19 pandemic, SCWorx established a wholly-owned subsidiary, Direct-Worx, LLC.

Our principal executive offices are located at 590 Madison Avenue, 21st Floor, New York, New York, 10022. Our telephone number is (844) 472-9679.

In this Annual Report, the terms "SCWorx", "Alliance," "Alliance MMA," the "Company," "we," "us" and "our" refer to SCWorx, Corp. (f/k/a Alliance MMA, Inc.). Unless specified otherwise, the historical financial results in this Annual Report are those of SCWorx and its subsidiaries on a consolidated basis.

#### Our Business

SCWorx is a provider of data content and services related to the repair, normalization and interoperability of information for healthcare providers, as well as big data analytics for the healthcare industry.

SCWorx has developed and markets health care information technology solutions and associated services that improve healthcare processes and information flow within hospitals and other healthcare facilities. SCWorx's software enables a healthcare provider to simplify and organize its data ("data normalization"), allows the data to be utilized across multiple internal software applications ("interoperability") and provides the basis for sophisticated data analytics ("big data"). Customers use our software to achieve multiple operational benefits, such as supply chain cost reductions, decreased accounts receivables aging, accelerated and completed patient billing in less than 72 hours, contract optimization, increased supply chain management and total cost visibility via dynamic AI connections that automatically structures, repairs, synchronizes and maintains purchasing ("MMIS"), Clinical ("EMR") and finance ("CDM") systems. SCWorx's customers include some of the most prestigious healthcare organizations in the United States. SCWorx offers an advanced software solution for the management of health care providers' foundational business applications, empowering its customers to significantly reduce costs, drive better clinical outcomes and enhance their revenue. SCWorx supports the interrelationship between the three core healthcare provider systems: Supply Chain, Financial and Clinical. This solution integrates common keys within distinct and variable databases that allows the repaired foundational data to move seamlessly from one application to another enabling our Customers to drive supply chain cost reductions, optimize contracts, increase supply chain management ("SCM"), cost visibility, control rebates and contract administration fees.

Currently, the business systems of hospitals are frequently deficient and often unconnected from each other. These deficiencies in part result from the vast amount of unstructured, manually created and managed data that proliferates within the hospital's supply chain, clinical and billing systems. SCWorx's solutions are designed to improve the flow of information quickly and accurately between the buy-side (supply chain purchasing systems), the consumption-side (clinical documentation systems like the electronic medical records ("EMR")) and billing and collection systems (patient billing systems). The currently poor state of interoperability limits the potential value of each independent system and requires significant expense and extensive human resource commitments from senior personnel to stay ahead of problems and complete basic administrative tasks. SCWorx provides an information service that ultimately leads to safer, more cost effective and financially efficient patient care.

SCWorx has demonstrated that in order for the core hospital systems to function properly there must be a Single Source of Truth ("SSOT") for all products utilized and ultimately billed for. The Item Master File ("IMF"), which is a database of all known products used in hospital and health care settings, must be accurate at all times and expanded upon to hold both clinical and financial attributes. An accurate and expanded Item Master File supports interoperability between the supply chain, clinical and financial systems by delivering, on demand, reports detailing the purchasing, utilization and revenue associated with each and every item used, allowing hospitals to better manage their business. The Single Source of Truth establishes a common vernacular and syntax, while assigning a consistent meaning across the healthcare provider's core systems and accurately migrating data from one application to another and removing disconnects between critical business systems.

*SCWorx's Software Solutions/Services*

SCWorx empowers healthcare providers to maintain comprehensive access and visibility to an advanced business intelligence that enables better decision-making and reductions in product costs and utilization, ultimately leading to accelerated and accurate patient billing. SCWorx's software modules perform separate functions as follows:

- Virtualized Item Master File repair, expansion and automation — The process begins with data normalization — data is put into a simplified and normalized structure and location for use throughout the enterprise. The SCWorx software normalizes, automates and builds interoperability via advanced attribution, vendor and contract mapping, product categorization, repairing the unit of measure and establishing revenue codes and flags. SCWorx improves the healthcare providers' business processes through the establishment of a clean and normalized Item Master File that improves efficiencies, eliminates cumbersome and error-prone manual processes, and provides an integrated cloud-based suite of services that enhances the productivity of operating room staff, supply chain margins and billing revenue through the seamless sharing and accuracy of critical business data.

- Electronic Medical Record Management — The Electronic Medical Record (EMR) module integrates the advanced data attributes created by SCWorx in the Item Master into the EMR. The EMR serves as the database that hospitals use to document all clinical procedures in terms of the products used and the costs that should be charged. What makes this module special is that prior to its creation there was no mechanism that tied product purchases to actual utilization. Hospitals, being mass consumption businesses, had no way to identify excess ordering that always accompanies mass consumption organizations. In addition, the automation and consistency of delivered attributes dramatically reduces the administrative burden as today these additional attributes are being created by expensive clinical resources manually — over and over again by each hospital. The SCWorx EMR management system creates one vernacular for each hospital so they see the data in a manner that suits them — and then creates a universal vernacular so they can see their performance against other like institutions.

- Charge Description Master Management — The Charge Description Master (CDM) Management module assists healthcare providers by integrating the CDM data into the workflow of the hospitals purchasing systems so that the latest costs can be automatically updated against the hospitals charging systems. The CDM data provided by SCWorx is made more accurate, and the resulting data is integrated to the Item Master for real-time delivery to the EMR — this data is the last remaining piece of information that is consumed by the EMR and passed ultimately to the patient billing systems. SCWorx provides real-time integration, automation and management of Item Master File, Clinical Information Systems and the Charge Description Master.

- Contract Management — SCWorx's Contract Management Module assists healthcare providers to establish an efficient contract management system and to provide first class care to patients, while reducing operating costs, assuring adherence to compliance requirements, and mitigating risk. By linking the Item Master File to the healthcare providers contract management system and procedures, SCWorx simplifies the way contracts are managed from start to finish by streamlining the processes of creating, routing, reviewing and approving contracts. SCWorx delivers a data warehouse platform which integrates item master management, spend analysis, and contract management. These solutions enable financial staff across the healthcare provider to drill down quickly and deeply into actionable and real-time financial data and key performance indicators to improve revenue realization and staff efficiency. This suite of solutions includes the ability to automatically push price changes to a contract, compliance for standard and non-standard products, contract compliance and optimization reporting, reliable cost data for current and alternate products, cost performance metrics, matching purchase order price to contract and contract repository.

- Request for Proposal ("RFP") Automation — With the reality of shrinking operating margins, increasing operating expenses and decreasing insurance reimbursements, hospitals must evaluate all major expenditures. In addition, requirements for provable quality of service supported by trackable metrics now frequently necessitate the search for better options available in the marketplace. Since hospital-based provider subsidies are often a major expense item and since there are often perceived opportunities for quality improvement, it is a reasonable practice for hospital leadership to carefully evaluate all of their current hospital-based services and associated financial support before each contract renegotiation. The proliferation of large regional and national providers, with their ability to derive benefits from economies of scale, have made RFPs much more of a competitive process. Hospital administrators, however, often rely on poor or conflicting data when creating an RFP. Through the integration and utilization of the SSOT SCWorx automates the RFP process and makes it more accurate. SCWorx automates the core sourcing processes with the intention to accelerate cycle times, surveys and confirms business preferred processes, designs and builds a flow chart for the current and desired workflows, cross references bid analysis, implements bid scoring, customizes software to support automation and customizes the report writer and output documents.

- Integration of Acquired Businesses — The agnostic design of the SCWorx solution enables rapid deployment of a virtual Item Master File to quickly and easily allow combining healthcare providers to share information and achieve cost synergies and interoperability without large and cumbersome upgrades or implementations. During the consolidation of healthcare providers, SCWorx cleans the data and makes the data available to the disparate systems. In addition, M&A activity requires in-depth reporting for comparison of Group Purchasing Organization ("GPO") contract overlap. When healthcare providers that use different GPOs merge, or are acquired, there is a lack of information to compare contracts. SCWorx provides information for comparative purposes to solve these issues rapidly.

- Rebate Management — Frequently, vendors use rebates and incentives as a key part of their pricing strategy and structure when selling to hospitals. This tactic makes pricing more attractive to healthcare providers. When tracked through Accounts Payable, and issued correctly, rebates can help healthcare organizations save money. At any large healthcare provider, vendor rebates can be difficult to manage since they require a multi-step process to track dollars earned, credits issued, and monies paid. Rebates frequently cause tracking challenges for Accounts Payable departments. Inconsistent tracking is the primary problem for loss of savings with vendor rebate programs. SCWorx's Rebate Management Module enables healthcare providers to correctly calculate and track rebates provided by healthcare provider vendors. Purchasing or Contracting departments monitor rebates by creating and maintaining a Rebates Master List which is provided to the Accounts Payable department. To assist in this cumbersome process, SCWorx provides information from the SSOT, such as historical data, frequent updates, advanced administrative fee reporting, purchase rebate tracking, early payment/discount management and Vendor Master Data alignment.

- Big Data Analytics Model — SCWorx provides an in-depth, easy-to-use web portal for display, reporting and analysis of the information contained within the SCWorx data warehouse. SCWorx's analytics solution enables healthcare providers to view benchmarking information, quickly add new items to the SSOT and identify cost savings through this real-time and on-demand solution. In addition to simplifying the item add process, SCWorx provides peer comparison reporting against similar healthcare providers and a list of informative reports for business measurement, such as spend trend analysis, contract gap analysis, market price comparison, etc. The SCWorx product line is a simplified user experience and visual display for the hospital employee which does not require access to the SCWorx application.

- Data Integration and Warehousing — Healthcare providers maintain a significant amount of data. In many cases the data is not useful for analytics since the data is held within an individual "silo." SCWorx establishes an expandable, data warehouse of items that have been normalized, repaired and enriched as the SSOT for useful benchmarking, interoperability and analytics. SCWorx's data warehouse allows healthcare providers to effectively use the data contained in their environment and efficiently establish the supply chain as a leading driver of revenue cycle management. The data warehouse is updated as frequently as every five minutes without intervention.

- ScanWorx — Our mobile perioperative closed loop scanning solution is driven by the SCWorx foundational data structure, and utilizes interoperable data exchanges to push and secure the customer's enriched item master, all built around the customer's internal business rules and chart of account requirements offering the following:

    - Cloud hosted mobile scanning solution, which automates the consumption of known and unknown implant device utilization during surgical procedures via intuitive Scanning or smart searching features.

    - All scanned device utilization will capture all available attributes, such as Global Trade Item Number, Lot, Serial numbers, expiration dates.

    - ScanWorx will establish the following connections with existing Enterprise Resource Planning ("ERP") and Electronic Medical Record ("EMR") enterprise systems for the following:

        - EMR — Daily scheduling feeds with case information

        - ERP — Bill-Only electronic purchase orders

        - EMR — Case closure with device utilization integration

    - ScanWorx has the ability to consume additional product utilization per case when provided by the EMR for surgical preference cards, central sterile processing products, and anesthesia gas.

    - ScanWorx will identify and automate the Item-Add process for unknown items introduced during surgical procedures based on customer's existing business rules.

SCWorx continues to provide transformational data-driven solutions to some of the finest, most well-respected healthcare providers in the United States. Clients are geographically dispersed throughout the country. The Company's focus is to assist healthcare providers with issues they have pertaining to data interoperability. SCWorx provides these solutions through a combination of direct sales and relationships with strategic partners.

SCWorx's software solutions are delivered to clients within a fixed term period, typically a three-to-five-year contracted term, where such software is hosted in SCWorx data centers (Amazon Web Service's "AWS" or RackSpace) and accessed by the client through a secure connection in a software as a service ("SaaS") delivery method.

SCWorx currently sells its solutions and services in the United States to hospitals and health systems through its direct sales force and its distribution and reseller partnerships.

SCWorx, as part of the acquisition of Alliance MMA, acquired an online event ticketing platform focused on serving regional MMA ("mixed martial arts") promotions. Due to the Covid restrictions which were put in place for large gatherings, SCWorx has paused this business activity.

**Impact of the COVID-19 Pandemic**

The Company's operations and business have experienced disruption due to the unprecedented conditions surrounding the COVID-19 pandemic which spread throughout the United States and the world. The outbreak adversely impacted new customer acquisition. The Company has followed the recommendations of local health authorities to minimize exposure risk for its team members since the outbreak.

In addition, the Company's customers (hospitals) also experienced extraordinary disruptions to their businesses and supply chains, while experiencing unprecedented demand for health care services related to COVID-19. As a result of these extraordinary disruptions to the Company's customers' business, the Company's customers were focused on meeting the nation's health care needs in response to the COVID-19 pandemic. As a result, the Company believes that its customers were not able to focus resources on expanding the utilization of the Company's services, which has adversely impacted the Company's growth prospects, at least until the adverse effects of the pandemic subside. In addition, the financial impact of COVID-19 on the Company's hospital customers could cause the hospitals to delay payments due to the Company for services, which could negatively impact the Company's cash flows.

The Company sought to mitigate these impacts to revenue through the sale of personal protective equipment ("PPE") and COVID-19 rapid test kits to the health care industry, including many of the Company's hospital customers. On March 16, 2020, in response to the COVID-19 pandemic, SCWorx established a wholly-owned subsidiary, Direct-Worx, LLC to endeavor to source and provide critical, difficult-to-find items for the healthcare industry. Items had become difficult to source due to unexpected disruptions within the supply chain due to the COVID-19 pandemic. The products the Company sought to source included:

- Test Kits — the Company currently has no contracted supply of Rapid Test Kits.
- PPE — Personal Protective Equipment (PPE) includes items such as masks, gloves, gowns, shields, etc. Currently the Company has no contracted supply of PPE.

Regarding PPE and Test Kits, the Company's Board of Directors determined during the second quarter of 2020 to limit the Company's role to acting as an intermediary between buyers and sellers with commission based compensation. We are endeavoring to sell our existing inventory of PPE products primarily through use of our internal and external sales personnel.

The sale of PPE and rapid test kits for COVID-19 represented a new business for the Company and was subject to the myriad risks associated with any new venture. The Company encountered great difficulty in attempting to secure reliable sources of supply for both COVID-19 Rapid Test Kits and PPE. The Company currently has no contracted supply of Rapid Test Kits or PPE. Since the inception of this business, the Company completed only minimal sales of COVID-19 rapid test kits and PPE. The Company does not expect to generate any significant revenue from the sale of PPE products or rapid test kits, and as of the date of this report, the Company has not generated any material revenue from the sale of PPE or rapid test kits.

*Clients and Strategic Partners*

SCWorx continues to provide transformational data-driven solutions to some of the finest, most well-respected healthcare providers in the United States. Clients are geographically dispersed throughout the country and the continued focus is to assist healthcare providers with issues they have pertaining to data interoperability. SCWorx provides these solutions through a combination of direct sales and relationships with strategic partners.

*Competition*

SCWorx competes against a variety of vendors and smaller companies which provide solutions in the specific markets we address. Our principal competitors include:

- purchasing departments that have limited budgets and may be attempting to manually repair the item master file;
- large companies with a long list of products and services and small companies which may provide item master normalization and data cleanse services;
- software companies or service providers, as well as small, specialized vendors, that provide complementary or competitive solutions in benchmarking or data analytics and data warehousing that may compete with our offerings; and

Some of our actual and perceived competitors have advantages over us, such as longer operating histories, greater financial, technical, marketing or other resources, stronger brand and business user recognition, larger intellectual property portfolios, broader distribution and presence, and competitive pricing. In addition, our industry is evolving rapidly and is becoming increasingly competitive.

Barriers to entry to the data management market include technological and application sophistication, the ability to offer a proven product, creating and utilizing a well-established client base and distribution channels, brand recognition, the ability to provide agnostic interoperability and to operate on a variety of MMIS, EMR and financial platforms, the ability to integrate with pre-existing systems and capital for sustained development and marketing activities. There are few barriers to entry to the PPE/test kit distribution business.

SCWorx believes that these obstacles taken together represent a moderate to high-level barrier to entry on the data management side of our business. The principal competitive factors in our markets are product features, functionality and support, product depth and breadth (number of items in the central data warehouse), flexibility, ease of deployment and use, total cost of ownership and time to value. We believe that we generally compete favorably on the basis of these factors. For example, besides our agnostic interoperability, additional key strengths include the SCWorx data warehouse, which exceeds 12 million items, SCWorx Big Data analytics and benchmarking.

*Contracts, License and Service Fees*

SCWorx enters into agreements with its clients that specify the scope of the solution to be installed and/or services to be provided by SCWorx, as well as the agreed-upon aggregate price, applicable duration and the timetable for the associated licenses and services.

For clients purchasing software to be installed locally or provided on a SaaS model, these are multi-element arrangements that include a term license granting the right to access the applicable software functionality (whether installed locally at the client site or the right to use our company's solutions as a part of SaaS services), terms regarding maintenance and support services, terms for any third-party components such as infrastructure and software, and professional services for implementation, integration, process engineering, optimization and training, as well as fees and payment terms for each of the foregoing. If the client purchases solutions on a long-term license model, the client may be billed the license fee up front or on a monthly or quarterly basis. Maintenance and support are provided on a term basis for separate fees, with an initial term of typically three to five years. The license, maintenance and support fee is charged annually in advance, commencing either upon contract execution or deployment of the solution in live production. If the client purchases solutions on a term-based model, the client is billed periodically a combined access fee for a specified term, typically three to five years in length.

SCWorx also generally provides software and SaaS client's professional services for implementation, integration, process engineering, and optimization and training. These services and the associated fees are separate from the license, maintenance and access fees. Professional services are provided on either a fixed-fee or hourly arrangements billable to clients based on agreed-to payment milestones (fixed fee) or monthly payment structure on hours incurred (hourly). These services can either be included at the time the related SaaS solution is licensed as part of the initial purchase agreement or added on afterward as an addendum to the existing agreement for services required after the initial implementation.

For one-time data normalization services clients, these normalization services are provided either through a stand-alone services agreement or services addendum to an existing master agreement with the client. These normalization services are available as either a one-time service or recurring monthly, quarterly or annual review structure. These services are typically provided on a per item basis. Payment typically occurs upon completion of the applicable normalization project. The commencement of revenue recognition varies depending on the size and complexity of the system and/or services involved, the implementation or performance schedule requested by the client and usage by clients of SaaS for software-based components. SCWorx's agreements are generally non-cancelable but provide that the client may terminate its agreement upon a material breach by SCWorx and/or may delay certain aspects of the installation or associated payments in such events. SCWorx does allow for termination for convenience in certain situations. SCWorx also includes trial or evaluation periods for certain clients, especially for new or modified solutions. Therefore, it is difficult for SCWorx to accurately predict the revenue it expects to achieve in any particular period, and a termination or installation delay of one or more phases of an agreement, or the failure of SCWorx to procure additional agreements, could have a material adverse effect on SCWorx's business, financial condition, and results of operations. Historically, SCWorx has not experienced a material amount of contract cancellations; however, SCWorx sometimes experiences delays during contract implementation, and SCWorx accounts for them accordingly.

*Third Party License Fees*

SCWorx incorporates software licensed from various third-party vendors into its proprietary software. Stand-alone third-party software is also required to operate certain of SCWorx's proprietary software and/or SaaS services. SCWorx licenses these software products and pays the required license fees when such software is delivered to clients.

*PPE and Rapid Test Kit Products*

The Company is no longer actively seeking to procure and sell Test Kits or PPE. Instead, the Company is focused on selling its current inventory of PPE. The Company may receive commissions for acting as an intermediary with respect to the sale of PPE and/or Test Kits. However, there is no assurance the Company will realize any material revenue from these activities.

*CageTix Ticketing Platform*

In 2020, the majority of paid tickets for regional MMA events were sold by the fighters appearing on the event fight card. Referred to as "fighter consigned" tickets, sales are generally made in face-to-face cash transactions. The CageTix event ticketing platform allowed regional promoters to control the ticketing sales chain. The CageTix platform provided benefits to regional promotions, including the security of credit/debit card sales processing, immediate revenue recognition, and real time sales reporting. Due to the Covid restrictions which were put in place for large gatherings, SCWorx has paused business activity for Cagetix.

**Property**

The company does not own any real property. The principal executive offices are located at an office complex in New York, New York, consisting of shared office space that we are leasing. The lease had an original one-year term that commenced on December 1, 2015, which was renewed until November 30, 2018 and now is under a month-to-month lease agreement. The lease allows for the limited use of private offices, conference rooms, mail handling, videoconferencing, and certain other business services.

The Company also had a lease in Greenwich, CT which expired in March 2020 and became a month to month. This tenancy was terminated in April 2021.

**Government Regulation**

Management believes that governmental regulation is not material to our current core data management business.

**Intellectual Property**

We protect our intellectual property rights by relying on federal, state and common law rights, as well as contractual restrictions. We control access to our proprietary technology by entering into confidentiality agreements, invention assignment agreements and work for hire agreements with our employees and contractors, and confidentiality agreements with third parties. We further control the use of our proprietary technology and intellectual property through provisions in our websites' terms of use. Agreements between the Company and end-users includes a license agreement in which a non-transferable non-sublicensable, non-exclusive, limited use license to use the licensed products for the duration of the service order. Customers may not modify, copy, translate, decompile, disassemble, reverse engineer, loan, rent, lease, sublicense, or create derivative works of the licensed products, in whole or in part. Customer agrees to maintain software and data as Confidential Information.

The Company currently hosts our solution, serves our customers, and supports our operations in the United States through an agreement with a third-party hosting and infrastructure provider, Rackspace. The Company incorporates standard IT security measures, including but not limited to; firewalls, disaster recovery, backup, etc.

Circumstances outside our control could pose a threat to our intellectual property rights. For example, effective intellectual property protection may not be available in the United States or other countries in which we seek protection of our marks or our copyrighted works. Also, the efforts we have taken to protect our proprietary rights may not be sufficient or effective. Any significant impairment of our intellectual property rights may harm our business or our ability to compete.

**Seasonality**

We do not believe that SCWorx's revenues are impacted by seasonality.

**Employees**

As of December 31, 2021, we had 10 employees, of which 2 were management and finance and the rest in operations. We primarily utilize independent contractors and third-party vendors for software, maintenance of our database and customer software installation.

**Legal Proceedings**

In conducting our business, we may become involved in legal proceedings. We will accrue a liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When only a range of possible loss can be established, the most probable amount in the range is accrued. If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued. The accrual for a litigation loss contingency might include, for example, estimates of potential damages, outside legal fees and other directly related costs expected to be incurred.

*Settlement of Consolidated Securities Class Action*

As previously disclosed, on April 29, 2020, a securities class action case was filed in the United States District Court for the Southern District of New York against us and our former CEO. The action is captioned Daniel Yannes, individually and on behalf of all others similarly situated vs. SCWorx Corp. and Marc S. Schessel,. Subsequently, two additional class actions were filed in the same court (*Leeburn v. SCWorx, et ano. and Leonard v. SCWorx et ano.) and thereafter, the three class actions were consolidated (the "Consolidated Class Action"). The Consolidated Class Action* alleged that our company and our former CEO misled investors in connection with our April 13, 2020 press release with respect to the sale of COVID-19 rapid test kits. As previously disclosed, on February 11, 2022, the parties entered into a Stipulation of Settlement (subject to Court approval) to settle the Consolidated Class Action. The settlement resolves all claims asserted against SCWorx and the other named defendant without any admission, concession or finding of any fault, liability or wrongdoing by the Company or any defendant. Under the terms of this agreement, (i) the insurers for the Company and Marc Schessel (former CEO) will make a cash payment to the class plaintiffs (ii) the former CEO will transfer 100,000 shares of company common stock to the class plaintiffs, and (iii) the Company will issue $600,000 worth of common stock to the class plaintiffs, in exchange for which all parties will be released from all claims related to the securities class action litigation. After giving effect to the share issuance by the Company, the Company believes that it will have satisfied the accrued retention liability of $700,000.

*Settlement of Consolidated Derivative Action*

As previously disclosed, on June 15, 2020, a shareholder derivative claim was filed in the United States District Court for the Southern District of New York against Steven Wallitt (current director), and Marc S. Schessel, Robert Christie and Charles Miller (former directors) ("Director Defendants"). The action is captioned Lozano, derivatively on behalf of SCWorx Corp. v. Marc S. Schessel, Charles K. Miller, Steven Wallitt, Defendants, and SCWorx Corp., Nominal Defendant. The Lozano lawsuit was consolidated with another shareholder derivative lawsuit, Richter, v. Marc S. Schessel, Charles K. Miller, Steven Wallitt, Defendants, and SCWorx Corp., Nominal Defendant. (the "Consolidated Derivative Action").

The Consolidated Derivative Action alleged that the Director Defendants breached their fiduciary duties to the Company, including by misleading investors in connection with our April 13, 2020 press release with respect to the sale of COVID-19 rapid test kits, failing to correct false and misleading statements and failing to implement proper disclosure and internal controls.

In addition, on October 29, 2020, Hemrita Zarins filed a shareholder derivative action in the Chancery Court in the State of Delaware against Steven Wallitt (current director) and Marc S. Schessel and Charles Miller ( former directors). The action is captioned Hemrita Zarins, v. Marc S. Schessel, Robert Christie, Steven Wallitt and SCWorx, Nominal Defendant. The Zarins action contains substantially similar allegations as in the Consolidated Derivative Action.

On February 15, 2022, the Company and the Director Defendants (Marc Schessel, Steven Wallitt, Charles Miller and Robert Christie) entered into a stipulation of settlement (subject to Court approval) with the shareholder derivative plaintiffs to settle the Consolidated Derivative Action as well as the Zarins action. Under the terms of the settlement, (i) the insurers for the Director Defendants will make a cash payment to legal counsel for the shareholder derivative Plaintiffs to cover their legal fees and (ii) the Company will adopt certain corporate governance reforms within 60 days of court approval of the settlement, in exchange for which all parties will be released from all claims related to the derivative class action litigation. The settlement resolves all claims asserted against the defendants without any admission, concession or finding of any fault, liability or wrongdoing by the Company or any defendant.

*Other Investigations*

In addition, as previously disclosed, following the April 13, 2020 press release and related disclosures (related to COVID-19 rapid test kits), the Securities and Exchange Commission made an inquiry regarding the disclosures we made in relation to the transaction involving COVID-19 test kits. The Company is continuing to cooperate with the SEC regarding its investigation arising out of the April 13, 2020 press release and the events thereafter. The Company received a Wells notice on December 8, 2021 and an amended Wells notice on December 10, 2021. The Wells Notice states that the staff of the Securities and Exchange Commission has made a preliminary determination to recommend that the Commission file an enforcement action against the Company which would allege violations of Sections 17(a)(1), 17(a)(2), and 17(a)(3) of the Securities Act of 1933 (the "Securities Act"), Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), and Rules 10b-5(a), 10b-5(b), and 10b-5(c) thereunder. The Wells Notice also indicates that the staff would seek fines and disgorgement, including pre and post judgment interest in such enforcement proceeding. The Company did not make a Wells submission to the Commission in response to the Wells Notice. The Company has since been actively engaged in discussions with the Staff to settle the claims set forth in the Wells Notice.

In April 2020, we received related inquiries from The Nasdaq Stock Market and the Financial Industry Regulatory Authority (FINRA). We cooperated fully with these agencies, providing information and documents, as requested. We have not had any requests from these agencies since January 2021.

Also in April 2020, as previously disclosed, we were contacted by the U.S. Attorney's Office for the District of New Jersey, which was seeking information and documents from our officers and directors relating primarily to the April 13, 2020 press release concerning COVID-19 rapid test kits. We have cooperated fully with the U.S. Attorney's Office in its investigation.

In connection with these actions and investigations, the Company is obligated to indemnify its officers and directors for costs incurred in defending against these claims and investigations. Because the Company currently does not have the resources to pay for these costs, its directors and officers liability insurance carrier has agreed to indemnify these persons. Upon consummation of the settlement of the Consolidated Class Action, the Company believes it will have satisfied its accrued retention obligations with respect to the insurance coverage.

**David Klarman v. SCWorx Corp. f/k/a Alliance MMA, Inc., Index No. 619536/2019 (N.Y. State Sup. Ct., Suffolk County)**

On October 3, 2019, David Klarman, a former employee of Alliance, served a complaint against SCWorx seeking $400,000.00 for a breach of his employment agreement with Alliance. Klarman claims that Alliance ceased paying him his salary in March 2018 as well as other alleged contractual benefits. This action was settled on or about December 16, 2021 by the parties without any admission of liability or wrongdoing. In exchange for a release, the Company agreed to settle with Mr. Klarman with $100,000 of SCWorx shares calculated over a period of 4 months pursuant to an agreed upon schedule with respect to amounts, dates and a restriction on sales of SCWorx stock to no more than 4,000 shares per trading day. To date, all shares have been issued pursuant to this agreement.

**Available Information**

Our website address is www.SCWorx.com. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (Exchange Act), are filed with the U.S. Securities and Exchange Commission (SEC). We are subject to the informational requirements of the Exchange Act and file or furnish reports, proxy statements, and other information with the SEC. Such reports and other information filed by us with the SEC are available free of charge on our website at www.SCWorx.com when such reports become available on the SEC's website. The public may read and copy any materials filed by SCWorx Corp. with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549 on official business days during the hours of 10 a.m. to 3 p.m. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov. The contents of the websites referred to above are not incorporated into this filing. Further, our references to the URLs for these websites are intended to be inactive textual references only.

**Item 1A. Risk Factors**

*Certain factors could have a material adverse effect on our business, financial condition, results of operations and prospects. You should carefully consider the risks and uncertainties described below, in addition to other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and related notes. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties of which we are unaware, or that we currently believe are not material, may also become important factors that adversely affect our business, financial condition, results of operations and prospects. If any of the following risks occurs, our business, financial condition, results of operations and prospects could be materially and adversely affected. In that event, the trading price of our common stock could decline, and you could lose part or all of your investment.*

**Risks Related to Our Financial Results and Financing Plans**

***The COVID-19 pandemic has disrupted our business and the business of our hospital customers.***

The Company's operations and business have experienced disruption due to the unprecedented conditions surrounding the COVID-19 pandemic which spread throughout the United States and the world. The outbreak adversely impacted new customer acquisition. The Company has followed the recommendations of local health authorities to minimize exposure risk for its team members since the outbreak.

In addition, the Company's customers (hospitals) also experienced extraordinary disruptions to their businesses and supply chains, while experiencing unprecedented demand for health care services related to COVID-19. As a result of these extraordinary disruptions to the Company's customers' business, the Company's customers were focused on meeting the nation's health care needs in response to the COVID-19 pandemic. As a result, the Company believes that its customers were not able to focus resources on expanding the utilization of the Company's services, which has adversely impacted the Company's growth prospects, at least until the adverse effects of the pandemic subside. In addition, the financial impact of COVID-19 on the Company's hospital customers could cause the hospitals to delay payments due to the Company for services, which could negatively impact the Company's cash flows.

The Company sought to mitigate these impacts to revenue through the sale of personal protective equipment ("PPE") and COVID-19 rapid test kits to the health care industry, including many of the Company's hospital customers. On March 16, 2020, in response to the COVID-19 pandemic, SCWorx established a wholly-owned subsidiary, Direct-Worx, LLC to endeavor to source and provide critical, difficult-to-find items for the healthcare industry. Items had become difficult to source due to unexpected disruptions within the supply chain due to the COVID-19 pandemic. The products the Company sought to source included:

- Test Kits — the Company currently has no contracted supply of Rapid Test Kits.
- PPE — Personal Protective Equipment (PPE) includes items such as masks, gloves, gowns, shields, etc. Currently the Company has no contracted supply of PPE.

Regarding PPE and Test Kits, the Company's Board of Directors determined during the second quarter of 2020 to limit the Company's role to acting as an intermediary between buyers and sellers with commission-based compensation. We are endeavoring to sell our existing inventory of PPE products primarily through use of our internal and external sales personnel.

The sale of PPE and rapid test kits for COVID-19 represented a new business for the Company and was subject to the myriad risks associated with any new venture. The Company encountered great difficulty in attempting to secure reliable sources of supply for both COVID-19 Rapid Test Kits and PPE. The Company currently has no contracted supply of Rapid Test Kits or PPE. Since the inception of this business, the Company completed only minimal sales of COVID-19 rapid test kits and PPE. The Company does not expect to generate any significant revenue from the sale of PPE products or rapid test kits, and as of the date of this report, the Company has not generated any material revenue from the sale of PPE or rapid test kits.

The Company is no longer actively seeking to procure and sell Test Kits or PPE. Instead, the Company is focused on selling its current inventory of PPE The Company may receive commissions for acting as an intermediary with respect to the sale of PPE and/or Test Kits. However, there is no assurance the Company will realize any material revenue from these activities.

***We have a history of losses and may continue to incur losses in the future.***

We have a history of losses and may continue to incur losses in the future, which could negatively impact the trading value of our common stock. For the year ended December 31, 2021, our revenues were $4,632,529, and we had a net loss of $3,814,468. For the year ended December 31, 2020, our revenues were $5,213,118, and we had a net loss of $7,402,350. At December 31, 2021, we had an accumulated deficit of $24,011,291.

We incurred losses from operations of $3,814,468 for the year ended December 31, 2021 and $6,045,011 for the year ended December 31, 2020. We may continue to incur operating and net losses in future periods. These losses may increase, and we may never achieve profitability for a variety of reasons, including increased competition, decreased growth in our target market and other factors described elsewhere in this "Risk Factors" section. If we cannot achieve sustained profitability, our stockholders may lose all or a portion of their investment in our company.

***If we are unable to grow our revenue, we may never achieve or sustain profitability.***

To become profitable, we must, among other things, increase our revenues. Our total revenues declined approximately $580,000 (11%) to $4,632,529 in the year ended December 31, 2021 as compared to $5,213,118 in the year ended December 31, 2020. In order to become profitable and then maintain profitability, we must, among other things, increase our revenues while dealing with the ongoing impacts of the COVID-19 pandemic. This decline in revenue will be exacerbated if we are unable to develop and market new products, which could help us increase our sales to existing customers or develop new customers. Even if we are able to grow our revenues, they may not be sufficient to exceed increases in our operating expenses or to enable us to achieve or sustain profitability.

**Risks Related to Our Business**

***There is substantial doubt about our ability to continue as a going concern.***

Our auditors have indicated in their report on our financial statements for the year ended December 31, 2021 that conditions exist that raise substantial doubt about our ability to continue as a going concern since we may not have sufficient capital resources from operations and existing financing arrangements to meet our operating expenses and working capital requirements.

As of December 31, 2021, we had only limited cash on hand, a working capital deficit of $1,527,830 and accumulated deficit of $24,011,291. During the year ended December 31, 2021, we had a net loss of $3,814,468 and used $1,069,945 of cash in operations. We have historically incurred operating losses and may continue to incur operating losses for the foreseeable future. We believe that these conditions raise substantial doubt about our ability to continue as a going concern. This may hinder our ability to obtain financing or may force us to obtain financing on less favorable terms than would otherwise be available. If we are unable to develop sufficient revenues and additional customers for our products and services, we may not generate enough revenue to sustain our business, and we may fail, in which case our stockholders would suffer a total loss of their investment. There can be no assurance that we will be able to continue as a going concern.

***We currently have an immediate need for additional capital. If we are unable to obtain additional capital, we will not be able to implement our business strategy or successfully operate our business; however, additional financings will subject our existing stockholders to dilution.***

To continue our growth path, we expect to finance our future expansion plans through public or private equity offerings or debt financings. Additional funds may not be available when we need them on terms that are acceptable to us, or at all. We have recently encountered some difficulty in raising funds from external sources. If adequate funds are not available, we may be required to further delay or reduce the scope of our business plans. To the extent that we raise additional funds by issuing equity securities, our stockholders will experience dilution. In addition, debt financing, if available, may involve restrictive covenants. We may seek to access the public or private capital markets whenever conditions are favorable, even if we do not have an immediate need for additional capital at that time. Our access to the financial markets and the pricing and terms we receive in the financial markets could be adversely impacted by various factors, including changes in financial markets and interest rates.

Our future funding requirements will depend on many factors, including, but not limited to, the costs and timing of our future acquisitions.

***A failure to successfully execute our growth strategy could adversely affect our business, financial condition, results of operations and prospects.***

Subject to the receipt of sufficient funding, which we currently do not have, we intend to pursue growth through expanding our [sales force], product offerings and project skill-sets and capabilities, as well as increasing critical mass to enable us to bid on larger contracts.

We may also consider potential acquisitions if conditions permit. However, we may be unable to find suitable acquisition candidates or to complete acquisitions on favorable terms, if at all. Moreover, any completed acquisition may not result in the intended benefits. For example, while the historical financial and operating performance of an acquisition target are among the criteria we evaluate in determining which acquisition targets we will pursue, there can be no assurance that any business or assets we acquire will continue to perform in accordance with past practices or will achieve financial or operating results that are consistent with or exceed past results. Any such failure could adversely affect our business, financial condition or results of operations. In addition, any completed acquisition may not result in the intended benefits for other reasons and our acquisitions will involve a number of other risks, including:

- We may have difficulty integrating the acquired companies;
- Our ongoing business and management's attention may be disrupted or diverted by transition or integration issues and the complexity of managing geographically or culturally diverse enterprises;
- We may not realize the anticipated cost savings or other financial benefits we anticipated;

- We may have difficulty retaining or hiring key personnel, customers and suppliers to maintain expanded operations;

- Our internal resources may not be adequate to support our operations as we expand, particularly if we are awarded a significant number of contracts in a short time period;

- We may have difficulty retaining and obtaining any required regulatory approvals, licenses and permits;

- We may not be able to obtain additional equity or debt financing on terms acceptable to us or at all, and any such financing could result in dilution to our stockholders, impact our ability to service our debt within the scheduled repayment terms and include covenants or other restrictions that would impede our ability to manage our operations;

- We may have failed to, or be unable to, discover liabilities of the acquired companies during the course of performing our due diligence; and

- We may be required to record additional goodwill as a result of an acquisition, which will reduce our tangible net worth.

Any of these risks could prevent us from executing on any acquisition we might complete, which could adversely affect our business, financial condition, results of operations and prospects. At this time, we are not considering any acquisition.

***Our contracts may require us to perform extra or change order work, which can result in disputes and adversely affect our business, financial condition, results of operations and prospects.***

Our contracts generally require us to perform extra or change order work as directed by the customer, even if the customer has not agreed in advance on the scope or price of the extra work to be performed. This process may result in disputes over whether the work performed is beyond the scope of the work included in the original project plans and specifications or, if the customer agrees that the work performed qualifies as extra work, the price that the customer is willing to pay for the extra work. Even when the customer agrees to pay for the extra work, we may be required to fund the cost of such work for a lengthy period of time until the change order is approved by the customer and we are paid by the customer.

To the extent that actual recoveries with respect to change orders or amounts subject to contract disputes or claims are less than the estimates used in our financial statements, the amount of any shortfall will reduce our future revenues and profits, and this could adversely affect our reported working capital and results of operations. In addition, any delay caused by the extra work may adversely impact the timely scheduling of other project work and our ability to meet specified contract milestone dates.

***We derive a significant portion of our revenue from a few customers and the loss of one of these customers, or a reduction in their demand for our services, could adversely affect our business, financial condition, results of operations and prospects.***

Our customer base is highly concentrated. Due to the size and nature of our contracts, one or a few customers have during any given year, as well as over a period of consecutive years, represented a substantial portion of our consolidated revenues and gross profits. Two customers accounted for approximately 19% and 13%, respectively, of our revenue in the year ended December 31, 2021. Two customers accounted for approximately 22% and 17%, respectively, of our revenue in the year ended December 31, 2020. Revenues under our contracts with significant customers may continue to vary from period to period depending on the timing or volume of work that those customers contract from us. A limited number of customers may continue to comprise a substantial portion of our revenue for the foreseeable future.

A default or delay in payment on a significant scale could adversely affect our business, financial condition, results of operations and prospects. We could lose business from a significant customer for a variety of reasons, including:

- the consolidation, merger or acquisition of an existing customer, resulting in a change in procurement strategies employed by the surviving entity that could reduce the amount of work we receive;

- our performance on individual contracts or relationships with one or more significant customers could become impaired due to another reason, which may cause us to lose future business with such customers and, as a result, our ability to generate income would be adversely impacted;

- key customers could slow or stop spending on initiatives related to projects we are performing for them due to increased difficulty in the markets as a result of economic downturns or other reasons.

Since many of our customer contracts allow our customers to terminate the contract without cause, our customers may terminate their contracts with us at will, which could impair our business, financial condition, results of operations and prospects.

***Our failure to adequately expand our direct sales force will impede our growth.***

We will need to expand and optimize our sales infrastructure in order to grow our customer base and our business. We plan to expand our account management/sales force when and if we have sufficient capital to do so. Identifying and recruiting qualified personnel and training them requires significant time, expense and attention. If we are unable to hire, develop and retain talented account management/sales personnel or if the personnel are unable to achieve desired productivity levels in a reasonable period of time, we may not be able to realize the intended benefits of this investment or increase our revenue.

***If we are unable to attract and retain qualified executive officers and managers and consultants, we will be unable to operate efficiently, which could adversely affect our business, financial condition, results of operations and prospects.***

We depend on the continued efforts and abilities of our management and consultants, to establish and maintain our customer relationships and identify strategic opportunities. The loss of any one of them could negatively affect our ability to execute our business strategy and adversely affect our business, financial condition, results of operations and prospects. Competition for managerial talent with significant industry experience is high, and we may lose access to executive officers/consultants for a variety of reasons, including more attractive compensation packages offered by our competitors. Although we have entered into employment agreements with certain of our senior level management, we cannot guarantee that any of them or other key management/consulting personnel will remain employed by us for any length of time.

***Fines, judgments and other consequences resulting from our failure to comply with regulations or adverse outcomes in litigation proceedings could adversely affect our business, financial condition, results of operations and prospects.***

From time to time, we may be involved in lawsuits and regulatory actions, including class action lawsuits that are brought or threatened against us in the ordinary course of business. These actions may seek, among other things, compensation for alleged personal injury, workers' compensation, violations of the Fair Labor Standards Act and state wage and hour laws, employment discrimination, breach of contract, property damage, punitive damages, civil penalties, and consequential damages or other losses, or injunctive or declaratory relief.

Please refer to Item 3. Legal Proceedings of this Annual Report on Form 10-K for a detailed description of the pending legal actions and investigations.

Any defects or errors, or failures to meet our customers' expectations could result in large damage claims against us. Claimants may seek large damage awards and, due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of any such proceedings. Any failure to properly estimate or manage cost, or delay in the completion of projects, could subject us to penalties.

The ultimate resolution of these matters through settlement, mediation or court judgment could have a material adverse effect on our financial condition, results of operations and cash flows. Regardless of the outcome of any litigation, these proceedings could result in substantial cost and may require us to devote substantial resources to defend ourselves. When appropriate, we establish reserves for litigation and claims that we believe to be adequate in light of current information, legal advice and professional indemnity insurance coverage, and we adjust such reserves from time to time according to developments. If our reserves are inadequate or insurance coverage proves to be inadequate or unavailable, our business, financial condition, results of operations and prospects may suffer.

***If we are required to reclassify independent contractors as employees, we may incur additional costs and taxes which could adversely affect our business, financial condition, results of operations and prospects.***

We use a significant number of independent contractors in our operations for whom we do not pay or withhold any federal or state employment tax. There are a number of different tests used in determining whether an individual is an employee or an independent contractor and such tests generally take into account multiple factors. There can be no assurance that legislative, judicial or regulatory (including tax) authorities will not introduce proposals or assert interpretations of existing rules and regulations that would change, or at least challenge, the classification of our independent contractors. Although we believe we have properly classified our independent contractors, the U.S. Internal Revenue Service or other U.S. federal or state authorities or similar authorities of a foreign government may determine that we have misclassified our independent contractors for employment tax or other purposes and, as a result, seek additional taxes from us or attempt to impose fines and penalties. If we are required to pay employer taxes or pay backup withholding with respect to prior periods with respect to or on behalf of our independent contractors, our operating costs will increase, which could adversely impact our business, financial condition, results of operations and prospects.

***Our dependence on subcontractors and suppliers could increase our cost and impair our ability to complete contracts on a timely basis or at all.***

We rely on third-party subcontractors to perform some of the work on our contracts. We also rely on third-party suppliers to provide materials needed to perform our obligations under those contracts. We generally do not bid on contracts unless we have the necessary subcontractors and suppliers committed for the anticipated scope of the contract and at prices that we have included in our bid. Therefore, to the extent that we cannot engage subcontractors or suppliers, our ability to bid for contracts may be impaired. In addition, if a subcontractor or third-party supplier is unable to deliver its goods or services according to the negotiated terms for any reason, we may suffer delays and be required to purchase the services from another source at a higher price. We sometimes pay our subcontractors and suppliers before our customers pay us for the related services. If customers fail to pay us and we choose, or are required, to pay our subcontractors for work performed or pay our suppliers for goods received, we could suffer an adverse effect on our business, financial condition, results of operations and prospects.

***Our insurance coverage may be inadequate to cover all significant risk exposures.***

We will be exposed to liabilities that are unique to the services we provide. While we intend to maintain insurance for certain risks, the amount of our insurance coverage may not be adequate to cover all claims or liabilities, and we may be forced to bear substantial costs resulting from risks and uncertainties of our business. It is also not possible to obtain insurance to protect against all operational risks and liabilities. The failure to obtain adequate insurance coverage on terms favorable to us, or at all, could have a material adverse effect on our business, financial condition, results of operations and prospects.

**Risks Related to Our Industry**

***Our industry is highly competitive, with a variety of larger companies with greater resources competing with us, and our failure to compete effectively could reduce the number of new contracts awarded to us or adversely affect our market share and harm our financial performance.***

The contracts on which we bid are generally awarded through a competitive bid process, with awards generally being made to the lowest bidder, but sometimes based on other factors, such as shorter contract schedules, larger scale to complete projects or prior experience with the customer. Within our markets, we compete with many other service providers. Price is often the principal factor in determining which service provider is selected by our customers, especially on smaller, less complex projects. As a result, any organization with adequate financial resources and access to technical expertise may become a competitor. Smaller competitors are sometimes able to win bids for these projects based on price alone because of their lower costs and financial return requirements. Additionally, our competitors may develop the expertise, experience and resources to provide services that are equal or superior in price to our services, and we may not be able to maintain or enhance our competitive position.

Some of our competitors have already achieved greater market penetration than we have in the markets in which we compete, and some have greater financial and other resources than we do. A number of national companies in our industry are larger than we are and, if they so desire, could establish a presence in our markets and compete with us for contracts. As a result of this competition, we may need to accept lower contract margins in order to compete against competitors that have the ability to accept awards at lower prices or have a pre-existing relationship with a customer. If we are unable to compete successfully in our markets, our business, financial condition, results of operations and prospects could be adversely affected.

***Many of the customers we serve are subject to consolidation and rapid technological and regulatory change, and our inability or failure to adjust to our customers' changing needs could reduce demand for our services.***

We derive, and anticipate that we will continue to derive, a substantial portion of our revenue from customers in the medical industry. This industry is subject to rapid changes in technology and governmental regulation. Changes in technology may reduce the demand for the services we provide. Additionally, the medical industry has been characterized by a high level of consolidation that may result in the loss of one or more of our customers. Our failure to rapidly adopt and master new technologies as they are developed in any of the industries we serve or the consolidation of one or more of our significant customers could adversely affect our business, financial condition, results of operations and prospects.

Further, our customers are regulated by the Department of Health and Human Services and other regulators. These regulators may interpret the application of their regulations in a manner that is different than the way such regulations are currently interpreted and may impose additional regulations, either of which could reduce demand for our services and adversely affect our business and results of operations.

***Economic downturns could cause capital expenditures in the industries we serve to decrease, which may adversely affect our business, financial condition, results of operations and prospects.***

The demand for our services has been and may be vulnerable to general downturns in the United States economy. Our customers are affected by economic changes that decrease the need for or the profitability of their services. This can result in a decrease in the demand for our services and potentially result in the delay or cancellation of projects by our customers. As a result, some of our customers may opt to defer or cancel pending projects. A downturn in overall economic conditions also affects the priorities placed on various projects funded by governmental entities and federal, state and local spending levels.

In general, economic uncertainty makes it difficult to estimate our customers' requirements for our services. Subject to receipt of sufficient funding, which we currently do not have, we plan to expand our sales force to enable us to grow our revenues. If economic factors in any of the regions in which we plan to expand are not favorable to the growth and development of the medical industry, we may not be able to carry out our growth strategy, which could adversely affect our business, financial condition, results of operations and prospects.

**Other Risks Relating to Our Company and Results of Operations**

***Our operating results may fluctuate due to factors that are difficult to forecast and not within our control.***

Our past operating results may not be accurate indicators of future performance, and you should not rely on such results to predict our future performance.

Our operating results have fluctuated and could fluctuate in the future. Factors that may contribute to fluctuations include:

- our ability to effectively manage our working capital;
- our ability to satisfy customer demands in a timely and cost-effective manner; and
- pricing and availability of labor.

***Actual results could differ from the estimates and assumptions that we use to prepare our financial statements.***

To prepare financial statements in conformity with GAAP, management is required to make estimates and assumptions as of the date of the financial statements that affect the reported values of assets and liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. Areas requiring significant estimates by our management include:

- contract costs and profits and revenue recognition of contract change order claims;
- provisions for uncollectible receivables and customer claims;
- recoveries of costs from subcontractors, suppliers and others;
- valuation of assets acquired and liabilities assumed in connection with business combinations;
- accruals for estimated liabilities, including litigation and insurance reserves; and
- goodwill and intangible asset impairment assessment.

At the time the estimates and assumptions are made, we believe they are accurate based on the information available. However, our actual results could differ from, and could require adjustments to, those estimates.

***We exercise judgment in determining our provision for taxes in the United States that are subject to tax authority audit review that could result in additional tax liability and potential penalties that would negatively affect our net income.***

The amounts we record in intercompany transactions for services, licenses, funding and other items affects our potential tax liabilities. Our tax filings are subject to review or audit by the U.S. Internal Revenue Service and state, local and foreign taxing authorities. We exercise judgment in determining our worldwide provision for income and other taxes and, in the ordinary course of our business, there may be transactions and calculations where the ultimate tax determination is uncertain. Examinations of our tax returns could result in significant proposed adjustments and assessment of additional taxes that could adversely affect our tax provision and net income in the period or periods for which that determination is made.

**Risks Related to our Common Stock**

***We may not be able to maintain the minimum $1.00 bid price per share of our Common Stock, as required by the Nasdaq Stock Market, which could force us to implement a reverse stock split of our Common Stock.***

From February 17, 2022 through March 21, 2022 (22 trading days), our common stock traded below $1.00 per share, the minimum bid price per share required for continued inclusion on the Nasdaq Stock Market. There is a risk that the price per share of our Common Stock trades below $1.00 for thirty consecutive days, in which case we will not be in compliance with the Nasdaq Stock Market's requirements for continued inclusion, as a result of which our common stock could be subject to delisting from Nasdaq. In such an event, we would, subject to shareholder approval, implement a reverse stock split so as to increase the price per share of our common stock on a post-split adjusted basis. In such a case, there is a risk that the price of our common stock could decline on a split-adjusted basis. For example, if our common stock were trading at $.80 per share and we implemented a 5/1 reverse stock split, there is a risk that our common stock could trade below $4.00 per share on a split-adjusted basis.

***Our common stock price has fluctuated substantially, and the trading price of our common stock is likely to continue to be volatile, which could result in losses to investors and litigation.***

In addition to changes to market prices based on our results of operations and the factors discussed elsewhere in this "Risk Factors" section, the market price of and trading volume for our common stock may change for a variety of other reasons, not necessarily related to our actual operating performance. The capital markets have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock. In addition, the average daily trading volume of the securities of small companies can be very low, which may contribute to future volatility. Recently , the average daily trading volume of our common stock has decreased. Factors that could cause the market price of our common stock to fluctuate significantly include:

- the results of operating and financial performance and prospects of other companies in our industry;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- announcements of innovations, increased service capabilities, new or terminated customers or new, amended or terminated contracts by our competitors;
- the public's reaction to our press releases, media coverage and other public announcements, and filings with the SEC;
- market conditions for providers of services to the medical industry;
- lack of securities analyst coverage or speculation in the press or investment community about us or opportunities in the markets in which we compete;
- changes in government policies in the United States;
- changes in earnings estimates or recommendations by any securities or research analysts who track our common stock or failure of our actual results of operations to meet any such expectations;
- dilution caused by the conversion into common stock of convertible securities or by the exercise of outstanding warrants or options;
- market and industry perception of our success, or lack thereof, in pursuing our growth strategy;
- changes in accounting standards, policies, guidance, interpretations or principles;
- any lawsuit involving us, our services or our products;
- arrival and departure of key personnel;
- government investigations of our business activities;
- sales of common stock by us, our investors or members of our management team; and
- changes in general market, economic and political conditions in the United States and global economies or financial markets, including those resulting from natural or man-made disasters.

Any of these factors, as well as broader market and industry factors, may result in large and sudden changes in the trading volume of our common stock and could seriously harm the market price of our common stock, regardless of our operating performance. This may prevent stockholders from being able to sell their shares at or above the price they paid for shares of our common stock, if at all. In addition, following periods of volatility in the market price of a company's securities, stockholders often institute securities class action litigation against that company. Our involvement in any class action suit or other legal proceeding, , could divert our senior management's attention and could adversely affect our business, financial condition, results of operations and prospects.

***The sale or availability for sale of substantial amounts of our common stock could adversely affect the market price of our common stock.***

Sales of substantial amounts of shares of our common stock, or the perception that these sales could occur, would likely adversely affect the market price of our common stock and could impair our future ability to raise capital through common stock offerings. As of December 31, 2021 we had 11,293,030 shares of common stock issued and outstanding, of which 1,706,652 shares were restricted securities and eligible for sale pursuant to Rule 144 promulgated by the SEC. The sale of these shares into the open market may adversely affect the market price of our common stock.

As of December 31, 2021, there were outstanding warrants to purchase an aggregate of 1,043,525 shares of our common stock at a weighted-average exercise price of $2.57 per share, all of which were exercisable as of such date. As of December 31, 2021, there were outstanding options to purchase an aggregate of 118,388 shares of our common stock at a weighted-average exercise price of $3.25 per share, all of which were exercisable as of such date. The market price of our common stock also may be adversely affected by our issuance of shares of our capital stock or convertible securities in connection with future acquisitions, or in connection with our financing efforts.

***We have never paid cash dividends on our common stock and do not anticipate paying any cash dividends on our common stock.***

We have never paid cash dividends and do not anticipate paying any cash dividends on our common stock in the foreseeable future. We currently intend to retain any earnings to finance our operations and growth. As a result, any short-term return on your investment will depend on the market price of our common stock, and only appreciation of the price of our common stock, which may never occur, will provide a return to stockholders. The decision whether to pay dividends will be made by our board of directors in light of conditions then existing, including, but not limited to, factors such as our financial condition, results of operations, capital requirements, business conditions, and covenants under any applicable contractual arrangements. Investors seeking cash dividends should not invest in our common stock.

***If equity research analysts do not publish research or reports about our business, or if they issue unfavorable commentary or downgrade our common stock, the market price of our common stock will likely decline.***

The trading market for our common stock will rely in part on the research and reports that equity research analysts, over whom we have no control, publish about us and our business. We may never obtain research coverage by securities and industry analysts. If no securities or industry analysts commence coverage of our company, the market price for price of our common stock could decline . In the event we obtain securities or industry analyst coverage, the market analysts issue unfavorable commentary, even if it is inaccurate, or cease publishing reports about us or our business.

***A failure by us to establish and maintain effective internal control over financial reporting could have a material adverse effect on our business and operating results.***

Maintaining effective internal control over financial reporting is necessary for us to produce accurate and complete financial reports and to help prevent financial fraud. In addition, such control is required in order to maintain the listing of our common stock on the Nasdaq Capital Market. While we have undertaken remedial steps to improve our financial reporting process, including the implementation of a firm-wide accounting information system that collects, stores and processes financial and accounting data on a consolidated basis for use in meeting our reporting obligations, our internal control over financial reporting has not been effective . For the year ended December 31, 2021, we did not have effective controls over financial reporting. Our management has identified material weaknesses in our internal controls related to deficiency in our ability to have proper segregation of duties.

If we are unable to maintain adequate internal controls or fail to correct material weaknesses in such controls noted by our management or our independent registered public accounting firm, our business and operating results could be adversely affected, we could again fail to meet our obligations to report our operating results accurately and completely and our continued listing on the Nasdaq Capital Market could be jeopardized. We have implemented a policy whereby any external communications need to be reviewed and approved by a member of our Board of Directors, as well as our outside legal counsel.

***Complying with the laws and regulations affecting public companies will increase our costs and the demands on management and could harm our operating results.***

As a public company and particularly after we cease to be an "emerging growth company," we will incur significant additional legal, accounting, and other expenses. In addition, the Sarbanes-Oxley Act and rules subsequently implemented by the SEC and the Nasdaq Capital Market impose various requirements on public companies, including requiring changes in corporate governance practices. Our management and other personnel devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased and will continue to increase our legal, accounting, and financial compliance costs and have made and will continue to make some activities more time-consuming and costly. For example, these rules and regulations make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or to incur substantial costs to maintain the same or similar coverage. These rules and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors or board committees or as executive officers.

***If we do not manage our planned growth effectively, our revenue, business and operating results may be harmed.***

Our future expansion strategy could include possible acquisitions of other SaaS companies. We may not be able to identify, secure and manage future acquisitions successfully. The acquisition of any future businesses may require a greater than anticipated investment of operational and financial resources as we seek to institute uniform standards and controls across acquired businesses. Acquisitions may also result in the diversion of management and resources, increases in administrative costs, including those relating to the assimilation of new employees, and costs associated with any financings undertaken in connection with such acquisitions. We cannot assure you that any acquisition we undertake, including those we have already made, will be successful. Future growth will also place additional demands on our management, sales, and marketing resources, and may require us to hire and train additional employees. We will need to expand and upgrade our systems and infrastructure to accommodate our growth, and we may not have the resources to do so in the time frames required. The failure to manage any future growth effectively will materially and adversely affect our business, financial condition and results of operations.

***We may explore acquiring additional companies and such acquisitions may subject us to additional unknown risks.***

We may make future acquisitions of SaaS or other companies in markets that we do not serve now. We may not be able to reach agreements with such companies on favorable terms or at all. In completing acquisitions, we will rely upon the representations and warranties and indemnities made by the sellers with respect to each acquisition as well as our own due diligence investigation. We cannot assure you that such representations and warranties will be true and correct or that our due diligence will uncover all materially adverse facts relating to the operations and financial condition of the acquired companies or their businesses. To the extent that we are required to pay for undisclosed obligations of an acquired company, or if material misrepresentations exist, we may not realize the expected economic benefit from such acquisition and our ability to seek legal recourse from the seller may be limited.

***The value of our goodwill and other intangible assets may decline.***

As of December 31, 2021, there was goodwill of $8,366,467. We evaluate goodwill at least annually, and will do so more frequently if events or circumstances indicate that impairment may have occurred. Many of the assumptions and estimates that we make in order to estimate the fair value of our intangible assets directly impact the results of impairment testing, including an estimate of future expected revenues, earnings and cash flows, and the discount rates applied to expected cash flows. We are able to influence the outcome and ultimate results based on the assumptions and estimates we choose for testing. To avoid undue influence, we have set criteria that are followed in making assumptions and estimates. The determination of whether goodwill or acquired intangible assets have become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the value of our reporting unit. Changes in our strategy or market conditions could significantly impact these judgments and require adjustments to recorded amounts of intangible assets.

***Any future acquisitions may result in potentially dilutive issuances of equity securities, the incurrence of indebtedness and increased amortization expense.***

Any future acquisitions are likely to result in issuances of equity securities, which will be dilutive to the equity interests of existing stockholders, and may involve the incurrence of debt, which will require us to maintain cash flows sufficient to make payments of principal and interest, the assumption of known and unknown liabilities, and the amortization of expenses related to intangible assets, all of which could have an adverse effect on our business, financial condition and results of operations. For example, the acquisition of SCWorx resulted in a change of control of our company involving the issuance of 5,263,158 shares of common stock and 190,000 shares of Series A Preferred Stock, convertible into 500,000 shares of common stock (subject to adjustment), and the issuance of warrants to purchase an additional 250,000 shares of common stock, at an exercise price of $5.70 per share.

***We may become involved in litigation which could harm the value of our business.***

Because of the nature of our business and the exit from lines of business, there is a risk of litigation. Any litigation could cause us to incur substantial expenses whether or not we prevail, which would reduce the capital available for our operations.

Please refer to Item 3. Legal Proceedings of this Annual Report on Form 10-K for a detailed description of the pending legal actions and investigations.

***Economic uncertainty impacts our business and financial results, and a renewed recession could materially affect us in the future.***

Periods of economic slowdown or recession could lead to a reduction in demand for our software and services, which in turn would reduce our revenues and adversely affect our results of operations and our financial position. Our business will be dependent upon business discretionary spending and therefore is affected by business confidence as well as the future performance of the United States and global economies. As a result, our results of operations are susceptible to economic slowdowns and recessions.

***We depend on the services of key executives and consultants, and the loss of these persons could materially harm our business and our strategic direction if we were unable to replace them with persons of equal experience and capabilities.***

Our future success significantly depends on the continued service and performance of our key management and other personnel. We cannot prevent members of senior management/consultants from terminating their employment with us even if we have an employment or consulting agreement with them. Losing the services of members of senior management/consultants could materially harm our business until a suitable replacement is found, and such replacement may not have equal experience and capabilities. We have not purchased life insurance covering any members of our senior management.

***The markets in which we operate are highly competitive, rapidly changing and increasingly fragmented, and we may not be able to compete effectively, especially against competitors with greater financial resources or marketplace presence.***

We face competition from other SaaS companies. Many of the companies with which we will compete have greater financial and technical resources than are available to us. Our failure to compete effectively could result in a significant loss of customers, which would adversely affect our operating results.

***We need additional capital to support our operations and the growth of our business, and we cannot be certain that this capital will be available on reasonable terms when required, or at all.***

In order for us to grow and execute our business plan successfully, we require additional financing which may not be available on acceptable terms or at all. If such financing is available, it may be dilutive to the equity interests of existing stockholders. Failure to obtain financing will have a material adverse effect on our financial position. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support the operation or growth of our business could be significantly impaired and our operating results may be harmed.

***If we fail to meet the continued listing standards and corporate governance requirements for Nasdaq Capital Market companies, we may be subject to de-listing.***

Our common stock is currently listed on the Nasdaq Capital Market. In order to maintain this listing, we are required to comply with various continued listing standards, including corporate governance requirements, set forth in the Nasdaq Listing Rules. These standards and requirements include, but are not limited to, maintaining a minimum bid price for our common stock, as well as having a majority of our Board members qualify as independent. If we fail to meet any one of these requirements for an extended period of time, we will be subject to possible de-listing.

***Our common stock may be affected by limited trading volume and price fluctuations, which could adversely impact the value of our common stock and our ability to grow our business.***

There has been limited trading in our common stock, and there can be no assurance that an active trading market in our common stock will either develop or be maintained. Our common stock has experienced, and is likely to experience in the future, significant price and volume fluctuations, which could adversely affect the market price of our common stock without regard to our operating performance. In addition, we believe that factors such as quarterly fluctuations in our financial results and changes in the overall economy or the condition of the financial markets could cause the price of our common stock to fluctuate substantially. These fluctuations may also cause short sellers to enter the market periodically in the belief that we will have poor results in the future. We cannot predict the actions of market participants and, therefore, can offer no assurances that the market for our common stock will be stable or that our share price will appreciate over time.

***Our stock price has been volatile***.

The market price of our common stock has been highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond our control, including the following:

- our ability to obtain working capital financing;
- additions or departures of key personnel;
- sales of our common stock;
- our ability to execute our business plan;
- operating results that fall below expectations;
- regulatory developments; and
- economic and other external factors.

In addition, the securities markets from time to time experience significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock.

***Offers or availability for sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.***

The periodic availability of shares for sale upon the expiration of any statutory holding period or lockup agreements, could create a circumstance commonly referred to as an "overhang", in anticipation of which the market price of our common stock could fall. The existence of an overhang, whether or not sales have occurred or are occurring, also could make more difficult our ability to raise additional financing through the sale of equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate.

***We may be unable to establish, protect or enforce our intellectual property rights adequately.***

Our success will depend in part on our ability to establish, protect and enforce our intellectual property and other proprietary rights. Our inability to protect our tradenames, service marks and other intellectual property rights from infringement, piracy, counterfeiting or other unauthorized use could negatively affect our business. If we fail to establish, protect or enforce our intellectual property rights, we may lose an important advantage in the market in which we compete. Our intellectual property rights may not be sufficient to help us maintain our position in the market and our competitive advantages. Monitoring unauthorized uses of and enforcing our intellectual property rights can be difficult and costly. Legal intellectual property actions are inherently uncertain and may not be successful, and may require a substantial resources and management attention.

We currently host our solution, serve our customers, and support our operations in the United States through an agreement with a third party hosting and infrastructure provider, Rackspace. We incorporate standard IT security measures, including but not limited to; firewalls, disaster recovery, backup, etc.

Circumstances outside our control could pose a threat to our intellectual property rights. For example, effective intellectual property protection may not be available in the United States or other countries in which we seek protection of our marks or our copyrighted works. Also, the efforts we have taken to protect our proprietary rights may not be sufficient or effective. Any significant impairment of our intellectual property rights may harm our business or our ability to compete.

***Changes in laws, regulations and other requirements could adversely affect our business, results of operations or financial condition.***

We are subject to the laws, regulations and other requirements of the jurisdictions in which we operate. Changes to these laws could have a material adverse impact on the revenue, profit or the operation of our business.

***Disruptions in our information technology systems or security breaches of confidential customer information or personal employee information could have an adverse impact on our operations.***

Our operations are dependent upon the integrity, security and consistent operation of various information technology systems and data centers that process transactions, communication systems and various other software applications used throughout our operations. Disruptions in these systems could have an adverse impact on our operations. We could encounter difficulties in developing new systems or maintaining and upgrading existing systems. Such difficulties could lead to significant expenses or to losses due to disruption in our business operations.

In addition, our information technology systems are subject to the risk of infiltration or data theft. The techniques used to obtain unauthorized access, disable or degrade service, or sabotage information technology systems change frequently and may be difficult to detect or prevent over long periods of time. Moreover, the hardware, software or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise the security of our information systems. Unauthorized parties may also attempt to gain access to our systems or facilities through fraud or deception aimed at our employees, contractors or temporary staff. In the event that the security of our information systems is compromised, confidential information could be misappropriated, and system disruptions could occur. Any such misappropriation or disruption could cause significant harm to our reputation, lead to a loss of sales or profits or cause us to incur significant costs to reimburse third parties for damages.

***Our current insurance policies may not provide adequate levels of coverage against all claims, and we may incur losses that are not covered by our insurance.***

We believe we maintain insurance coverage that is customary for businesses of our size and type; however, we may be unable to insure against certain types of losses or claims, or the cost of such insurance may be prohibitive. For example, although we carry insurance for breaches of our computer network security, there can be no assurance that such insurance will cover all potential losses or claims or that the dollar limits of such insurance will be sufficient to provide full coverage against all losses or claims. Uninsured losses or claims, if they occur, could have a material adverse effect on our financial condition, business and results of operations. Our Insurance policies may also be subject to substantial deductibles/retentions.

***We may be required to pay for the defense of our clients, officers, or directors in accordance with certain indemnification provisions.***

Our company provides indemnification of varying scope to certain customers against claims of intellectual property infringement made by third parties arising from the use of our services. In accordance with authoritative guidance for accounting for guarantees, we evaluate estimated losses for such indemnification. Management considers such factors as the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. To date, no such claims have been filed against our company and, as a result, no liability has been recorded in our financial statements.

As permitted under Delaware law, our company has agreements whereby we indemnify our officers and directors for certain events or occurrences while the officer or director is, or was, serving at our company's request in such capacity. The maximum potential amount of future payments we could be required to make under these indemnification agreements is unlimited; however, we have directors' and officers' liability insurance coverage that is intended to reduce our financial exposure and may enable us to recover a portion of any such payments.

Please refer to Item 3. Legal Proceedings of this Annual Report on Form 10-K for a detailed description of the various actions and investigations for which we are obligated to indemnify our officers and directors.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

Our company does not own any real property. The Company's principal executive office in New York City is under a month-to-month arrangement. The Company also had a lease in Greenwich, CT which expired in March 2020 and became a month to month. This tenancy was terminated in April 2021.

We believe that our facilities are adequate for our current needs.

**Item 3. Legal Proceedings**

In conducting our business, we may become involved in legal proceedings. We will accrue a liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When only a range of possible loss can be established, the most probable amount in the range is accrued. If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued. The accrual for a litigation loss contingency might include, for example, estimates of potential damages, outside legal fees and other directly related costs expected to be incurred.

*Settlement of Consolidated Securities Class Action*

As previously disclosed, on April 29, 2020, a securities class action case was filed in the United States District Court for the Southern District of New York against us and our former CEO. The action is captioned Daniel Yannes, individually and on behalf of all others similarly situated vs. SCWorx Corp. and Marc S. Schessel,. Subsequently, two additional class actions were filed in the same court (*Leeburn v. SCWorx, et ano. and Leonard v. SCWorx et ano.) and thereafter, the three class actions were consolidated (the "Consolidated Class Action"). The Consolidated Class Action* alleged that our company and our former CEO misled investors in connection with our April 13, 2020 press release with respect to the sale of COVID-19 rapid test kits.

As previously disclosed, on February 11, 2022, the parties entered into a Stipulation of Settlement (subject to Court approval) to settle the Consolidated Class Action. The settlement resolves all claims asserted against SCWorx and the other named defendant without any admission, concession or finding of any fault, liability or wrongdoing by the Company or any defendant. Under the terms of this agreement, (i) the insurers for the Company and Marc Schessel (former CEO) will make a cash payment to the class plaintiffs (ii) the former CEO will transfer 100,000 shares of company common stock to the class plaintiffs, and (iii) the Company will issue $600,000 worth of common stock to the class plaintiffs, in exchange for which all parties will be released from all claims related to the securities class action litigation. After giving effect to the share issuance by the Company, the Company believes that it will have satisfied the accrued retention liability of $700,000.

*Settlement of Consolidated Derivative Action*

As previously disclosed, on June 15, 2020, a shareholder derivative claim was filed in the United States District Court for the Southern District of New York against Steven Wallitt (current director), Marc S. Schessel, Robert Christie and Charles Miller (former directors) ("Director Defendants"). The action is captioned Lozano, derivatively on behalf of SCWorx Corp. v. Marc S. Schessel, Charles K. Miller, Steven Wallitt, Defendants, and SCWorx Corp., Nominal Defendant. The Lozano lawsuit was consolidated with another shareholder derivative lawsuit, Richter, v. Marc S. Schessel, Charles K. Miller, Steven Wallitt, Defendants, and SCWorx Corp., Nominal Defendant. (the "Consolidated Derivative Action").

The Consolidated Derivative Action alleged that the Director Defendants breached their fiduciary duties to the Company, including by misleading investors in connection with our April 13, 2020 press release with respect to the sale of COVID-19 rapid test kits, failing to correct false and misleading statements and failing to implement proper disclosure and internal controls.

In addition, on October 29, 2020, Hemrita Zarins filed a shareholder derivative action in the Chancery Court in the State of Delaware against Steven Wallitt (current director) and Marc S. Schessel and Charles Miller (former directors). The action is captioned Hemrita Zarins, v. Marc S. Schessel, Robert Christie, Steven Wallitt and SCWorx, Nominal Defendant. The Zarins action contains substantially similar allegations as in the Consolidated Derivative Action.

On February 15, 2022, the Company and the Director Defendants (Marc Schessel, Steven Wallitt, Charles Miller and Robert Christie) entered into a stipulation of settlement (subject to Court approval) with the shareholder derivative plaintiffs to settle the Consolidated Derivative Action as well as the Zarins action. Under the terms of the settlement, (i) the insurers for the Director Defendants will make a cash payment to legal counsel for the shareholder derivative Plaintiffs to cover their legal fees and (ii) the Company will adopt certain corporate governance reforms within 60 days of court approval of the settlement, in exchange for which all parties will be released from all claims related to the derivative class action litigation. The settlement resolves all claims asserted against the defendants without any admission, concession or finding of any fault, liability or wrongdoing by the Company or any defendant.

*Other Investigations*

In addition, as previously disclosed, following the April 13, 2020 press release and related disclosures (related to COVID-19 rapid test kits), the Securities and Exchange Commission made an inquiry regarding the disclosures we made in relation to the transaction involving COVID-19 test kits. The Company is continuing to cooperate with the SEC regarding its investigation arising out of the April 13, 2020 press release and the events thereafter. The Company received a Wells notice on December 8, 2021 and an amended Wells notice on December 10, 2021. The Wells Notice states that the staff of the Securities and Exchange Commission has made a preliminary determination to recommend that the Commission file an enforcement action against the Company which would allege violations of Sections 17(a)(1), 17(a)(2), and 17(a)(3) of the Securities Act of 1933 (the "Securities Act"), Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), and Rules 10b-5(a), 10b-5(b), and 10b-5(c) thereunder. The Wells Notice also indicates that the staff would seek fines and disgorgement, including pre and post judgment interest in such enforcement proceeding. The Company did not make a Wells submission to the Commission in response to the Wells Notice. The Company has since been actively engaged in discussions with the Staff to settle the claims set forth in the Wells Notice.

In April 2020, we received related inquiries from The Nasdaq Stock Market and the Financial Industry Regulatory Authority (FINRA). We cooperated fully with these agencies, providing information and documents, as requested. We have not had any requests from these agencies since January 2021.

Also in April 2020, as previously disclosed, we were contacted by the U.S. Attorney's Office for the District of New Jersey, which was seeking information and documents from our officers and directors relating primarily to the April 13, 2020 press release concerning COVID-19 rapid test kits. We have cooperated fully with the U.S. Attorney's Office in its investigation.

In connection with these actions and investigations, the Company is obligated to indemnify its officers and directors for costs incurred in defending against these claims and investigations. Because the Company currently does not have the resources to pay for these costs, its directors and officers liability insurance carrier has agreed to indemnify these persons. Upon consummation of the settlement of the Consolidated Class Action, the Company believes it will have satisfied its accrued retention obligations with respect to the insurance coverage.

**David Klarman v. SCWorx Corp. f/k/a Alliance MMA, Inc., Index No. 619536/2019 (N.Y. State Sup. Ct., Suffolk County)**

On October 3, 2019, David Klarman, a former employee of Alliance, served a complaint against SCWorx seeking $400,000.00 for a breach of his employment agreement with Alliance. Klarman claims that Alliance ceased paying him his salary in March 2018 as well as other alleged contractual benefits. This action was settled on or about December 16, 2021 by the parties without any admission of liability or wrongdoing. In exchange for a release, the Company agreed to settle with Mr. Klarman with $100,000 of SCWorx shares calculated over a period of 4 months pursuant to an agreed upon schedule with respect to amounts, dates and a restriction on sales of SCWorx stock to no more than 4,000 shares per trading day. To date, all shares have been issued pursuant to this agreement.

**Item 4. Mine Safety Disclosures**

Not applicable.

## PART II

### Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

**Market Information for Common Stock**

Our common stock was listed on the Nasdaq Capital Market under the symbol "AMMA" from October 6, 2016 through February 3, 2019. Our symbol was changed to "WORX" on February 4, 2019 in connection with the closing of the SCWorx acquisition. The following table sets forth for the indicated periods the high and low closing prices for SCWorx's common stock as reported on the NASDAQ Capital Market.

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | High | Low | High | Low |
| First Quarter | $ 3.08 | $ 1.28 | $ 3.14 | $ 1.55 |
| Second Quarter | $ 2.49 | $ 1.28 | $ 12.02 | $ 2.09 |
| Third Quarter | $ 5.00 | $ 1.45 | $ 5.75 | $ 1.29 |
| Fourth Quarter | $ 2.28 | $ 1.16 | $ 2.22 | $ 1.03 |

**Holders of Record**

As of March 31, 2021, there were 11,383,454 outstanding shares of common stock held by 79 stockholders of record.

**Dividends**

We have never declared or paid any cash dividends on our shares of common stock, and we do not expect to pay cash dividends in the foreseeable future. We anticipate that we will retain any earnings to support operations and to finance the growth and development of our business. Any future determination relating to our dividend policy will be made at the discretion of our Board of Directors and will depend on a number of factors, including future earnings, capital requirements, financial conditions and future prospects and other factors the Board of Directors may deem relevant. Furthermore, our ability to pay dividends is limited by the Delaware General Corporation Law, which provides that a corporation may pay dividends only out of existing "surplus," which is defined as the amount by which a corporation's net assets exceeds its stated capital.

Refer to Note 9, Stockholders' Equity, in the accompanying consolidated financial statements, for a non–cash dividend related to the decrease in the exercise price of certain warrants.

### Item 6. [Reserved]

Not required under Regulation S-K for "smaller reporting companies."

### Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

*This Management's Discussion and Analysis of Financial Condition and Results of Operations includes a number of forward-looking statements that reflect Management's current views with respect to future events and financial performance. You can identify these statements by forward-looking words such as "may" "will," "expect," "anticipate," "believe," "estimate" and "continue," or similar words. Those statements include statements regarding the intent, belief or current expectations of us and members of our management team as well as the assumptions on which such statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risk and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements.*

*Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the Securities and Exchange Commission. Important factors known to us could cause actual results to differ materially from those in forward-looking statements. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in the future operating results over time. We believe that its assumptions are based upon reasonable data derived from and known about our business and operations and the business and operations of our company. No assurances are made that actual results of operations or the results of our future activities will not differ materially from its assumptions. Factors that could cause differences include, but are not limited to, expected market demand for our services, fluctuations in pricing for materials, and competition.*

**Our Business**

SCWorx is a provider of data content and services related to the repair, normalization and interoperability of information for healthcare providers and big data analytics for the healthcare industry.

SCWorx has developed and markets health information technology solutions and associated services that improve healthcare processes and information flow within hospitals. SCWorx's software platform enables healthcare providers to simplify, repair, and organize its data ("data normalization"), allows the data to be utilized across multiple internal software applications ("interoperability") and provides the basis for sophisticated data analytics ("big data"). SCWorx's solutions are designed to improve the flow of information quickly and accurately between the existing supply chain, electronic medical records, clinical systems, and patient billing functions. The software is designed to achieve multiple operational benefits such as supply chain cost reductions, decreased accounts receivables aging, accelerated and more accurate billing, contract optimization, increased supply chain management and cost visibility, synchronous Charge Description Master ("CDM") and control of vendor rebates and contract administration fees.

SCWorx empowers healthcare providers to maintain comprehensive access and visibility to an advanced business intelligence that enables better decision-making and reductions in product costs and utilization, ultimately leading to accelerated and accurate patient billing. SCWorx's software modules perform separate functions as follows:

- virtualized Item Master File repair, expansion and automation;
- CDM management;
- contract management;
- request for proposal automation;
- rebate management;
- big data analytics modeling; and
- data integration and warehousing.

SCWorx continues to provide transformational data-driven solutions to many healthcare providers in the United States. The Company's clients are geographically dispersed throughout the country. The Company's focus is to assist healthcare providers with issues that they have pertaining to data interoperability. SCWorx provides these solutions through a combination of direct sales and relationships with strategic partners.

SCWorx's software solutions are delivered to its clients within a fixed term period, typically a three-to-five-year contracted term, where such software is hosted in SCWorx data centers (Amazon Web Service's "AWS" or RackSpace) and accessed by such clients through a secure connection in a software as a service ("SaaS") delivery method.

SCWorx currently sells its solutions and services in the United States to hospitals and health systems through its direct sales force and its distribution and reseller partnerships.

SCWorx, as part of the acquisition of Alliance MMA, operates an online event ticketing platform focused on serving regional MMA ("mixed martial arts") promotions which it has paused due to COVID-19.

We currently host our solutions, serve our customers, and support our operations in the United States through an agreement with a third party hosting and infrastructure provider, RackSpace. We incorporate standard IT security measures, including but not limited to; firewalls, disaster recovery, backup, etc. Our operations are dependent upon the integrity, security and consistent operation of various information technology systems and data centers that process transactions, communication systems and various other software applications used throughout our operations. Disruptions in these systems could have an adverse impact on our operations. We could encounter difficulties in developing new systems or maintaining and upgrading existing systems. Such difficulties could lead to significant expenses or to losses due to disruption in our business operations.

In addition, our information technology systems are subject to the risk of infiltration or data theft. The techniques used to obtain unauthorized access, disable or degrade service, or sabotage information technology systems change frequently and may be difficult to detect or prevent over long periods of time. Moreover, the hardware, software or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise the security of our information systems. Unauthorized parties may also attempt to gain access to our systems or facilities through fraud or deception aimed at our employees, contractors or temporary staff. In the event that the security of our information systems is compromised, confidential information could be misappropriated, and system disruptions could occur. Any such misappropriation or disruption could cause significant harm to our reputation, lead to a loss of sales or profits or cause us to incur significant costs to reimburse third parties for damages.

**Critical Accounting Policies and Estimates**

Management's discussion and analysis of our consolidated financial condition and results of operations are based upon our consolidated financial statements. These consolidated financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") in the United States which requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty. We evaluate our estimates based on our historical experience and various other assumptions that are believed to be reasonable under the circumstances. These estimates relate to revenue recognition, the assessment of recoverability of goodwill and intangible assets, the assessment of useful lives and the recoverability of property, plant and equipment, the valuation and recognition of stock-based compensation expense, recognition and measurement of deferred income tax assets and liabilities, the assessment of unrecognized tax benefits, and others. Actual results could differ from those estimates, and material effects on our consolidated operating results and consolidated financial position may result. Refer to Note 3, Summary of Significant Accounting Policies, in the accompanying consolidated financial statements, for a full description of our accounting policies.

**Basis of Presentation**

The accompanying consolidated financial statements have been prepared in accordance to U.S. GAAP and the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). The accompanying consolidated financial statements include the accounts of SCWorx and its wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

**Cash**

Cash is maintained with various financial institutions. Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000.

**Fair Value of Financial Instruments**

Management applies fair value accounting for significant financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. Management defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, management considers the principal or most advantageous market in which we would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risks inherent in valuation techniques, transfer restrictions and credit risk. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement: Level 1 - Quoted prices in active markets for identical assets or liabilities. Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 3 - Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

**Concentration of Credit and Other Risks**

Financial instruments that potentially subject our company to significant concentrations of credit risk consist principally of cash, accounts receivable and warrants. We believe that any concentration of credit risk in its accounts receivable is substantially mitigated by our evaluation process, relatively short collection terms and the high level of credit worthiness of its customers. We perform ongoing internal credit evaluations of its customers' financial condition, obtain deposits and limit the amount of credit extended when deemed necessary but generally require no collateral.

For the year ended December 31, 2021, we had two customers representing 19% and 13% of aggregate revenues. or the year ended December 31, 2020, we had two customers representing 22% and 17% of aggregate revenues. At December 31, 2021, we had three customers representing 17%, 16% and 14% of aggregate accounts receivable. At December 31, 2020, we had three customers representing 35%, 32% and 10% of aggregate accounts receivable.

**Allowance for Doubtful Accounts**

Our company continually monitors customer payments and maintains a reserve for estimated losses resulting from our customers' inability to make required payments. In determining the reserve, we evaluate the collectability of our accounts receivable based upon a variety of factors. In cases where we become aware of circumstances that may impair a specific customer's ability to meet its financial obligations, we record a specific allowance against amounts due. For all other customers, we recognize allowances for doubtful accounts based on our historical write-off experience in conjunction with the length of time the receivables are past due, customer creditworthiness, geographic risk and the current business environment. Actual future losses from uncollectible accounts may differ from our estimates. The Company recorded an allowance for doubtful accounts as of December 31, 2021 and 2020 of $421,736 and $183,277, respectively.

**Leases**

We determine if an arrangement is a lease at inception. The current portion of lease obligations are included in accounts payable and accrued liabilities on the consolidated balance sheets. Right-of-use ("ROU") assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Our lease terms may include options to extend or terminate the lease, which are included in the lease ROU asset when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. We have lease agreements with lease components only, none with non-lease components, which are generally accounted for separately.

**Business Combinations**

Our company includes the results of operations of a business we acquire in our consolidated results as of the date of acquisition. We allocate the fair value of the purchase consideration of our acquisition to the tangible assets, liabilities and intangible assets acquired, based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. The primary items that generate goodwill include the value of the synergies between the acquired businesses and our company. Intangible assets are amortized over their estimated useful lives. The fair value of contingent consideration (earn out) associated with acquisitions is remeasured each reporting period and adjusted accordingly. Acquisition and integration related costs are recognized separately from the business combination and are expensed as incurred. For additional information regarding our acquisitions, refer to Note 5, Business Combinations.

**Goodwill and Identified Intangible Assets**

*Goodwill*

Goodwill is recorded as the difference between the aggregate consideration paid for an acquisition and the fair value of the net tangible and identified intangible assets acquired under a business combination. Goodwill also includes acquired assembled workforce, which does not qualify as an identifiable intangible asset. Management reviews impairment of goodwill annually in the fourth quarter, or more frequently if events or circumstances indicate that the goodwill might be impaired. We first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. If, after assessing the totality of events or circumstances, we determine that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then the quantitative goodwill impairment test is unnecessary.

*Identified intangible assets*

Identified finite-lived intangible assets consist of ticketing software and promoter relationships resulting from the February 1, 2019 business combination. Our identified intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from 5 to 7 years. Management makes judgments about the recoverability of finite-lived intangible assets whenever facts and circumstances indicate that the useful life is shorter than originally estimated or that the carrying amount of assets may not be recoverable. If such facts and circumstances exist, we assess recoverability by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. Impairments, if any, are based on the excess of the carrying amount over the fair value of those assets. If the useful life is shorter than originally estimated, we would accelerate the rate of amortization and amortize the remaining carrying value over the new shorter useful life.

For further discussion of goodwill and identified intangible assets, refer to Note 5, Business Combinations.

**Property and Equipment**

Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the related assets' estimated useful lives. Equipment, furniture and fixtures are being amortized over a period of three years.

Expenditures that materially increase asset life are capitalized, while ordinary maintenance and repairs are expensed as incurred.

**Revenue Recognition**

We recognize revenue in accordance with Topic 606 to depict the transfer of promised goods or services in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. To determine revenue recognition for arrangements within the scope of Topic 606 we perform the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

We follow the accounting revenue guidance under Topic 606 to determine whether contracts contain more than one performance obligation. Performance obligations are the unit of accounting for revenue recognition and generally represent the distinct goods or services that are promised to the customer.

Management has identified the following performance obligations in our contracts with customers:

1. Data Normalization: which includes data preparation, product and vendor mapping, product categorization, data enrichment and other data related services,
2. Software-as-a-service ("SaaS"): which is generated from clients' access of and usage of our hosted software solutions on a subscription basis for a specified contract term, which is usually annually. In SaaS arrangements, the client cannot take possession of the software during the term of the contract and generally has the right to access and use the software and receive any software upgrades published during the subscription period,
3. Maintenance: which includes ongoing data cleansing and normalization, content enrichment, and optimization, and
4. Professional Services: mainly related to specific customer projects to manage and/or analyze data and review for cost reduction opportunities.

A contract will typically include Data Normalization, SaaS and Maintenance, which are distinct performance obligations and are accounted for separately. The transaction price is allocated to each separate performance obligation on a relative stand-alone selling price basis. Significant judgement is required to determine the stand-alone selling price for each distinct performance obligation and is typically estimated based on observable transactions when these services are sold on a stand-alone basis. At contract inception, an assessment of the goods and services promised in the contracts with customers is performed and a performance obligation is identified for each distinct promise to transfer to the customer a good or service (or bundle of goods or services). To identify the performance obligations, management considers all the goods or services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices. Revenue is recognized when the performance obligation has been met. We consider control to have transferred upon delivery because we have a present right to payment at that time, we have transferred use of the good or service, and the customer is able to direct the use of, and obtain substantially all the remaining benefits from, the good or service.

Our SaaS and Maintenance contracts typically have termination for convenience without penalty clauses and accordingly, are generally accounted for as month-to-month agreements. If it is determined that we have not satisfied a performance obligation, revenue recognition will be deferred until the performance obligation is deemed to be satisfied.

Revenue recognition for our performance obligations are as follows:

*Data Normalization and Professional Services*

Our Data Normalization and Professional Services are typically fixed fee. When these services are not combined with SaaS or Maintenance revenues as a single unit of accounting, these revenues are recognized as the services are rendered and when contractual milestones are achieved and accepted by the customer.

*SaaS and Maintenance*

SaaS and Maintenance revenues are recognized ratably over the contract terms beginning on the commencement date of each contract, which is the date on which our service is made available to customers.

We do have some contracts that have payment terms that differ from the timing of revenue recognition, which requires us to assess whether the transaction price for those contracts include a significant financing component. We have elected the practical expedient that permits an entity to not adjust for the effects of a significant financing component if it expects that at the contract inception, the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. We do not maintain contracts in which the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service exceeds the one-year threshold.

As of December 31, 2021, we had $472,750 of remaining performance obligations recorded as deferred revenue. We expect to recognize sales relating to these existing performance obligations of during 2022.

*Costs to Fulfill a Contract*

Costs to fulfill a contract typically include costs related to satisfying performance obligations as well as general and administrative costs that are not explicitly chargeable to customer contracts. These expenses are recognized and expensed when incurred in accordance with ASC 340-40.

**Cost of Revenue**

Cost of revenues primarily represent data center hosting costs, consulting services and maintenance of our large data array that were incurred in delivering professional services and maintenance of our large data array during the periods presented.

**Contract Balances**

Contract assets arise when the revenue associated prior to our unconditional right to receive a payment under a contract with a customer (*i.e.*, unbilled revenue) and are derecognized when either it becomes a receivable or the cash is received. There were no contract assets as of December 31, 2021 and 2020.

Contract liabilities arise when customers remit contractual cash payments in advance of our company satisfying our performance obligations under the contract and are derecognized when the revenue associated with the contract is recognized when the performance obligation is satisfied. Deferred revenue for contract liabilities were $472,750 and $2,025,333 as of December 31, 2021 and 2020, respectively.

**Income Taxes**

Our company converted to a corporation from a limited liability company during 2018.

We use the asset and liability method of accounting for income taxes in accordance with Accounting Standard Codification (“ASC”) Topic 740, “Income Taxes.” Under this method, income tax expense is recognized for the amount of: (i) taxes payable or refundable for the current year and (ii) deferred tax consequences of temporary differences resulting from matters that have been recognized in an entity’s financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date.

Valuation allowances are provided if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. During the year ended December 31, 2021, we evaluated available evidence and concluded that we may not realize all the benefits of our deferred tax assets; therefore, a valuation allowance was established for our deferred tax assets.

ASC Topic 740-10-30 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740-10-40 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. We have no material uncertain tax positions for any of the reporting periods presented.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017, (the "Tax Act") was enacted. The Tax Act significantly revised the U.S. corporate income tax regime by, including but not limited to, lowering the U.S. corporate income tax rate from 34% to 21% effective January 1, 2018, implementing a territorial tax system, imposing a one-time transition tax on previously untaxed accumulated earnings and profits of foreign subsidiaries, and creating new taxes on foreign sourced earnings. During the years ended December 31, 2021 and 2020, we completed the accounting for tax effects of the Tax Act under ASC 740. There were no impacts to the years ended December 31, 2021 and 2020.

**Stock-based Compensation Expense**

The Company accounts for stock-based compensation expense in accordance with the authoritative guidance on share-based payments. Under the provisions of the guidance, stock-based compensation expense is measured at the grant date based on the fair value of the option or warrant using a Black-Scholes option pricing model and is recognized as expense on a straight-line basis over the requisite service period, which is generally the vesting period.

The authoritative guidance also requires that the Company measure and recognize stock-based compensation expense upon modification of the term of stock award. The stock-based compensation expense for such modification is accounted for as a repurchase of the original award and the issuance of a new award.

Calculating stock-based compensation expense requires the input of highly subjective assumptions, including the expected term of the stock-based awards, stock price volatility, and the pre-vesting option forfeiture rate. The Company estimates the expected life of options granted based on historical exercise patterns, which are believed to be representative of future behavior. The Company estimates the volatility of the Company's common stock on the date of grant based on historical volatility. The assumptions used in calculating the fair value of stock-based awards represent the Company's best estimates, but these estimates involve inherent uncertainties and the application of management's judgment. As a result, if factors change and the Company uses different assumptions, its stock-based compensation expense could be materially different in the future. In addition, the Company is required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. The Company estimates the forfeiture rate based on historical experience of its stock-based awards that are granted, exercised and cancelled. If the actual forfeiture rate is materially different from the estimate, stock-based compensation expense could be significantly different from what was recorded in the current period. The Company also grants performance based restricted stock awards to employees and consultants. These awards will vest if certain employee\consultant-specific or company-designated performance targets are achieved. If minimum performance thresholds are achieved, each award will convert into a designated number of the Company's common stock. If minimum performance thresholds are not achieved, then no shares will be issued. Based upon the expected levels of achievement, stock-based compensation is recognized on a straight-line basis over the requisite service period. The expected levels of achievement are reassessed over the requisite service periods and, to the extent that the expected levels of achievement change, stock-based compensation is adjusted in the period of change and recorded on the statements of operations and the remaining unrecognized stock-based compensation is recorded over the remaining requisite service period. Refer to Note 9, Stockholders' Equity, for additional detail.

**Loss Per Share**

We compute earnings (loss) per share in accordance with ASC 260, "Earnings per Share" which requires presentation of both basic and diluted earnings (loss) per share ("EPS") on the face of the income statement. Basic EPS is computed by dividing the loss available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive. As of December 31, 2021 and 2020, we had 1,161,913 and 790,847, respectively, common stock equivalents outstanding.

**Indemnification**

We provide indemnification of varying scope to certain customers against claims of intellectual property infringement made by third parties arising from the use of our software. In accordance with authoritative guidance for accounting for guarantees, we evaluate estimated losses for such indemnification. We consider such factors as the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. To date, no such claims have been filed against our company and no liability has been recorded in our financial statements.

As permitted under Delaware law, we have agreements whereby we indemnify our officers and directors for certain events or occurrences while the officer or director is, or was, serving at our company's request in such capacity. The maximum potential amount of future payments we could be required to make under these indemnification agreements is unlimited. In addition, we have directors' and officers' liability insurance coverage that is intended to reduce our financial exposure and may enable us to recover any payments above the applicable policy retention.

In connection with the Class Action claims and investigations described in Item 3. Legal Proceedings of this Annual Report on Form 10-K, the Company is obligated to indemnify its officers and directors for costs incurred in defending against these claims and investigations.

**Contingencies**

From time to time, we may be involved in legal and administrative proceedings and claims of various types. We record a liability in our consolidated financial statements for these matters when a loss is known or considered probable and the amount can be reasonably estimated. Management reviews these estimates in each accounting period as additional information becomes known and adjusts the loss provision when appropriate. If the loss is not probable or cannot be reasonably estimated, a liability is not recorded in the consolidated financial statements. If a loss is probable but the amount of loss cannot be reasonably estimated, we disclose the loss contingency and an estimate of possible loss or range of loss (unless such an estimate cannot be made). We do not recognize gain contingencies until they are realized. Legal costs incurred in connection with loss contingencies are expensed as incurred. Refer to Note 8, Commitments and Contingencies, for further information.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and accompanying notes. The Company regularly evaluates estimates and assumptions related to allowance for doubtful accounts, the estimated useful lives and recoverability of long-lived assets, equity component of convertible debt, stock-based compensation, and deferred income tax asset valuation allowances. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

**Recently Issued Accounting Pronouncements**

From time to time, new accounting pronouncements are issued by FASB that are adopted by the Company as of the specified effective date. If not discussed, management believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the Company's financial statements upon adoption.

**Results of Operations**

***The COVID-19 Pandemic has disrupted our business and the business of our hospital customers.***

Our operations and business have experienced disruption due to the unprecedented conditions surrounding the COVID-19 pandemic which spread throughout the United States and the world. The Company has followed the recommendations of local health authorities to minimize exposure risk for its team members since the outbreak.

In addition, the Company's customers (hospitals) also experienced extraordinary disruptions to their businesses and supply chains, while experiencing unprecedented demand for health care services related to COVID-19. As a result of these extraordinary disruptions to the Company's customers' business, the Company's customers were focused on meeting the nation's health care needs in response to the COVID-19 pandemic. As a result, the Company believes that its customers were not able to focus resources on expanding the utilization of the Company's services, which has adversely impacted the Company's growth prospects, at least until the adverse effects of the pandemic subside. In addition, the financial impact of COVID-19 on the Company's hospital customers could cause the hospitals to delay payments due to the Company for services, which could negatively impact the Company's cash flows.

The Company had sought to mitigate these impacts to revenue through the sale of personal protective equipment ("PPE") and COVID-19 rapid test kits to the health care industry, including many of the Company's hospital customers.

The sale of PPE and rapid test kits for COVID-19 represented a new business for the Company and was subject to the myriad risks associated with any new venture. The Company encountered great difficulty in attempting to secure reliable sources of supply for both COVID-19 Rapid Test Kits and PPE. The Company currently has no contracted supply of Rapid Test Kits or PPE. Since the inception of this business, the Company completed only minimal sales of COVID-19 rapid test kits and PPE. The Company does not expect to generate any significant revenue from the sale of PPE products or rapid test kits, and as of the date of this report, the Company has not generated any material revenue from the sale of PPE or rapid test kits.

The Company is no longer actively seeking to procure and sell Test Kits or PPE. Instead, the Company is focused on selling its current inventory of PPE. The Company may receive commissions for acting as an intermediary with respect to the sale of PPE and/or Test Kits. However, there is no assurance the Company will realize any material revenue from these activities.

***Year Ended December 31, 2021 Compared to Year Ended December 31, 2020***

The following summary of our results of operations should be read in conjunction with our consolidated financial statements for the years ended December 31, 2021 and 2020.

Our operating results for the years ended December 31, 2021 and 2020 are summarized as follows:

| | Years Ended | | |
|---|---|---|---|
| | December 31, 2021 | December 31, 2020 | Difference |
| Revenue | $ 4,632,529 | $ 5,213,118 | $ (580,589) |
| Cost of revenues | 2,782,509 | 3,515,279 | (732,770) |
| General and administrative | 5,664,488 | 7,742,850 | (2,078,362) |
| Other (expense) income | - | (1,357,339) | 1,357,339 |
| Provision for income taxes | - | - | - |
| Net loss | (3,814,468) | (7,402,350) | 3,587,882 |

*Revenues*

Revenue for the year ended December 31, 2021 was $4,632,529, compared to $5,213,188 in revenue for the year ended December 31, 2020. The decline in revenue is primarily related to decreases in revenues from PPE sales of approximately $410,000 as we have pivoted away from direct PPE inventory sales and a decrease of approximately $125,000 in ticket sales upon the suspension of our Cagetix operations due to COVID-19.

*Cost of Revenues*

Cost of revenues for the year ended December 31, 2021 was $2,782,509, compared to $3,515,279 for the year ended December 31, 2020. The $732,770 decrease is primarily related to a decrease of approximately $103,000 in costs related to ticket sales revenue which was suspended in 2021 and decrease of approximately $127,000 in costs related to PPE inventory sales with the remaining decrease related to lowered salary costs of revenue in the current year.

*Expenses*

General and administrative expenses decreased $2,078,362 to $5,664,488 for the year ended December 31, 2021, as compared to $7,742,850 in the same period of 2020. This decrease was primarily due to a decrease in salary expense of approximately $70,000, a decrease in stock-based compensation (non-cash) of approximately $600,000, a decrease in legal and professional fees of $1,080,000, a decrease in travel expense of $170,000, a decrease in accounting fees of $40,000, and a decrease in commission expense of $170,000, partially offset by an increase in inventory expense of $367,000. We expect general and administrative expenses to remain relatively flat during 2022, unless we complete a capital raise, in which case we would expect expenses to grow as we ramp our sales force.

We had other expense of $1,357,339 during the year ended December 31, 2020. Other expense in 2020 related to net losses on the settlement of accounts payable due to the fair value of the shares issued in settlement being greater than the value of the accounts payable.

**Liquidity and Capital Resources**

**Going Concern**

Management has concluded on our consolidated financial statements for the year ended December 31, 2021 that conditions exist that raise substantial doubt about our ability to continue as a going concern since we may not have sufficient capital resources from operations and existing financing arrangements to meet our operating expenses and working capital requirements. As of December 31, 2021, we had a working capital deficit of $1,527,830 and accumulated deficit of $24,011,291. During the year ended December 31, 2021, we had a net loss of $3,814,468 and used $1,069,945 of cash in operations. We have historically incurred operating losses and may continue to incur operating losses for the foreseeable future. We believe that these conditions raise substantial doubt about our ability to continue as a going concern. This may hinder our future ability to obtain financing or may force us to obtain financing on less favorable terms than would otherwise be available. If we are unable to develop sufficient revenues and additional customers for our products and services, we may not generate enough revenue to sustain our business, and we may fail, in which case our stockholders would suffer a total loss of their investment. There can be no assurance that we will be able to continue as a going concern.

**Recent Fundraising**

On May 5, 2020, the Company obtained a $293,972 unsecured loan payable through the Paycheck Protection Program (“PPP”), which was enacted as part of the Coronavirus Aid, Relief and Economic Security Act (the “CARES ACT”). The funds were received from Bank of America through a loan agreement pursuant to the CARES Act. The CARES Act was established in order to enable small businesses to pay employees during the economic slowdown caused by COVID-19 by providing forgivable loans to qualifying businesses for up to 2.5 times their average monthly payroll costs. The amount borrowed under the CARES Act and used for payroll costs, rent, mortgage interest, and utility costs during the 24 week period after the date of loan disbursement is eligible to be forgiven provided that (a) the Company uses the PPP Funds during the eight week period after receipt thereof, and (b) the PPP Funds are only used to cover payroll costs (including benefits), rent, mortgage interest, and utility costs. While the full loan amount may be forgiven, the amount of loan forgiveness will be reduced if, among other reasons, the Company does not maintain staffing or payroll levels or less than 60% of the loan proceeds are used for payroll costs. Principal and interest payments on any unforgiven portion of the PPP Funds (the “PPP Loan”) will be deferred to the date the SBA remits the borrower’s loan forgiveness amount to the lender or, if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower’s loan forgiveness period for six months and will accrue interest at a fixed annual rate of 1.0% and carry a two year maturity date. There is no prepayment penalty on the CARES Act Loan. The Company expects the loan to be fully forgiven.

On March 17, 2021, we received $139,595 in financing from the U.S. government's Payroll Protection Program ("PPP"). We entered into a loan agreement with Bank of America. This loan agreement was pursuant to the CARES Act. The CARES Act was established in order to enable small businesses to pay employees during the economic slowdown caused by COVID-19 by providing forgivable loans to qualifying businesses for up to 2.5 times their average monthly payroll costs. The amount borrowed under the CARES Act is eligible to be forgiven provided that (a) the Company uses the PPP Funds during the eight week period after receipt thereof, and (b) the PPP Funds are only used to cover payroll costs (including benefits), rent, mortgage interest, and utility costs. The amount of loan forgiveness will be reduced if, among other reasons, the Company does not maintain staffing or payroll levels. Principal and interest payments on any unforgiven portion of the PPP Funds (the "PPP Loan") will be deferred for six months and will accrue interest at a fixed annual rate of 1.0% and carry a two year maturity date. There is no prepayment penalty on the CARES Act Loan. The Company expects the loan to be fully forgiven.

On September 17, 2021, The Company issued units at $1.79 per unit comprised in the aggregate of 298,883 shares of common stock and 298,883 5 year warrants to purchase shares of common stock for aggregate gross proceeds of $525,000.

During May 2020, we received $515,000 from the sale of 135,527 shares of common stock (at a price of $3.80 per share) and warrants to purchase 169,409 shares of common stock, at an exercise price of $4.00 per share. Of the $515,000 investment, $125,000 is subject to execution of definitive documents.

**Liquidity**

We are currently experiencing a working capital deficiency, have limited cash on hand, and we are experiencing negative cash flows from operations. Consequently, we have an immediate need for additional capital to fund our operations and the implementation of our business plan.

Based on our current business plan, if we had sufficient capital resources, we anticipate that our operating activities would use approximately $400,000 in cash per month over the next twelve months, or approximately $4.8 million. Currently we have only limited cash on hand, and consequently, we are unable to implement our current business plan. Accordingly, we have an immediate need for additional capital to fund our operating activities.

In order to remedy this liquidity deficiency, we have cut spending and are actively seeking to raise additional funds through the sale of equity and debt securities. Ultimately, we will need to generate substantial positive operating cash flows. Our internal sources of funds will consist of cash flows from operations, but not until we begin to realize substantial additional revenues from the sale of our products and services. As previously stated, our operations are generating negative cash flows, and thus adversely affecting our liquidity. If we are able to secure sufficient funding in the first half of 2022 to fully implement our business plan, we expect that our operations could begin to generate positive cash flows by the end of 2022, which should ameliorate our liquidity deficiency. If we are unable to raise additional funds in the near term, we will not be able to fully implement our business plan, in which case there could be a material adverse effect on our results of operations and financial condition.

In the event we do not generate sufficient funds from revenues or financing through the issuance of common stock or from debt financing, we will be unable to fully implement our business plan and pay our obligations as they become due, any of which circumstances would have a material adverse effect on our business prospects, financial condition, and results of operations. The accompanying financial statements do not include any adjustments that might be required should the Company be unable to recover the value of its assets or satisfy its liabilities (see Note 2 to the Financial Statements - Liquidity/Going Concern).

Based on our current limited availability of funds, we expect to spend minimal amounts on expansion of our sales organization, software development and capital expenditures. We expect to fund any future software development expenditures through a combination of cash flows from operations and proceeds from equity and/or debt financing. If we are unable to generate positive cash flows from operations, and/or raise additional funds (either through debt or equity), we will be unable to fund our software development expenditures, in which case, there could be an adverse effect on our business and results of operations.

**Cash Flows**

| | Years ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| Net cash used in operating activities | $ (1,069,945) | $ (959,070) |
| Net cash used in investing activities | - | - |
| Net cash provided by financing activities | 764,595 | 847,542 |
| Change in cash | $ (305,350) | $ (111,528) |

Our operations through December 31, 2021 have resulted in negative cash flows from operations of $1,069,945. If we are able to raise additional capital during first half of 2022 and generate additional revenue through the acquisition of new customers, and provided we realize a reduction in legal and accounting expenses, which we anticipate, we believe we may begin to generate positive operating cash flows by the end of 2022. However, there is no assurance we will be able to increase our revenue sufficiently so as to generate positive operating cash flows within this time frame.

**Operating Activities**

Net cash used in operating activities was $1,069,945 for the year ended December 31, 2021, mainly related to the net loss of $3,814,46 and decreases of $452,284 in accounts payable and accrued liabilities and $690,083 in deferred revenue, partially offset by non-cash stock-based compensation of $2,687,901 related to various equity awards to employees and non-employees, $163,917 in bad debt expense, and a $475,000 decrease in inventory.

Net cash used in operating activities was $959,070 for the year ended December 31, 2020, mainly related to the net loss of $7,402,350, a $523,440 increase in inventory and a $76,470 increase in prepaid expenses, partially offset by non-cash stock-based compensation of $3,284,570 related to various equity awards to employees and non-employees, $1,612,538 in non-cash losses related to the settlement of accounts payable, an $848,473 increase in accounts payable and accrued liabilities.

**Investing Activities**

The Company did not have any investing activities during the years ended December 31, 2021 and 2020.

**Financing Activities**

Net cash provided by financing activities was $764,595 for the year ended December 31, 2021. This consisted of $139,595 in proceeds from a loan payable, $100,000 advanced by the Company's former CEO (also a significant shareholder), and $525,000 from a common stock placement.

Net cash provided by financing activities was $847,542 for the year ended December 31, 2020, primarily related to $515,000 in proceeds from equity financing and $293,972 in proceeds from a note payable.

**Contractual Cash Obligations**

Refer to Note 8, Commitments and Contingencies, in the accompanying consolidated financial statements for additional detail.

**Off-Balance Sheet Arrangements**

As of December 31, 2021, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information under this item.

**Item 8. Financial Statements and Supplementary Data**

The consolidated financial statements are included in Part IV, Item 15 (a) (1) of this Report.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

On October 14, 2020, Withum Smith + Brown ("Withum"), SCWorx Corp.'s independent registered public accounting firm, notified SCWorx Corp. (the "Company" or "Registrant") that it would no longer be able to provide audit and review services to the Company, effective October 14, 2020. The audit and review services were discontinued for reasons unrelated to the reviews or audited financials of the Company. Withum had audited the Company's financial statements since 2019.

Withum's report on the Company's financial statements for the fiscal year ended December 31, 2019 did not contain an adverse opinion or disclaimer of opinion, nor was such report qualified or modified as to uncertainty, audit scope or accounting principle, except for an explanatory paragraph relating to a substantial doubt regarding the Company's ability to continue as a going concern. During the fiscal year ended December 31, 2019, and through October 14, 2020, there were no disagreements with Withum on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Withum's satisfaction, would have caused Withum to make reference to the subject matter of the disagreement in connection with its report.

During the fiscal year ended December 31, 2019, and through October 14, 2020, there were no "reportable events" as defined under Item 304(a)(1)(v) of Regulation S-K, except for material weaknesses in internal control over financial reporting.

On October 20, 2020, the Company appointed Sadler Gibb & Associates, LLC ("SG") as its new independent registered public accounting firm, effective immediately, for the fiscal year ending December 31, 2020. This appointment was authorized and approved by the Audit Committee of the Company's Board of Directors.

During the fiscal years ended December 31, 2019 and 2018 and through October 20, 2020, the Company did not consult with SG on the application of accounting principles to a specified transaction, either completed or proposed, or consult with SG for the type of audit opinion that might be rendered on the Company's consolidated financial statements, where a written report or oral advice was provided that SG concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue. In addition, the Company did not consult with SG on the subject of any disagreement, as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions or on any "reportable events" as identified under Item 304(a)(1)(v) of Regulation S-K.

As previously disclosed in the Company's Current Report on Form 8-K filed April 21, 2021, on April 15, 2021, Sadler Gibb & Associates, LLC notified the Company that it was (i) terminating its engagement to provide audit and review services to the Company, effective April 14, 2021, and (ii) withdrawing its consent and association with the Completed Interim Review of the consolidated financial statements performed by SG for the period ended September 30, 2020. SG's Letter stated that, in reaching this conclusion, it believed that it cannot rely on the representations of management and that there are disagreements between the Company and SG on matters of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of SG, would have caused SG to make reference to the subject matter of the disagreement in their reports on the Company's consolidated financial statements. The Company disagreed with SG's belief regarding the representations of management and requested the opportunity to explain its position to SG, but SG declined such request. The Company and SG also disagreed about the number of reporting units the Company has for financial reporting purposes. The Company's CFO discussed with SG the number of reporting units. In addition, the Company engaged an independent technical accounting expert who also discussed the Company's position with SG.

On April 19, 2021, the Company appointed BF Borgers CPA PC ("BFB") as its new independent registered public accounting firm, effective immediately, for the fiscal year ending December 31, 2020. This appointment was authorized and approved by the Audit Committee of the Company's Board of Directors.

**Item 9A. Controls and Procedures**

**Management's Conclusions Regarding Effectiveness of Disclosure Controls and Procedures**

Management conducted an evaluation of the effectiveness of our "disclosure controls and procedures" ("Disclosure Controls"), as defined by Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of December 31, 2021, the end of the period covered by this Annual Report on Form 10-K, as required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act. The Disclosure Controls evaluation was done under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, based on the 2013 framework and criteria established by the Committee of Sponsoring Organizations of the Treadway Commission. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, due to deficiencies caused by a lack of segregation of duties, our Disclosure Controls were not effective as of December 31, 2021, such that the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding disclosure.

**Management Report on Internal Controls over Financial Reporting**

Our management has identified material weaknesses in our internal controls related to a lack of segregation of duties. Management continues to work with the Audit Committee to discuss remediation efforts, which are expected to be resolved during 2022,. Our management is actively looking for additional accounting and finance personnel to assist in the remediation efforts.

Notwithstanding the foregoing, our management, including our Chief Executive Officer and Chief Financial Officer, have concluded that the consolidated financial statements included in this Annual Report on Form 10-K present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States.

We may in the future identify other material weaknesses or significant deficiencies in connection with our internal control over financial reporting. Material weaknesses and significant deficiencies that may be identified in the future will need to be addressed as part of our quarterly and annual evaluations of our internal controls over financial reporting under Sections 302 and 404 of the Sarbanes-Oxley Act. Any future disclosures of a material weakness, or errors as a result of a material weakness, could result in a negative reaction in the financial markets and a decrease in the price of our common stock.

**Changes in Internal Control over Financial Reporting.**

None

**Item 9B. Other Information**

None.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.**

Not applicable.

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance

The following table presents information with respect to our officers, directors and significant employees as of the date of filing of this Report:

| Name | Age | Position(s) |
|---|---|---|
| Timothy A. Hannibal | 53 | President & Chief Executive Officer |
| Chris Kohler | 41 | Chief Financial Officer |
| Alton Irby | 81 | Director |
| John Ferrara | 70 | Director |
| Steven Horowitz | 51 | Director |
| Steven Wallitt | 60 | Director |

**Background of Officers and Directors**

The following is a brief account of the education and business experience during at least the past five years of our officers and directors, indicating each person's principal occupation during that period, and the name and principal business of the organization in which such occupation and employment were carried out.

*Timothy A. Hannibal*

Mr. Hannibal is a seasoned technology executive and entrepreneur, with nearly 30 years' experience in SaaS and cloud technology, driving revenue, go-to-market strategies, business development and mergers and acquisitions. Mr. Hannibal joined the Company in January 2019 and currently serves as its Chief Executive Officer. Prior to joining the Company, Mr. Hannibal was an employee at Primrose Solutions (the predecessor to SCWorx) which he joined in September of 2016. At Primrose, Mr. Hannibal was responsible for overseeing marketing, sales and operations, including executing the Company's business plan. Mr. Hannibal has a successful track record of growth and management at both startup and national companies.

Prior to joining Primrose, Mr. Hannibal was the President and CEO of VaultLogix for thirteen years, a company he founded. VaultLogix was a private equity sponsored leading SaaS company in the cloud backup industry before being acquired by J2 Global, a publicly traded technology company ($3.2b market cap) focused on cloud services and digital media.

*Chris Kohler*

Mr. Kohler was appointed CFO on November 1, 2020, at which time Mr. Hannibal resigned as Interim CFO. Mr. Kohler has over 15 years of experience serving in a wide variety roles in the finance and accounting sectors. Mr. Kohler is the founder and CEO of Kohler Consulting, Inc., which he founded in 2012. The firm, through Mr. Kohler, provides outsourced CFO and advisory services to private and public companies, with a focus on small cap and start-up businesses.

*Alton Irby*

Mr. Irby was appointed to the Board of Directors on March 10, 2021. Alton Irby is a co-founder of London Bay Capital and has been Chairman of the firm Since 2006. London Bay Capital makes investments in private companies, and also provides business advisory services. Mr. Irby is a seasoned executive with a highly successful track record in the financial services and investment banking industries in both the UK and the US from 1982 to the present. Mr. Irby has served on the boards of several public and private companies including 17 years as a director of The McKesson Corporation chairing both the Compensation and Finance Committees.

*John Ferrara*

Mr Ferrara was appointed to the Board of Directors in August 2021. Mr. Ferrara has been the CFO of several public, private and private equity portfolio companies primarily in media, technology, financial and information services. John is also an experienced Corporate Director, having served on the Boards and Audit Committees of several publicly traded companies and a Not-For-Profit.

Since 2017, John has been a partner at CFO Performance Partners, a professional services firm that provides CFO services, strategic and financial consulting and project management services. From 2019 to 2020, he was CFO of Wild Sky Media a PE owned digital media company. Prior to joining CFO Performance Partners, John was the CFO of Cartesian, Inc., a Nasdaq company, from 2015 to 2017. From 2013 to 2015, he was CFO of the Street, Inc., a Nasdaq Company.

John has an MBA in Finance from Columbia University and a BS in Accounting from the University of Maryland and began his career at a Big 4 public accounting firm before moving on to financial positions at two Fortune 500 companies. John is a member of Financial Executives Institute (FEI) and Executive Forum and a former member of the National Association of Corporate Directors (NACD) and the American Institute of Certified Public Accountants (AICPA).

*Steven Horowitz*

Mr. Horowitz was appointed to the Board of Directors in August 2021. Since 2012, Mr. Horowitz has served as Chief Financial Officer of CareCentrix, a multi-billion dollar health care services company. As CFO, Mr. Horowitz directs all of CareCentrix's financial activities, including financial planning, accounting and financial reporting.

Prior to joining CareCentrix, Steve was the Vice President of business planning for Medco Health Solutions, a Fortune 50 pharmacy benefit manager. In this role, Steve was the CFO for three key U.S.-based divisions as well as all international markets, which together generated over $2 billion in annual revenue. Previously, Steve held the position of controller at National Medical Health Card Systems, a pharmacy benefit manager, and at The Fantastic Corporation, a global broadband multimedia corporation. Earlier, Steve was CFO at the Mount Vernon Neighborhood Health Center.

Steve received his MBA from Adelphi University and earned his BS in business management from Cornell University. He is a licensed CPA and Chartered Global Management Accountant (CGMA). Steve is a member of the American Institute of Certified Public Accountants (AICPA), the National Association of Corporate Directors (NACD) and the Wall Street Journal CFO Network.

*Steven Wallitt*

Mr. Wallitt, has worked as owner and director of a packaging materials company since 1981. He is responsible for decision making in all areas of the company, including sourcing the best and most efficient methods for achieving maximum profitability and the highest quality standards. He has extensive knowledge in evaluating sales and marketing proposals. Beginning in 2008, he has been an investor in both private and public companies, as well as early-stage public companies with personal investments of $50,000 to more than $3,000,000. He has consulted for many of these companies in areas ranging from public market strategies, growth strategies, evaluating contract proposals, cost control and evaluating employee responsibilities in order to achieve maximum efficiencies. Since 2014, Mr. Wallitt has been an advisory board member to Redtower Capital, a California-based investment firm where he advises on all aspects of client identification, sales and marketing strategies and profit maximization. Mr. Wallitt holds a BA degree in communications from Rider College, Lawrenceville, NJ.

**Code of Business Conduct and Ethics**

We have adopted a Code of Business Conduct and Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions and also to other employees. Our Code of Business Conduct can be found on our website at www.SCWorx.com.

**Family Relationships**

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

**Involvement in Certain Legal Proceedings**

During the past ten years, none of our officers, directors, significant employees or control persons have been involved in any legal proceedings as described in Item 401(f) of Regulation S-K.

**Board Composition**

The Board of Directors currently consists of five directors. Each director will serve in office until the next annual meeting of stockholders or until their successors have been duly elected and qualified, or until the earlier of their death, resignation or removal.

Our certificate of incorporation provides that that the number of authorized directors will be determined in accordance with our bylaws. Our bylaws provide that the number of authorized directors shall be determined from time to time by a resolution of the Board of Directors, and any vacancies in our board and newly created directorships may be filled only by our Board of Directors.

**Term of Office**

All of our directors are elected on an annual basis to serve until the next annual meeting of shareholders or until the earlier of their death, resignation or removal.

**Committees of the Board of Directors**

Our Board of Directors has established an audit committee, a compensation committee and a nominating and governance committee. Each of these committees operates under a charter that has been approved by our Board of Directors.

*Audit Committee*

We have a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee has authority to review our financial records, engage with our independent auditors, recommend policies with respect to financial reporting to the Board of Directors and investigate all aspects of our business. The members of the audit committee are Mr. Horowitz (chair), Mr. Wallitt and Mr. Ferrara. The audit committee consists exclusively of directors who are financially literate. In addition, each of Mr. Horowitz and Mr. Ferrara is considered an "audit committee financial expert" as defined by the SEC's rules and regulations. All members of the Audit Committee currently satisfy the independence requirements and other established criteria of Nasdaq.

*Compensation Committee*

The Compensation Committee oversees our executive compensation and recommends various incentives for key employees to encourage and reward increased corporate financial performance, productivity and innovation. The members of the compensation committee are Mr. Irby (chair), Mr. Horowitz and Mr. Ferrara.

*Nominating and Governance Committee*

The Nominating and Corporate Governance Committee identifies and nominates candidates for membership on the Board of Directors, oversees Board of Directors' committees, advises the Board of Directors on corporate governance matters and any related matters required by the federal securities laws. The members of the Nominating Committee are Mr. Ferrara (chair), Mr. Irby, Mr. Horowitz and Mr. Hannibal, and all except for Mr. Hannibal currently satisfy the independence requirements and other established criteria of Nasdaq.

The Nominating and Governance Committee will consider stockholder recommendations for candidates for the Board of Directors.

Our bylaws provide that, in order for a stockholder's nomination of a candidate for the board to be properly brought before an annual meeting of the stockholders, the stockholder's nomination must be delivered to the Secretary of our company no later than 120 days prior to the one-year anniversary date of the prior year's annual meeting.

Charters for all three committees are available on our website at www.SCWorx.com.

**Changes in Nominating Procedures**

None.

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

Section 16(a) of the Exchange Act requires our executive officers and directors and persons who beneficially own more than 10% of a registered class of our equity securities to file with the SEC initial statements of beneficial ownership, statements of changes in beneficial ownership and annual statements of changes in beneficial ownership with respect to their ownership of our securities, on Forms 3, 4 and 5, respectively. Executive officers, directors and greater than 10% shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) reports they file.

Based solely on our review of the copies of such reports received by us, and on written representations by our officers and directors regarding their compliance with the applicable reporting requirements under Section 16(a) of the Exchange Act, and without conducting an independent investigation of our own, we believe that with respect to the fiscal year ended December 31, 2021, our officers and directors, and all of the persons known to us to beneficially own more than 10% of our common stock filed all required reports on a timely basis except for initial Form 4 filings by our newly appointed directors Alton Irby, Steven Horowitz and John Ferrara due to their needing to apply for Edgar codes.

**Item 11. Executive Compensation**

The following summary compensation table sets forth information concerning compensation for services rendered in all capacities during 2021 and 2020 awarded to, earned by or paid to our executive officers. The value attributable to any option awards and stock awards reflects the grant date fair values of stock awards calculated in accordance with FASB Accounting Standards Codification Topic 718. As described further in Note 9, Stockholders' Equity, to our consolidated year-end financial statements, the assumptions made in the valuation of these option awards and stock awards is set forth therein.

| Name and Principal Position | Fiscal Year | Salary $ | Bonus ($) | Stock Awards ($) | Option Awards ($) | Non-Equity Incentive Plan Compensation ($) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|---|---|---|
| Timothy Hannibal (2) | 2021 | 225,000 | - | 319,350 | - | - | 6,663 | 551,013 |
| President, Chief Executive Officer and Director | 2020 | 244,000 | - | 1,881,101 | - | - | 37,394 | 2,162,495 |
| Chris Kohler (3) | 2021 | 90,000 | - | 185,828 | - | - | - | 275,828 |
| Chief Financial Officer | 2020 | 12,000 | - | - | - | - | - | 12,000 |
| Marc Schessel (1) | 2021 | - | - | - | - | - | - | - |
| Former Chairman and Chief Executive Officer | 2020 | 373,750 | - | 240,000 | - | - | 29,805 | 643,555 |

(1) Mr. Schessel was appointed Chairman and Chief Executive Officer of SCWorx Corp (f/k/a Alliance MMA, Inc.) on February 1, 2019. On January 19, 2020 Mr. Schessel resigned as Chief Executive Officer.

(2) Mr. Hannibal was hired as Chief Revenue Officer on February 1, 2019 and was appointed Interim Chief Financial Officer on June 10, 2020. On August 10, 2020 Mr. Hannibal was appointed President and Chief Operating Officer. On May 28, 2021 Mr. Hannibal was appointed President and Chief Executive Officer.

(3) Mr. Kohler was hired as Chief Financial Officer on November 1, 2020.

**Directors' Compensation**

The following summary compensation table sets forth information concerning compensation for services rendered in all capacities during 2021 and 2020 awarded to, earned by or paid to our directors. The value attributable to any stock option awards reflects the grant date fair values of stock awards calculated in accordance with ASC Topic 718.

| Name and Principal Position | Fiscal Year | Fees Earned or Paid in Cash ($) | Bonus ($) | Stock Awards ($) | Option Awards ($) | Non-Equity Incentive Plan Compensation ($) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|---|---|---|
| Alton Irby (3) | 2021 | - | - | 157,000 | - | - | - | 157,000 |
| Chairman and Director | 2020 | - | - | - | - | - | - | - |
| John Ferrara (5) | 2021 | - | - | 124,584 | - | - | - | 124,584 |
| Director | 2020 | - | - | - | - | - | - | - |
| Steven Horowitz (6) | 2021 | - | - | 124,584 | - | - | - | 124,584 |
| Director | 2020 | - | - | - | - | - | - | - |
| Steven Wallitt (2) | 2021 | - | - | 157,000 | - | - | - | 157,000 |
| Director | 2020 | - | - | 240,000 | - | - | - | 240,000 |
| Mark Shefts (1) | 2021 | - | - | - | - | - | - | - |
| Former Director | 2020 | - | - | 240,000 | - | - | - | 240,000 |
| Charles K. Miller (4) | 2021 | - | - | - | - | - | - | - |
| Former Director | 2020 | - | - | 240,000 | - | - | - | 240,000 |

(1) Mark Shefts was appointed as a Director on May 15, 2020 and resigned on June 25, 2021

(2) Steven Wallitt was appointed as a Director on October 4, 2019.

(3) Alton Irby was appointed as a Director on March 16, 2021.

(4) Charles K Miller was appointed as a Director on October 24, 2018 and resigned September 25, 2020.

(5) John Ferrara was appointed as a Director on August 11, 2021.

(6) Steven Horowitz was appointed as a Director on August 11, 2021.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The following table sets forth certain information regarding beneficial ownership of our common stock as of March 31, 2022: (i) by each of our directors, (ii) by each of the named executive officers, (iii) by all of our executive officers and directors as a group, and (iv) by each person or entity known by us to beneficially own more than five percent (5%) of any class of our outstanding shares. As of March 31, 2022, there were 11,383,454 shares of our common stock outstanding.

**Amount and Nature of Beneficial Ownership as of March 31, 2022 (1)**

| Named Executive Officers and Directors | Common Stock | Preferred Stock | Options/ Warrants | Total | Percentage Ownership |
|---|---|---|---|---|---|
| *Current* | | | | | |
| Timothy Hannibal | 805,141 | - | - | 805,141 | 6.6% |
| Chris Kohler | 58,500 | - | - | 58,500 | * |
| Alton Irby | 100,000 | - | - | 100,000 | * |
| John Ferrara | 41,667 | - | - | 41,667 | * |
| Steven Horowitz | 41,667 | - | - | 41,667 | * |
| Steven Wallitt | 201,120 | - | - | 201,120 | 1.8% |
| Directors and Executive Officers as a Group (6 persons) | 1,248,095 | - | - | 1,248,095 | 10.0% |
| | | | | | |
| *Former* | | | | | |
| Marc Schesse1 | 1,106,606 | - | 9- | 1,106,606 | .3% |
| Charles K. Miller | 3,289 | - | - | 3,289 | * |
| Mark Shefts | - | - | 2,340 | 2,340 | * |

* Represents beneficial ownership of less than 1% of our outstanding stock.

(1) In determining beneficial ownership of our common stock as of a given date, the number of shares shown includes shares of common stock that may be acquired upon the exercise of stock options within 60 days of March 31, 2022. In determining the percent of common stock owned by a person or entity on March 31, 2022, (a) the numerator is the number of shares of the class beneficially owned by such person or entity, including shares which may be acquired within 60 days of March 31, 2022 upon the exercise of stock options, and (b) the denominator is the sum of (i) the total shares of common stock outstanding on March 31, 2022 and (ii) the total number of shares that the beneficial owner may acquire upon exercise of stock options within 60 days of March 31, 2022. Unless otherwise indicated, the address of each of the individuals and entities named below is c/o SCWorx Corp., 590 Madison Avenue, 21st Floor, New York, New York 10022.

**Employee Grants of Plan Based Awards and Outstanding Equity Awards at Fiscal Year-End**

Prior to the completion of our initial public offering, our Board of Directors adopted the Alliance MMA 2016 Equity Incentive Plan (the "2016 Plan") pursuant to which we may grant shares of our common stock to our directors, officers, employees or consultants. Our stockholders approved the 2016 Plan at our annual meeting of stockholders held September 1, 2017, and on March 25, 2021 approved the Amended and Restated 2016 Plan, which permits the issuance of up to 5,000,000 shares. Unless earlier terminated by the Board of Directors, the 2016 plan will terminate, and no further awards may be granted, after July 30, 2026.

The following sets forth the stock option awards to our officers and directors as of December 31, 2021.

**Outstanding Equity Awards at December 31, 2021**

| | Stock Awards | | | |
|---|---|---|---|---|
| Name | Number of shares or units of stock that have not vested | Market value of shares or units of stock that have not vested | Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested | Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested |
| *Current Officers* | | | | |
| Timothy Hannibal | - | $ - | 33,333 | $ 90,417 |
| Chris Kohler | | | | |
| First Award | - | $ - | 31,250 | $ 57,375 |
| Second Award | - | $ - | 24,000 | $ 53,760 |

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

**Certain Relationships and Related Transactions**

At December 31, 2021 and 2020 Company had amounts due to officers in the amount of $153,838.

During April, 2020, a company affiliated with a shareholder advanced $475,000 in cash, on our behalf, to the supplier of test kits for their purchase. In May 2021, the company returned the test kits pursuant to its sales contract in full satisfaction of the $475,000 previously advanced.

During September 2021, the Company's former CEO (also a significant shareholder) advanced $100,000 in cash to the Company for short term capital requirements. This amount is non-interest bearing and payable upon demand and included in Shareholder advance on the Company's consolidated balance sheet as of December 31, 2021.

On January 19, 2021, Marc. S. Schessel's employment as CEO of SCWorx, Corp., a Delaware corporation, ceased by mutual agreement, and the Company and Mr. Schessel concurrently entered into a consulting agreement under which Mr. Schessel will provide consulting services to the Company. The Consulting Agreement provides for annual consulting fees of $295,000. In addition, such agreement provides for cash and equity bonuses based on revenue generation. The Consulting Agreement is for a term of two years, but may be terminated by the Company for "cause" (as defined) or by either party for any reason or no reason upon sixty days prior notice. The Consulting Agreement also contains non-competition and non-solicitation provisions which are applicable during the term of the Consulting Agreement and for a period of two years thereafter.

**Director Independence**

The rules of the Nasdaq Capital Market, or the Nasdaq Rules, require a majority of a listed company's board of directors to be composed of independent directors within one year of listing. In addition, the Nasdaq Rules require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and governance committees be independent. Under the Nasdaq Rules, a director will qualify as an independent director only if, in the opinion of our Board of Directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Nasdaq Rules also require that audit committee members satisfy independence criteria set forth in Rule 10A-3 under the Exchange Act, as amended. In order to be considered independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee, accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the listed company or any of its subsidiaries or otherwise be an affiliated person of the listed company or any of its subsidiaries. In considering the independence of compensation committee members, the Nasdaq Rules require that our Board of Directors must consider additional factors relevant to the duties of a compensation committee member, including the source of any compensation we pay to the director and any affiliations with our company.

Our Board of Directors undertook a review of the composition of our Board of Directors and its committees and the independence of each director. Based upon information requested from and provided by each director concerning his background, employment and affiliations, including family relationships, our Board of Directors has determined that each of our directors other than Tim Hannibal, is independent based on the definition of independence in the Nasdaq listing standards.

**Item 14. Principal Accountant Fees and Services**

The Audit Committee of the Board of Directors has selected BF Borgers CPA PC, an independent registered public accounting firm, to audit our financial statements for the year ending December 31, 2021. BF Borgers CPA PC has served as our independent registered public accounting firm since April 2021. Prior to April 2021, the Company's independent registered public accounting firm was Sadler Gibb & Associates, LLC, and for the year ending December 31, 2019, Withum served as the Company's independent registered public accounting firm.

**Principal Accountant Fees and Services**

During 2021 and 2020, fees for services provided by BF Borgers CPA PC were as follows:

| | For the year ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| Audit Fees | $ 164,800 | $ - |
| Audit-Related Fees | - | - |
| Tax Fees | - | - |
| All Other Fees | - | - |
| Total | $ 164,800 | $ - |

During 2021 and 2020, fees for services provided by Sadler Gibb were as follows:

| | For the year ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Audit Fees | $ 40,000 | $ 10,000 |
| Audit-Related Fees | - | - |
| Tax Fees | - | - |
| All Other Fees | - | - |
| Total | $ 40,000 | $ 10,000- |

During 2021 and 2020, fees for services provided by Withum were as follows:

| | For the year ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Audit Fees | $ - | $ 131,637 |
| Audit-Related Fees | - | - |
| Tax Fees | - | - |
| All Other Fees | 7,650 | - |
| Total | $ 7,650 | $ 131,637 |

*Audit Fees*

Audit fees for 2021 and 2020 include amounts related to the audit of our annual consolidated financial statements and quarterly review of the consolidated financial statements included in our Quarterly Reports on Form 10-Q.

*Audit Related Fees*

Audit Related Fees include amounts related to accounting consultations and services.

*Tax Fees*

Tax Fees include fees billed for tax compliance, tax advice and tax planning services.

*All Other Fees*

Other Fees include fees billed for consents to file prior period reports as part of our 2020 Form 10-K

The Audit Committee pre-approves all audit and permissible non-audit services provided by our independent registered public accounting firm. These services may include audit services, audit-related services, tax and other services. Pre-approval is generally provided for up to one year, and any pre-approval is detailed as to the particular service or category of services. The independent registered public accounting firm and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date. The Audit Committee may also pre-approve particular services on a case-by-case basis.

## PART IV

**Item 15. Exhibits and Financial Statement Schedules**

(a) The following documents are filed as a part of this report:

(1) *Financial Statements*. See Index to Consolidated Financial Statements, which appears on page F-1 hereof. The consolidated financial statements listed in the accompanying Index to Consolidated Financial Statements are filed herewith in response to this Item.

(2) *Financial Statement Schedules*. Schedules are omitted because the required information is not present or is not present in amounts sufficient to require submission of the schedule or because the information required is given in the consolidated financial statements or the notes thereto.

(3) *Exhibits*. The information required by this Item 15 is incorporated by reference to the Index to Exhibits accompanying this Annual Report on Form 10-K.

**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.

**SCWorx Corp.**

By: /s/ Timothy Hannibal
Timothy Hannibal
President, Chief Executive Officer
March 31, 2022

By: /s/ Chris Kohler
Chris Kohler
Chief Financial Officer
March 31, 2022

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 in the capacities and on the dates indicated.

/s/ Timothy Hannibal
Timothy Hannibal
President, Chief Executive Officer
March 31, 2022

/s/ Chris Kohler
Chris Kohler
Chief Financial Officer
March 31, 2022

/s/ Alton Irby
Alton Irby,
Chairman
March 31, 2022

/s/ Steven Wallitt
Steven Wallitt,
Director
March 31, 2022

/s/ John Ferrara
John Ferrara
Director
March 31, 2022

/s/ Steven Horowitz
Steven Horowitz
Director
March 31, 2022

**Index to Consolidated Financial Statements**

**SCWorx Corp.**
**Consolidated Financial Statements**


| | Page Number |
|---|---|
| Report of Independent Registered Accounting Firm (PCAOB ID Number 5041) | F-2 |
| Consolidated balance sheets as of December 31, 2021 and 2020 | F-3 |
| Consolidated statements of operations for the years ended December 31, 2021 and 2020 | F-4 |
| Consolidated statements of changes in stockholders' equity for the years ended December 31, 2021 and 2020 | F-5 |
| Consolidated statements of cash flows for the years ended December 31, 2021 and 2020 | F-6 |
| Notes to consolidated financial statements | F-7 |

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the board of directors of SCWorx Corp.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of SCWorx Corp. (the "Company") as of December 31, 2021 and 2020, the related statement 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, 2021 and 2020, 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.

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

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company's significant operating losses raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**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 2021
Lakewood, CO

March 31, 2022

**SCWorx Corp.**
**Consolidated Balance Sheets**

| ASSETS | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Current assets: | | |
| Cash | $ 71,075 | $ 376,425 |
| Accounts receivable - net | 464,851 | 722,156 |
| Inventory | 156,600 | 998,440 |
| Prepaid expenses and other assets | 63,942 | 87,630 |
| Total current assets | 756,468 | 2,184,651 |
| | | |
| Fixed assets - net | - | 76,156 |
| Goodwill | 8,366,467 | 8,366,467 |
| Total assets | $ 9,122,935 | $ 10,627,274 |
| | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 1,432,710 | $ 1,570,115 |
| Accounts payable and accrued liabilities - related party | 153,838 | 153,838 |
| Shareholder advance | 100,000 | 475,000 |
| Deferred revenue | 472,750 | 2,025,333 |
| Equity financing | 125,000 | 375,000 |
| Total current liabilities | 2,284,298 | 4,599,286 |
| | | |
| Long-term liabilities: | | |
| Loans payable | 433,567 | 293,972 |
| Total long-term liabilities | 433,567 | 293,972 |
| | | |
| Total liabilities | 2,717,865 | 4,893,258 |
| | | |
| Commitments and contingencies | | |
| | | |
| Stockholders' equity: | | |
| Series A Convertible Preferred stock, $0.001 par value; 900,000 shares authorized; 39,810 and 84,872 shares issued and outstanding, respectively | 40 | 85 |
| Common stock, $0.001 par value; 45,000,000 shares authorized; 11,293,030 and 9,895,600 shares issued and outstanding, respectively | 11,293 | 9,896 |
| Additional paid-in capital | 29,805,028 | 25,920,858 |
| Subscriptions payable | 600,000 | - |
| Accumulated deficit | (24,011,291) | (20,196,823) |
| Total stockholders' equity | 6,405,070 | 5,734,016 |
| | | |
| Total liabilities and stockholders' equity | $ 9,122,935 | $ 10,627,274 |

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

**SCWorx Corp.**
**Consolidated Statements of Operations**

| | For the years ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| Revenue | $ 4,632,529 | $ 5,213,118 |
| Operating expenses: | | |
| Cost of revenues | 2,782,509 | 3,515,279 |
| General and administrative | 5,664,488 | 7,742,850 |
| Total operating expenses | 8,446,997 | 11,258,129 |
| Loss from operations | (3,814,468) | (6,045,011) |
| Other income (expense) | | |
| Loss on settlement of accounts payable | - | (1,357,339) |
| Net loss before income taxes | (3,814,468) | (7,402,350) |
| Provision for (benefit from) income taxes | - | - |
| Net loss | $ (3,814,468) | $ (7,402,350) |
| Net loss per share, basic and diluted | $ (0.36) | $ (0.82) |
| Weighted average common shares outstanding, basic and diluted | 10,508,458 | 9,057,127 |

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

**SCWorx Corp.**
**Consolidated Statements of Changes in Stockholders' Equity**

| Year ended December 31, 2021 | Preferred Stock Shares | Preferred Stock $ | Common stock Shares | Common stock $ | Additional paid-in capital | Subscriptions payable | Accumulated deficit | Total |
|---|---|---|---|---|---|---|---|---|
| Balances, December 31, 2020 | 84,872 | $ 85 | 9,895,600 | $ 9,896 | $ 25,920,858 | $ - | $ (20,196,823) | $ 5,734,016 |
| Conversion of Series A Convertible Preferred Stock into common stock | (45,062) | (45) | 138,322 | 119 | (74) | - | - | - |
| Shares issued as settlement of accounts payable | - | - | 238,467 | 238 | 422,383 | - | - | 422,621 |
| Shares issued for common stock placement | - | - | 298,883 | 299 | 524,701 | - | - | 525,000 |
| Shares issued for vested restricted stock units | - | - | 662,547 | 662 | (662) | - | - | - |
| Shares issued for cashless exercise of options | - | - | 6,579 | 7 | (7) | - | - | - |
| Shares issued for equity financing | - | - | 52,632 | 72 | 249,928 | - | - | 250,000 |
| Shares issuable for settlement of legal obligations | - | - | - | - | - | 600,000 | - | 600,000 |
| Stock based compensation | - | - | - | - | 2,687,901 | - | - | 2,687,901 |
| Net Loss | - | - | - | - | - | - | (3,814,468) | (3,814,468) |
| Ending balance, December 31, 2021 | 39,810 | $ 40 | 11,293,030 | $ 11,293 | $ 29,805,028 | $ 600,000 | $ (24,011,291) | $ 6,405,070 |

| Year ended December 31, 2020 | Preferred Stock Shares | Preferred Stock $ | Common stock Shares | Common stock $ | Additional paid-in capital | Subscriptions payable | Accumulated deficit | Total |
|---|---|---|---|---|---|---|---|---|
| Balances, December 31, 2019 | 578,567 | $ 579 | 7,390,261 | $ 7,391 | $ 19,712,115 | $ - | $ (12,794,473) | $ 6,925,612 |
| Conversion of Series A Convertible Preferred Stock into common stock | (493,695) | (494) | 1,299,200 | 1,299 | (805) | - | - | - |
| Shares issued as settlement of accounts payable | - | - | 441,567 | 441 | 2,747,086 | - | - | 2,747,527 |
| Shares issued in cashless exercise of warrants | - | - | 415,904 | 416 | (416) | - | - | - |
| Shares issued in cashless exercise of options | - | - | 86,424 | 86 | (86) | - | - | - |
| Warrants exercised for cash | - | - | 7,000 | 7 | 38,563 | - | - | 38,570 |
| Shares issued to current and former employees and directors | - | - | 218,402 | 218 | 146,007 | - | - | 146,225 |
| Shares issued for equity financing | - | - | 36,842 | 38 | 139,962 | - | - | 140,000 |
| Stock based compensation | - | - | - | - | 3,138,432 | - | - | 3,138,432 |
| Net loss | - | - | - | - | - | - | (7,402,350) | (7,402,350) |
| Ending balance, December 31, 2020 | 84,872 | $ 85 | 9,895,600 | $ 9,896 | $ 25,920,858 | $ - | $ (20,196,823) | $ 5,734,016 |

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

**SCWorx Corp.**
**Consolidated Statements of Cash Flows**

| | For the years ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| Cash flows from operating activities: | | |
| Net loss | $ (3,814,468) | $ (7,402,350) |
| | | |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | 76,156 | 29,043 |
| Amortization of intangibles | - | 205,219 |
| Change in inventory value | 366,840 | - |
| Stock-based compensation | 2,687,901 | 3,284,570 |
| Loss on settlement of accounts payable | - | 1,612,538 |
| Bad debt expense | 163,917 | 73,993 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 93,388 | 3,097 |
| Prepaid expenses and other assets | 23,688 | (76,470) |
| Inventory | 475,000 | (523,440) |
| Other assets | - | 17,561 |
| Accounts payable and accrued liabilities | (452,284) | 848,473 |
| Deferred revenue | (690,083) | 968,696 |
| Net cash used in operating activities | (1,069,945) | (959,070) |
| | | |
| Net cash used in investing activities | - | - |
| | | |
| Cash flows from financing activities: | | |
| Proceeds from notes payable | 139,595 | 293,972 |
| Proceeds from shareholder advance | 100,000 | - |
| Proceeds from common stock placement | 525,000 | - |
| Proceeds from equity financing | - | 515,000 |
| Proceeds from exercise of warrants | - | 38,570 |
| Net cash provided by financing activities | 764,595 | 847,542 |
| | | |
| Net (decrease) increase in cash | (305,350) | (111,528) |
| | | |
| Cash, beginning of period | 376,425 | 487,953 |
| | | |
| Cash, end of period | $ 71,075 | $ 376,425 |
| | | |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | $ - | $ - |
| Cash paid for income taxes | $ - | $ - |
| | | |
| Non-cash investing and financing activities: | | |
| Shares issued for equity financing | $ 250,000 | $ - |
| Shares issued for vested restricted stock units | $ 662 | $ - |
| Cashless exercise of warrant | $ - | $ 416 |
| Cashless exercise of options | $ - | $ 86 |
| Settlement of accounts payable with issuance of common stock | $ - | $ 2,747,615 |
| Shareholder advances for purchase of inventory | $ - | $ 475,000 |

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

**Note 1. Description of Business**

***Nature of Business***

SCWorx, LLC (n/k/a SCW FL Corp.) ("SCW LLC") was a privately held limited liability company which was organized in Florida on November 17, 2016. On December 31, 2017, SCW LLC acquired Primrose Solutions, LLC ("Primrose"), a Delaware limited liability company, which became its wholly-owned subsidiary and focused on developing functionality for the software now used and sold by SCWorx Corp. (the "Company" or "SCWorx"). The majority interest holders of Primrose were interest holders of SCW LLC and based upon Staff Accounting Bulletin Topic 5G, the technology acquired has been accounted for at predecessor cost of $0. To facilitate the planned acquisition by Alliance MMA, Inc., a Delaware corporation ("Alliance"), on June 27, 2018, SCW LLC merged with and into a newly-formed entity, SCWorx Acquisition Corp., a Delaware corporation ("SCW Acquisition"), with SCW Acquisition being the surviving entity. Subsequently, on August 17, 2018, SCW Acquisition changed its name to SCWorx Corp. On November 30, 2018, the Company and certain of its stockholders agreed to cancel 6,510 shares of common stock. In June 2018, the Company began to collect subscriptions for common stock. From June to November 2018, the Company collected $1,250,000 in subscriptions and issued 3,125 shares of common stock to new third-party investors. In addition, on February 1, 2019, (i) SCWorx Corp. (f/k/a SCWorx Acquisition Corp.) changed its name to SCW FL Corp. (to allow Alliance to change its name to SCWorx Corp.) and (ii) Alliance acquired SCWorx Corp. (n/k/a SCW FL Corp.) in a stock-for-stock exchange transaction and changed Alliance's name to SCWorx Corp., which is the Company's current name, with SCW FL Corp. becoming the Company's subsidiary. On March 16, 2020, in response to the COVID-19 pandemic, SCWorx established a wholly-owned subsidiary, Direct-Worx, LLC.

**Operations of the Business**

SCWorx is a provider of data content and services related to the repair, normalization and interoperability of information for healthcare providers and big data analytics for the healthcare industry.

SCWorx has developed and markets health information technology solutions and associated services that improve healthcare processes and information flow within hospitals. SCWorx's software platform enables healthcare providers to simplify, repair, and organize its data ("data normalization"), allows the data to be utilized across multiple internal software applications ("interoperability") and provides the basis for sophisticated data analytics ("big data"). SCWorx's solutions are designed to improve the flow of information quickly and accurately between the existing supply chain, electronic medical records, clinical systems, and patient billing functions. The software is designed to achieve multiple operational benefits such as supply chain cost reductions, decreased accounts receivables aging, accelerated and more accurate billing, contract optimization, increased supply chain management and cost visibility, synchronous Charge Description Master ("CDM") and control of vendor rebates and contract administration fees.

SCWorx empowers healthcare providers to maintain comprehensive access and visibility to an advanced business intelligence that enables better decision-making and reductions in product costs and utilization, ultimately leading to accelerated and accurate patient billing. SCWorx's software modules perform separate functions as follows:

- virtualized Item Master File repair, expansion and automation;
- CDM management;
- contract management;
- request for proposal automation;
- rebate management;
- big data analytics modeling; and
- data integration and warehousing.

SCWorx continues to provide transformational data-driven solutions to some of the finest, most well-respected healthcare providers in the United States. Clients are geographically dispersed throughout the country. The Company's focus is to assist healthcare providers with issues they have pertaining to data interoperability. SCWorx provides these solutions through a combination of direct sales and relationships with strategic partners.

SCWorx's software solutions are delivered to clients within a fixed term period, typically a three-to-five-year contracted term, where such software is hosted in SCWorx data centers (Amazon Web Service's "AWS" or RackSpace) and accessed by the client through a secure connection in a software as a service ("SaaS") delivery method.

SCWorx currently sells its solutions and services in the United States to hospitals and health systems through its direct sales force and its distribution and reseller partnerships.

SCWorx, as part of the acquisition of Alliance MMA, acquired an online event ticketing platform focused on serving regional MMA ("mixed martial arts") promotions. Due to the Covid restrictions which were put in place for large gatherings, SCWorx has paused this business activity.

**Impact of the COVID-19 Pandemic**

The Company's operations and business have experienced disruption due to the unprecedented conditions surrounding the COVID-19 pandemic which spread throughout the United States and the world. The outbreak adversely impacted new customer acquisition. The Company has followed the recommendations of local health authorities to minimize exposure risk for its team members since the outbreak.

In addition, the Company's customers (hospitals) also experienced extraordinary disruptions to their businesses and supply chains, while experiencing unprecedented demand for health care services related to COVID-19. As a result of these extraordinary disruptions to the Company's customers' business, the Company's customers were focused on meeting the nation's health care needs in response to the COVID-19 pandemic. As a result, the Company believes that its customers were not able to focus resources on expanding the utilization of the Company's services, which has adversely impacted the Company's growth prospects, at least until the adverse effects of the pandemic subside. In addition, the financial impact of COVID-19 on the Company's hospital customers could cause the hospitals to delay payments due to the Company for services, which could negatively impact the Company's cash flows.

The Company sought to mitigate these impacts to revenue through the sale of personal protective equipment ("PPE") and COVID-19 rapid test kits to the health care industry, including many of the Company's hospital customers. On March 16, 2020, in response to the COVID-19 pandemic, SCWorx established a wholly-owned subsidiary, Direct-Worx, LLC to endeavor to source and provide critical, difficult-to-find items for the healthcare industry. Items had become difficult to source due to unexpected disruptions within the supply chain due to the COVID-19 pandemic. The products the Company sought to source included:

- Test Kits — the Company currently has no contracted supply of Rapid Test Kits.

- PPE — Personal Protective Equipment (PPE) includes items such as masks, gloves, gowns, shields, etc. Currently the Company has no contracted supply of PPE.

Regarding PPE and Test Kits, the Company's Board of Directors determined in during the second quarter of 2020 to limit the Company's role to acting as an intermediary between buyers and sellers with commission based compensation. We are endeavoring to sell our existing inventory of PPE products primarily through use of our internal and external sales personnel.

The sale of PPE and rapid test kits for COVID-19 represented a new business for the Company and was subject to the myriad risks associated with any new venture. The Company encountered great difficulty in attempting to secure reliable sources of supply for both COVID-19 Rapid Test Kits and PPE. The Company currently has no contracted supply of Rapid Test Kits or PPE. Since the inception of this business, the Company completed only minimal sales of COVID-19 rapid test kits and PPE. The Company does not expect to generate any significant revenue from the sale of PPE products or rapid test kits, and as of the date of this report, the Company has not generated any material revenue from the sale of PPE or rapid test kits.

The Company is no longer actively seeking to procure and sell Test Kits or PPE. Instead, the Company is focused on selling its current inventory of PPE The Company may receive commissions for acting as an intermediary with respect to the sale of PPE and/or Test Kits. However, there is no assurance the Company will realize any material revenue from these activities.

**Note 2. Liquidity and Going Concern**

***Liquidity and Going Concern***

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which contemplates continuation of the Company as a going concern and the realization of assets and satisfaction of liabilities in the normal course of business. The consolidated financial statements do not include any adjustment that might become necessary should the Company be unable to continue as a going concern.

The Company has suffered recurring losses from operations and incurred a net loss of $3,814,468 for the year ended December 31, 2021 and $7,402,350 for the year ended December 31, 2020. The accumulated deficit as of December 31, 2021 was $24,011,291 The Company has not yet achieved profitability and expects to continue to incur cash outflows from operations. It is expected that its operating losses will continue and, as a result, the Company will eventually need to generate significant increases in product revenues to achieve profitability. These conditions indicate that there is substantial doubt about the Company's ability to continue as a going concern within one year after the financial statement issuance date.

As of the filing date of this Report, the Company has only limited cash on hand, and management believes that there may not be sufficient capital resources from operations and existing financing arrangements in order to meet operating expenses and working capital requirements for the next twelve months.

Accordingly, we are evaluating various alternatives, including reducing operating expenses, securing additional financing through debt or equity securities to fund future business activities and other strategic alternatives. There can be no assurance that the Company will be able to generate the level of operating revenues in its business plan, or if additional sources of financing will be available on acceptable terms, if at all. If no additional sources of financing are available, our future operating prospects may be adversely affected. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Note 3. Summary of Significant Accounting Policies**

***Basis of Presentation and Principles of Consolidation***

The accompanying consolidated financial statements have been prepared in accordance to U.S. GAAP and the rules and regulations of the U.S. Securities and Exchange Commission ("SEC").

The accompanying consolidated financial statements include the accounts of SCWorx and its wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

***Cash***

Cash is maintained with various financial institutions. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. Amounts in excess of the FDIC insured limit for the years ended December 31, 2021 and 2020 were zero and $113,361, respectively.

***Fair Value of Financial Instruments***

Management applies fair value accounting for significant financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. Management defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, management considers the principal or most advantageous market in which we would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risks inherent in valuation techniques, transfer restrictions and credit risk. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement: Level 1 - Quoted prices in active markets for identical assets or liabilities. Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 3 - Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

***Concentration of Credit and Other Risks***

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash, accounts receivable, due from shareholder, convertible notes receivable and warrants. The Company believes that any concentration of credit risk in its accounts receivable is substantially mitigated by the Company's evaluation process, relatively short collection terms and the high level of credit worthiness of its customers. The Company performs ongoing internal credit evaluations of its customers' financial condition, obtains deposits and limits the amount of credit extended when deemed necessary but generally requires no collateral.

For the year ended December 31, 2021, we had two customers representing 19% and 13% of aggregate revenues. or the year ended December 31, 2020, we had two customers representing 22% and 17% of aggregate revenues. At December 31, 2021, we had three customers representing 17%, 16% and 14% of aggregate accounts receivable. At December 31, 2020, we had three customers representing 35%, 32% and 10% of aggregate accounts receivable.

***Allowance for Doubtful Accounts***

The Company continually monitors customer payments and maintains a reserve for estimated losses resulting from its customers' inability to make required payments. In determining the reserve, the Company evaluates the collectability of its accounts receivable based upon a variety of factors. In cases where the Company becomes aware of circumstances that may impair a specific customer's ability to meet its financial obligations, the Company records a specific allowance against amounts due. For all other customers, the Company recognizes allowances for doubtful accounts based on its historical write-off experience in conjunction with the length of time the receivables are past due, customer creditworthiness, geographic risk and the current business environment. Actual future losses from uncollectible accounts may differ from the Company's estimates. The Company recorded an allowance for doubtful accounts as of December 31, 2021 and 2020 of $421,736 and $183,277, respectively.

***Inventory***

The inventory balance at December 31, 2021 is related to the Company's Direct-Worx, LLC subsidiary and consisted of approximately 87,000 gowns. These items are tracked based on average cost and carried on the consolidated balance sheet at the lower of cost or market.

During the year ended December 31, 2021, the Company recorded a write down on the fair value of its inventory of $366,840. Inventory assets as of December 31, 2021 and 2020 consisted of the following:

| | December 31, | |
|---|---|---|
| | **2021** | **2020** |
| Inventory | $ 523,440 | $ 998,440 |
| Allowance for obsolescence | (366,840) | - |
| Net inventory value | $ 156,600 | $ 998,440 |

***Leases***

The Company determines if an arrangement is a lease at inception. The current portion of lease obligations are included in accounts payable and accrued liabilities on the consolidated balance sheets. Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company's lease terms may include options to extend or terminate the lease, which are included in the lease ROU asset when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company has lease agreements with lease components only, none with non-lease components, which are generally accounted for separately (refer to Note 7, Leases, for additional detail).

***Goodwill and Purchased Identified Intangible Assets***

*Goodwill*

Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the net tangible and identified intangible assets acquired under a business combination. Goodwill also includes acquired assembled workforce, which does not qualify as an identifiable intangible asset. The Company reviews impairment of goodwill annually in the fourth quarter, or more frequently if events or circumstances indicate that the goodwill might be impaired. The Company first assesses qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. If, after assessing the totality of events or circumstances, the Company determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then the quantitative goodwill impairment test is unnecessary.

*Identified intangible assets*

Identified finite-lived intangible assets consist of ticketing software and promoter relationships resulting from the February 1, 2019 business combination. The Company's identified intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from 5 to 7 years. The Company makes judgments about the recoverability of finite-lived intangible assets whenever facts and circumstances indicate that the useful life is shorter than originally estimated or that the carrying amount of assets may not be recoverable. If such facts and circumstances exist, the Company assesses recoverability by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. Impairments, if any, are based on the excess of the carrying amount over the fair value of those assets. If the useful life is shorter than originally estimated, the Company would accelerate the rate of amortization and amortize the remaining carrying value over the new shorter useful life.

For further discussion of goodwill and identified intangible assets, refer to Note 5, Business Combinations.

***Property and Equipment***

Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the related assets' estimated useful lives. Equipment, furniture and fixtures are being amortized over a period of three years.

Expenditures that materially increase asset life are capitalized, while ordinary maintenance and repairs are expensed as incurred.

Depreciation expense for the years ended December 31, 2021 and 2020 was $76,156 and $29,043, respectively.

***Revenue Recognition***

The Company recognizes revenue in accordance with Topic 606 to depict the transfer of promised goods or services in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. To determine revenue recognition for arrangements within the scope of Topic 606 the Company performs the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Company follows the accounting revenue guidance under Topic 606 to determine whether contracts contain more than one performance obligation. Performance obligations are the unit of accounting for revenue recognition and generally represent the distinct goods or services that are promised to the customer.

The Company has identified the following performance obligations in its SaaS contracts with customers:

1) Data Normalization: which includes data preparation, product and vendor mapping, product categorization, data enrichment and other data related services,

2) Software-as-a-service ("SaaS"): which is generated from clients' access of and usage of the Company's hosted software solutions on a subscription basis for a specified contract term, which is usually annually. In SaaS arrangements, the client cannot take possession of the software during the term of the contract and generally has the right to access and use the software and receive any software upgrades published during the subscription period,

3) Maintenance: which includes ongoing data cleansing and normalization, content enrichment, and optimization, and

4) Professional Services: mainly related to specific customer projects to manage and/or analyze data and review for cost reduction opportunities.

A contract will typically include Data Normalization, SaaS and Maintenance, which are distinct performance obligations and are accounted for separately. The transaction price is allocated to each separate performance obligation on a relative stand-alone selling price basis. Significant judgement is required to determine the stand-alone selling price for each distinct performance obligation and is typically estimated based on observable transactions when these services are sold on a stand-alone basis. At contract inception, an assessment of the goods and services promised in the contracts with customers is performed and a performance obligation is identified for each distinct promise to transfer to the customer a good or service (or bundle of goods or services). To identify the performance obligations, the Company considers all the goods or services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices. Revenue is recognized when the performance obligation has been met. The Company considers control to have transferred upon delivery because the Company has a present right to payment at that time, the Company has transferred use of the good or service, and the customer is able to direct the use of, and obtain substantially all the remaining benefits from, the good or service.

The Company's SaaS and Maintenance contracts typically have termination for convenience without penalty clauses and accordingly, are generally accounted for as month-to-month agreements. If it is determined that the Company has not satisfied a performance obligation, revenue recognition will be deferred until the performance obligation is deemed to be satisfied.

Revenue recognition for the Company's performance obligations are as follows:

*Data Normalization and Professional Services*

The Company's Data Normalization and Professional Services are typically fixed fee. When these services are not combined with SaaS or Maintenance revenues as a single unit of accounting, these revenues are recognized as the services are rendered and when contractual milestones are achieved and accepted by the customer.

*SaaS and Maintenance*

SaaS and Maintenance revenues are recognized ratably over the contract terms beginning on the commencement date of each contract, which is the date on which the Company's service is made available to customers.

The Company does have some contracts that have payment terms that differ from the timing of revenue recognition, which requires the Company to assess whether the transaction price for those contracts include a significant financing component. The Company has elected the practical expedient that permits an entity to not adjust for the effects of a significant financing component if it expects that at the contract inception, the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. The Company does not maintain contracts in which the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service exceeds the one-year threshold.

In periods prior to the adoption of ASC 606, the Company recognized revenues when persuasive evidence of an arrangement existed, delivery had occurred, the sales price was fixed or determinable, and the collectability of the resulting receivable was reasonably assured. The adoption of Topic 606 did not result in a cumulative effect adjustment to the Company's opening retained earnings since there was no significant impact upon adoption of Topic 606. There was also no material impact to revenues, or any other financial statement line items for the year ended December 31, 2018 as a result of applying ASC 606.

The Company has one revenue stream, from the SaaS business, and believes it has presented all varying factors that affect the nature, timing and uncertainty of revenues and cash flows.

*PPE Inventory sales*

Revenues from the sale of inventory are typically recognized upon shipment to a customer as long as the Company has met all performance obligations related to the sale in accordance to Topic 606.

*Brokered PPE sales*

PPE revenues are recognized once the customer obtains physical possession of the product(s). Because the Company acts as an agent in arranging the relationship between the customer and the supplier, PPE revenues are presented net of related costs, including product procurement, warehouse and shipping fees, etc.

*Remaining Performance Obligations*

As of December 31, 2021, we had $472,750 of remaining performance obligations recorded as deferred revenue. We expect to recognize sales relating to these existing performance obligations of during 2022.

*Costs to Fulfill a Contract*

Costs to fulfill a contract typically include costs related to satisfying performance obligations as well as general and administrative costs that are not explicitly chargeable to customer contracts. These expenses are recognized and expensed when incurred in accordance with ASC 340-40.

***Cost of Revenue***

Cost of revenues primarily represent data center hosting costs, consulting services and maintenance of the Company's large data array that were incurred in delivering professional services and maintenance of the Company's large data array during the periods presented.

***Contract Balances***

Contract assets arise when the revenue associated prior to the Company's unconditional right to receive a payment under a contract with a customer (*i.e*., unbilled revenue) and are derecognized when either it becomes a receivable or the cash is received. There were no contract assets as of December 31, 2021 and 2020.

Contract liabilities arise when customers remit contractual cash payments in advance of our company satisfying our performance obligations under the contract and are derecognized when the revenue associated with the contract is recognized when the performance obligation is satisfied. Contract liabilities were $472,750 and $2,025,333 as of December 31, 2021 and 2020, respectively.

***Income Taxes***

The Company uses the asset and liability method of accounting for income taxes in accordance with Accounting Standard Codification ("ASC") Topic 740, "Income Taxes." Under this method, income tax expense is recognized for the amount of: (i) taxes payable or refundable for the current year and (ii) deferred tax consequences of temporary differences resulting from matters that have been recognized in an entity's financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date.

Valuation allowances are provided if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. As of December 31, 2021 and 2020, the Company has evaluated available evidence and concluded that the Company may not realize all the benefits of its deferred tax assets; therefore, a valuation allowance has been established for its deferred tax assets.

ASC Topic 740-10-30 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740-10-40 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company has no material uncertain tax positions for any of the reporting periods presented.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017, (the "Tax Act") was enacted. The Tax Act significantly revised the U.S. corporate income tax regime by, including but not limited to, lowering the U.S. corporate income tax rate from 34% to 21% effective January 1, 2018, implementing a territorial tax system, imposing a one-time transition tax on previously untaxed accumulated earnings and profits of foreign subsidiaries, and creating new taxes on foreign sourced earnings. The Company completed the accounting for tax effects of the Tax Act under ASC 740. There were no impacts to the years ended December 31, 2021 and 2020.

***Stock-Based Compensation***

The Company accounts for stock-based compensation expense in accordance with the authoritative guidance on share-based payments. Under the provisions of the guidance, stock-based compensation expense is measured at the grant date based on the fair value of the option or warrant using a Black-Scholes option pricing model and is recognized as expense on a straight-line basis over the requisite service period, which is generally the vesting period.

The authoritative guidance also requires that the Company measures and recognizes stock-based compensation expense upon modification of the term of stock award. The stock-based compensation expense for such modification is accounted for as a repurchase of the original award and the issuance of a new award.

Calculating stock-based compensation expense requires the input of highly subjective assumptions, including the expected term of the stock-based awards, stock price volatility, and the pre-vesting option forfeiture rate. The Company estimates the expected life of options granted based on historical exercise patterns, which are believed to be representative of future behavior. The Company estimates the volatility of the Company's common stock on the date of grant based on historical volatility. The assumptions used in calculating the fair value of stock-based awards represent the Company's best estimates, but these estimates involve inherent uncertainties and the application of management's judgment. As a result, if factors change and the Company uses different assumptions, its stock-based compensation expense could be materially different in the future. In addition, the Company is required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. The Company estimates the forfeiture rate based on historical experience of its stock-based awards that are granted, exercised and cancelled. If the actual forfeiture rate is materially different from the estimate, stock-based compensation expense could be significantly different from what was recorded in the current period. The Company also grants performance based restricted stock awards to employees and consultants. These awards will vest if certain employee\consultant-specific or company-designated performance targets are achieved. If minimum performance thresholds are achieved, each award will convert into a designated number of the Company's common stock. If minimum performance thresholds are not achieved, then no shares will be issued. Based upon the expected levels of achievement, stock-based compensation is recognized on a straight-line basis over the requisite service period. The expected levels of achievement are reassessed over the requisite service periods and, to the extent that the expected levels of achievement change, stock-based compensation is adjusted in the period of change and recorded on the statements of operations and the remaining unrecognized stock-based compensation is recorded over the remaining requisite service period. Refer to Note 9, Stockholders' Equity, for additional detail.

***Loss Per Share***

The Company computes earnings (loss) per share in accordance with ASC 260, "Earnings per Share" which requires presentation of both basic and diluted earnings (loss) per share ("EPS") on the face of the income statement. Basic EPS is computed by dividing the loss available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive. As of December 31, 2021 and 2020, the Company had 1,161,913 and 790,847, respectively, common stock equivalents outstanding.

***Indemnification***

The Company provides indemnification of varying scope to certain customers against claims of intellectual property infringement made by third parties arising from the use of the Company's software. In accordance with authoritative guidance for accounting for guarantees, the Company evaluates estimated losses for such indemnification. The Company considers such factors as the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. To date, no such claims have been filed against the Company and no liability has been recorded in its financial statements.

As permitted under Delaware law, the Company has agreements whereby it indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was, serving at the Company's request in such capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. In addition, the Company has directors' and officers' liability insurance coverage that is intended to reduce its financial exposure and may enable it to recover any payments above the applicable policy retention.

In connection with the Class Action and derivative claims and investigations described in Note 8, Commitments and Contingencies, the Company is obligated to indemnify its officers and directors for costs incurred in defending against these claims and investigations.

***Contingencies***

The Company records a liability when the Company believes that it is both probable that a loss has been incurred and the amount can be reasonably estimated. If the Company determines that a loss is reasonably possible, and the loss or range of loss can be estimated, the Company discloses the possible loss in the notes to the consolidated financial statements. The Company reviews the developments in its contingencies that could affect the amount of the provisions that has been previously recorded, and the matters and related possible losses disclosed. The Company adjusts provisions and changes to its disclosures accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information. Significant judgment is required to determine both the probability and the estimated amount.

Legal costs associated with loss contingencies are accrued based upon legal expenses incurred by the end of the reporting period.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and accompanying notes. The Company regularly evaluates estimates and assumptions related to the allowance for doubtful accounts, the estimated useful lives and recoverability of long-lived assets, equity component of convertible debt, stock-based compensation, and deferred income tax asset valuation allowances. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected. Actual results could differ materially from those estimates.

***Recently Issued Accounting Pronouncements***

From time to time, new accounting pronouncements are issued by FASB that are adopted by the Company as of the specified effective date. If not discussed, management believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the Company's financial statements upon adoption.

**Note 4. Related Party Transactions**

At December 31, 2021 and 2020 Company had amounts due to officers in the amount of $153,838.

During April, 2020, a company affiliated with a shareholder advanced $475,000 in cash on the Company's behalf, to the supplier of test kits for their purchase. In May 2021, the company returned the test kits pursuant to its sales contract in full satisfaction of the $475,000 previously advanced.

On January 19, 2021, Marc. S. Schessel's employment as CEO of SCWorx, Corp., a Delaware corporation, ceased by mutual agreement, and the Company and Mr. Schessel concurrently entered into a consulting agreement under which Mr. Schessel will provide consulting services to the Company. The Consulting Agreement provides for annual consulting fees of $295,000. In addition, such agreement provides for cash and equity bonuses based on revenue generation. The Consulting Agreement is for a term of two years, but may be terminated by the Company for "cause" (as defined) or by either party for any reason or no reason upon sixty days prior notice. The Consulting Agreement also contains non-competition and non-solicitation provisions which are applicable during the term of the Consulting Agreement and for a period of two years thereafter.

During September 2021, the Company's former CEO (also a significant shareholder) advanced $100,000 in cash to the Company for short term capital requirements. This amount is non-interest bearing and payable upon demand and included in Shareholder advance on the Company's consolidated balance sheet as of December 31, 2021

**Note 5. Business Combinations**

*Purchase accounting*

On February 1, 2019, the Company's shareholders exchanged all of its outstanding shares in exchange for 5,263,158 shares of Alliance common stock. Due to the Company's shareholders acquiring a controlling interest in Alliance after acquisition, the transaction was treated as a reverse merger for accounting purposes, with SCWorx being the reporting company. In accordance with purchase accounting rules under ASC 805, the purchase consideration was $11,765,491.

The acquisition was accounted for under the acquisition method of accounting. The assets acquired, liabilities assumed and purchase allocation, which is based on valuations of management, are as follows:

| | Fair Value |
|---|---|
| Cash | $ 5,441,437 |
| Goodwill | 8,366,467 |
| Identifiable intangible assets: | |
| Ticketing software | 64,000 |
| Promoter relationships | 176,000 |
| Total identifiable intangible assets | 240,000 |
| Account payable | (1,901,624) |
| Current liabilities - discontinued operations | (380,789) |
| Aggregate purchase price | $ 11,765,491 |

Identified intangible assets consist of the following:

| | | December 31, 2020 | | |
|---|---|---|---|---|
| **Intangible assets** | **Useful life** | **Gross assets** | **Accumulated amortization** | **Net** |
| Ticketing software | 2 years | $ 64,000 | $ (64,000) | $ - |
| Promoter relationships | 2 years | 176,000 | (176,000) | - |
| Total intangible assets | | $ 240,000 | $ (240,000) | $ - |

During the year ended December 31, 2020, the Company determined that while its ticketing platform was still active, the negative impact that COVID 19 had on the overall MMA industry where it is currently being utilized had potentially lessened its useful life as currently deployed. Because of this potential impact, management has chosen to shorten the projected useful life of these assets and accelerate their amortization accordingly.

Amortization expense for the year ended December 31, 2020 was $205,219.

*Goodwill*

There were no changes to the carrying value of goodwill for the years ended December 31, 2021 and 2020.

**Note 6. Loan Payable**

*Receipt of CARES funding*

On May 5, 2020, the Company obtained a $293,972 unsecured loan payable through the Paycheck Protection Program ("PPP"), which was enacted as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES ACT"). The funds were received from Bank of America through a loan agreement pursuant to the CARES Act. The CARES Act was established in order to enable small businesses to pay employees during the economic slowdown caused by COVID-19 by providing forgivable loans to qualifying businesses for up to 2.5 times their average monthly payroll costs. The amount borrowed under the CARES Act and used for payroll costs, rent, mortgage interest, and utility costs during the 24 week period after the date of loan disbursement is eligible to be forgiven provided that (a) the Company uses the PPP Funds during the eight week period after receipt thereof, and (b) the PPP Funds are only used to cover payroll costs (including benefits), rent, mortgage interest, and utility costs. While the full loan amount may be forgiven, the amount of loan forgiveness will be reduced if, among other reasons, the Company does not maintain staffing or payroll levels or less than 60% of the loan proceeds are used for payroll costs. Principal and interest payments on any unforgiven portion of the PPP Funds (the "PPP Loan") will be deferred to the date the SBA remits the borrower's loan forgiveness amount to the lender or, if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness period for six months and will accrue interest at a fixed annual rate of 1.0% and carry a two year maturity date. There is no prepayment penalty on the CARES Act Loan. The Company expects the loan to be fully forgiven.

On March 17, 2021, we received $139,595 in financing from the U.S. government's Payroll Protection Program ("PPP"). We entered into a loan agreement with Bank of America. This loan agreement was pursuant to the CARES Act. The CARES Act was established in order to enable small businesses to pay employees during the economic slowdown caused by COVID-19 by providing forgivable loans to qualifying businesses for up to 2.5 times their average monthly payroll costs. The amount borrowed under the CARES Act is eligible to be forgiven provided that (a) the Company uses the PPP Funds during the eight week period after receipt thereof, and (b) the PPP Funds are only used to cover payroll costs (including benefits), rent, mortgage interest, and utility costs. The amount of loan forgiveness will be reduced if, among other reasons, the Company does not maintain staffing or payroll levels. Principal and interest payments on any unforgiven portion of the PPP Funds (the "PPP Loan") will be deferred for six months and will accrue interest at a fixed annual rate of 1.0% and carry a two year maturity date. There is no prepayment penalty on the CARES Act Loan. The Company expects the loan to be fully forgiven.

**Note 7. Leases**

***Operating Leases***

The Company's principal executive office in New York City is under a month-to-month arrangement. The Company also had a lease in Greenwich, CT which expired in March 2020 and became a month to month. This tenancy was terminated in April 2021.

The Company has operating leases for corporate, business and technician offices. Leases with a probable term of 12 months or less, including month-to-month agreements, are not recorded on the condensed consolidated balance sheet, unless the arrangement includes an option to purchase the underlying asset, or an option to renew the arrangement, that the Company is reasonably certain to exercise (short-term leases). The Company recognizes lease expense for these leases on a straight-line bases over the lease term. The Company's only remaining lease is month-to-month. As a practical expedient, the Company elected, for all office and facility leases, not to separate non-lease components (common-area maintenance costs) from lease components (fixed payments including rent) and instead to account for each separate lease component and its associated non-lease components as a single lease component. The Company uses its incremental borrowing rate for purposes of discounting lease payments.

As of December 31, 2021, assets recorded under operating leases were $0. Operating lease right of use assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The discount rate used to determine the commencement date present value of lease payment is the Company's incremental borrowing rate, which is the rate incurred to borrow on a collateralized basis over a similar term at an amount equal to the lease payments in a similar economic environment. Certain adjustments to the right-of-use asset may be required for items such as initial direct costs paid or incentives received.

For the year ended December 31, 2021 and 2020, the components of lease expense were as follows:

| | For the years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Operating lease cost | $ 14,196 | $ 61,895 |
| Total lease cost | $ 14,196 | $ 61,895 |

Other information related to leases was as follows:

| | For the years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Cash paid for amounts included in the measurement of operating lease liabilities: | | |
| Operating cash flows for operating leases | $ - | $ 61,895 |
| Weighted average remaining lease term (months) – operating leases | - | - |
| Weighted average discount rate– operating leases | N/A | N/A |

As of December 31, 2021 and 2020, the Company has no additional operating leases, other than those noted above, and no financing leases.

**Note 8. Commitments and Contingencies**

*Settlement of Consolidated Securities Class Action*

As previously disclosed, on April 29, 2020, a securities class action case was filed in the United States District Court for the Southern District of New York against us and our former CEO. The action is captioned Daniel Yannes, individually and on behalf of all others similarly situated vs. SCWorx Corp. and Marc S. Schessel,. Subsequently, two additional class actions were filed in the same court (*Leeburn v. SCWorx, et ano. and Leonard v. SCWorx et ano.) and thereafter, the three class actions were consolidated (the "Consolidated Class Action"). The Consolidated Class Action* alleged that our company and our former CEO misled investors in connection with our April 13, 2020 press release with respect to the sale of COVID-19 rapid test kits.

As previously disclosed, on February 11, 2022, the parties entered into a Stipulation of Settlement (subject to Court approval) to settle the Consolidated Class Action. The settlement resolves all claims asserted against SCWorx and the other named defendant without any admission, concession or finding of any fault, liability or wrongdoing by the Company or any defendant. Under the terms of this agreement, (i) the insurers for the Company and Marc Schessel (former CEO) will make a cash payment to the class plaintiffs (ii) the former CEO will transfer 100,000 shares of company common stock to the class plaintiffs, and (iii) the Company will issue $600,000 worth of common stock to the class plaintiffs, in exchange for which all parties will be released from all claims related to the securities class action litigation. After giving effect to the share issuance by the Company, the Company believes that it will have satisfied the accrued retention liability of $700,000.

*Settlement of Consolidated Derivative Action*

As previously disclosed, on June 15, 2020, a shareholder derivative claim was filed in the United States District Court for the Southern District of New York against Steven Wallitt (current director), and Marc S. Schessel, Robert Christie and Charles Miller (former directors) ("Director Defendants"). The action is captioned Lozano, derivatively on behalf of SCWorx Corp. v. Marc S. Schessel, Charles K. Miller, Steven Wallitt, Defendants, and SCWorx Corp., Nominal Defendant. The Lozano lawsuit was consolidated with another shareholder derivative lawsuit, Richter, v. Marc S. Schessel, Charles K. Miller, Steven Wallitt, Defendants, and SCWorx Corp., Nominal Defendant. (the "Consolidated Derivative Action").

The Consolidated Derivative Action alleged that the Director Defendants breached their fiduciary duties to the Company, including by misleading investors in connection with our April 13, 2020 press release with respect to the sale of COVID-19 rapid test kits, failing to correct false and misleading statements and failing to implement proper disclosure and internal controls.

In addition, on October 29, 2020, Hemrita Zarins filed a shareholder derivative action in the Chancery Court in the State of Delaware against Steven Wallitt (current director) and Marc S. Schessel and Charles Miller (former directors). The action is captioned Hemrita Zarins, v. Marc S. Schessel, Robert Christie, Steven Wallitt and SCWorx, Nominal Defendant. The Zarins action contains substantially similar allegations as in the Consolidated Derivative Action.

On February 15, 2022, the Company and the Director Defendants (Marc Schessel, Steven Wallitt, Charles Miller and Robert Christie) entered into a stipulation of settlement (subject to Court approval) with the shareholder derivative plaintiffs to settle the Consolidated Derivative Action as well as the Zarins action. Under the terms of the settlement, (i) the insurers for the Director Defendants will make a cash payment to legal counsel for the shareholder derivative Plaintiffs to cover their legal fees and (ii) the Company will adopt certain corporate governance reforms within 60 days of court approval of the settlement, in exchange for which all parties will be released from all claims related to the derivative class action litigation. The settlement resolves all claims asserted against the defendants without any admission, concession or finding of any fault, liability or wrongdoing by the Company or any defendant.

*Other Investigations*

In addition, as previously disclosed, following the April 13, 2020 press release and related disclosures (related to COVID-19 rapid test kits), the Securities and Exchange Commission made an inquiry regarding the disclosures we made in relation to the transaction involving COVID-19 test kits. The Company is continuing to cooperate with the SEC regarding its investigation arising out of the April 13, 2020 press release and the events thereafter. The Company received a Wells notice on December 8, 2021 and an amended Wells notice on December 10, 2021. The Wells Notice states that the staff of the Securities and Exchange Commission has made a preliminary determination to recommend that the Commission file an enforcement action against the Company which would allege violations of Sections 17(a)(1), 17(a)(2), and 17(a)(3) of the Securities Act of 1933 (the "Securities Act"), Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), and Rules 10b-5(a), 10b-5(b), and 10b-5(c) thereunder. The Wells Notice also indicates that the staff would seek fines and disgorgement, including pre and post judgment interest in such enforcement proceeding. The Company did not make a Wells submission to the Commission in response to the Wells Notice. The Company has since been actively engaged in discussions with the Staff to settle the claims set forth in the Wells Notice.

In April 2020, we received related inquiries from The Nasdaq Stock Market and the Financial Industry Regulatory Authority (FINRA). We cooperated fully with these agencies, providing information and documents, as requested. We have not had any requests from these agencies since January 2021.

Also in April 2020, as previously disclosed, we were contacted by the U.S. Attorney's Office for the District of New Jersey, which was seeking information and documents from our officers and directors relating primarily to the April 13, 2020 press release concerning COVID-19 rapid test kits. We have cooperated fully with the U.S. Attorney's Office in its investigation.

In connection with these actions and investigations, the Company is obligated to indemnify its officers and directors for costs incurred in defending against these claims and investigations. Because the Company currently does not have the resources to pay for these costs, its directors and officers liability insurance carrier has agreed to indemnify these persons. Upon consummation of the settlement of the Consolidated Class Action, the Company believes it will have satisfied its accrued retention obligations with respect to the insurance coverage.

**David Klarman v. SCWorx Corp. f/k/a Alliance MMA, Inc., Index No. 619536/2019 (N.Y. State Sup. Ct., Suffolk County)**

On October 3, 2019, David Klarman, a former employee of Alliance, served a complaint against SCWorx seeking $400,000.00 for a breach of his employment agreement with Alliance. Klarman claims that Alliance ceased paying him his salary in March 2018 as well as other alleged contractual benefits. This action was settled on or about December 16, 2021 by the parties without any admission of liability or wrongdoing. In exchange for a release, the Company agreed to settle with Mr. Klarman with $100,000 of SCWorx shares calculated over a period of 4 months pursuant to an agreed upon schedule with respect to amounts, dates and a restriction on sales of SCWorx stock to no more than 4,000 shares per trading day. To date, all shares have been issued pursuant to this agreement.

**Note 9. Stockholders' Equity**

***Common Stock***

*Authorized Shares*

The Company has 45,000,000 common shares authorized with a par value of $0.001 per share.

***Common Stock***

*Issuance of Shares Pursuant to Conversion of Series A Preferred Stock*

During February 2021, the Company issued 52,632 shares of common stock to a holder of its Series A Convertible Preferred Stock upon the conversion of 20,000 of such shares of Series A Convertible Preferred Stock.

During July 2021, the Company issued 65,953 shares of common stock to a holder of its Series A Convertible Preferred Stock upon the conversion of 25,062 of such shares of Series A Convertible Preferred Stock.

*Issuance of Shares for Equity Financing*

On January 6, 2021, The Company issued 72,369 shares of common stock and 90,461 5-year warrants to purchase shares of common stock at $4.00 per share pursuant to the prior receipt of $275,000 in equity financing.

*Issuance of Shares for Common Stock Placement*

On September 17, 2021, The Company issued 298,883 shares of common stock and 298,883 5 year warrants to purchase shares of common stock at $1.79 for aggregate gross proceeds of $525,000.

*Issuance of Shares for Vested Restricted Stock Units*

Between January 25, 2021 and August 13, 2021, the company issued a total of 504,965 shares of common stock to holders of fully vested restricted stock units.

Between October 4, 2021 and October 14, 2021, the company issued a total of 157,582 shares of common stock to holders of fully vested restricted stock units.

*Issuance of Shares Pursuant to Settlement of Accounts Payable*

On June 1, 2021, the Company issued 96,757 shares of common stock in full settlement of $132,557 of accounts payable. The shares had a fair value of $1.37 per share.

On July 14, 2021, the Company issued 29,025 shares of common stock in full settlement of $85,622 of accounts payable. The shares had a fair value of $2.95 per share.

On August 10, 2021, the Company issued 11,611 shares of common stock in full settlement of $29,607 of accounts payable. The shares had a fair value of $2.55 per share.

On August 10, 2021, the Company issued 5,458 shares of common stock in full settlement of $13,919 of accounts payable. The shares had a fair value of $2.55 per share.

On September 14, 2021, the Company issued 27,403 shares of common stock in full settlement of $61,930 of accounts payable. The shares had a fair value of $2.26 per share.

On November 1, 2021, the Company issued 15,988 shares of common stock in full settlement of $27,178 of accounts payable. The shares had a fair value of $1.70 per share.

On November 29, 2021, the Company issued 12,522 shares of common stock in full settlement of $17,781 of accounts payable. The shares had a fair value of $1.42 per share.

On December 28, 2021, the Company issued 23,037 shares of common stock in full settlement of $29,027 of accounts payable. The shares had a fair value of $1.26

*Issuance of Shares Pursuant to Legal Settlement*

On December 12, 2021, the Company issued 16,666 shares of common stock in settlement of $25,000 pursuant to a legal settlement.

Issuance of Shares for the Exercise of Options

On October 4, 2021, the Company issued 6,579 shares of common stock in a cashless exercise of outstanding options.

***Equity Financing***

During May 2020, the Company received $515,000 of a committed $565,000 from the sale of units (at a price of $3.80 per unit) comprised in the aggregate of 135,527 shares of common stock and warrants to purchase 169,409 shares of common stock, at an exercise price of $4.00 per share. As of December 310, 2021, the full amount had not been received and only $415,000 worth of the shares and warrants have been issued. The remaining $125,000 is included in equity financing within current liabilities on the consolidated balance sheet.

***Stock Incentive Plan***

The number of shares of the Company's common stock that are issuable pursuant to warrant and stock option grants with time-based vesting as of and for the year ended December 31, 2021 are:

| | Warrant Grants | | Stock Option Grants | | Restricted Stock Units |
|---|---|---|---|---|---|
| | Number of shares subject to warrants | Weighted-average exercise price per share | Number of shares subject to options | Weighted-average exercise price per share | Number of shares subject to restricted stock units |
| Balance at December 31, 2020 | 672,459 | $ 8.09 | 118,388 | $ 3.25 | 2,301,053 |
| Granted | 389,344 | 2.30 | - | - | 894,885 |
| Exercised | (6,579) | 1.96 | - | - | (884,348) |
| Cancelled/Expired | (11,699) | - | - | - | (150,833) |
| Balance at December 31, 2021 | 1,043,525 | $ 2.57 | 118,388 | $ 3.25 | 2,160,757 |
| Exercisable at December 31, 2021 | 1,043,525 | $ 2.57 | 118,388 | $ 3.25 | 1,631,924 |

The number of shares of the Company's common stock that are issuable pursuant to warrant and stock option grants with time-based vesting as of and for the year ended December 31, 2020 are:

| | Warrant Grants | | Stock Option Grants | | Restricted Stock Units | |
|---|---|---|---|---|---|---|
| | Number of shares subject to warrants | Weighted-average exercise price per share | Number of shares subject to options | Weighted-average exercise price per share | Number of shares subject to restricted stock units | Weighted-average exercise price per share |
| Balance at December 31, 2019 | 1,311,916 | $ 9.35 | 338,595 | $ 5.26 | 630,303 | $ - |
| Granted | 146,053 | 4.51 | - | - | 2,222,984 | - |
| Exercised | (681,619) | 5.57 | (160,291) | 4.78 | (77,234) | - |
| Expired | (103,891) | 35.54 | (59,916) | 10.55 | | |
| Cancelled/Forfeited | - | - | - | - | (475,000) | - |
| Balance at December 31, 2020 | 672,459 | $ 8.09 | 118,388 | $ 3.25 | 2,301,053 | $ - |
| Exercisable at December 31, 2020 | 672,459 | $ 8.09 | 118,388 | $ 3.25 | 2,301,053 | $ - |

The Company has classified the warrant as having Level 2 inputs, and has used the Black-Scholes option-pricing model to value the warrant. The fair value at the issuance dates for the above warrants issued during the years ended December 31, 2021 and 2020 were based upon the following management assumptions:

| | Issuance date |
|---|---|
| Risk-free interest rate | 0.49 - 0.88% |
| Expected dividend yield | -% |
| Expected volatility | 100% |
| Term | 5 years |
| Fair value of common stock | 1.95 - 2.24 |

The Company's outstanding warrants and options at December 31, 2021 are as follows:

| Warrants Outstanding | | | | Warrants Exercisable | | |
|---|---|---|---|---|---|---|
| Exercise Price Range | Number Outstanding | Weighted Average Remaining Contractual Life (in years) | Weighted Average Exercise Price | Number Exercisable | Weighted Average Exercise Price | Intrinsic Value |
| $ 1.79 - $20.90 | 1,043,525 | 2.98 | $ 2.57 | 1,043,525 | $ 2.57 | - |

| Options Outstanding | | | | Options Exercisable | | |
|---|---|---|---|---|---|---|
| Exercise Price Range | Number Outstanding | Weighted Average Remaining Contractual Life (in years) | Weighted Average Exercise Price | Number Exercisable | Weighted Average Exercise Price | Intrinsic Value |
| $ 2.64 - $28.50 | 118,388 | 2.69 | $ 3.25 | 118,388 | $ 3.25 | - |

As of December 31, 2021 and 2020, the total unrecognized expense for unvested stock options and restricted stock awards was approximately $1.0 million and $2.5 million, respectively, to be recognized over a one to three-year period for restricted stock awards and one year for option grants from the date of grant.

Stock-based compensation expense for the years ended December 31, 2021 and 2020 was as follows:

| | For the years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Stock-based compensation expense | $ 2,687,901 | $ 3,284,570 |

Stock-based compensation expense categorized by the equity components for the years ended December 31, 2021 and 2020 is as follows:

| | For the years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Common stock | $ 2,687,901 | $ 3,169,470 |
| Transfer of common stock by founders to contractors | - | 115,100 |
| Total | $ 2,687,901 | $ 3,284,570 |

Stock compensation is included in general and administrative expenses on the consolidated statements of operations

**Note 10. Net Loss Per Share**

Basic net loss per share is computed by dividing net loss for the period by the weighted average shares of common stock outstanding during each period. Diluted net loss per share is computed by dividing net loss for the period by the weighted average shares of common stock, common stock equivalents and potentially dilutive securities outstanding during each period. The Company uses the treasury stock method to determine whether there is a dilutive effect of outstanding option grants.

The following securities were excluded from the computation of diluted net loss per share for the periods presented because including them would have been anti-dilutive:

| | For the years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Stock options | 118,388 | 118,388 |
| Warrants | 1,043,525 | 672,459 |
| Total common stock equivalents | 1,161,913 | 790,847 |

**Note 11. Income Taxes**

By virtue of a merger of the limited liability company into a corporation, the Company became a corporation during 2018.

The significant items comprising the Company's net deferred taxes as of December 31, 2021 and 2020 are as follows:

| | As of December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Net operating loss | $ 8,286,577 | $ 7,377,962 |
| Stock options and compensation | 2,100,042 | 1,491,232 |
| Deferred revenue | 107,078 | - |
| Allowance for doubtful accounts | 95,523 | 41,512 |
| Valuation allowance | (10,589,220) | (8,893,457) |
| Total deferred tax asset | - | 17,249 |
| | | |
| Basis difference fixed assets | - | (17,249) |
| Total deferred tax liability | | (17,249) |
| | | |
| Net deferred tax asset (liability) | $ - | $ - |

The components of the provision for (benefit from) income taxes consist of the following:

| | As of December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Current tax: | | |
| Federal | - | - |
| State | - | - |
| Total | - | - |
| | | |
| Deferred tax: | | |
| Federal | $ (1,572,231) | $ (1,673,758) |
| State | (123,532) | (131,510) |
| Less: change in valuation allowance | 1,695,763 | 1,805,268 |
| | - | - |
| Total | $ - | $ - |

The provision for (benefit from) income taxes varies from the amount computed by applying the statutory rate for reasons summarized below:

| | As of December 31, 2021 | | As of December 31, 2020 | |
|---|---|---|---|---|
| Net loss before tax per financial statements | $ (3,814,468) | | $ (7,402,350) | |
| | | | | |
| Statutory rate | (801,038) | 21.00% | (1,554,494) | 21.00% |
| State tax rate | (62,939) | 1.65% | (122,139) | 1.65% |
| Permanent items | (831,786) | 21.81% | (128,636) | 1.74% |
| Rate change | - | 0.00% | - | 0.00% |
| Change in valuation allowance | 1,695,763 | (44.46) | 1,805,268 | (24,39)% |
| | $ - | 0.00% | $ - | 0.00% |

As of December 31, 2021 and 2020, the Company had federal net operating loss carryforwards of approximately $36.6 million and $32.6 million, respectively, available to offset future taxable income. As of December 31, 2021 and 2020, the Company had state loss carry-forwards of approximately $16 million and $15.1, respectively. Future utilization of net operating losses may be limited due to potential ownership changes under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). The federal net operating loss carryforwards can be carried forward indefinitely and state loss carryforwards begin to expire in 2039.

The valuation allowance as of December 31, 2021 and 2020 was $10,589,220 and $8,893,457, respectively. The net change in valuation allowance for the years ended December 31, 2021 and 2020 was an increase of $1,695,763 and $1,805,268, respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on consideration of these items, management has determined that enough uncertainty exists relative to the realization of the deferred income tax asset balances to warrant the application of a full valuation allowance as of December 31, 2021 and 2020.

The Company had no unrecognized tax benefits during 2021 or 2020. By statute, all tax years are open to examination by the major taxing jurisdictions to which the Company is subject.

**Note 12. Subsequent Events**

*Issuance of Shares for Vested Restricted Stock Units*

Between January 20, 2022 and March 1, 2022, the company issued a total of 18,666 shares of common stock to holders of fully vested restricted stock units.

*Issuance of Shares Pursuant to Legal Settlement*

Between January 18, 2022 and March 18, 2022, the Company issued 71,758 shares of common stock in settlement of an aggregate $75,000 pursuant to a legal settlement.

*Issuance of Shares Pursuant to Settlement of Accounts Payable*

On March 21, 2022, the Company issued 12,196 shares of common stock in full settlement of $10,000 of accounts payable. The shares had a fair value of $0.82 per share.

## EXHIBIT INDEX

Pursuant to the rules and regulations of the SEC, the Company has filed certain agreements as exhibits to this Annual Report on Form 10-K. These agreements may contain representations and warranties by the parties. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (i) may have been qualified by disclosures made to such other party or parties, (ii) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments, which may not be fully reflected in the Company's public disclosure, (iii) may reflect the allocation of risk among the parties to such agreements and (iv) may apply materiality standards different from what may be viewed as material to investors. Accordingly, these representations and warranties may not describe the Company's actual state of affairs at the date hereof and should not be relied upon.

| Exhibit | Exhibit Description |
|---|---|
| 3.1 | Certificate of Incorporation, as amended February 1, 2019 (incorporated by reference to Exhibit 3.1 to the Company's 10-K filed with the SEC on April 1, 2019) |
| 3.3 | Amended and Restated By-laws (Incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form S-1 (File No. 333-213166) filed with the SEC on August 16, 2016) |
| 4.1 | Warrant dated September 17, 2021 (incorporated by reference to Exhibit #4.1 to the Company's 8-K filed with the SEC on September 23, 2021) |
| 10.1 | Securities Purchase Agreement dated September 17, 2021 (incorporated by reference to Exhibit #10.1 to the Company's 8-K filed with the SEC on September 23, 2021) |
| 10.2 | Registration Rights Agreement dated September 17, 2021 (incorporated by reference to Exhibit #10.2 to the Company's 8-K filed with the SEC on September 23, 2021) |
| 10.3 | Consulting Agreement dated January 19, 2021 with Marc Schessel (incorporated by reference to Exhibit 10.1 to the Company's 10-K filed with the SEC on May 19, 2021) |
| 10.4 | Equity Financing and warrant agreement dated January 6, 2021 (incorporated by reference to Exhibit 10.3 to the Company's 10-K filed with the SEC on May 19, 2021) |
| 10.5 | USA Procurement Purchase agreement dated May 26, 2020 (incorporated by reference to Exhibit 10.4 to the Company's 10-K filed with the SEC on May 19, 2021) |
| 10.6 | USA Procurement Settlement Agreement dated March 12, 2021 (incorporated by reference to Exhibit 10.5 to the Company's 10-K filed with the SEC on May 19, 2021) |
| 10.7 | Class Action Settlement Agreement dated December 20, 2021* |
| 10.8 | Derivative Action Settlement Agreement dated December 24, 2021* |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002* |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002* |
| 32.1 | Section 1350 Certification of the Chief Executive Officer* |
| 32.2 | Section 1350 Certification of the Chief Financial Officer* |
| 101.INS* | Inline XBRL Instance Document. |
| 101.SCH* | Inline XBRL Taxonomy Extension Schema Document. |
| 101.CAL* | Inline XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF* | Inline XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB* | Inline XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE* | Inline XBRL Taxonomy Extension Presentation Linkbase Document. |
| 104* | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). |

* Filed herewith

**EXHIBIT 1**

**UNITED STATES DISTRICT COURT**
**SOUTHERN DISTRICT OF NEW YORK**

| | |
|---|---|
| DANIEL YANNES, Individually and on Behalf of All Others Similarly Situated,<br><br>Plaintiff,<br><br>vs.<br><br>SCWORX CORPORATION and MARC S. SCHESSEL,<br><br>Defendants. | CIVIL ACTION NO.: 20-CV-3349-JGK |

**STIPULATION AND AGREEMENT OF SETTLEMENT**

This Stipulation and Agreement of Settlement dated February 11, 2022 ("Stipulation") is entered into between Court-appointed Lead Plaintiff Vy Nguyen ("Lead Plaintiff"), on behalf of himself and the Settlement Class (as defined below in ¶ 1(uu)), and defendants SCWorx Corporation ("SCWorx" or the "Company") and Marc S. Schessel (collectively, "Defendants" and together with Lead Plaintiff, the "Parties"), by and through their respective counsel, and embodies the terms and conditions of the settlement of the above-captioned action ("Action").[1] Subject to the approval of the Court and the terms and conditions expressly provided herein, this Stipulation is intended to fully, finally and forever compromise, settle, release, resolve and dismiss with prejudice all claims asserted in the Action against Defendants.

1 All terms with initial capitalization not otherwise defined herein shall have the meanings ascribed to them in ¶ 1 herein.

WHEREAS:

A. On April 29, 2020, the initial complaint was filed in the Action. In accordance with the Private Securities Litigation Reform Act of 1995, 15 U.S.C. § 78u-4, as amended ("PSLRA"), notice to the public was issued stating the deadline by which putative class members could move the Court for appointment as lead plaintiff.

B. By Order dated September 17, 2020, the Court appointed Vy Nguyen as Lead Plaintiff and Kaplan Fox & Kilsheimer LLP as Lead Counsel.

C. On October 19, 2020, Lead Plaintiff filed the Consolidated Class Action Complaint for Violation of Federal Securities Laws (the "Complaint"), asserting claims under §§ 10(b) and 20(a) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder, against Defendants.

D. Defendants moved to dismiss the Complaint on November 18, 2020. On December 18, 2020, Lead Plaintiff filed its opposition to Defendants' motion to dismiss, and on January 8, 2021, Defendants filed their reply in further support of their motion.

E. By Order dated June 21, 2021, the Court denied Defendants' motion to dismiss the Complaint in its entirety.

F. On July 12, 2021, the Court entered a Scheduling Order including a schedule for discovery.

G. Defendants filed their answers to the Complaint on July 27, 2021.

H. At the outset of discovery, the Parties agreed to discuss a possible early resolution of the Action. To facilitate that discussion, Defendants produced, on an expedited basis, certain documents that they previously produced to the Securities and Exchange Commission and the Department of Justice in connection with those entities' investigations of the same conduct at issue here. Additionally, the Parties scheduled a formal mediation to be facilitated by Jed Melnick, Esq. of JAMS. In advance of the mediation, the Parties submitted detailed mediation statements. Although the Parties were unable to reach a resolution of the Action at the initial mediation on August 23, 2021, they continued their discussions with the assistance of Mr. Melnick, and after extensive additional negotiations, agreed to resolve the matter for the sum of: (1) $2.7 million cash and (2) $600,000 in SCWorx common stock to be issued by the Company and (3) 100,000 shares of SCWorx common stock to be provided by Defendant Schessel. On December 20, 2021, the Parties executed a binding term sheet setting forth the material terms of their agreement (the "Term Sheet").

I. This Stipulation (together with the exhibits hereto) reflects the final and binding agreement between the Parties and supersedes the Term Sheet in all respects.

J. Based upon their investigation, prosecution, and mediation of the case, Lead Plaintiff and Lead Counsel have concluded that the terms and conditions of this Stipulation are fair, reasonable and adequate to Lead Plaintiff and the Settlement Class, and in their best interests. Based on Lead Plaintiff's direct oversight of the prosecution of this matter and with the advice of his counsel, Lead Plaintiff has agreed to settle and release the Released Plaintiffs' Claims (as defined below in ¶ 1(mm)) as against Defendants pursuant to the terms and provisions of this Stipulation, after considering, among other things: (i) the financial benefit that the Settlement Class will receive under the proposed Settlement; and (ii) the significant risks and costs of continued litigation and trial.

K. The Defendants deny, and continue to deny, that they have committed any act or omission giving rise to any liability under the Exchange Act or Rule 10b-5 promulgated thereunder. Specifically, Defendants expressly have denied, and continue to deny, each and all of the claims alleged by Lead Plaintiff in the Action, including without limitation, any liability arising out of any of the conduct, statements, acts, or omissions alleged, or that could have been alleged, in the Action and maintain that their conduct was at all times proper and in compliance with applicable provisions of law. Defendants also have denied, and continue to deny, among other things, that they made any material misrepresentations or omissions in SCWorx's public filings, press releases or other public statements, that Lead Plaintiff or the Settlement Class have suffered any damages, that the price of SCWorx securities was artificially inflated by reasons of alleged misrepresentations, non-disclosures or otherwise, or that Lead Plaintiff or the Settlement Class were harmed by the conduct alleged in the Action or that they could have alleged as part of the Action. In addition, Defendants maintain that they have meritorious defenses to all claims alleged in the Action.

L. As set forth below, neither the Settlement nor any of the terms of this Stipulation shall constitute an admission or finding of any fault, liability, wrongdoing, or damages whatsoever or any infirmity in the defenses that Defendants have, or could have, asserted. Defendants have determined that it is desirable and beneficial to them that the Action be settled in the manner and upon the terms and conditions set forth in this Stipulation. Defendants' decision to settle the Action was based on the conclusion that further litigation would be protracted and expensive, with the uncertainty and risks inherent in any litigation and the determination that it is desirable and beneficial to settle the Action in the manner and upon the terms and conditions set forth in this Stipulation and to put the Released Claims to rest finally and forever, without in any way acknowledging any wrongdoing, fault, liability or damages to Lead Plaintiff or the Settlement Class. Similarly, this Stipulation shall in no event be construed or deemed to be evidence of or an admission or concession on the part of Lead Plaintiff of any infirmity in any of the claims asserted in the Action, or an admission or concession that any of Defendants' defenses to liability had any merit. Each of the Parties recognizes and acknowledges, however, that the Action has been initiated, filed, and prosecuted by Lead Plaintiff in good faith and defended by Defendants in good faith, and that the Action is being voluntarily settled with the advice of counsel.

NOW THEREFORE, it is hereby STIPULATED AND AGREED, by and among Lead Plaintiff (individually and on behalf of all members of the Settlement Class) and Defendants, by and through their respective undersigned attorneys and subject to the approval of the Court pursuant to Rule 23(e) of the Federal Rules of Civil Procedure, that, in consideration of the benefits flowing to the Parties from the Settlement, all Released Plaintiffs' Claims as against the Defendant Releasees and all Released Defendants' Claims as against the Plaintiff Releasees shall be settled and released, upon and subject to the terms and conditions set forth below.

## DEFINITIONS

1. As used in this Stipulation and any exhibits attached hereto and made a part hereof, the following capitalized terms shall have the following meanings:

(a) "Action" means *Yannes v. SCWorx Corporation et ano.*, Civil Action No.: 20-CV-3349-JGK (S.D.N.Y.).

(b) "Alternative Judgment" means a form of final judgment that may be entered by the Court herein but in a form other than the form of Judgment provided for in this Stipulation.

(c) "Authorized Claimant" means a Settlement Class Member who or which submits a Claim Form to the Claims Administrator that is approved by the Court for payment from the Net Settlement Fund.

(d) "Cash Settlement Amount" means Two Million Seven Hundred Thousand Dollars ($2,700,000.00) in cash to be paid pursuant to ¶ 8 of this Stipulation.

(e) "Cash Settlement Fund" means the Cash Settlement Amount plus any and all interest earned thereon while in escrow.

(f) "Claim" means a paper claim submitted on a Proof of Claim Form or an electronic claim that is submitted to the Claims Administrator.

(g) "Claim Form" or "Proof of Claim Form" means the form, substantially in the form attached hereto as Exhibit A-(ii), that a Claimant must complete and submit to the Claims Administrator in order to be eligible to share in a distribution of the Net Settlement Fund.

(h) "Claimant" means a person or entity who or which submits a Claim Form to the Claims Administrator seeking to be eligible to share in the Net Settlement Fund.

(i) "Claims Administrator" means A.B. Data, Ltd., the firm retained by Lead Counsel, subject to approval of the Court, to provide all notices approved by the Court to potential Settlement Class Members in the Action and to administer the Settlement.

(j) "Class Distribution Order" means an order entered by the Court authorizing and directing that the Net Settlement Fund be distributed, in whole or in part, to Authorized Claimants.

(k) “Class Period” means the period of time from April 13, 2020 through April 17, 2020, inclusive.

(l) “Class Settlement Shares” means the Settlement Shares less any shares awarded to Plaintiff’s Counsel as attorneys’ fees and expenses.

(m) “Complaint” means the Consolidated Class Action Complaint for Violation of Federal Securities Laws filed in the Action on October 19, 2020.

(n) “Court” means the United States District Court for the Southern District of New York.

(o) “Defendants” means SCWorx and Marc S. Schessel.

(p) “Defendants’ Counsel” means, collectively, the law firms of King & Spalding LLP (on behalf of Defendant Schessel) and the Law Offices of Carole R. Bernstein, Esq. (on behalf of Defendant SCWorx).

(q) “Defendant Releasees” means (i) Defendants and their attorneys; (ii) the Defendants’ respective Immediate Family members, heirs, trusts, trustees, executors, estates, administrators, beneficiaries, agents, affiliates, insurers and reinsurers, predecessors, predecessors- in-interest, successors, successors-in-interest, assigns, advisors and associates of each of the foregoing; and (iii) all current and former officers, directors and employees of SCWorx, in their capacities as such.

(r) “Effective Date” with respect to the Settlement means the first date by which all of the events and conditions specified in ¶ 31 of this Stipulation have been met and have occurred or have been waived.

(s) “Escrow Account” means an account maintained at Valley National Bank wherein the Cash Settlement Amount shall be deposited and held in escrow under the control of Lead Counsel.

(t) “Escrow Agent” means Valley National Bank.

(u) “Escrow Agreement” means the agreement between Lead Counsel and the Escrow Agent setting forth the terms under which the Escrow Agent shall maintain the Escrow Account.

(v) “Final,” with respect to the Judgment or, if applicable, the Alternative Judgment, or any other court order means: (i) if no appeal is filed, the expiration date of the time provided for filing or noticing of any appeal under the Federal Rules of Appellate Procedure, *i.e.*, thirty (30) days after entry of the Judgment or order; or (ii) if there is an appeal from the Judgment or order, (a) the date of final dismissal of all such appeals, or the final dismissal of any proceeding on certiorari or otherwise, or (b) the date the Judgment or order is finally affirmed on an appeal, the expiration of the time to file a petition for a writ of certiorari or other form of review, or the denial of a writ of certiorari or other form of review, and, if certiorari or other form of review is granted, the date of final affirmance following review pursuant to that grant. However, any appeal or proceeding seeking subsequent judicial review pertaining solely to an order issued with respect to: (i) attorneys’ fees, costs or expenses; or (ii) the plan of allocation for the Settlement proceeds (as submitted or subsequently modified), shall not in any way delay or preclude the Judgment or, if applicable, the Alternative Judgment, from becoming Final.

(w) “Immediate Family” means children, stepchildren, grandchildren, parents, stepparents, grandparents, spouses, siblings, mothers-in-law, fathers-in-law, sons-in-law, daughters-in-law, brothers-in-law, and sisters-in-law. As used in this definition, “spouse” shall mean a husband, a wife, or a partner in a state recognized domestic relationship or civil union.

(x) “Judgment” means the final judgment with dismissal and with prejudice, substantially in the form attached hereto as Exhibit B, to be entered by the Court approving the Settlement.

(y) “Lead Counsel” means the law firm of Kaplan Fox & Kilsheimer LLP.

(z) “Lead Plaintiff” means Vy Nguyen.

(aa) “Litigation Expenses” means the costs and expenses incurred by Plaintiff’s Counsel in connection with commencing, prosecuting and settling the Action (which may include the costs and expenses of Lead Plaintiff directly related to his representation of the Settlement Class), for which Plaintiff’s Counsel intends to apply to the Court for reimbursement from the Cash Settlement Fund.

(bb) “Net Settlement Fund” means the Settlement Fund less: (i) any Taxes and Tax Expenses; (ii) any Notice and Administration Costs; (iii) any Litigation Expenses awarded by the Court; and (iv) any attorneys’ fees awarded by the Court.

(cc) “Notice” means the Notice of (i) Pendency of Class Action and Proposed Settlement; (ii) Motion for an Award of Attorneys’ Fees and Reimbursement of Litigation Expenses; and (iii) Settlement Fairness Hearing, substantially in the form attached hereto as Exhibit A-(i), which is to be mailed or e-mailed to Settlement Class Members.

(dd) “Notice and Administration Costs” means the costs, fees and expenses that are incurred by the Claims Administrator and/or Lead Counsel in connection with: (i) providing notices to the Settlement Class; and (ii) administering the Settlement, including but not limited to the Claims process, as well as the costs, fees and expenses incurred in connection with the Escrow Account.

(ee) “Parties” means Defendants and Lead Plaintiff, on behalf of himself and the Settlement Class.

(ff) “Plaintiff Releasees” means (i) Lead Plaintiff, his attorneys and all other Settlement Class Members; (ii) the current and former parents, affiliates, subsidiaries, successors, predecessors, assigns, and assignees of each of the foregoing in (i); and (iii) the current and former officers, directors, Immediate Family members, heirs, trusts, trustees, executors, estates, administrators, beneficiaries, agents, affiliates, insurers, reinsurers, predecessors, predecessors-in- interest, successors, successors-in-interest, assigns and advisors of each of the persons or entities listed in (i) and (ii), in their capacities as such.

(gg) “Plaintiff’s Counsel” means Lead Counsel.

(hh) “Plan of Allocation” means the proposed plan set forth in the Notice to be utilized for determining the allocation of the Net Settlement Fund, as submitted or subsequently modified.

(ii) “Preliminary Approval Order” means the order, substantially in the form attached hereto as Exhibit A, to be entered by the Court preliminarily approving the Settlement and directing that notice of the Settlement be provided to the Settlement Class.

(jj) “PSLRA” means the Private Securities Litigation Reform Act of 1995, 15 U.S.C. § 78u-4, as amended.

(kk) “Released Claims” means all Released Defendants’ Claims and all Released Plaintiffs’ Claims.

(ll) “Released Defendants’ Claims” means all claims and causes of action of every nature and description, whether known claims or Unknown Claims, whether arising under federal, state, local, common, statutory, administrative or foreign law, or any other law, rule or regulation, at law or in equity, whether class or individual in nature, whether accrued or unaccrued, whether liquidated or unliquidated, whether matured or unmatured, that arise out of or relate in any way to the institution, prosecution, or settlement of the claims against Defendants. “Released Defendants’ Claims” do not include any claims relating to the enforcement of the Settlement.

(mm) “Released Plaintiffs’ Claims” means any and all rights, debts, demands, claims and causes of action or liabilities (including but not limited to any claims for damages, restitution, rescission, interest, attorneys’ fees, expert or consulting fees, and any other costs expenses or liability whatsoever) of every nature and description, whether known claims or Unknown Claims, whether based on or arising under federal, state, local, common, statutory, administrative or foreign law, or any other law, rule or regulation, at law or in equity, whether class or individual in nature, whether accrued or unaccrued, whether liquidated or unliquidated, whether matured or unmatured, that Lead Plaintiff or any other member of the Settlement Class: (i) asserted in the Action or (ii) could have asserted in any court or forum that arise out of or are based upon the allegations, transactions, facts, matters or occurrences, representations, or omissions set forth in the Action and that relate to the purchase of SCWorx common stock on the Nasdaq or other U.S. exchanges or in a U.S. transaction during the Class Period, including, without limitation, claims that arise out of or relate to any disclosures, SEC filings, press releases, or other public statements by or on behalf of SCWorx during the Class Period. “Released Plaintiffs’ Claims” do not include (i) any claims relating to the enforcement of the Settlement; (ii) any of the claims asserted in the following actions: *In re SCWorx Corp. Derivative Litig.,* No. 20-cv-4554- JGK (S.D.N.Y.); *Zarins v. Schessel, et. al*., C.A. No. 2020-0924-MTZ (Del. Ch.); or (iii) any claims of any person or entity that submits a request for exclusion from the Settlement Class that is accepted by the Court.

(nn) “Releasee(s)” means each and any of the Defendant Releasees and each and any of the Plaintiff Releasees.

(oo) “Releases” means the releases set forth in ¶¶ 4-6 of this Stipulation. (pp) “Schessel” refers to Defendant Marc S. Schessel.

(qq) “Schessel Shares” means one hundred thousand (100,000) shares of the SCWorx common stock owned by Schessel, to be paid as part of the Settlement consideration in accordance with ¶ 8 below.

(rr) “SCWorx” or the “Company” means Defendant SCWorx Corporation.

(ss) “Settlement” means the settlement between Lead Plaintiff and Defendants on the terms and conditions set forth in this Stipulation.

(tt) “Settlement Amount” means a total consideration of no less than Three Million Three Hundred Thousand Dollars ($3,300,00.00) and consisting of: (1) the Cash Settlement Amount (i.e., Two Million Seven Hundred Thousand Dollars ($2,700,000.00)), (2) the Settlement Shares (i.e., the number of shares of SCWorx common stock that equates to a value of Six Hundred Thousand Dollars ($600,000.00)), and (3) the Schessel Shares (i.e., an additional one hundred thousand (100,000) shares of SCWorx common stock at then-current market value).

(uu) “Settlement Class” means all persons or entities who purchased or otherwise acquired SCWorx common stock on the Nasdaq or other U.S. exchanges or in a U.S. transaction between April 13, 2020 and April 17, 2020, inclusive. Excluded from the Settlement Class are: (i) Defendants; (ii) members of the immediate family of any Defendant who is an individual; (iii) any person who was an officer or director of SCWorx during the Class Period; (iv) any firm, trust, corporation, or other entity in which any Defendant has or had a controlling interest; (v) SCWorx’s employee retirement and benefit plan(s) and their participants or beneficiaries, to the extent they made purchases through such plan(s); and (vi) the legal representatives, affiliates, heirs, successors-in-interest, or assigns of any such excluded person.

(vv) “Settlement Class Member” means each person and entity who or which is a member of the Settlement Class.

(ww) “Settlement Fairness Hearing” means the hearing set by the Court under Rule 23(e)(2) of the Federal Rules of Civil Procedure to consider final approval of the Settlement.

(xx) “Settlement Fund” means the Settlement Amount plus any and all interest earned thereon while in escrow.

(yy) “Settlement Shares” means the number of shares of SCWorx common stock that equates to a value of at least Six Hundred Thousand Dollars ($600,000.00) as determined in accordance with ¶ 8(c) of this Stipulation.

(zz) "Summary Notice" means the Summary Notice of (i) Pendency of Class Action and Proposed Settlement; (ii) Motion for an Award of Attorneys' Fees and Reimbursement of Litigation Expenses; and (iii) Settlement Fairness Hearing, substantially in the form attached hereto as Exhibit A-(iii), to be published as set forth in the Preliminary Approval Order.

(aaa) "Taxes" means: (i) all federal, state, and/or local taxes of any kind (including any estimated taxes, interest or penalties thereon) arising with respect to any income earned by the Settlement Fund, including any taxes or tax detriments that may be imposed upon the Releasees or their counsel with respect to any income earned by the Settlement Fund for any period after the deposit of the Cash Settlement Amount in the Escrow Account during which the Settlement Fund does not qualify as a "qualified settlement fund" for federal or state income tax purposes; and (ii) all taxes imposed on payments by the Settlement Fund, including withholding taxes.

(bbb) "Tax Expenses" means the expenses and costs incurred by Lead Counsel in connection with determining the amount of, and paying, any taxes owed by the Settlement Fund (including, without limitation, expenses of tax attorneys and/or accountants and mailing and distribution costs and expenses relating to filing (or failing to file) tax returns for the Settlement Fund).

(ccc) "Unknown Claims" means any Released Plaintiffs' Claims which Lead Plaintiff or any other Settlement Class Member does not know or suspect to exist in his, her or its favor at the time of the release of such claims, and any Released Defendants' Claims which any Defendant does not know or suspect to exist in his or its favor at the time of the release of such claims, which, if known by him, her or it, might have affected his, her or its decision(s) with respect to this Settlement, including, but not limited to, whether or not to object to the Settlement or to the release of the Released Claims. With respect to any and all Released Claims, the Parties stipulate and agree that, upon the Effective Date of the Settlement, Lead Plaintiff and Defendants shall expressly waive, and each of the Settlement Class Members shall be deemed to have, and by operation of the Judgment or the Alternative Judgment, if applicable, shall have, expressly waived, the provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law or foreign law, which is similar, comparable, or equivalent to California Civil Code §1542, which provides:

**A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.**

The Parties acknowledge that they may hereafter discover facts in addition to or different from those which he, she or it or their counsel now knows or believes to be true with respect to the subject matter of the Released Claims, but, upon the Effective Date, Lead Plaintiff and Defendants shall expressly settle and release, and each of the other Settlement Class Members shall be deemed to have, and by operation of the Judgment or the Alternative Judgment, if applicable, shall have, settled and released, any and all Released Claims without regard to the subsequent discovery or existence of such different or additional facts. Lead Plaintiff and Defendants acknowledge, and each of the other Settlement Class Members shall be deemed by operation of the Judgment or the Alternative Judgment, if applicable, to have acknowledged, that the foregoing waiver was separately bargained for and is a key element of the Settlement of which this release is a part.

**PRELIMINARY APPROVAL OF SETTLEMENT**

2. Promptly upon execution of this Stipulation, Lead Plaintiff will move for preliminary approval of the Settlement and the scheduling of a hearing for consideration of, *inter alia*, final approval of the Settlement and Lead Counsel's application for an award of attorneys' fees and reimbursement of Litigation Expenses. Concurrently with the motion for preliminary approval, Lead Plaintiff shall apply to the Court for entry of the Preliminary Approval Order, substantially in the form attached hereto as Exhibit A.

**CLASS CERTIFICATION**

3. Solely for the purpose of the Settlement, the Parties hereby stipulate and agree to:

(a) certification of the Action as a class action, pursuant to Rules 23(a) and (b)(3) of the Federal Rules of Civil Procedure, consistent with the definition of the Settlement Class; (b) appointment of Lead Plaintiff as representative for the Settlement Class; and (c) appointment of Lead Counsel as Class Counsel pursuant to Rule 23(g) of the Federal Rules of Civil Procedure. Lead Plaintiff will move for entry of the Preliminary Approval Order, which will certify the Action to proceed as a class action for settlement purposes only. Defendants expressly reserve the right to contest class certification in the event that the Effective Date does not occur.

**RELEASE OF CLAIMS**

4. The obligations incurred pursuant to this Stipulation are in consideration of: (i) the full and final disposition of the Action as against Defendants; and (ii) the Releases provided for herein.

5. Pursuant to the Judgment, or the Alternative Judgment, if applicable, without further action by anyone, upon the Effective Date of the Settlement, Lead Plaintiff and each of the other Settlement Class Members, on behalf of themselves, and their respective heirs, executors, administrators, predecessors, successors and assigns in their capacities as such, shall be deemed to have, and by operation of law and of the Judgment shall have, fully, finally and forever compromised, settled, released, resolved, relinquished, waived, discharged and dismissed each and every Released Plaintiffs' Claim against the Defendant Releasees, and shall forever be barred and enjoined from commencing, instituting, intervening in or participating in, prosecuting or continuing to prosecute any action or other proceeding in any court of law or equity, arbitration tribunal, or administrative forum, or other forum of any kind or character (whether brought directly, in a representative capacity, derivatively, or in any other capacity), that asserts any or all of the Released Plaintiffs' Claims against any of the Defendant Releasees.

6. Pursuant to the Judgment, or the Alternative Judgment, if applicable, without further action by anyone, upon the Effective Date of the Settlement, Defendants, on behalf of themselves, and their respective heirs, executors, administrators, predecessors, successors and assigns in their capacities as such, shall be deemed to have, and by operation of law and of the Judgment shall have, fully, finally and forever compromised, settled, released, resolved, relinquished, waived and discharged each and every Released Defendants' Claim against the Plaintiff Releasees, and shall forever be barred and enjoined from prosecuting any or all of the Released Defendants' Claims against any of the Plaintiff Releasees.

7. Notwithstanding ¶¶ 4-6 above, nothing in the Judgment, or the Alternative Judgment, if applicable, shall bar any action by any of the Parties to enforce or effectuate the terms of this Stipulation or the Judgment, or Alternative Judgment, if applicable.

**THE SETTLEMENT CONSIDERATION**

8. **Total Settlement Consideration.** In consideration of the full and final settlement of the claims asserted in the Action against Defendants and the Releases specified in ¶¶ 4-6 above, Defendants shall provide or cause to be provided to the Settlement Class total consideration of no less than Three Million Three Hundred Thousand Dollars ($3,300,000.00) in value, consisting of the Cash Settlement Amount (Two Million Seven Hundred Thousand Dollars ($2,700,000.00)), the number of shares of SCWorx common stock that equates to a value of Six Hundred Thousand Dollars ($600,000.00) (the Settlement Shares), and 100,000 shares of SCWorx common stock at then-current market value (the Schessel Shares), in the form and manner described below:

(a) **Deposit of Cash Settlement Amount.** Defendants shall cause a portion of the Cash Settlement Amount equal to Eight Hundred Six Thousand, Seventy-Three Dollars and Eighty-Six Cents ($806,073.86) to be deposited into the Escrow Account within ten (10) business days following the Court's entry of an order granting preliminary approval of the Settlement. Defendants shall cause the remaining portion of the Cash Settlement Amount equal to One Million, Eight Hundred Ninety-Three Thousand, Nine Hundred Twenty-Six Dollars and Fourteen Cents ($1,893,926.14) to be deposited into the Escrow Account within ten (10) business days following the effective date of Defendants' funding agreement with XL Specialty Insurance Company.[2] Lead Counsel will provide to Defendants' Counsel all information necessary to effectuate a transfer of funds to the Escrow Account, including the bank name and ABA routing number, account number, and a signed Form W-9 reflecting the taxpayer identification for the Settlement Fund.

[2] Lead Counsel has reviewed the funding agreement between Defendants and XL Specialty Insurance Company and can provide the Court with a copy if the Court wishes to review. Based on the terms of the agreement, we expect the effective date to occur prior to the Settlement Fairness Hearing under Lead Plaintiff's proposed schedule.

(b) **Delivery of Schessel Shares.** Schessel shall cause one hundred thousand (100,000) shares of his holdings of SCWorx common stock to be transferred to the Escrow Account or such other account as directed by Lead Counsel within ten (10) business days following the Court's entry of an order granting preliminary approval of the Settlement. It is understood that the Schessel Shares may be delivered by the Company on behalf of Schessel. Any fees incurred to (i) register the Schessel Shares in the name of the Authorized Claimants in accounts maintained by the Company's transfer agent or (ii) distribute the Schessel Shares to such Authorized Claimant accounts, including fees charged by the Company's transfer agent, will be paid from the Escrow Account and will constitute Notice and Administration Costs.

(c) **Terms, Issuance, and Delivery of Settlement Shares.** The number of Settlement Shares that SCWorx will issue will be determined on the date the Court issues the Class Distribution Order, as further described in ¶ 26 below, and will be calculated by dividing Six Hundred Thousand Dollars ($600,000.00) by the volume-weighted average daily adjusted closing price of SCWorx common stock over the 20 trading days immediately preceding the date of the Class Distribution Order. Further, the total number of Settlement Shares to be issued will be adjusted to reflect any subdivision or combination in SCWorx common stock by stock splits, reverse stock splits, reorganization, recapitalization, or other similar transaction beginning with 20th trading day immediately preceding the date of the Distribution Order through and including the date the Settlement Shares are issued by SCWorx and delivered to Authorized Claimants.

(i) SCWorx must issue the Settlement Shares within five (5) business days of the Class Distribution Order. SCWorx will be responsible for the payment of costs associated with the issuance of the Settlement Shares, including without limitation any and all costs associated with listing the Settlement Shares on Nasdaq (or any other stock exchange or market on which SCWorx's common stock is then listed or quoted), provided however that SCWorx shall not be responsible for fees charged by SCWorx's transfer agent to (i) register the Settlement Shares in the name of the Authorized Claimants in accounts maintained by the Company's transfer agent or (ii) distribute the Settlement Shares from the Company treasury to the Authorized Claimant's accounts at such transfer agent, all of which costs will be paid from the Escrow Account and will constitute Notice and Administration Costs.

(ii) The Company will use commercially reasonable efforts to distribute the Settlement Shares to all Authorized Claimants within twenty (20) days of the Class Distribution Order, but in any case, said Shares will be distributed within thirty (30) days of the Class Distribution Order. No Authorized Claimant shall, during any of the four weekly periods immediately following the Distribution of the Settlement Shares, sell or transfer more than twenty- five percent (25%) per week of the total number of Settlement Shares received. Lead Counsel shall notify each Authorized Claimant in writing of the foregoing limitation. For the avoidance of doubt, If an Authorized Claimant is entitled to 5,000 Settlement Shares pursuant to the Class Distribution Order, then such Authorized Claimant may not sell more than 1,250 of such Settlement Shares during any of the four weekly periods immediately following the distribution of the Settlement Shares. Except as otherwise expressly provided in Section 8(c)(i), all costs associated with (i) registering the Settlement Shares and the Schessel Shares in the name of the Authorized Claimants in accounts maintained by the Company's transfer agent or (ii) distributing the Settlement Shares and the Schessel Shares from the Company treasury and Schessel, respectively, to Authorized Claimants accounts at the Company's transfer agent (including any costs incurred by SCWorx's transfer agent) will be paid from the Escrow Account and will constitute Notice and Administration Costs.

(iii) All Settlement Shares will be duly and validly issued, fully-paid, non-assessable, free from all liens and encumbrances, complaint with any applicable state securities laws, rules, or regulations ("State Blue Sky Laws"), and free of any restrictions on transfer in accordance with the exemption from registration contained in Section 3(a)(10) of the Securities Act of 1933, 15 U.S.C. § 77c(a)(10). In order to qualify for the exemption provided by Section 3(a)(l0) of the Securities Act, the Settling Parties and their counsel will take all steps necessary to ensure that each of the following conditions will be satisfied: (i) Settlement Class Members shall be given adequate notice of the Settlement Hearing; (ii) the Settlement Hearing shall be open to all Settlement Class Members; (iii) there shall be no improper impediments to the appearance by any Settlement Class Member at the Settlement Hearing; (iv) the Court shall be advised before the Settlement Hearing that SCWorx will rely on the Section 3(a)(10) exemption based on the Court's approval of the issuance of the Settlement Shares as part of the consideration provided in exchange for the settlement and release of the claims asserted in the Action; (v) the Settlement Hearing shall include consideration of the fairness of the terms and conditions of the issuance of the Settlement Shares in exchange for the settlement and release of the claims asserted in the Action; and (vi) the order to be entered by the Court shall approve the fairness to the Settlement Class Members of the terms and conditions of the exchange of the issuance of the Settlement Shares for the settlement and release of the claims asserted in the Action.

(iv) No later than the date of issuance of the Settlement Shares, SCWorx must confirm to Lead Counsel that it has received the written opinion of counsel, at no cost to the Settlement Class, the Settlement Fund, or Plaintiff's Counsel, substantially to the effect that the issuance, delivery and subsequent distribution of Settlement Shares to Authorized Claimants is exempt from registration under the Securities Act under Section 3(a)(l0) of that Act (the "3(a)(l0) Opinion"). SCWorx understands that SCWorx's transfer agent and Lead Counsel may rely on the representation that SCWorx has obtained the 3(a)(l0) Opinion.

(v) Notwithstanding any of the foregoing, SCWorx may, at its option, choose to pay all or part of the $600,000.00 Settlement Shares value in cash of the same value. If SCWorx chooses to pay any portion of the Settlement Shares in cash, it will deposit that amount in the Escrow Account within ten (10) calendar days after the Class Distribution Order.

**USE OF SETTLEMENT FUND**

9. The Settlement Fund shall be used to pay: (a) any Taxes and Tax Expenses; (b) any Notice and Administration Costs; (c) any Litigation Expenses awarded by the Court; and (d) any attorneys' fees awarded by the Court. The balance remaining in the Settlement Fund, that is, the Net Settlement Fund, shall be distributed to Authorized Claimants as provided in ¶¶ 18-29 of this Stipulation, or as otherwise ordered by the Court.

10. Except as provided herein or pursuant to orders of the Court, the Net Settlement Fund shall remain in the Escrow Account prior to the Effective Date. All funds held by the Escrow Agent shall be deemed to be in the custody of the Court and shall remain subject to the jurisdiction of the Court until such time as the funds shall be distributed or returned pursuant to the terms of this Stipulation or further order of the Court. At the written direction of Lead Counsel, the Escrow Agent shall invest any funds in the Escrow Account exclusively in instruments or accounts backed by the full faith and credit of the United States Government or fully insured by the United States Government or an agency thereof, including a United States Treasury Fund or a bank account that is either (a) fully insured by the Federal Deposit Insurance Corporation ("FDIC") or (b) secured by instruments backed by the full faith and credit of the United States Government. The Escrow Agent shall reinvest the proceeds of these instruments or accounts as they mature in similar instruments or accounts at their then-current market rates.

11. The Escrow Agent shall not disburse the Settlement Fund except as provided in this Stipulation or as otherwise ordered by the Court. The Parties agree that the Settlement Fund is intended to be a Qualified Settlement Fund within the meaning of Treasury Regulation § 1.468B- 1 and that Lead Counsel, as administrator of the Settlement Fund within the meaning of Treasury Regulation § 1.468B-2(k)(3), shall be solely responsible for filing or causing to be filed all informational and other tax returns as may be necessary or appropriate (including, without limitation, the returns described in Treasury Regulation § 1.468B-2(k)) for the Settlement Fund. Lead Counsel shall also be responsible for causing payment to be made from the Settlement Fund of any Taxes or Tax Expenses owed with respect to the Settlement Fund. Upon written request, the Company will provide to Lead Counsel the statement described in Treasury Regulation § 1.468B-3(e). Lead Counsel, as administrator of the Settlement Fund within the meaning of Treasury Regulation § 1.468B-2(k)(3), shall timely make such elections as are necessary or advisable to carry out this paragraph, including, as necessary, making a "relation back election," as described in Treasury Regulation § 1.468B-1(j), to cause the Qualified Settlement Fund to come into existence at the earliest allowable date, and shall take or cause to be taken all actions as may be necessary or appropriate in connection therewith.

12. All Taxes and Tax Expenses shall be paid out of the Settlement Fund. Taxes and Tax Expenses shall be timely paid by the Escrow Agent pursuant to the disbursement instructions to be set forth in the Escrow Agreement, and without further order of the Court, and Lead Counsel shall be authorized (notwithstanding anything herein to the contrary) to withhold from distribution to Authorized Claimants any funds necessary to pay such amounts, including the establishment of adequate reserves for any Taxes and Tax Expenses (as well as any amounts that may be required to be withheld under Treas. Reg. §1.468B-2(l)(2)). The Parties hereto agree to cooperate with the Escrow Agent, each other, and their tax attorneys and accountants to the extent reasonably necessary to carry out the provisions of ¶¶ 11 and 12 of this Stipulation.

13. The Settlement is not a claims-made settlement. Upon the occurrence of the Effective Date, no Defendant, Defendant Releasee, or any other person or entity who or which paid any portion of the Settlement Amount shall have any right to the return of the Settlement Fund or any portion thereof for any reason whatsoever, including without limitation, the number of Claim Forms submitted, the collective amount of Recognized Claims of Authorized Claimants, the percentage of recovery of losses, or the amounts to be paid to Authorized Claimants from the Net Settlement Fund.

14. Prior to the Effective Date of the Settlement, Lead Counsel may pay from the Escrow Account, without further approval from Defendants or further order of the Court, all Notice and Administration Costs actually incurred and paid or payable. Such costs and expenses shall include, without limitation, the actual costs of printing and mailing the Notice and Claim Form, publishing the Summary Notice, reimbursements to nominee owners for forwarding the Notice and Claim Form to their beneficial owners, the administrative expenses incurred and fees charged by the Claims Administrator in connection with providing notice, administering the Settlement (including processing submitted Claims), and the fees, if any, of the Escrow Agent. In the event that the Settlement is terminated pursuant to the terms of this Stipulation, all Notice and Administration Costs paid or incurred, including any related fees, shall not be returned or repaid to Defendants, any of the other Defendant Releasees or any other person or entity who or which paid any portion of the Settlement Amount.

## ATTORNEYS' FEES AND LITIGATION EXPENSES

15. Lead Counsel will apply to the Court for an award of attorneys' fees to Plaintiff's Counsel to be paid from (and out of) the Settlement Fund. Lead Counsel also will apply to the Court for reimbursement of Plaintiff's Counsel's Litigation Expenses, which may include a request for reimbursement of Lead Plaintiff's costs and expenses directly related to its representation of the Settlement Class, to be paid from (and out of) the Settlement Fund. Lead Counsel's application for an award of attorneys' fees and/or Litigation Expenses is not the subject of any agreement between Defendants and Lead Plaintiff other than what is set forth in this Stipulation.

16. Plaintiff's Counsel will seek attorneys' fees of no more than 25% of the Settlement Fund, Settlement Shares, and Schessel Shares, plus Litigation Expenses. The portion of any attorneys' fees and Litigation Expenses awarded by the Court that are to be paid to Plaintiff's Counsel from (and out of) the Cash Settlement Fund shall be paid upon the Effective Date of the Settlement, and the portion of any such attorneys' fees and Litigation Expenses awarded that are to be paid from (and out of) the Settlement Shares and the Schessel Shares shall be paid at the time of the Class Distribution Order, notwithstanding the existence of any timely filed objections thereto, or potential for appeal therefrom, or collateral attack on the Settlement or any part thereof, subject to Plaintiff's Counsel's obligation to make appropriate refunds or repayments to the Settlement Fund, plus accrued interest at the same net rate as is earned by the Settlement Fund, if the Settlement is terminated pursuant to the terms of this Stipulation or if, as a result of any appeal or further proceedings on remand, or successful collateral attack, the award of attorneys' fees and/or Litigation Expenses is reduced or reversed and such order reducing or reversing the award has become Final. Plaintiff's Counsel shall make the appropriate refund or repayment in full no later than thirty (30) calendar days after: (a) receiving from Defendants' Counsel notice of the termination of the Settlement; or (b) any order reducing or reversing the award of attorneys' fees and/or Litigation Expenses has become Final.

17. The procedure for, the allowance or disallowance of, and the amount of any attorneys' fees and/or Litigation Expenses are not necessary terms of this Stipulation, are not conditions of the Settlement embodied herein, and shall be considered separately from the Court's consideration of the fairness, reasonableness, and adequacy of the Settlement. Neither Lead Plaintiff nor Lead Counsel may cancel or terminate the Settlement based on this Court's or any appellate court's ruling with respect to attorneys' fees and/or Litigation Expenses, and any appeal from any order awarding attorneys' fees and/or Litigation Expenses or any reversal or modification of any such order shall not affect or delay the finality of the Judgment.

## NOTICE AND SETTLEMENT ADMINISTRATION

18. As part of the Preliminary Approval Order, Lead Plaintiff shall seek appointment of the Claims Administrator. The Claims Administrator shall administer the Settlement, including but not limited to the process of receiving, reviewing and approving or denying Claims, under Lead Counsel's supervision and subject to the jurisdiction of the Court. Other than Defendants' obligations pursuant to ¶¶ 8 and 19, none of Defendants, nor any of the other Defendant Releasees, shall have any involvement in or any responsibility, authority or liability whatsoever for the selection of the Claims Administrator, the Plan of Allocation, the administration of the Settlement, the Claims process, or disbursement of the Net Settlement Fund, and shall have no liability whatsoever to any person or entity, including, but not limited to, Lead Plaintiff, any other Settlement Class Members or Plaintiff's Counsel in connection with the foregoing. Defendants' Counsel shall cooperate in the administration of the Settlement to the extent reasonably necessary to effectuate its terms.

19. In accordance with the terms of the Preliminary Approval Order to be entered by the Court, Lead Counsel shall cause the Claims Administrator to mail, or email, the Notice and Claim Form to those members of the Settlement Class as may be identified through reasonable effort. Lead Counsel shall also cause the Claims Administrator to have the Summary Notice published in accordance with the terms of the Preliminary Approval Order to be entered by the Court. For the purposes of identifying and providing notice to the Settlement Class, within five (5) business days after the Court's entry of the Preliminary Approval Order, the Company shall provide to Lead Counsel or the Claims Administrator, at no cost to the Settlement Fund, Lead Plaintiff or the Settlement Class, Plaintiff's Counsel or the Claims Administrator, shareholder lists of purchasers of record (consisting of names and addresses, as well as e-mail addresses if available) during the Class Period in electronic format, such as Excel.

20. The Claims Administrator shall receive Claims and determine first, whether the Claim is a valid Claim, in whole or in part, and second, each Authorized Claimant's *pro rata* share of the Net Settlement Fund as calculated pursuant to the proposed Plan of Allocation set forth in the Notice attached hereto as Exhibit A-(i) (or such other plan of allocation as the Court approves).

21. The Plan of Allocation proposed in the Notice is not a necessary term of the Settlement or of this Stipulation, and it is not a condition of the Settlement or of this Stipulation that any particular plan of allocation be approved by the Court. Lead Plaintiff and Lead Counsel may not cancel or terminate the Settlement (or this Stipulation) based on this Court's or any appellate court's ruling with respect to the Plan of Allocation or any other plan of allocation approved in this Action. Defendants and the other Defendant Releasees shall not object in any way to the Plan of Allocation or any other plan of allocation in this Action. No Defendant, nor any other Defendant Releasees, shall have any involvement with or liability, obligation or responsibility whatsoever for the application of the Court-approved plan of allocation.

22. Any Settlement Class Member who does not submit a valid Claim Form will not be entitled to receive any distribution from the Net Settlement Fund, but will otherwise be bound by all of the terms of this Stipulation and Settlement, including the terms of the Judgment or, the Alternative Judgment, if applicable, to be entered in the Action and the Releases provided for herein and therein, and will be permanently barred and enjoined from bringing any action, claim, or other proceeding of any kind against the Defendant Releasees with respect to the Released Plaintiffs' Claims in the event that the Effective Date occurs with respect to the Settlement.

23. Lead Counsel shall be responsible for supervising the administration of the Settlement and the disbursement of the Net Settlement Fund subject to Court approval. No Defendant, or any other Defendant Releasees, shall be permitted to review, contest or object to any Claim, or any decision of the Claims Administrator or Lead Counsel with respect to accepting or rejecting any Claim, nor shall any Defendant Releasee have any responsibility for, interest in, or liability for any decision. Lead Counsel shall have the right, but not the obligation, to waive what it deems to be formal or technical defects in any Claims submitted in the interests of achieving substantial justice.

24. For purposes of determining the extent, if any, to which a Settlement Class Member shall be entitled to be treated as an Authorized Claimant, the following conditions shall apply:

(a) Each Claimant shall be required to submit a Claim in paper form, substantially in the form attached hereto as Exhibit A-(ii), or in electronic form, in accordance with the instructions for the submission of such Claims, and supported by such documents as are designated therein, including proof of the Claimant's claimed loss, or such other documents or proof as the Claims Administrator or Lead Counsel, in its discretion, may deem acceptable;

(b) All Claims must be submitted by the date set by the Court in the Preliminary Approval Order and specified in the Notice, unless extended by the Court. Any Settlement Class Member who fails to submit a Claim by such date shall be forever barred from receiving any distribution from the Net Settlement Fund or payment pursuant to this Stipulation (unless by Order of the Court such Settlement Class Member's Claim Form is accepted), but shall in all other respects be bound by all of the terms of this Stipulation and the Settlement, including the terms of the Judgment or Alternative Judgment, if applicable, and the Releases provided for herein and therein, and will be permanently barred and enjoined from bringing any action, claim or other proceeding of any kind against any Defendants' Releasees with respect to any Released Plaintiffs' Claim. A Claim Form shall be deemed to be submitted when postmarked, if received with a postmark indicated on the envelope and if mailed by first-class mail and addressed in accordance with the instructions thereon. In all other cases, the Claim Form shall be deemed to have been submitted on the date when actually received by the Claims Administrator;

(c) Each Claim shall be submitted to and reviewed by the Claims Administrator who shall determine in accordance with this Stipulation and the plan of allocation the extent, if any, to which each Claim shall be allowed, subject to review by the Court pursuant to subparagraph (e) below as necessary;

(d) Claims that do not meet the submission requirements may be rejected in whole or in part by the Claims Administrator. Prior to rejecting a Claim in whole or in part, the Claims Administrator shall communicate with the Claimant in writing, to give the Claimant the chance to remedy any curable deficiencies in the Claim Form submitted. The Claims Administrator shall notify, in a timely fashion and in writing, all Claimants whose Claim the Claims Administrator proposes to reject in whole or in part, setting forth the reasons therefor, and shall indicate in such notice that the Claimant whose Claim is to be rejected has the right to review by the Court if the Claimant so desires and complies with the requirements of subparagraph (e) below; and

(e) If any Claimant whose Claim has been rejected in whole or in part desires to contest such rejection, the Claimant must, within twenty (20) days after the date of mailing of the notice required in subparagraph (d) above, serve upon the Claims Administrator a notice and statement of reasons indicating the Claimant's grounds for contesting the rejection along with any supporting documentation, and requesting a review thereof by the Court. If a dispute concerning a Claim cannot be otherwise resolved, Lead Counsel shall thereafter present the request for review to the Court.

25. Each Claimant shall be deemed to have submitted to the jurisdiction of the Court with respect to the Claimant's Claim, and the Claim will be subject to investigation and discovery under the Federal Rules of Civil Procedure, provided, however, that such investigation and discovery shall be limited to that Claimant's status as a Settlement Class Member and the validity and amount of the Claimant's Claim. No discovery shall be allowed on the merits of this Action or of the Settlement in connection with the processing of Claims.

26. Lead Counsel will apply to the Court for a Class Distribution Order: (a) approving the Claims Administrator's administrative determinations concerning the acceptance and rejection of the Claims submitted; (b) approving payment of any administration fees and expenses associated with the administration of the Settlement from the Escrow Account; and (c) if the Effective Date has occurred, directing payment of the Net Settlement Fund to Authorized Claimants from the Escrow Account.

27. Payment pursuant to the Class Distribution Order shall be final and conclusive against all Settlement Class Members. All Settlement Class Members whose Claims are not approved by the Court for payment shall be barred from participating in distributions from the Net Settlement Fund, but otherwise shall be bound by all of the terms of this Stipulation and the Settlement, including the terms of the Judgment or Alternative Judgment, if applicable, to be entered in this Action and the Releases provided for herein and therein, and will be permanently barred and enjoined from bringing any action against any and all Defendant Releasees with respect to any and all of the Released Plaintiffs' Claims.

28. No person or entity shall have any claim against Lead Plaintiff, Plaintiff's Counsel, the Claims Administrator or any other agent designated by Lead Counsel, or the Defendant Releasees and their respective counsel, based on any investments, costs, expenses, administration, allocations, calculations, payments, the withholding of Taxes (including interest and penalties) owed by the Settlement Fund (or any losses incurred in connection with Taxes owed by the Settlement Fund) or distributions that are made substantially in accordance with the Stipulation, the plan of allocation approved by the Court, or any order of the Court.

29. All proceedings with respect to the administration, processing and determination of Claims and the determination of all controversies relating to Claims, including disputed questions of law and fact with respect to the validity of Claims, shall be subject to the jurisdiction of the Court. All Settlement Class Members, other Claimants, and the Parties to this Settlement expressly waive trial by jury (to the extent any such right may exist) and any right of appeal or review with respect to such determinations.

**TERMS OF THE JUDGMENT**

30. If the Settlement contemplated by this Stipulation is approved by the Court, Lead Counsel and Defendants' Counsel shall request that the Court enter a Judgment, substantially in the form attached hereto as Exhibit B, including the dismissal with prejudice of all of the claims asserted against Defendants in this Action.

**CONDITIONS OF SETTLEMENT AND EFFECT OF DISAPPROVAL, CANCELLATION OR TERMINATION**

31. The Effective Date of the Settlement shall be the first date on which all of the following conditions have occurred:

(a) the Court has entered the Preliminary Approval Order, substantially in the form set forth in Exhibit A attached hereto, as required by ¶ 2 above;

(b) the Cash Settlement Amount has been deposited into the Escrow Account in accordance with the provisions of ¶ 8 above;

(c) the Schessel Shares have been delivered in accordance with the provisions of this Stipulation;

(d) the Settlement Shares have been issued and delivered in accordance with the provisions of this Stipulation;

(e) the Company has confirmed to Lead Counsel that it has received the 3(a)(10) Opinion in accordance with the provisions of ¶ 8 above;

(f) Defendants have not exercised their option to terminate the Settlement pursuant to the provisions of this Stipulation;

(g) Lead Plaintiff has not exercised its option to terminate the Settlement pursuant to the provisions of this Stipulation;

(h) the Court has entered Judgment, substantially in the form proposed by the Parties, following notice to the Settlement Class and a hearing, as prescribed by Rule 23 of the Federal Rules of Civil Procedure; and

(i) the Judgment has become Final and no longer subject to appeal.

32. Upon the occurrence of all of the events referenced in ¶ 31 above, any and all remaining interest or right of Defendants or any other Defendant Releasee in or to the Settlement Fund, if any, shall be absolutely and forever extinguished and the Releases herein shall be effective.

33. If (i) any Defendant exercises the right to terminate the Settlement as provided in this Stipulation; (ii) Lead Plaintiff exercises his right to terminate the Settlement as provided in this Stipulation; (iii) the Court disapproves the Settlement; or (iv) the Effective Date as to the Settlement otherwise fails to occur, then:

(a) the Settlement (including, without limitation, the Releases provided under the Settlement) shall be deemed null and void;

(b) Lead Plaintiff and Defendants shall revert to their respective positions in the Action as of the date immediately prior to the execution of the Term Sheet on December 20, 2021;

(c) the terms and provisions of this Stipulation, with the exception of this ¶ 33 and ¶¶ 14, 16, 37 and 57, shall have no further force and effect with respect to the Parties and shall not be used in the Action or in any other proceeding for any purpose, and any Judgment, or Alternative Judgment, if applicable, or order entered by the Court in accordance with the terms of this Stipulation shall be treated as vacated, *nunc pro tunc*;

(d) within five (5) business days after joint written notification of termination is sent by Defendants' Counsel and Lead Counsel to the Escrow Agent, the Cash Settlement Fund (including accrued interest thereon and any funds received by Lead Counsel consistent with ¶ 16 above), less any Notice and Administration Costs actually incurred, paid or payable and less any Taxes and Tax Expenses paid, due or owing shall be returned by the Escrow Agent to the parties who contributed to the payment of the Cash Settlement Amount as instructed by Defendants' Counsel;

(e) within five (5) business days after joint written notification of termination is sent by Defendants' Counsel and Lead Counsel to the entity holding any undistributed Settlement Shares and Schessel Shares, any such undistributed Settlement Shares and Schessel Shares will be returned to SCWorx and Schessel respectively, if applicable;

(f) counsel for the Parties will negotiate in good faith a proposed new scheduling order for the Action; and

(g) attorneys' fees and Litigation Expenses will be reimbursed by Plaintiffs' Counsel as provided in ¶ 16 of this Stipulation.

34. It is further stipulated and agreed that Lead Plaintiff, on the one hand, and Defendants (provided Defendants unanimously agree amongst themselves), on the other hand, shall each have the right to terminate the Settlement and this Stipulation, by providing written notice of their election to do so ("Termination Notice") to the other Parties to this Stipulation within thirty (30) days of: (a) the Court's final refusal to enter the Preliminary Approval Order in any material respect; (b) the Court's final refusal to approve the Settlement or any material part thereof; (c) the Court's final refusal to enter the Judgment in any material respect as to the Settlement; (d) the date upon which the Judgment is modified or reversed in any material respect by the United States Court of Appeals for the Second Circuit or the United States Supreme Court; or (e) the date upon which an Alternative Judgment is modified or reversed in any material respect by the United States Court of Appeals for the Second Circuit or the United States Supreme Court, and the provisions of ¶ 33 above shall apply. However, any decision or proceeding, whether in this Court or any appellate court, with respect to an application for attorneys' fees or reimbursement of Litigation Expenses or with respect to any plan of allocation shall not be considered material to the Settlement, shall not affect the finality of any Judgment or Alternative Judgment, if applicable, and shall not be grounds for termination of the Settlement.

35. In addition to the grounds set forth in ¶ 34 above, Lead Plaintiff shall have the unilateral right to terminate the Settlement if any of: (i) the Cash Settlement Amount, (ii) the Schessel Shares, or (iii) the Settlement Shares are not paid or delivered in accordance with ¶ 8 above and the failure is not cured within fourteen (14) calendar days of Lead Plaintiff's written notice of its election to terminate.

36. Additionally, although Defendants do not presently intend to file for bankruptcy within 150 days of the date of this Stipulation, in the event of the entry of a final order of a court of competent jurisdiction determining the transfer of money to the Settlement Fund or any portion thereof by or on behalf of Defendants to be a preference, voidable transfer, fraudulent transfer or similar transaction and any portion thereof is required to be returned, and such amount is not promptly deposited into the Settlement Fund by others, then, at the election of Lead Plaintiff, the Parties shall jointly move the Court to vacate and set aside the Releases given and the Judgment or Alternative Judgment, if applicable, entered in favor of Defendants and the other Defendant Releasees pursuant to this Stipulation, in which event the Releases and Judgment, or Alternative Judgment, if applicable, shall be null and void, and the Parties shall be restored to their respective positions in the litigation as provided in ¶ 33 above. Plaintiff's Counsel shall promptly return any attorneys' fees and Litigation Expenses received pursuant to ¶ 16, above, plus accrued interest at the same net rate as is earned by the Settlement Fund, and any cash amounts in the Settlement Fund (less any Taxes and Tax Expenses paid, due or owing with respect to the Settlement Fund and less any Notice and Administration Costs actually incurred, paid or payable) shall be returned as provided in ¶ 33 above.

**NO ADMISSION OF WRONGDOING**

37. Neither this Stipulation (whether or not consummated), including the exhibits hereto and the Plan of Allocation contained therein (or any other plan of allocation that may be approved by the Court), the negotiations leading to the execution of this Stipulation, nor any proceedings taken pursuant to or in connection with this Stipulation and/or approval of the Settlement (including any arguments proffered in connection therewith):

(a) may be (i) offered against any of the Defendant Releasees as evidence of, or construed as, or deemed to be evidence of any presumption, concession, or admission by any of the Defendant Releasees with respect to the truth of any fact alleged by Lead Plaintiff or the validity of any claim that was or could have been asserted or the deficiency of any defense that has been or could have been asserted in this Action or in any other litigation, or of any liability, negligence, fault, or other wrongdoing of any kind of any of the Defendant Releasees or in any way referred to for any other reason as against any of the Defendant Releasees, in any civil, criminal or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of this Stipulation; (ii) offered or received against any Defendant as evidence of or construed as or deemed to be evidence of any presumption, concession or admission by any Defendant that any damages were suffered by Plaintiff or the Settlement Class, or anyone else; (iii) offered or received against any Defendant as evidence of a presumption concession, admission of any fault, misrepresentation, or omission with respect to any statement or written document approved or made by any Defendant; (iv) offered or received against any Defendant as evidence of a presumption, concession, or admission of any liability, negligence fault or wrongdoing, or in any way referred to for any other reason as against any of the Parties to this Stipulation, in any other civil, criminal, or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provision of this Stipulation; provided, however, that if this Stipulation is approved by the Court, the Parties may refer to it to effectuate the releases granted to them hereunder; or (v) construed against Defendants, Plaintiff or the Settlement Class as an admission or concession that the consideration to be given hereunder represents the amount which could be or would have been recovered after trial.

(b) may be offered against any of the Plaintiff Releasees, as evidence of, or construed as, or deemed to be evidence of any presumption, concession or admission by any of the Plaintiff Releasees that any of their claims are without merit, that any of the Defendant Releasees had meritorious defenses, that damages recoverable under the Complaint would not have exceeded the Settlement Amount, or with respect to any liability, negligence, fault or wrongdoing of any kind, or in any way referred to for any other reason as against any of the Plaintiff Releasees, in any civil, criminal or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of this Stipulation; or

(c) may be construed against any of the Releasees as an admission, concession, or presumption that the consideration to be given hereunder represents the amount which could be or would have been recovered after trial; *provided, however*, that if this Stipulation is approved by the Court, the Parties and the Releasees and their respective counsel may refer to it to effectuate the protections from liability granted hereunder or otherwise to enforce the terms of the Settlement.

**MISCELLANEOUS PROVISIONS**

38. All of the exhibits attached hereto are hereby incorporated by reference as though fully set forth herein. Notwithstanding the foregoing, in the event that there exists a conflict or inconsistency between the terms of this Stipulation and the terms of any exhibit attached hereto, the terms of the Stipulation shall prevail.

39. Pursuant to the Class Action Fairness Act ("CAFA"), 28 U.S.C. § 1715(b)-(c), no later than ten (10) calendar days after the Stipulation is filed with the Court, Defendants, at their own cost and expense, shall serve proper notice of the proposed Settlement upon those who are entitled to notice pursuant to CAFA.

40. The Parties intend this Stipulation and the Settlement to be a final and complete resolution of all disputes asserted or which could be asserted by Lead Plaintiff and any Settlement Class Members against the Defendants' Releasees with respect to the Released Plaintiffs' Claims. Accordingly, Lead Plaintiff and its counsel and Defendants and their counsel agree not to assert in any forum that this Action was brought by Lead Plaintiff or defended by Defendants in bad faith or without a reasonable basis. No party shall assert any claims of any violation of Rule 11 of the Federal Rules of Civil Procedure, or of 28 U.S.C. Section 1927, or otherwise make any accusation of wrongful or actionable conduct by any other Party, relating to the institution, prosecution, defense, or settlement of this Action. The Parties agree that the amounts paid and the other terms of the Settlement were negotiated at arm's-length and in good faith by the Parties through a mediation process supervised and conducted by Jed Melnick, Esq. of JAMS, and reflect the Settlement that was reached voluntarily after extensive negotiations and consultation with experienced legal counsel, who were fully competent to assess the strengths and weaknesses of their respective clients' claims or defenses.

41. The terms of the Settlement, as reflected in this Stipulation, may not be modified or amended, nor may any of its provisions be waived except by a writing signed on behalf of both Lead Plaintiff and Defendants (or their successors-in-interest).

42. Defendants may file the Stipulation and/or the Order and Final Judgment in any action that may be brought against them in order to support a defense, claim, or counterclaim based on principles of *res judicata*, collateral estoppel, release and discharge, good faith settlement, judgment bar or reduction, or any other theory of claim preclusion or issue preclusion or similar defense or counterclaim. Plaintiff and the Settlement Class understand, acknowledge and agree that Defendants have denied and continue to deny all claims of wrongdoing, liability and damages alleged in the Action.

43. Except as otherwise provided for herein, all agreements made and orders entered during the course of the Action relating to the confidentiality of information shall survive this Stipulation.

44. This Stipulation supersedes the Term Sheet dated December 20, 2021.

45. The headings herein are used for the purpose of convenience only and are not meant to have legal effect.

46. Pending approval of the Court of this Stipulation and its exhibits, all proceedings in this Action shall be stayed and all members of the Settlement Class shall be barred and enjoined from prosecuting any of the Released Plaintiffs' Claims against any of the Defendant Releasees.

47. The administration and consummation of the Settlement as embodied in this Stipulation shall be under the authority of the Court, and the Court shall retain jurisdiction for the purpose of entering orders providing for awards of attorneys' fees and Litigation Expenses to Lead Counsel and enforcing the terms of this Stipulation, including the Plan of Allocation (or such other plan of allocation as may be approved by the Court) and the distribution of the Net Settlement Fund to Settlement Class Members.

48. The waiver by one Party of any breach of this Stipulation by any other Party shall not be deemed a waiver of any other prior or subsequent breach of this Stipulation.

49. This Stipulation and its exhibits constitute the entire agreement among Lead Plaintiff and Defendants concerning the Settlement. All Parties acknowledge that no other agreements, representations, warranties, or inducements have been made by any party hereto concerning this Stipulation or its exhibits other than those contained and memorialized in such documents.

50. This Stipulation may be executed in one or more counterparts, including by signature transmitted via facsimile, or by a .pdf/.tif image of the signature transmitted via email. All executed counterparts and each of them shall be deemed to be one and the same instrument.

51. This Stipulation shall be binding upon and inure to the benefit of the successors and assigns of the Parties, including any and all Releasees and any corporation, partnership, or other entity into or with which any party hereto may merge, consolidate or reorganize.

52. The construction, interpretation, operation, effect and validity of this Stipulation, the Supplemental Agreement and all documents necessary to effectuate the Settlement shall be governed by the internal laws of the State of New York without regard to conflicts of laws, except to the extent that federal law requires that federal law govern.

53. Any action arising under or to enforce this Stipulation or any portion thereof, shall be commenced and maintained only in the Court.

54. This Stipulation shall not be construed more strictly against one Party than another merely by virtue of the fact that it, or any part of it, may have been prepared by counsel for one of the Parties, it being recognized that it is the result of arm's-length negotiations between the Parties and all Parties have contributed substantially and materially to the preparation of this Stipulation.

55. All counsel and any other person executing this Stipulation and any of the exhibits hereto, or any related Settlement documents, warrant and represent that they have the full authority to do so and that they have the authority to take appropriate action required or permitted to be taken pursuant to the Stipulation to effectuate its terms.

56. Lead Counsel and Defendants' Counsel agree to cooperate fully with one another in seeking Court approval of the Preliminary Approval Order and the Settlement, as embodied in this Stipulation, and to use best efforts to promptly agree upon and execute all such other documentation as may be reasonably required to obtain final approval by the Court of the Settlement.

57. If any Party is required to give notice to another party under this Stipulation, such notice shall be in writing and shall be deemed to have been duly given upon receipt of hand delivery or email transmission, with confirmation of receipt. Notice shall be provided as follows:

| | |
|---|---|
| If to Lead Plaintiff or Lead Counsel: | Kaplan Fox & Kilsheimer LLP<br>Attn: Laurence D. King<br>1999 Harrison Street, Ste. 1560<br>Oakland, CA 94612<br>Telephone: (415) 772-4700<br>Facsimile: (415) 772-4707<br>Email: lking@kaplanfox.com |
| If to Defendants or their respective Defendants' Counsel: | King & Spalding LLP<br>Paul R. Bessette<br>500 West 2nd Street Ste. 1800<br>Austin, TX 78701<br>Telephone: (512) 457-2050<br>Facsimile: (512) 457-2100<br>Email: pbessette@kslaw.com<br>Counsel for Marc S. Schessel and |

Law Offices of Carole R. Bernstein, Esq.
Carole R. Bernstein
41 Maple Avenue North
Westport, Connecticut 06880
Telephone: 203-255-8698
Facsimile: 203-259-4735
Email: cbernsteinesq@gmail.eom
Counsel for SCWorx Corp.

58. Except as otherwise provided herein, each party shall bear its own costs.

59. All agreements 11ade and orders entered during the course of this Action relating to the confidentiality of informaion shall survive this Settlement.

60. No opinion or advice concerning the tax consequences of the proposed Settlement to individual Settlement Class Members· is being given or will be given by the Parties or their counsel; nor is any representation or warranty in this regard made by virtue of this Stipulation. Each Settlement Class Member's tax obligations, and the determination thereof, are the sole responsibility of the Settlement (;Jass Member, and it is understood that the tax consequences may vary depending on the particular circumstances of each individual Settlement Class Member.

**IN WITNESS WHEREOF,** the Parties hereto have caused this Stipulation to be executed, by their duly authorized attorneys, as of February 11, 2022.

**KAPLAN FOX & KILSHEIMER LLP**

/s/ Laurence D. King

Laurence D. King
1999 Harrison Street, Ste. 1560
Oakland, CA 94612
Telephone: (415) 772-4700
Facsimile: (415) 772-4707

Frede1ic S. Fox
Donald R. Hall
Melinda D. Campbell
Pamela Mayer

**KING & SPALDING LLP**

/s/ Paul R. Bessette

Paul R. Bessette
Michael J. Biles
500 West 2nd Street Ste. 1800
Austin, TX 78701
Telephone: (512) 457-2050
Facsimile: (512) 457-2100

*Counsel for Defendant Marc S. Schessel*

**LAW OFFICES OF CAROLE R. BERNSTEIN, ESQ.**

/s/ Carole R. Bernstein

Carole R. Bernstein
41 Maple Avenue North
Westport, Connecticut 06880
203-255-8698
203-259-4735 (fax)

New York Office:
178 East 80th Street
Suite 25D
New York, New York 10075

*Counsel for Defendant SCWorx Corporation*

850 Third Avenue, 14th Floor
New York, NY 10022
Telephone: (212) 687-1980
Facsimile: (212) 687-7714

*Lead Counsel for Lead Plaintiff and the Settlement Class*

**KING & SPALDING LLP**

---

Paul R. Bessette
Michael J. Biles
500 West 2nd Street Ste. 1800
Austin, TX 78701
Telephone: (512) 457-2050
Facsimile: (512) 457-2100

*Counsel for Defendant Marc S. Schessel*

**LAW OFFICES OF CAROLER.**

**BE ZEIN, ESQ.**

---

Carole Bernstein
41 Maple Avenue North
Westport, Connecticut 06880
203-255-8698
203-259-4735 (fax)

New York Office:
178 East 80th Street
Suite 25D
New York, New York 10075

*Counsel for Defendant SCWorx Corporation*

**EXHIBIT A**

**UNITED STATES DISTRICT COURT**
**SOUTHERN DISTRICT OF NEW YORK**

| | |
|---|---|
| DANIEL YANNES, Individually and on Behalf of All Others Similarly Situated,<br><br>Plaintiff,<br><br>vs.<br><br>SCWORX CORPORATION and MARC S. SCHESSEL,<br><br>Defendants. | CIVIL ACTION NO.: 20-CV-3349-JGK<br><br>CLASS ACTION |

**ORDER PRELIMINARILY APPROVING SETTLEMENT AND PROVIDING FOR NOTICE**

WHEREAS, this consolidated putative class action (the "Action") comes before the Court on Lead Plaintiffs Motion for Preliminary Approval of Settlement ("Motion") and on the Stipulation and Agreement of Settlement dated February 11, 2022 ("Stipulation") entered into by Lead Plaintiff Vy Nguyen ("Lead Plaintiff"), and defendants SCWorx Corporation ("SCWorx" or the "Company") and Marc S. Schessel (collectively, "Defendants" and together with Lead Plaintiff, the "Parties"), by and through their respective counsel;

WHEREAS, the Stipulation sets forth the terms and conditions for the proposed settlement of the Action, and is subject to review under Rule 23 of the Federal Rules of Civil Procedure ("Rule 23"); and

WHEREAS, the Court is familiar with and has reviewed the record in the Action and has reviewed the Motion and the Stipulation, together with the exhibits attached thereto and incorporated by reference therein, and found good cause for entering the following Order;

**NOW, THEREFORE, IT IS HEREBY ORDERED:**

1. This order (the "Preliminary Approval Order") hereby incorporates by reference the definitions in the Stipulation and all terms used herein shall have the same meanings as set forth in the Stipulation.

2. The Court preliminarily certifies, solely for purposes of effectuating the Settlement, pursuant to Rule 23, a class consisting of all persons or entities who purchased or otherwise acquired SCWorx common stock on the Nasdaq or other U.S. exchanges or in a U.S. transaction between April 13, 2020 and April 17, 2020, inclusive. Excluded from the Settlement Class are: (i) Defendants; (ii) members of the immediate family of any Defendant who is an individual; (iii) any person who was an officer or director of SCWorx during the Class Period; (iv) any firm, trust, corporation, or other entity in which any Defendant has or had a controlling interest; (v) SCWorx's. employee retirement and benefit plan(s) and their participants or beneficiaries, to the extent they made purchases through such plan(s); and (vi) the legal representatives, affiliates, heirs, successors-in-interest, or assigns of any such excluded person. Also excluded from the Settlement Class are those persons who timely and validly request exclusion from the Settlement Class pursuant to the Notice of (i) Pendency of Class Action and Proposed Settlement; (ii) Motion for an Award of Attorneys' Fees and Reimbursement of Litigation Expenses; and (iii) Settlement Fairness Hearing (the "Notice").

3. Pursuant to Rule 23 and for purposes of settlement only, the Court preliminarily certifies Lead Plaintiff as Class Representative for the Settlement Class and appoints Kaplan Fox & Kilsheimer LLP as Class Counsel for the Settlement Class ("Class Counsel"). Class Counsel is authorized to act on behalf of the Settlement Class with respect to all acts required by, or which may be undertaken pursuant to, the Stipulation or such other acts that are reasonably necessary to consummate the proposed Settlement set forth in the Stipulation.

4. With respect to the Settlement Class, the Court preliminarily finds, solely for purposes of effectuating the Settlement, that the prerequisites for a class action under Rules 23(a) and (b)(3) have been satisfied. The members of the Settlement Class are so numerous that joinder of all Settlement Class Members in the class action is impracticable and there are questions of law and fact common to the Settlement Class which predominate over any individual questions. The claims of Lead Plaintiff are typical of the claims of the Settlement Class and Lead Plaintiff and its counsel have fairly and adequately represented and protected the interests of all of the Settlement Class Members. A class action is also superior to other available methods for the fair and efficient adjudication of the controversy, considering: (a) the interests of the members of the Settlement Class in individually controlling the prosecution of the separate actions; (b) the extent and nature of any litigation concerning the controversy already commenced by members of the Settlement Class; (c) the desirability or undesirability of continuing the litigation of these claims in this particular forum; and (d) the difficulties likely to be encountered in the management of a class action.

5. The Court preliminarily approves: (i) the Settlement of the Action as set forth in the Stipulation, including the releases contained therein, having found that the Parties have shown the Court that it will likely be able to approve the proposed Settlement under Federal Rule of Civil Procedure 23(e)(2), and (ii) the proposed Plan of Allocation described in the Notice, subject to the right of any Settlement Class Member to challenge the fairness, reasonableness, and adequacy of the Settlement, the Stipulation or the proposed Plan of Allocation, and to show cause, if any exists, why a final judgment dismissing the Action based on the Stipulation should not be ordered herein after due and adequate notice to the Settlement Class has been given in conformity with this Order.

6. Class Counsel is hereby authorized to retain A.B. Data, Ltd. as the Claims Administrator in connection with the Settlement to supervise and administer the notice and claims procedures as well as the processing of claims as more fully set forth below:

a. No later than twenty (20) calendar days after entry of this Preliminary Approval Order, the Claims Administrator shall cause a copy of the Notice and Proof of Claim and Release form ("Claim Form"), substantially in the forms attached hereto as Exhibits A-(i) and A-(ii), respectively, to be mailed by first class mail, postage prepaid, to all members of the Settlement Class who may be identified through reasonable effort, including through the cooperation of SCWorx and/or its transfer agents to provide security holder lists as set forth in the Stipulation (the "Notice Date");

b. Class Counsel shall cause a summary notice (the "Summary Notice"), substantially in the form attached hereto as Exhibit A-(iii), to be published once in the national edition of *Investor's Business Daily* and over the *PR Newswire* no later than ten (10) calendar days after the Notice Date;

--- c. - - Class Counsel shall serve on Defendants' Counsel and file with the Court proof by affidavit or declaration of mailing and publication not later than seven (7) calendar days before the Final Approval Hearing.

d. Class Counsel shall cause the Notice, the Summary Notice, and the Claim Form to be placed on a website developed for the Settlement and maintained by the Claims Administrator, on or before the Notice Date.

7. Not later than ten (10) calendar days after the submission of the Stipulation to the Court, Defendants shall serve notice on the State and Federal officials as required by 28 U.S.C. §1715(b) ("CAFA Notice"). Not later than thirty-five (35) calendar days before the Settlement Fairness Hearing, Defendants shall file with the Court an affidavit or declaration showing timely compliance with this CAFA Notice directive.

8. The Court hereby approves the form of Notice and Summary Notice (together, the "Notices") and the Claim Form, and finds that the procedures established for publication, mailing and distribution of such Notices substantially in the manner and form set forth in paragraph 6 of this Preliminary Approval Order meet the requirements of Rule 23, the Constitution of the United States, and the Securities Exchange Act of 1934, 15 U.S.C. §§ 78 *et seq.,* as amended by the Private Securities Litigation Reform Act of 1995, and shall constitute the best notice practicable under the circumstances and shall constitute due and sufficient notice to all Settlement Class Members.

9. The Claims Administrator shall use reasonable efforts to give notice to brokers and other nominees who purchased the publicly-traded common stock of SCWorx on the Nasdaq, on other U.S. exchanges or in a U.S. transaction for the benefit of another person during the Class Period. Those brokers and other nominees are directed to either: (i) send the Notice and Claim Form to all such beneficial owners, postmarked within ten (10) calendar days of receipt of the Notice; or (ii) send a list of the names and addresses of such beneficial owners to the Claims Administrator within ten (10) calendar days after receipt of the Notice, in which event the Claims Administrator shall mail the Notice and Claim Form to such beneficial owners within ten (10) calendar days after receipt thereof.

10. Upon full compliance with this Preliminary Approval Order, including the timely mailing of the Notice and Claim Form to beneficial owners, such nominees may seek reimbursement of their reasonable expenses actually incurred in complying with this Preliminary Approval Order by providing the Claims Administrator with proper documentation supporting the expenses for which reimbursement is sought and reflecting compliance with these instructions, including timely mailing of the Notice and Claim Form. Such properly documented expenses incurred by nominees in compliance with the terms of this Preliminary Approval Order shall be paid from the Settlement Fund in accordance with the provisions of the Stipulation, subject to further order of this Court with respect to any dispute concerning such compensation.

10. Pursuant to Fed. R. Civ. P. 23(e), a hearing (the "Settlement Fairness Hearing") shall be held on June 29, 2022, at 2:30 p.m., in the United States District Court for the Southern District of New York, the Honorable John G. Koeltl presiding, for the following purposes:

a. to determine whether the Court should grant final certification of the Settlement Class pursuant to Fed. R. Civ. P. 23(a) and (b)(3);

b. to determine whether the proposed Settlement of the Action on the terms and conditions provided for in the Stipulation is fair, reasonable, adequate, and in the best interests of the Settlement Class and should be finally approved by the Court;

c. to determine whether the Plan of Allocation for the Net Settlement Fund --- should be approved by the Court as fair and reasonable; ---

d. to determine whether the Judgment, substantially in the form attached as Exhibit B to the Stipulation, should be entered, *inter alia,* dismissing the Action against the Defendants with prejudice and extinguishing and releasing all Released Claims (as defined in the Stipulation);

e. to consider Lead Counsel's application for an award of attorneys' fees and reimbursement of Litigation Expenses;

f. to consider Lead Plaintiff's application for reimbursement of costs and expenses (including lost wages) in connection with its representation of the Settlement Class; and

g. to rule on such other matters as the Court may deem appropriate.

11. The Court reserves the right to adjourn the Settlement Fairness Hearing, including the consideration of the application for attorneys' fees and reimbursement of Litigation Expenses, or to make such modification as may be consented to by the Parties to the Stipulation, without further notice to the Settlement Class.

12. Any member of the Settlement Class who wishes to object to the Settlement must, at least twenty-one (21) calendar days prior to the Settlement Fairness Hearing, file with the Court and serve on the Parties (listed below) a written statement of objection to the Settlement, the Plan of Allocation, or the request for attorneys' fees and reimbursement of Litigation Expenses in connection with the representation of the Settlement Class.

13. Any member of the Settlement Class who timely objects to the Settlement, the Plan of Allocation, or the request for attorneys' fees and reimbursement of Litigation Expenses, or who otherwise wishes to be heard, may appear in person or by and through an attorney, at his/her/its own expense, at the Settlement Fairness Hearing and present evidence or argument that may be proper or relevant. Such Settlement Class Member may do so provided that no person other than the Parties and their counsel shall be heard, and no papers, briefs, pleadings, or other documents submitted by any person shall be considered by the Court, unless within twenty-one (21) calendar days prior to the Settlement Fairness Hearing, such person files with the Court and serves upon counsel listed below:

(1) the name, address, and telephone number of the person objecting, signed by the objector;

(2) a statement of such person's objections to any matters before the Court concerning the Settlement and whether the objection applies only to the objector, to a specific subset of the Settlement Class, or to the entire Settlement Class;

(3) the grounds therefore or the reasons that such person desires to appear and be heard, as well as all documents or writings such person desires the Court to consider;

(4) whether that person intends to present any witnesses and/or experts, the identity of any such witnesses and/or experts, and the nature of the witness and/or expert testimony; and

(5) proof of the person's membership in the Settlement Class, which proof shall include the person's purchases of SCWorx common stock during the Class Period and any sales thereof, including the dates, the number of shares, and price(s) paid and received for each such purchase or sale. Such filings shall be served upon the Court and the following counsel:

| LEAD COUNSEL | DEFENDANTS' COUNSEL |
|---|---|
| Frederic S. Fox<br>**KAPLAN FOX & KILSHEIMER LLP**<br>850 Third Avenue; 14th Floor<br>New York, NY 10022<br>(212) 687-1980 | Carole Bernstein<br>**--LAW OFFICES OF CAROLER. BERNSTEIN**<br>41 Maple Ave. N.<br>Westport, CT 06880<br>(203) 259-8698<br><br>Paul R. Bessette<br>**KING & SPALDING LLP**<br>500 West 2nd Street Ste. 1800<br>Austin, TX 78701<br>(512) 457-2050 |

Any person who does not make his, her, or its objection in the manner provided in the Notice shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to the fairness or adequacy of the proposed Settlement as set forth in the Stipulation, unless otherwise ordered by the Court. Any papers in response to any such objections shall be served and filed no later than seven (7) days prior to the Settlement Fairness Hearing.

14. Any person falling within the definition of the Settlement Class may, upon request, be excluded from the Settlement Class. Any such person must submit to the Claims Administrator a request for exclusion ("Request for Exclusion") at least twenty-one (21) calendar days prior to the date of the Settlement Fairness Hearing. To be valid, a Request for Exclusion must state: (1) the name, address, and telephone number of the person requesting exclusion; (2) the person's purchases of SCWorx common stock during the Class Period and any sales thereof, including the dates, the number of shares, and price(s) paid and received for each such purchase or sale; (3) a clear and unambiguous statement that the person wishes to be excluded from the Settlement Class; and (4) must include the person's signature. No further opportunity to request exclusion will be given in this Action. Requests for Exclusion may not be submitted by e-mail, unless otherwise ordered by the Court.

15. All Settlement Class Members shall be bound by all determinations and judgments in this Action concerning the settlement, including but not limited to the releases provided for in the Stipulation, whether favorable or unfavorable, except those who are found by the Court to have timely and validly requested exclusion from the Settlement Class. The persons and entities who request exclusion from the Settlement Class will be excluded from the Settlement Class and shall have no rights under the Stipulation, shall not be entitled to submit any Claim Forms, shall not share in the distribution of the Net Settlement Fund as described in the Stipulation and in the Notice, and shall not be bound by the Stipulation or the Judgment entered as to Defendants in the Action.

16. Any Settlement Class Member who wishes to be eligible to participate in the Net Settlement Fund must timely submit a valid Claim Form to the Claims Administrator, at the Post Office Box indicated in the Notice, postmarked no later than one hundred and twenty (120) calendar days following the Notice Date. Such deadline may be extended further by Court order. A Claim Form shall be deemed to have been submitted when postmarked, if mailed by first class, or registered or certified mail, postage prepaid, addressed in accordance with the instructions given in the Claim Form. All other Claim Forms shall be deemed to have been submitted at the time they are actually received by the Claims Administrator. To be valid, a Claim Form must: (1) be completed in a manner that permits the Claims Administrator to determine the eligibility of the claim as set forth in the Claim Form; (2) include the release by the claimant of all Released Parties as set forth in the Stipulation; and (3) be signed with an affirmation that the information is true and conect. As part of the Claim Form, each Settlement Class Member shall submit to the jurisdiction of the Court with respect to the claim submitted and shall, (subject to the effectuation of the Settlement reflected in the Stipulation), agree and enter into the release as provided in the Stipulation. All Settlement Class Members who do not submit a valid and timely Claim Form shall be barred forever from receiving any payments from the Net Settlement Fund, but will, in all other respects, be subject to and bound by the provisions of the Stipulation and the Judgment, if entered, whether favorable or unfavorable and whether or not they submit a Claim Form, unless such persons request exclusion from the Settlement Class in a timely and proper manner, as provided herein.

17. If this Settlement, including any amendment made in accordance with the Stipulation, is not approved by the Court or shall not become effective for any reason whatsoever, the Settlement (including any modification thereof) made with the consent of the Parties as provided for in the Stipulation, and any actions taken or to be taken in connection therewith (including this Order and any judgment entered herein), shall be terminated and shall become void and of no further force and effect except as set forth in the Stipulation and will be without prejudice to any party, and may not be introduced as evidence or referred to in any actions or proceedings by any person or entity. Each party shall be restored to their respective positions in the litigation immediately prior to the execution of the Stipulation, including restoration of the Settling Parties' respective rights to seek or to object to the certification of this litigation as a class action under Fed. R. Civ. P. 23, or any state or federal rule, statute, law, or provision, and to contest and appeal any grant or denial of certification in this litigation.

18. All proceedings in the Action, other than such proceedings as may be necessary to carry out the terms and conditions of the Settlement, are hereby stayed and suspended until further order of this Court. Pending final determination whether the Settlement should be approved, Lead Plaintiff and all members of the Settlement Class are barred and enjoined from commencing, prosecuting, continuing, instituting, intervening in or participating in or asserting any action or other proceeding in any court of law or equity, arbitration tribunal, or administrative forum, or other forum of any kind or character (whether brought directly, in a representative capacity, derivatively, or in any other capacity),with regards to any of the Released Plaintiff's Claims against the Defendant Releasees as defined in the Stipulation.

19. The contents of the Settlement Fund held by the Escrow Agent shall be deemed and considered to be in *custodia legis* of the Court and shall remain subject to the jurisdiction of the Court until such time as the Settlement Fund shall be distributed pursuant to the Stipulation and further order(s) of the Court.

20. Class Counsel, or an agent thereof, is authorized and directed to prepare any tax returns and any other tax reporting for or in respect of the Settlement Fund and to pay from the Settlement Fund any taxes owed with respect to the Settlement Fund, and to otherwise perform all obligations with respect to taxes and any reporting or filings in respect thereof as contemplated by the Stipulation, without further order of the Court. The Court authorizes payment out of the Settlement Fund of notice and administration expenses in accordance with the Stipulation.

21. This Preliminary Approval Order, the Settlement, the Stipulation, and all negotiations, statements, and proceedings in connection therewith, shall not, in any event, be construed or deemed to be evidence of an admission or concession on the part of Lead Plaintiff, any Defendant, any member of the Settlement Class, or any other person, of any liability or wrongdoing of any nature by them, or any of them, and shall not be offered or received in evidence in any action or proceeding (except an action to enforce the Stipulation and Settlement contemplated thereby), or be used in any way as an admission, concession, or evidence of any liability or wrongdoing of any nature, and shall not be construed as, or deemed to be evidence of, an admission or concession that Lead Plaintiff,.any member of the Settlement Class, or any other person, has or has not suffered any damage.

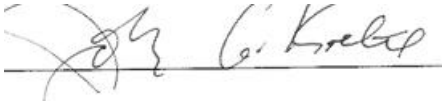
22. All motions and papers in support of the Settlement, the Plan of Allocation, and the request for an award of attorneys' fees and reimbursement of Litigation Expenses, shall be filed and served no later than thirty-five (35) calendar days before the date scheduled for the Settlement Fairness Hearing, and all reply b1iefs in support of said motions shall be filed and served no later than seven (7) calendar days prior to the Settlement Fairness Hearing.

23. The Court retains jurisdiction over this Action to consider all further matters arising out of or connected with the Settlement reflected in the Stipulation, including enforcement of the releases provided for in the Stipulation.

**IT IS SO ORDERED.**

DATED:

3/22/22.



THE HONORABLE JOHN G. KOELTL UNITED STATES DISTRICT COURT
JUDGE SOUTHERN DISTRICT OF NEW YORK

**Exhibit A-(i)**

**UNITED STATES DISTRICT COURT SOUTHERN DISTRICT OF NEW YORK**

| | |
|---|---|
| DANIEL YANNES, Individually and on Behalf of All Others Similarly Situated,<br><br>Plaintiff,<br><br>vs.<br><br>SCWORX CORPORATION and MARC S. SCHESSEL,<br><br>Defendants. | CIVIL ACTION NO.: 20-CV-3349-JGK<br><br>CLASS ACTION |

**NOTICE OF** (i) **PENDENCY OF CLASS ACTION AND PROPOSED SETTLEMENT;** (ii) **MOTION FOR AN AWARD OF ATTORNEYS' FEES AND REIMBURSEMENT OF LITIGATION EXPENSES;** AND (iii) **SETTLEMENT FAIRNESS HEARING**

***A FEDERAL COURT HAS AUTHORIZED THIS NOTICE. THIS IS NOT A SOLICITATION FROM A LAWYER.***

**NOTICE OF PENDENCY OF CLASS ACTION AND SETTLEMENT:** Please be advised that your rights may be affected by the above-captioned action ("Action") pending in the United States District Court for the Southern District of New York ("Court") if you are a member of the Settlement Class defined below.[1] Please also be advised that the Court-appointed Lead Plaintiff Vy Nguyen ("Lead Plaintiff"), on behalf of himself and the Settlement Class (as defined below), have reached a proposed Settlement of the Action for a total value of no less than Three Million Three Hundred Thousand Dollars ($3,300,000.00), consisting of Two Million Seven Hundred Thousand Dollars ($2,700,000.00) in cash and the number of shares of SCWorx common stock that equate to a value of Six Hundred Thousand Dollars ($600,000.00), plus an additional one hundred thousand (100,000) shares of SCWorx common stock at then-current market values, that, if approved, will resolve all claims in the Action.

**PLEASE READ THIS NOTICE CAREFULLY.** It **explains important rights you may have, including the possible receipt of cash from the Settlement.** If **you are a Settlement Class Member, your legal rights will be affected whether or not you act.**

If **you have any questions about this Notice, the proposed Settlement, or your eligibility to participate in the Settlement, please do not contact Defendants, their counsel, or the Court. All questions should be directed to Lead Counsel or the Claims Administrator.**

1. **Description of the Action and Settlement Class:** This Notice relates to a proposed Settlement of claims in a pending securities class action lawsuit brought by investors alleging that SCWorx Corporation ("SCWorx" or the "Company") and its f01mer chief executive officer, Marc S. Schessel ("Schessel" and, together with SCWorx, "Defendants") violated the federal securities laws by misrepresenting and omitting material information concerning a purported deal valued at $840 million to supply millions of COVID-19 rapid test kits to a virtual healthcare company over the course of 24 weeks. Lead Plaintiff alleged that these misrepresentations

[1] All capitalized terms used in this Notice that are not otherwise defined herein shall have the meanings provided in the Stipulation and Agreement of Settlement dated February 11, 2022 (the "Stipulation"), which is available on the website for the Settlement at www.SCWorxSecuritiesLitigation.com. and omissions caused the price of SCWorx's publicly-traded common stock to be artificially inflated during the Class Period (April 13, 2020 through April 17, 2020, inclusive), causing Lead Plaintiffs and the Settlement Class's damages. The proposed Settlement, if approved by the Court, will settle all claims of the Settlement Class in the Action. The "Settlement Class," as preliminarily certified by the Court for purposes of settlement only, means all persons or entities who purchased or otherwise acquired SCWorx common stock on the Nasdaq or other U.S. exchanges or in a U.S. transaction between April 13, 2020 and April 17, 2020, inclusive. Excluded from the Settlement Class are: (i) Defendants; (ii) members of the immediate family of any Defendant who is an individual; (iii) any person who was an officer or director of SCWorx during the Class Period; (iv) any fnm, trust, corporation, or other entity in which any Defendant has or had a controlling interest; (v) SCWorx's employee retirement and benefit plan(s) and their participants or beneficiaries, to the extent they made purchases through such plan(s); and (vi) the legal representatives, affiliates, heirs, successors-in-interest, or assigns of any such excluded person. Also excluded from the Settlement Class are those persons and entities who timely and validly request exclusion from the Settlement Class pursuant to this Notice.

2. **Statement of the Settlement Class's Recovery:** Subject to Court approval, and as described more fully below, Lead Plaintiff, on behalf of himself and the Settlement Class, has agreed to settle the Action in exchange for a total consideration valued at no less than Three Million Three Hundred Thousand Dollars ($3,300,000.00), consisting of: (i) Two Million Seven Hundred Thousand Dollars ($2,700,000.00) in cash (the "Cash Settlement Amount") and (ii) the number of shares of SCWorx common stock that equates to at least Six Hundred Thousand Dollars ($600,000.00) in value (the "Settlement Shares"), and (iii) one hundred thousand (100,000) shares of SCWorx common stock at then-market prices (the "Schessel Shares," and together with the Cash Settlement Amount and the Settlement Shares, the "Settlement Amount"). The Cash Settlement Amount will be deposited into an interest-bearing Escrow Account. The Net Settlement Fund *(i.e.,* the Settlement Amount plus any and all interest earned thereon while in escrow (the "Settlement Fund") less (i) any Taxes and Tax Expenses, (ii) any Notice and Administration Costs, (iii) any Litigation Expenses awarded by the Court; and (iv) any attorneys' fees awarded by the Court), will be distributed in accordance with a plan of allocation that is approved by the Court, which will dete1mine how the Net Settlement Fund shall be allocated among members of the Settlement Class. The proposed plan of allocation (the "Plan of Allocation") is set forth on paragraphs 44-58, below.

3. **Estimate of Average Amount of Recovery Per Share:** Lead Plaintiff's damages expert estimates that 11,406,947 shares of SCWorx common stock were purchased during the Class Period and held through a corrective disclosure, and therefore were damaged. Lead Plaintiffs damages expert estimates that, if valid Claims for all damaged shares are submitted, the average recovery per damaged share of SCWorx common stock will be approximately $0.29 per share, before deduction of attorneys' fees, costs and expenses awarded by the Court, and the costs of providing notice and administe1ing the Settlement. **Settlement Class Members should note, however, that the foregoing average recovery per eligible share is only an estimate.** A Settlement Class Member's actual recovery will depend on several things, including: (1) the total number of Claims filed; (2) when and at what price they purchased their SCWorx common stock during the Class Period; (3) whether and when they sold their SCWorx common stock; (4) the amount of Notice and Administration Costs; and (5) the amount of attorneys' fees and Litigation Expenses awarded by the Court. Distributions to Settlement Class Members will be made based on the Plan of Allocation set fo1th below (see paragraphs 44-58) or such other plan of allocation as may be ordered by the Court.

4. **Statement of Average Amount of Damages Per Share:** The Parties do not agree on the average amount of damages per share that would be recoverable if Lead Plaintiff were to prevail in the Action. Among other things, Defendants deny that they made any materially false or misleading statements or failed to disclose any material information. In sum, Defendants do not agree with the assertion that they engaged in any actionable misconduct under the federal securities laws or that any damages were suffered by any members of the Settlement Class as a result of their conduct.

5. **Statement of Attorneys' Fees and Expenses Sought:** Court-appointed Lead Counsel, Kaplan Fox & Kilsheimer LLP, has been prosecuting the Action on a wholly contingent basis since its inception in 2020, has not received any payment of attorneys' fees for their representation of Lead Plaintiff or the Settlement Class, and has advanced tens of thousands of dollars in expenses necessarily incurred in order to prosecute the Action. As set forth in greater detail below *(see* paragraphs 15-23 below), Lead Counsel was responsible for: (i) conducting an extensive investigation into the Settlement Class's claims; (ii) drafting a detailed amended complaint; (iii) successfully opposing Defendants' motion to dismiss; (iv) engaging in an expedited discovery program in which Defendants produced tens of thousands of pages of documents that Lead Counsel promptly commenced reviewing; (v) engaging experts in evaluating claims and damages; (vi) briefing an independent and experienced mediator on relevant claims and applicable law; and (vii) engaging in a full-day mediation session and extensive subsequent negotiations before reaching an agreement in principle to settle. Lead Counsel will ask the Court to award attorneys' fees in an amount not *to* exceed twenty-five percent (25%) of the Settlement Fund. Lead Counsel also will apply for the reimbursement of Litigation Expenses paid or incurred by Lead Counsel in connection with the prosecution and resolution of the Action, in an amount not to exceed $300,000, which may include the reasonable costs and expenses of Lead Plaintiff directly related to its representation of the Settlement Class. If the Court approves Lead Counsel's fee and expense application, the average cost per affected share of SCWorx common stock will be approximately $0.10. **Please note that this amount is only an estimate.**

6. **Identification of Attorneys' Representatives:** Lead Plaintiff and the Settlement Class are being represented by: Frederic S. Fox, Kaplan Fox & Kilsheimer LLP, 850 Third Avenue, 14th Floor, New York, NY 10022, (800) 290-1952, mail@kaplanfox.com.

**7. Reasons for the Settlement:** Lead Plaintiffs principal reason for entering into the Settlement is the substantial cash and stock benefit for the Settlement Class, without the risk or the delays inherent in further litigation. Moreover, the substantial cash and stock benefit provided under the Settlement must be considered against the significant risk that a smaller recovery-or, indeed, no recovery at all-might be achieved after a trial of the Action and the likely appeals that would follow a trial, a process that could last many months, or even years, into the future. Defendants, who deny all allegations of wrongdoing or liability whatsoever, are entering into the Settlement solely to eliminate the uncertainty, burden, and expense of further protracted litigation. - The amount of damages recoverable by the Settlement Class was and is challenged by Defendants.

## YOUR LEGAL RIGHTS AND OPTIONS IN THE SETTLEMENT:

| | |
|---|---|
| **SUBMIT A CLAIM FORM ONLINE OR POSTMARKED NO LATER THAN AUGUST 9, 2022.** | This is the only way to be eligible to receive a payment from the Settlement. If you are a Settlement Class Member, you will be bound by the Settlement as approved-by the Court and you will·give up any Released Plaintiffs' Claims (as defined in paragraph 37 below) that you have against Defendants and the other Defendants' Releasees (as defined in paragraph 36 below), so it is in your interest to submit a Claim Form. |
| **EXCLUDE YOURSELF FROM THE SETTLEMENT CLASS BY SUBMITTING A WRITTEN REQUEST FOR EXCLUSION SO THAT IT IS *RECEIVED* NO LATER THAN JUNE 8, 2022.** | If you exclude yourself from the Settlement Class, you will not be eligible to receive any payment from the Settlement Fund. This is the only option that allows you to ever be part of any other lawsuit against the Defendants concerning the claims that were, or could have been, asserted in this Action. It is also the only way for Settlement Class Members to remove themselves from the Settlement Class. If you are considering excluding yourself from the Settlement Class, please note that there is a risk that any new claims asserted against the Defendants may no longer be timely and would be time-barred. *See* paragraph 63 below. |

## YOUR LEGAL RIGHTS AND OPTIONS IN THE SETTLEMENT:

| | |
|---|---|
| **OBJECT TO THE SETTLEMENT BY SUBMITTING A WRITTEN OBJECTION SO THAT IT IS *RECEIVED* NO LATER THAN JUNE 8, 2022.** | If you do not like the proposed Settlement, the proposed Plan of Allocation, and/or the request for attorneys' fees and reimbursement of Litigation Expenses, you may write to the Court and explain why you do not like them. You cannot object to the Settlement, the Plan of Allocation, and/or the fee and expense request unless you are a Settlement Class Member and do not exclude yourself from the Settlement Class. |
| **FILE A NOTICE OF INTENTION TO APPEAR SO THAT IT IS *RECEIVED* NO LATER THAN JUNE 8, 2022, AND GO TO THE HEARING ON JUNE 29, 2022 AT THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, 500 PEARL STREET, COURTROOM 14A, NEW YORK, NY 10007.** | Filing a written objection and notice of intention to appear by June 8, 2022 allows you to speak in CoURt, at the discretion of the Court, about the fairness of the proposed Settlement, the proposed Plan of Allocation, and/or the request for attorneys' fees and reimbursement of Litigation Expenses. If you submit a written objection, you may (but do not have to) attend the hearing and, at the discretion of the Court, speak to the Court about your objection. |
| **DO NOTHING.** | If you are a member of the Settlement Class and you do not submit a Claim Form by August 9, 2022, you will not be eligible to receive any payment from the Settlement Fund. You will, however, remain a member of the Settlement Class, which means that you give up your right to sue about the claims that are resolved by the Settlement and you will be bound by any judgments or orders entered by the Court in the Action. |

**These rights and options - and the deadlines to exercise them - are further explained in this Notice. Please Note: The date and time of the Settlement Fairness Hearing - currently scheduled fo1· June 29, 2022 at 2:30 p.m. - is subject to change without further notice to the Settlement Class.** If **you plan to attend the hearing, you should check the website www.SCWorxSecuritiesLitigation.com or contact Lead Counsel as set forth above to confirm that no change to the date and/or time of the hearing has been made.**

**WHAT THIS NOTICE CONTAINS** **PAGE**


| | |
|---|---|
| Why Did I Get This Notice? | Page 5 |
| What Is This Case About? | Page 6 |
| How Do I Know If I Am Affected by the Settlement? Who Is Included In The Class? | Page7 |
| What Does The Settlement Provide? | Page 8 |
| What Are Lead Plaintiffs Reasons For The Settlement? | Page 8 |
| What Mitlt Happen If There Were No Settlement? | Page9 |
| How Are Settlement Class Members Affected The Settlement? What Claims Will Be Released By The Settlement? | Page 9 |
| How Do I Participate in the Settlement? What Do I Need to Do? | Page 10 |
| How Much Will My Payment Be? What Is The Proposed Plan Of Allocation? | Page 11 |
| What Payment Are The Attorneys For The Settlement Class Seeking? How Will The Lawyers Be Paid? | Page 15 |
| What Ifl Do Not Want To Be A Member Of The Settlement Class? How Do 1 Exclude Myself? | Page 15 |
| When And Where Will The Court Decide Whether To Approve The Settlement? Do I Have To Come To The Hearing? May I Speak At The Hearing lfl Don't Like The Settlement? | Page 16 |
| What Ifl Bought Shares On Someone Else's Behalf? | Page 17 |
| Can I See The Court File? Whom Should I Contact Ifl Have Questions? | Page 18 |

## WHY DID I GET THIS NOTICE?

8. This Notice was sent to you pursuant to an Order of the Court because SCWorx common stock may have been purchased during the Class Period *(i.e.,* April 13, 2020 through Ap1il 17, 2020, inclusive) by you, someone in your family, or an investment account for which you serve as custodian. The Court has directed us to send you this Notice because, as a potential Settlement Class Member, you have a right to know about your options before the Court rules on the proposed Settlement of this Action. Additionally, you have the right to understand how a class action lawsuit may generally affect your legal rights. If the Comt approves the Settlement,

A.B. Data, Ltd., the Claims Administrator retained by Lead Counsel and approved by the Court, will distribute payments pursuant to the Plan of Allocation after any objections and appeals are resolved.

9. In a class action lawsuit, under federal law, the Court appoints one or more investors to oversee litigation brought on behalf of all investors with similar claims, commonly known as the class or the class members. In this Action, the Court appointed By Nguyen to serve as "Lead Plaintiff" and appointed the law firm of Kaplan Fox & Kilsheimer LLP as Lead Counsel. Pursuant to the Court's Order issued on March 22, 2022, Lead Plaintiff was preliminarily certified as "Class Representative" and Lead Counsel was preliminarily appointed as "Class Counsel" for settlement purposes. The Settlement, if approved by the Court, will resolve all issues on behalf of the Settlement Class Members, except for any Persons who timely submit a request for exclusion in accordance with this Notice.

10. The Court in charge of this case is the United States District Court for the Southern District of New York, and the case is known as *Yannes v. SCWorx Corp.,* Case No. 20-cv-3349-JGK (S.D.N.Y.). The judge presiding over this case is the Honorable John G. Koeltl, United States District Court Judge. The people who are suing are called plaintiffs and those who are being sued are called defendants. In this case, the Lead Plaintiff is suing Defendants on behalf of itself and the Settlement Class. If the Settlement is approved, it will resolve all claims which are, or could have been, included in the Action, and will bring the Action to an end.

11. This Notice explains the lawsuit, the Settlement, your legal rights, the benefits that are available, who is eligible for them, and how to get them. The purpose of this Notice is to inform you that a Settlement has been reached in the Action and how you might be affected. It also is being sent to inform you of the terms of the proposed Settlement, and of a hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the proposed Settlement, the proposed Plan of Allocation, and the motion by Lead Counsel for an award of attorneys' fees and reimbursement of Litigation Expenses (the "Settlement Fairness Hearing").

12. The Settlement Fairness Hearing will be held on June 29, 2022 at 2:30 p.m., before the Honorable John G. Koeltl, at the United States District Court for the Southern District of New York, 500 Pearl Street, Courtroom 14A, New York, NY 10007, to determine:

a) whether the Settlement Class should be certified for purposes of settlement only;

b) whether the proposed Settlement is fair, reasonable, and adequate and should be approved by the Court;

c) whether the Action should be dismissed with prejudice against the Defendants as set forth in the Stipulation;

d) whether the proposed Plan of Allocation is fair and reasonable and should be approved by the Court;

e) whether Lead Counsel's request for an award of attorneys' fees and reimbursement of Litigation Expenses should be approved by the Court; and

t) any other relief the Court deems necessary to effectuate the terms of the Settlement.

13. This Notice does not express any opinion by the Court concerning the merits of any claim in the Action, and the Court still has to decide whether to approve the Settlement. If the Court approves the Settlement, payments to Authorized Claimants will be made after any appeals are resolved, and after the completion of all claims processing. The claims process could take substantial time to complete fully and fairly; we appreciate your patience.

## WHAT IS THIS CASE ABOUT?

### A. Summary of Procedural History and Back2round on Lead Plaintiff's Claims

14. This case involves allegations that Defendants violated Sections lO(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), and Rule 10b-5(b) promulgated thereunder.

15. On April 29, 2020, the initial complaint was filed in the Action. In accordance with the Private Securities Litigation Reform Act of 1995, 15 U.S.C. § 78u-4, as amended ("PSLRA"), notice to the public was issued stating the deadline by which putative class members could move the Court for appointment as lead plaintiff.

16. By Order dated September 17, 2020, the Court appointed Vy Nguyen as Lead Plaintiff and Kaplan Fox & Kilsheimer LLP as Lead Counsel.

17. On October 19, 2020, Lead Plaintiff filed the Consolidated Class Action Complaint for Violation of Federal Securities Laws (the "Complaint"), asserting claims under§§ lO(b) and 20(a) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78j(b) and 78t(a), and Rule lOb-5 promulgated thereunder, against Defendants. It alleged that between April 13, 2020 and April 17, 2020, inclusive, misrepresenting and omitting material information concerning a deal valued at $840 million to supply millions of COVID-19 rapid test kits to a virtual healthcare company over the course of 24 weeks. It further alleged that Defendants' allegedly false and misleading statements caused SCWorx's common stock to trade at artificially inflated prices during the relevant period, and that as the truth about the alleged misstatements was revealed, SCWorx.'s stock price dropped significantly.

18. Defendants moved to dismiss the Complaint on November 18, 2020. On December 18, 2020, Lead Plaintiff filed its opposition to Defendants' motion to dismiss, and on January 8, 2021, Defendants filed their reply in further support of their motion.

19. By Order dated June 21, 2021, the Court denied Defendants' motion to dismiss the Complaint in its entirety.

20. On July 12, 2021, the Court entered a Scheduling Order including a schedule for discovery.

21. On July 27, 2021, Defendants filed their Answer to the Complaint. On August 10, 2021, Defendants produced approximately 36,000 pages of documents which Lead Plaintiff promptly commenced reviewing. On October 18, 2021, Lead Plaintiff noticed the deposition of SCWorx, however, the Parties postponed the deposition pending resolution of the settlement negotiations.

**B. The Parties' Settlement Ne,;otiations**

22. On August 23, 2021, the Parties conducted a full-day remote mediation session before Jed Melnick, Esq. of JAMS. Although the Parties were unable to reach a resolution of the Action at the initial mediation, they continued their negotiations with the assistance of Mr. Melnick over the following four months, and executed a term sheet on December 20, 2021 providing for the Settlement and release of all claims asserted against the Defendants for a total value of Three Million Three Hundred Thousand Dollars ($3,300,000.00) in cash and SCWorx common stock plus an additional one hundred thousand (100,000) shares of SCWorx common stock, subject to certain terms and conditions and the execution of a customary "long form" stipulation of Settlement and related papers.

23. Based upon their investigation, prosecution, and mediation of the case, Lead Counsel has concluded that the terms and conditions of the Stipulation are fair, reasonable, and adequate to Lead Plaintiff and the other members of the Settlement Class, and in their best interests. Based on Lead Plaintiffs oversight of the prosecution of this matter and with the advice of Lead Counsel, Lead Plaintiff has agreed to settle the claims raised in the Action pursuant to the terms and provisions of the Stipulation, after considering (a) the very substantial financial benefit that Lead Plaintiff and the other members of the Settlement Class will receive under the proposed Settlement, (b) the significant risks of continued litigation and trial, and (c) the desirability of permitting the Settlement to be consummated as provided by the terms of the Stipulation. The fact that Lead Plaintiff has agreed to settle the Action shall in no event be construed or deemed to be evidence of or an admission or concession on the part of any Lead Plaintiff of any infirmity in any of the claims asserted in the Action, or an admission or concession that any of Defendants' affirmative defenses to liability have any merit.

24. Defendants are entering into the Stipulation solely to eliminate the uncertainty, burden, and expense of further protracted litigation. Each of the Defendants denies any wrongdoing and maintain that their conduct was at all times proper and in compliance with applicable provisions of law. The Stipulation shall in no event be construed or deemed to be an admission or concession on the part of any of the Defendants, or any of the other Defendant Releasees (defined in paragraph 36 below), with respect to any claim or allegation of any fault or liability or wrongdoing or damage whatsoever, or any infirmity in the defenses that Defendants have or could have asserted. Defendants expressly deny that Lead Plaintiff has asserted any valid claims as to any of them and expressly deny all allegations of fault, liability, wrongdoing, or damages whatsoever.

25. On March 22, 2022, the Court preliminarily approved the Settlement, authorized this Notice to be disseminated to potential Settlement Class Members, and scheduled the Settlement Fairness Hearing to consider whether to grant final approval of the Settlement.

## HOW DO I KNOW IF I AM AFFECTED BY THE SETTLEMENT? WHO IS INCLUDED IN THE CLASS?

26. If you are a member of the Settlement Class, you are subject to the Settlement unless you are excluded from the Settlement Class as set forth below. The Settlement Class consists of:

**all persons or entities who purchased or otherwise acquired SCWorx common stock on the Nasdaq or other U.S. exchanges or in a U.S. transaction between April 13, 2020 and April 17, 2020, inclusive.**

Excluded from the Settlement Class are: (i) Defendants; (ii) members of the immediate family of any Defendant who is an individual; (iii) any person who was an officer or director of SCWorx during the Class Period; (iv) any fom, trust, corporation, or other entity in which any Defendant has or had a controlling interest; (v) SCWorx's employee retirement and benefit plan(s) and their participants or beneficiaries, to the extent they made purchases through such plan(s); and (vi) the legal representatives, affiliates, heirs, successors-in-interest, or assigns of any such excluded person. Also excluded from the Settlement Class are any persons or entities who submit a request for exclusion from the Settlement Class in connection with this Notice.

**PLEASE NOTE: RECEIPT OF TIDS NOTICE DOES NOT MEAN THAT YOU ARE A SETTLEMENT CLASS MEMBER OR THAT YOU WILL BE ENTITLED TO RECEIVE PROCEEDS FROM THE SETTLEMENT. IF YOU WISH TO BE ELIGIBLE TO PARTICIPATE IN THE DISTRIBUTION OF PROCEEDS FROM THE SETTLEMENT, YOU ARE REQUIRED TO SUBMIT THE CLAIM FORM THAT IS BEING DISTRIBUTED WITH THIS NOTICE AND THE REQUIRED SUPPORTING DOCUMENTATION POSTMARKED (IF MAILED), OR ONLINE, NO LATER THAN AUGUST 9, 2022.**

## WHAT DOES THE SETTLEMENT PROVIDE?

27. The full terms and provisions of the Settlement are set forth in the Stipulation, which can be viewed at www.SCWorxSecuritiesLitigation.com.

28. Pursuant to the Settlement, Defendants have agreed to pay a total consideration in excess of Three Million Three Hundred Thousand Dollars ($3,300,000.00) in value, consisting of the Cash Settlement Amount (Two Million Seven Hundred Thousand Dollars ($2,700,000.00)), the number of shares of SCWorx common stock that equates to a value of Six Hundred Thousand Dollars ($600,000.00), and an additional one hundred thousand (100,000) shares of SCWorx common stock at then-current market value (collectively referred to as the "Settlement Amount"). The Cash Settlement Amount will be deposited into an interest-bearing Escrow Account. The Settlement Amount plus all interest earned thereon while in escrow is referred to as the "Settlement Fund." If the Settlement is approved by the Court and the Effective Date occurs, the "Net Settlement Fund" (that is, the Settlement Fund less (i) any Taxes and Tax Expenses; (ii) any Notice and Administration Costs; (iii) any Litigation Expenses awarded by the Court; and (iv) any attorneys' fees awarded by the Court) will be distributed to Settlement Class Members who submit valid Claim Forms, in accordance with the proposed Plan of Allocation (as set forth below) or such other plan of allocation as the Court may approve. In accordance with the Stipulation, no Authorized Claimant shall, during any of the four weekly periods immediately following the Distribution of the Settlement Shares, sell or transfer more than twenty-five percent (25%) per week of the total number of Settlement Shares received.

29. The Net Settlement Fund will not be distributed until the Court has approved a plan of allocation and the Settlement, and the time for any petition for rehearing, appeal, or review, whether by certiorari or - otherwise, has expired.-

30. Neither Defendants nor any other person or entity that paid any portion of the Settlement Amount on their behalf are entitled to get back any portion of the Settlement Fund once the Court's order or Judgment approving the Settlement becomes Final. Defendants shall not have any liability, obligation, or responsibility for the administration of the Settlement, the disbursement of the Net Settlement Fund, or the Plan of Allocation.

## WHAT ARE LEAD PLAINTIFF'S REASONS FOR THE SETTLEMENT?

31. The principal reason for Lead Plaintiff's consent to the Settlement is that it provides an immediate and substantial benefit to the Settlement Class, in the form of a substantial monetary recovery. The benefit of the present Settlement must be compared to the risk that no recovery might be achieved after a contested trial and likely appeals, possibly many months, or even years, into the future.

32. But for the Settlement, this Action would have proceeded through further fact discovery, expert discovery, a motion for class certification, summary judgment motions and, depending on the outcome, trial. The claims advanced by the Settlement Class in the Action involve numerous complex legal and factual issues. If the Action were to proceed to trial, Lead Plaintiff would have to overcome significant defenses asserted by Defendants. Among other things, the Parties disagree about (i) whether Lead Plaintiff or the Settlement Class have suffered any damages, (ii) whether the price of SCWorx common stock was artificially inflated by reason of the alleged misrepresentations and omissions, and (iii) whether Defendants made any material misrepresentations or omissions. Even after an extensive investigation and discovery, questions remain regarding

Defendants' liability or the extent thereof, and whether a jury would find them liable. This Settlement enables the Settlement Class to recover without incurring any additional Iisk or costs.

33. Defendants have expressly denied and continue to deny all assertions of wrongdoing or liability against them arising out of any of the conduct, statements, acts, or omissions alleged, or that could have been alleged, in the Action. Defendants also continue to believe that the claims asserted against them in the Action are without meiit. Defendants deny that they are liable in any respect or that Plaintiffs suffered any injury. Defendants have agreed to enter into the Settlement, as embodied in the Stipulation, solely to avoid the uncertainty, burden, and expense of further protracted litigation.·

## WHAT MIGHT HAPPEN IF THERE WERE NO SETTLEMENT?

34. If there were no Settlement and Lead Plaintiff failed to establish any essential legal or factual element of its claims, neither Lead Plaintiff nor the other members of the Settlement Class would recover anything from Defendants. Also, if Defendants were successful in proving any of their defenses at summary judgment, trial, or on appeal, the Settlement Class likely would recover substantially less than the amount provided in the Settlement, or nothing at all.

## HOW ARE SETTLEMENT CLASS MEMBERS AFFECTED BY THE SETTLEMENT? WHAT CLAIMS WILL BE RELEASED BY THE SETTLEMENT?

35. If you are a Settlement Class Member, you will be bound by any orders issued by the Court. If the Settlement is approved, the Court will enter a judgment (the "Judgment"), which will dismiss with prejudice the claims against Defendants. The Judgment will also provide that, upon the Effective Date of the Settlement, Lead Plaintiff and all other Settlement Class Members, on behalf of themselves, and their respective heirs, administrators, predecessors, successors and assigns in their capacities as such, will fully, finally and forever release all Released Plaintiffs' Claims against all Defendants Releasees, to the fullest extent that the law permits.

36. "Defendant Releasees" means (i) Defendants and their attorneys; (ii) the Defendants' respective Immediate Family members, heirs, trusts, trustees, executors, estates, administrators, beneficiaries, agents, affiliates, insurers and reinsurers, predecessors, predecessors-in-interest, successors, successors-in-interest, assigns, advisors and associates of each of the foregoing; and (iii) all current and former officers, directors, and employees of SCWorx, in their capacities as such.

37. "Released Claims" means all Released Defendants' Claims and all Released Plaintiffs' Claims. "Released Defendants' Claims" means all claims and causes of action of eve1y nature and description, whether known claims or Unknown Claims, whether arising under federal, state, local, common, statutory, administrative or foreign law, or any other law, rule or regulation, at law or in equity, whether class or individual in nature, whether accrued or unaccrued, whether liquidated or unliquidated, whether matured or unmatured, that arise out of or relate in any way to the institution, prosecution, or settlement of the claims against Defendants. "Released Defendants' Claims" do not include any claims relating to the enforcement of the Settlement. "Released Plaintiffs' Claims" means any and all rights, debts, demands, claims and causes of action or liabilities (including but not limited to any claims for damages, restitution, rescission, interest, attorneys' fees, expert or consulting fees, and any other costs expenses or liability whatsoever) of every nature and description, whether known claims or Unknown Claims, whether based on or arising under federal, state, local, common, statutory, administrative or foreign law, or any other law, rule or regulation, at law or in equity, whether class or individual in nature, whether accrued or unaccrued, whether liquidated or unliquidated, whether matured or unmatured, that Lead Plaintiff or any other member of the Settlement Class: (i) asserted or could have asserted in the Action or (ii) could have asserted in any court or forum that arise out of or are based upon the allegations, transactions, facts, matters or occurrences, representations, or omissions set forth in the Action and that relate to the purchase of SCWorx common stock on the Nasdaq or other U.S. exchanges or in a U.S. transaction during the Class Period, including, without limitation, claims that arise out of or relate to any disclosures, SEC filings, press releases, or other public statements by or on behalf of SCWorx during the Class Period. "Released Plaintiffs' Claims" do not include (i) any claims relating to the enforcement of the Settlement; (ii) any of the claims asserted in the following actions: *In re SCWorx Corp. Derivative Litig.,* No. 20-cv-4554-JGK (S.D.N.Y.); *Zarins v. Schessel, et. al.,* C.A. No. 2020- 0924-MTZ (Del. Ch.); or (iii) any claims of any person or entity that submits a request for exclusion from the Settlement Class that is accepted by the Court.

38. "Unknown Claims" means any Released Plaintiffs' Claims which Lead Plaintiff or any other Settlement Class Member does not know or suspect to exist in his, her or its favor at the time of the release of such claims, and any Released Defendants' Claims which any Defendant does not lmow or suspect to exist in his or its favor at the time of the release of such claims, which, if known by him, her or it, might have affected his, her or its decision(s) with respect to this Settlement, including, but not limited to, whether or not to object to the Settlement or to the release of the Released Claims. With respect to any and all Released Claims, the Parties stipulate and agree that, upon the Effective Date of the Settlement, Lead Plaintiff and Defendants shall expressly waive, and each of the Settlement Class Members shall be deemed to have, and by operation of the Judgment or the Alternative Judgment, if applicable, shall have, expressly waived, the provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law or foreign law, which is similar, comparable, or equivalent to California Civil Code §1542, which provides:

> **A general release does not extend to claims which the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.**

The Parties acknowledge that they may hereafter discover facts in addition to or different from those which he, she or it or their counsel now knows or believes to be true with respect to the subject matter of the Released Claims, but, upon the Effective Date, Lead Plaintiff and Defendants shall expressly settle and release, and each of the other Settlement Class Members shall be deemed to have, and by operation of the Judgment or the Alternative Judgment, if applicable, shall have, settled and released, any and all Released Claims without regard to the subsequent discovery or existence of such different or additional facts. Lead Plaintiff and Defendants acknowledge, and each of the other Settlement Class Members shall be deemed by operation of the Judgment or the Alternative Judgment, if applicable, to have acknowledged, that the foregoing waiver was separately bargained for and is a key element of the Settlement of which this release is a part.

## HOW DO I PARTICIPATE IN THE SETTLEMENT? WHAT DO I NEED TO DO?

39. To be eligible for a payment from the proceeds of the Settlement, you must be a member of the Settlement Class and you must timely complete and return the Claim Form with adequate supporting documentation **postmarked (if mailed), or submitted online at www.SCWorxSecuritiesLitigation.com, no later than August 9, 2022.** A Claim Form is included with this Notice, or you may obtain one from the website for the Settlement, www.SCWorxSecuritiesLitigation.com, or you may request that a Claim Form be mailed to you by calling the Claims Administrator, A.B. Data, Ltd., at 1-877-266-4060. **Please retain all records of your ownership of and transactions in SCWorx common stock, as they may be needed to document your Claim.** If you are excluded from the Settlement Class by definition or you submit a request for exclusion in connection with this Notice, or if you do not submit a timely and valid Claim Form, you will not be eligible to share in the Net Settlement Fund.

40. As a Settlement Class Member, you are represented by Lead Plaintiff and Lead Counsel, unless you enter an appearance through counsel of yow- own choice at yow- own expense. You are not required to retain your own counsel, but if you choose to do so, such counsel must file a notice of appearance on your behalf and must serve copies of his or her notice of appearance on the attorneys listed in the section entitled, "When and Where Will the Court Decide Whether to Approve the Settlement?," below.

41. If you are a Settlement Class Member and you wish to object to the Settlement, the proposed Plan of Allocation, or the application for attorneys' fees and reimbursement of Litigation Expenses, you may present your objections by following the instructions in the section entitled, "When and Where Will the Court Decide Whether to Approve the Settlement?" below.

## HOW MUCH WILL MY PAYMENT BE? WHAT IS THE PROPOSED PLAN OF ALLOCATION?

42. At this time, it is not possible to make any determination as to how much any individual Settlement Class Member may receive from the Settlement. A Claimant's recovery from the Net Settlement Fund will depend on several factors, including when and at what prices the Claimant pmchased or otheiwise acquired SCWorx common stock, and the total number of shares of SCWorx common stock for which valid Claim Forms are submitted.

43. The proposed Plan of Allocation for allocating the Net Settlement Fund among Authorized Claimants is set forth below. Defendants had no involvement in the proposed Plan of Allocation. The Court may modify the Plan of Allocation, or approve a different plan of allocation, without further notice to the Class.

### PROPOSED PLAN OF ALLOCATION

44. The Plan of Allocation set forth below is the plan that is being proposed to the Court for approval by Lead Plaintiff after consultation with its damages expert. The Court may approve the Plan of Allocation with or without modification, or approve another plan of allocation, without further notice to the Settlement Class. Any Orders regarding a modification of the Plan of Allocation will be posted on the website for the Settlement, www.SCWorxSecuritiesLitigation.com. Defendants have had, and will have, no involvement or responsibility for the terms or application of the Plan of Allocation.

45. The objective of the proposed Plan of Allocation is to equitably distribute the Net Settlement Fund among those Settlement Class Members who suffered economic losses as a result of the alleged violations of the federal securities laws set forth in the Complaint. To that end, Lead Plaintiffs damages expert calculated the estimated amount of alleged artificial inflation in the per share price of SCWorx common stock over the course of the Class Period that was proximately caused by Defendants' alleged materially false and misleading misrepresentations and omissions. In calculating the estimated artificial inflation allegedly caused by those misrepresentations and omissions, Lead Plaintiff's damages expert considered price changes in SCWorx common stock in reaction to the alleged misrepresentations and the public disclosmes that allegedly corrected misrepresentations and omissions. The calculations made pursuant to the Plan of Allocation, however, do not represent a formal damages analysis that has been adjudicated in the Action and are not intended to measure the amounts that Settlement Class Members would recover after a trial. Nor are these calculations intended to be estimates of the amounts that will be paid to Authorized Claimants pursuant to the Settlement. The computations under the Plan of Allocation are only a method to weigh the claims of Authmized Claimants against one another for the pmposes of making *pro rata* allocations of the Net Settlement Fund.

46. For losses to be compensable damages under the federal securities laws, the disclosure of the allegedly misrepresented information must be the cause of the decline in the price of the security. Accordingly, to have a "Recognized Loss Amount" pursuant to the Plan of Allocation, SCWorx common stock must have been purchased during the Class Period (i.e., from April 13, 2020 through April 17, 2020, inclusive) and ***held through*** at least one of the alleged corrective disclosures that removed alleged artificial inflation related to that information. To that end, Lead Plaintiff's damages expert has identified April 14, 2020 and April 17, 2020 as dates where alleged corrective information was released to the market and removed artificial inflation from the price of SCWorx common stock.

**CALCULATION OF RECOGNIZED LOSS AMOUNTS**

47. For purposes of determining whether a Claimant has a "Recognized Claim," purchases and sales of SCWorx common stock will first be matched on a First In, First Out ("FIFO") basis as set forth in paragraph 48 below.

48. A "Recognized Loss Amount" will be calculated as set forth below for each share of SCWorx common stock purchased on the Nasdaq, on other U.S. exchanges or in a U.S. transaction during the period from April 13, 2020 through April 17, 2020, inclusive, that is listed in the Claim Form and for which adequate documentation is provided. To the extent that the calculation of a Claimant's Recognized Loss Amount results in a negative number, that number shall be set to zero. The sum of a Claimant's Recognized Loss Amounts will be the Claimant's "Recognized Claim."

49. For each share of SCWorx common stock purchased from April 13, 2020 through April 17, 2020, inclusive, and sold on or before April 21, 2020,[2] an "Out of Pocket Loss" will be calculated. Out of Pocket Loss is defined as the per-share purchase price (excluding all fees, taxes, and commissions) *minus* the per-share sale price (excluding all fees, taxes, and commissions). To the extent that the calculation of an Out-of-Pocket Loss results in a negative number, that number shall be set to zero.

50. A Claimant's Recognized Loss Amount per share of SCWorx common stock purchased on the Nasdaq, on other U.S. exchanges or in a U.S. transaction, during the Class Period will be calculated as follows:

A. For each share of SCWorx common stock purchased during the Class Period and sold prior to the opening of trading on April 14, 2020, the Recognized Loss Amount is $0.

B. For each share of SCWorx common stock purchased during the Class Period and subsequently sold after the opening of trading on April 14, 2020 and prior to the close of trading on April 17, 2020, the Recognized Loss Amount shall be ***the lesser of***

(1) the dollar amount of alleged artificial inflation per share on the date of purchase as set forth in **Table A** below *minus* the dollar amount of alleged artificial inflation per share on the date of sale as set forth in **Table A** below; or

(2) the Out-of-Pocket Loss.

C. For each share of SCWorx common stock purchased during the Class Period and subsequently sold after April 17, 2020 and prior to the close of trading on April 21, 2020 (i.e., the last trading

[2] Pursuant to Section 2 l(D)(e)(l) of the PSLRA, "in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, the award of damages to the plaintiff shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the subject security and the mean trading price of that security during the 90-day period beginning on the date on which the information con-ecting the misstatement or omission that is the basis for the action is disseminated." Trading in SCWorx common stock was halted before the beginning of regular trading on April 22, 2020 and did not resume until August 10, 2020, after the expiration of the 90-day period described above. Thus, the last trading day of the 90-day period described above (the "look-back period") was April 21, 2020. day of the 90-day look-back period), the Recognized Loss Amount shall be ***the least of***

(1) the dollar amount of alleged artificial inflation applicable to each such share on the date of purchase as set forth in **Table A;** or

(2) the Out-of-Pocket Loss; or

(3) the difference between the purchase price per share and the average closing price per share on the date of sale, as set forth in **Table B.**[3]

D. For each share of SCWorx common stock purchased during the Class Period and still held as of the close of trading on April 21, 2020 (i.e., the last trading day of the 90-day look-back peiiod), the Recognized Loss Amount shall be that number of shares multiplied by ***the lesser of***

(1) the applicable purchase date artificial inflation per share figure, as set forth in **Table A below; or**

(2) the difference between the purchase price per share and $5.95 (the average closing price of SCWorx common stock during the look-back period, as shown on the last line in **Table B** below).

**TABLE A**
**Estimated Alleged Artificial Inflation in SCWorx Common Stock**

| From | To | [illegible] |
|---|---|---|
| 4/13/2020 | 4/13/2020 | $3.80 |
| 4/14/2020 | 4/17/2020 | $0.23 |

**TABLEB**
**SCWorx Common Stock 90-Day Look-back Value by Sale/Disposition Date**

| Sale Date | Ave. Closing Price Between 4/20/2020 and Date of Sale |
|---|---|
| 4/20/2020 | $6.15 |
| 4/21/2020 | $5.95 |

**ADDITIONAL PROVISIONS**

51. The Net Settlement Fund will be allocated among all Authorized Claimants whose Distribution Amount (defined in paragraph 56 below) is $10.00 or greater.

52. If a Settlement Class Member has more than one purchase or sale of SCWorx common stock during the Class Period, all purchases and sales shall be matched on a FIFO basis. Class Period sales will be matched first against any holdings at the beginning of the Class Petiod, and then against purchases in chronological order,

3 Pursuant to Section 2l(D)(e)(2) of the PSLRA, "if the plaintiff sells or repurchases the subject security prior to the expiration of the 90-day [look-back period] ... the plaintiffs damages shall not exceed the difference between the purchase or sale price paid orreceived, as appropriate, by the plaintiff for the security and the mean trading price of the security duting the period beginning immediately after dissemination of information correcting the misstatement or omission and ending on the date on which the plaintiff sells or repurchases the security." As previously noted, the halt in regular trading of SCWorx common stock from April 22, 2020 through August 9, 2020 results in a look-back period that ends on April 21, 2020. beginning with the earliest purchase made during the Class Period.

53. Purchases and sales of SCWorx common stock shall be deemed to have occuned on the "contract" or "trade" date as opposed to the "settlement" or "payment" date. The receipt or grant by gift, inheritance or operation of law of SCWorx common stock during the Class Period, shall not be deemed a purchase or sale of these shares of SCWorx common stock for the calculation of an Authorized Claimant's Recognized Claim, nor shall the receipt or grant be deemed an assignment of any claim relating to the purchase of such shares of SCWorx common stock unless (i) the donor or decedent purchased such shares of SCWorx common stock during the Class Period; (ii) no Claim Form was submitted by or on behalf of the donor, on behalf of the decedent, or by anyone else with respect to such shares of SCWorx common stock; and (iii) it is specifically so provided in the instrument of gift or assignment.

54. The date of covering a "short sale" is deemed to be the date of purchase of the SCWorx common stock. The date of a "short sale" is deemed to be the date of sale of the SCWorx common stock. In accordance with the Plan of Allocation, however, the Recognized Loss Amount on "short sales" is zero. In the event that a Claimant has an opening short position in SCWorx common stock, the earliest purchases during the Class Period shall be matched against such opening short position and not be entitled to a recovery until that short position is fully covered.

55. SCWorx common stock purchased on the Nasdaq, on other U.S. exchanges or in a U.S. transaction is the only security eligible for recovery under the Plan of Allocation. Option contracts to purchase or sell SCWorx common stock are not securities eligible to participate in the Settlement. With respect to SCWorx common stock purchased or sold through the exercise of an option, the purchase/sale date of the SCWorx common stock is the exercise date of the option and the purchase/sale price is the exercise price of the option. Any Recognized Loss Amount arising from purchases of SCWorx common stock acquired during the Class Period through the exercise of an option on SCWorx common stock[4] shall be computed as provided for other purchases of SCWorx common stock in the Plan of Allocation.

56. The Net Settlement Fund will be distributed to Authorized Claimants on a *pro rata* basis based on the relative size of their Recognized Claims. Specifically, a "Distribution Amount" will be calculated for each Authorized Claimant, which will be the Authorized Claimant's Recognized Claim divided by the total Recognized Claims of all Authorized Claimants, multiplied by the total amount in the Net Settlement Fund. If any Authorized Claimant's Distribution Amount calculates to less than $10.00, it will not be included in the calculation and no distribution will be made to that Authorized Claimant.

57, After the initial distribution of the Net Settlement Fund, the Claims Administrator will make reasonable and diligent efforts to have Authorized Claimants cash their distribution checks. To the extent any monies remain in the Net Settlement Fund by reason of uncashed checks, or otherwise, nine (9) months after the initial distribution, if Lead Counsel, in consultation with the Claims Administrator, determines that it is cost-effective to do so, the Claims Administrator will conduct a re-distribution of the funds remaining after payment of any unpaid fees and expenses incurred in administering the Settlement, including for such re-distribution, to Authorized Claimants who have cashed their initial distiibutions and who would receive at least $10.00 from such re-distribution. Additional re-distributions may occur thereafter if Lead Counsel, in consultation with the Claims Administrator, determines that additional re-distributions, after deduction of any additional fees and expenses incurred in administering the Settlement, including for such re-distributions, would be cost-effective. At such time as it is determined that the re-distribution of funds remaining in the Net Settlement Fund is not cost-effective, the remaining balance shall be contributed to non-sectarian, not-for-profit organization(s), to be recommended by Plaintiffs' Counsel and approved by the Court.

4 This includes (I) purchases of SCWorx common stock as the result of the exercise of a caU option, and (2) purchases of SCWorx common stock by the seller of a put option as a result of the buyer of such put option exercising that put option.

58. Payment pursuant to the Plan of Allocation, or such other plan of allocation as may be approved by the Court, shall be conclusive against all Auth9rized Claimants. No person shall have any claim against Lead Plaintiff, Lead Counsel, Lead Plaintiff's damages experts, Defendants, Defendants' Counsel, any of the other Plaintiff Releasees or Defendant Releasees, or the Claims Administrator or other agent designated by Lead Counsel arising from distributions made substantially in accordance with the Stipulation, the Plan of Allocation approved by the Court, or further orders of the Court. Lead Plaintiff, Defendants and their respective counsel, and all other Defendant Releasees, shall have no responsibility or liability whatsoever for the investment or distribution of the Settlement Fund or the Net Settlement Fund; the Plan of Allocation; the determination, administration, calculation, or payment of any Claim Form or nonperformance of the Claims Administrator; the payment or withholding of Taxes or Tax Expenses; or any losses incurred in connection therewith.

## WHAT PAYMENT ARE THE ATTORNEYS FOR THE SETTLEMENT CLASS SEEKING? HOW WILL THE LAWYERS BE PAID?

59. Lead Counsel has not received any payment for their services in pursuing claims against the Defendants on behalf of the Settlement Class, nor has Lead Counsel been reimbursed for their out-of-pocket expenses. Before final approval of the Settlement, Lead Counsel will apply to the Court for an award ofattomeys' fees from the Settlement Fund in an amount not to exceed 25% of the Settlement Fund. At the same time, Lead Counsel also intends to apply for the reimbursement of Litigation Expenses incurred by Plaintiff's Counsel and Liaison Counsel in an amount not to exceed $300,000, which may include an application for reimbursement of the reasonable costs and expenses incurred by Lead Plaintiff directly related to its representation of the Settlement Class. The Court will dete1mine the amount of any award of attorneys' fees or reimbursement of Litigation Expenses. Such sums as may be approved by the Court will be paid from the Settlement Fund. Settlement Class Members are not personally liable for any such fees or expenses.

## WHAT IF I DO NOT WANT TO BE A MEMBER OF THE SETTLEMENT CLASS? HOW DO I EXCLUDE MYSELF?

60. Each Settlement Class Member will be bound by all determinations and judgments in this lawsuit, whether favorable or unfavorable, unless such person or entity mails or delivers a written request for exclusion· addressed to: SCWorx Securities Litigation, ATTN: EXCLUSIONS, c/o A.B. Data, Ltd., P.O. Box 173001, Milwaukee, WI 53217. The request for exclusion must be received no later than June 8, 2022. You will not be able to exclude yourself from the Settlement Class after that date.

61. Each request for exclusion must: (i) state the name, address, and telephone number of the person or entity requesting exclusion, and in the case of entities, the name and telephone number of the appropriate contact person; (ii) state that such person or entity "requests exclusion from the Settlement Class in *Yannes v. SCWorx Corp.,* Case No. 20-cv-3349-JGK (S.D.N.Y.)"; (iii) state the number of shares ofSCWorx common stock that the person or entity requesting exclusion purchased and/or sold during the Class Period, as well as the dates, number of shares, and prices of each such purchase and/or sale; and (iv) be signed by the person or entity requesting exclusion or an authorized representative.

62. A request for exclusion shall not be valid and effective unless it provides all the information called for in paragraph 61 and is received within the time stated above, or is otherwise accepted by the Court.

63. If you do not want to be pa1t of the Settlement Class, you must follow these instructions for exclusion even if you have pending, or later file, another lawsuit, arbitration, or other proceeding relating to any Released Plaintiffs' Claim against any of the Defendants' Releasees. Excluding yourself from the Settlement Class is the only option that allows you to be part of any other cun-ent or future lawsuit against Defendants or any of the other Defendants' Releasees concerning the Released Plaintiffs' Claims. Please note, however, if you decide to exclude yourself from the Settlement Class, you may be time-ban-ed from asserting the claims covered by the Action by a statute of repose. In addition, Defendants and the other Defendants' Releasees will have the right to assert any and all defenses they may have to any claims that you may seek to assert.

64. If you ask to be excluded from the Settlement Class, you will not be eligible to receive any payment out of the Net Settlement Fund.

65. Defendants have the right to terminate the Settlement if valid requests for exclusion are received from persons and entities entitled to be members of the Settlement Class in an amount that exceeds an amount agreed to by Lead Plaintiff and Defendants.

## WHEN AND WHERE WILL THE COURT DECIDE WHETHER TO APPROVE THE SETTLEMENT? DO I HAVE TO COME TO THE HEARING? MAY I SPEAK AT THE HEARING IF I DON'T LIKE THE SETTLEMENT?

66. Settlement Class Members do not need to attend the Settlement Fairness Hearing. The Court will consider any submission made in accordance with the provisions below even if a Settlement Class Member does not attend the hearing. You can participate in the Settlement without attending the Settlement Fairness Hearing.

67. The Settlement Fairness Hearing will be held on June 29, 2022 at 2:30 p.m. before the Honorable John G. Koeltl, at the United States District Court, Southern District of New York, 500 Pearl St., Comtroom 14A, New York, NY 10007-1312. The Court reserves the right to approve the Settlement, the Plan of Allocation, Lead Counsel's motion for an award of attorneys' fees and reimbursement of Litigation Expenses, and/or any other matter related to the Settlement at or after the Settlement Hearing without further notice to the members of the Settlement Class.

68. Any Settlement Class Member who is not requesting exclusion from the Settlement Class may object to the proposed Settlement, the proposed Plan of Allocation, or the motion for an award of attorneys' fees and reimbursement of Litigation Expenses. Objections must be in writing. You must file any written objection, together with copies of all other papers and briefs supporting the objection, with the Clerk's Office of the Court at the address set forth below on or before June 8, 2022. You must also serve the papers on Lead Counsel for the Settlement Class and Defendants' Counsel at the addresses set forth below so that the papers are ***received*** on or before June 8, 2022.

| CLERK'S OFFICE | LEAD COUNSEL | DEFENDANTS' COUNSEL |
|---|---|---|
| Clerk's Office<br>Daniel Patrick Moynihan<br>U.S. Courthouse<br>500 Pearl Street<br>New York, NY 10007<br>(212) 805-0136 | Frederic S. Fox **KAPLAN FOX& KILSHEIMER LLP**<br>850 Third Ave., 14th Fl. New York, NY 10022 (212) 687-1980 | Carole Bernstein<br>**LAW OFFICES OF CAROLE R. BERNSTEIN**<br>41 Maple Ave. N. Westport, CT 06880<br>(203) 259-8698<br>Paul R. Bessette<br>**KING & SPALDING LLP**<br>500 West 2nd Street Ste. 1800<br>Austin, TX 78701<br>(512) 457-2050 |

69. Any objection to the Settlement must include: (1) the name, address, and telephone number of the person objecting, signed by the objector; (2) a statement of such person's objections to any matters before the Court concerning the Settlement and whether the objection applies only to the objector, to a specific subset of the Settlement Class, or to the entire Settlement Class; (3) the grounds therefore or the reasons that such person desires to appear and be heard, as well as all documents or writings such person desires the Court to consider; (4) whether that person intends to present any witnesses and/or experts, the identity of any such witnesses and/or experts, and the nature of the testimony; and (5) proof of the person's membership in the Settlement Class, which proof shall include the person's purchases of SCWorx common stock during the Class Period and any sales thereof, including the dates, the number of shares, and price(s) paid and received for each such purchase or sale.

70. You may file a written objection without having to appear at the Settlement Fairness Hearing. You may not, however, appear at the Settlement Fairness Hearing to present your objection unless you first filed and served a written objection in accordance with the procedures described above, unless the Court orders otherwise.

71. If you wish to be heard orally at the Settlement Fairness Hearing in opposition to the approval of the Settlement, the Plan of Allocation, or the motion for an award of attorneys' fees and reimbursement of Litigation Expenses, and if you file and serve a timely written objection as described above, you must also file a notice of appearance with the Clerk's Office and serve it on Lead Counsel and Defendants' Counsel at the addresses set forth above so that it is ***received*** on or before June 8, 2022. Persons who intend to object and desire to present evidence at the Settlement Fairness Hearing must include in their written objection or notice of appearance the identity of any witnesses they may call to testify, the nature of the testimony, and any exhibits they intend to introduce into evidence at the Settlement Hearing. Such persons may be heard orally at the discretion of the Court.

72. You are not required to hire an attorney to represent you in making written objections or in appearing at the Settlement Fairness Hearing. If you decide to hire an attorney, however, it will be at your own expense and that attorney must file a notice of appearance with the Court and serve it on Lead Counsel and Defendants' Counsel at the addresses set forth above so that the notice is ***received*** on or before June 8, 2022.

73. The Settlement Fairness Hearing may be adjourned by the Court without further written notice to the Settlement Class. If you intend to attend the Settlement Fairness Hearing, you should confirm the date and time with Lead Counsel.

**74. Unless the Court orders otherwise, any Settlement Class Member who does not object in the manner described above will be deemed to have waived any objection and shall be forever foreclosed from making any objection to the proposed Settlement, the proposed Plan of Allocation, or Lead Counsel's motion for an award of attorneys' fees and reimbursement of Litigation Expenses. Settlement Class Members do not need to appear at the hearing or take any other action to indicate their approval.**

## WHAT IF I BOUGHT SCWORX STOCK ON SOMEONE ELSE'S BEHALF?

75. If, for the beneficial interest of any person or entity other than yourself, you pmchased SCWorx publicly-traded common stock on the Nasdaq, on other U.S. exchanges or in a U.S. transaction during the period from April 13, 2020 through April 17, 2020, inclusive, you must either: (i) send the Notice and Claim Form to all such beneficial owners, postmarked within ten (10) calendar days ofreceipt of the Notice; or (ii) send a list of the names and addresses of such beneficial owners to the Claims Administrator within ten (10) calendar days after receipt of the Notice, in which event the Claims Administrator shall mail the Notice and Claim Form to such beneficial owners within ten (10) calendar days after receipt thereof.

76. If you choose the first option, *i.e.,* you elect to mail the Notice directly to beneficial owners, you must retain the mailing records for use in connection with any further notices that may be provided in the Action. If you elect that option, the Claims Administrator will forward the Notice and Claim Form (together, the ''Notice Packet") to you to send to the beneficial owners. You must mail the Notice Packets to the beneficial owners within ten (10) calendar days of your receipt of the packets. Upon mailing of the Notice Packets, you may seek reimbursement of your reasonable expenses actually incurred, by providing the Claims Administrator with proper documentation supporting the expenses for which reimbursement is sought.

77. If you choose the second option, you must, within ten (10) calendar days ofreceipt of this Notice, provide a list of the names and addresses of all such beneficial owners to SCWorx Securities Litigation c/o A.B. Data, Ltd., ATTN: FULFILLMENT DEPT., P.O. Box 170500, Milwaukee, WI 53217. The Claims Administrator will send a copy of the Notice Packet to the beneficial owners whose names and addresses you supply. Upon full compliance with these directions, you may seek reimbursement of your reasonable expenses actually incurred by providing the Claims Administrator with proper documentation supporting the expenses for which reimbursement is sought. Copies of the Notice Packet may also be obtained from the website for this Action, www.SCWorxSecuritiesLitigation.com, or by calling the Claims Administrator toll-free at l-877-266-4060.

## CAN I SEE THE COURT FILE? WHOM SHOULD I CONTACT IF I HAVE QUESTIONS?

78. This Notice contains only a summaiy of the terms of the proposed Settlement. For more detailed infmmation about the matters involved *in* the Action, you are referred to the papers on file *in* the Action, including the Stipulation, which may be inspected during regular office hours at the Office of the Clerk, United States District Court for the Southern District of New York. Additionally, copies of the Stipulation and any related orders entered by the Court will be posted on the website for the Settlement, www.SCWorxSecuritiesLitigation.com. All inquiries concerning this Notice or the Claim Form should be directed to the Claims Administrator or Lead Counsel.

**DO NOT CALL OR WRITE THE COURT OR THE OFFICE OF THE CLERK OF COURT, DEFENDANTS OR THEIR COUNSEL REGARDING THIS NOTICE.**

Dated:------, 2022

By Order of the Clerk of Court United States District Court Southern District of New York

**Exhibit A-(ii)**

**UNITED STATES DISTRICT COURT**
**SOUTHERN DISTRICT OF NEW YORK**

| | |
|---|---|
| DANIEL YANNES, Individually and on Behalf of All Others Similarly Situated,<br><br>Plaintiff,<br>vs.<br><br>SCWORX CORPORATION and MARC S. SCHESSEL,<br><br>Defendants. | CIVIL ACTION NO.: 20-CV-3349-JGK<br><br>CLASS ACTION |

**PROOF OF CLAIM AND RELEASE**

**Deadline for Submission: August 9, 2022**

If you purchased or otherwise acquired SCWorx Corporation ("SCWorx") common stock on the Nasdaq or other U.S. exchanges or in a U.S. transaction between April 13, 2020 and April 17, 2020, inclusive, you are a member of the Settlement Class and you could get a payment from a class action settlement.

IF YOU ARE A SETTLEMENT CLASS MEMBER, IN ORDER TO BE ELIGIBLE TO RECEIVE A SHARE OF THE NET SETTLEMENT FUND IN CONNECTION WITH THE PROPOSED SETTLEMENT, YOU MUST COMPLETE AND SIGN THIS PROOF OF CLAIM AND RELEASE ("CLAIM FORM") AND MAIL IT BY FIRST CLASS MAIL TO THE BELOW ADDRESS, OR SUBMIT IT ONLINE AT WWW.SCWORXSECURITIESLITIGATION.COM, **POSTMARKED (OR RECEIVED) NO LATER THAN AUGUST 9, 2022:**

**SCWorx Securities Litigation**
**c/o A.B. Data, Ltd.**
**P.O. Box 170500 -**
**Milwaukee, WI 53217**

YOUR FAILURE TO SUBMIT YOUR CLAIM FORM BY AUGUST 9, 2022, WILL SUBJECT YOUR CLAIM TO REJECTION AND PRECLUDE YOU FROM BEING ELIGIBLE TO RECEIVE ANY MONEY IN CONNECTION WITH THE SETTLEMENT OF THIS ACTION. DO NOT MAIL OR DELIVER YOUR CLAIM TO THE COURT OR TO ANY OF THE PARTIES TO THE ACTION OR THEIR COUNSEL AS ANY SUCH CLAIM WILL BE DEEMED NOT TO HAVE BEEN SUBMITTED. SUBMIT YOUR CLAIM ONLY TO THE CLAIMS ADMINISTRATOR AT THE ADDRESS ABOVE, OR ONLINE AT WWW.SCWORXSECURITIESLITIGATION.COM.

**GENERAL INSTRUCTIONS**

1. This Claim Form is directed to members of the Settlement Class, as defined in the accompanying Notice. Certain persons and entities are excluded from the Settlement Class by definition as set forth in ,r 1 of the Notice.

2. By submitting this Claim Form, you will be making a request to share in the proceeds of the Settlement described in the Notice. IF YOU ARE NOT A SETTLEMENT CLASS MEMBER, OR IF YOU SUBMITTED A REQUEST FOR EXCLUSION FROM THE SETTLEMENT CLASS, DO NOT SUBMIT A CLAIM FORM. YOU MAY NOT, DIRECTLY OR INDIRECTLY, PARTICIPATE IN THE SETTLEMENT. THUS, IF YOU ARE EXCLUDED FROM THE SETTLEMENT CLASS, ANY CLAIM FORM THAT YOU SUBMIT, OR THAT MAY BE SUBMITTED ON YOUR BEHALF, WILL NOT BE ACCEPTED.

3. **Submission of this Claim Form does not guarantee that you will share in the proceeds of the Settlement. The distribution of the Net Settlement Fund will be governed by the Plan of Allocation set forth in the Notice, if it is approved by the Court, or by such other plan of allocation as the Court approves.**

4. Use Part II - Transactions in SCWorx common stock to supply all required details of your transaction(s) (including free transfers and deliveries) in and holdings of SCWorx common stock. On this schedule, please provide all of the requested information with respect to your holdings, purchases, and sales of SCWorx common stock, whether such transactions resulted in a profit or a loss. Failure to repott all transaction and holding information during the requested time period may result in the rejection of your claim.

5. You are required to submit genuine and sufficient documentation for all of your transactions in and holdings of SCWorx common stock set forth in Patt II of this Claim Form. The documentation submitted must show that the claimed SCWorx common stock was purchased on the Nasdaq, on other U.S. exchanges or in a U.S. transaction. Documentation may consist of copies of brokerage confirmation slips or monthly brokerage account statements, or an authorized statement from your broker containing the transactional and holding information found in a broker confomation slip or account statement. The Paities and the Claims Administrator do not independently have information about your investments in SCWorx common stock. IF SUCH DOCUMENTS ARE NOT IN YOUR POSSESSION, PLEASE OBTAIN COPIES OF THE DOCUMENTS OR EQUIVALENT DOCUMENTS FROM YOUR BROKER. FAILURE TO SUPPLY THIS DOCUMENTATION MAY RESULT IN THE REJECTION OF YOUR CLAIM. DO NOT SEND ORIGINAL DOCUMENTS. Please keep a copy of all documents that you send to the Claims Administrator. Also, do not highlight any p01tion of the Claim Form or any supporting documents.

8. All joint beneficial owners each must sign this Claim Form and their names must appear as “Claimants” in Part I of this Claim Form. The complete name(s) of the beneficial owner(s) must be entered. If you purchased SCWorx common stock during the Class Period and held the shares in your name, you are the beneficial owner as well as the record owner. If you purchased SCWorx common stock during the Class Period and the shares were registered in the name of a third party, such as a nominee or brokerage firm, you are the beneficial owner of these shares, but the third party is the record owner. The beneficial owner, not the record owner, must sign this Claim Form.

9. One Claim Form should be submitted for each separate legal entity. Separate Claim Forms should be submitted for each separate legal entity (e.g., a claim from joint owners should not include separate transactions of just one of the joint owners, and an individual should not combine his or her IRA transactions with transactions made solely in the individual’s name). Conversely, a single Claim Form should be submitted on behalf of one legal entity including all transactions made by that entity on one Claim Form, no matter how many separate accounts that entity has (e.g., a corporation with multiple brokerage accounts should include all transactions made in all accounts on one Claim Form).

10. Agents, executors, administrators, guardians, and trustees must complete and sign the Claim Form on behalf of persons or entities represented by them, and they must:

(a) expressly state the capacity in which they are acting;

(b) identify the name, account number, last four digits of the Social Security Number (or Taxpayer Identification Number), address, and telephone number of the beneficial owner of (or other person or entity on whose behalf they are acting with respect to) the SCWorx common stock; and

(c) furnish herewith evidence of their authority to bind to the Claim Form the person or entity on whose behalf they are acting. (Authority to complete and sign a Claim Form cannot be established by stockbrokers demonstrating only that they have discretionary authority to trade securities in another person's accounts.)

11. If you have questions concerning the Claim Form, or need additional copies of the Claim Form or the Notice, you may contact the Claims Administrator, A.B. Data, Ltd. at the above address, by email at info@SCWorxSecuritiesLitigation.com, or by toll-free phone at 1-877-266-4060, or you can visit the website maintained by the Claims Administrator, www.SCWorxSecuritiesLitigation.com, where copies of the Claim Form and Notice are available for downloading.

**NOTICE REGARDING ELECTRONIC FILES:** Certain claimants with large numbers of transactions may request, or may be requested, to submit information regarding their transactions in electronic files. All Claimants MUST submit a manually signed paper Claim Form listing all their transactions whether or not they also submit electronic copies. If you wish to file your claim electronically, you must contact the Claims Administrator at 1- 877-266-4060, or visit the website for the Settlement at www.SCWorxSecuritiesLitigation.com to obtain the required file layout. No electronic files will be considered to have been properly submitted unless the Claims Administrator issues to the Claimant a written acknowledgment of receipt and acceptance of electronically submitted data.

**PART I - CLAIMANT INFORMATION**

| | | |
|---|---|---|
| Beneficial Owner's First Name | MI | Beneficial Owner's Last Name |
| Co-Beneficial Owner's First Name | MI | Co-Beneficial Owner's Last Name |
| Entity Name (if claimant is not an individual) | | |
| Representative or Custodian Name (if different from Beneficial Owner(s) listed above) | | |
| Address 1: | | |
| Address 2: | | |
| City | State | ZIP |
| Foreign Province | Foreign Country | |
| Day Phone | Evening Phone | |
| Email Address: | Broker/Brokerage Company: | |
| Account Number: | | |

Specify one of the following:

D Individual(s) D Corporation D UGMA Custodian D IRA D Partnership D Estate

D Trust _____

□ Other _____

Enter Taxpayer Identification Number below for the Beneficial Owner(s).

Social Security No. (for individuals) or Taxpayer Identification No.
(for estates, trusts, corporations, etc.)

**PART** II - **TRANSACTIONS IN SCWORX COMMON STOCK**

**Complete this Part** II if **and only if you purchased SCWorx publicly-traded common stock on the Nasdaq, on other U.S. exchanges or in a U.S. transaction during the pe1·iod from April 13, 2020 through April 17, 2020, inclusive.**

**A. Beginning Holdings:**

State the total number of shares of SCWorx common stock owned at the opening of trading on April 13, 2020, long or short *(must be documented).* If none, write "zero" or "O."

*Continued on next page*

**B. Purchases From April 13, 2020 Through Ap1·il 21, 2020, Inclusive:**

Separately list each and every purchase (including free receipts) of SCWorx common stock from the opening of trading on April 13, 2020 Through April 21, 2020, inclusive, and provide the following information *(must be documented):*

| Trade Date (List Chronologically) (Month/DayNear) | Number of SCWorx Common Stock Shares Purchased | Price | Total Cost (Excluding Commissions, Taxes, and Fees) |
|---|---|---|---|
| | | | |
| | | | |

*P - Purchase, R - Received (Transfer-In)

**C. Sales From April 13, 2020 Through April 21, 2020, Inclusive:**

Separately list each and every sale/disposition (including free deliveries) of SCWorx common stock during the period from April 13, 2020 through April 21, 2020, inclusive and provide the following information *(must be documented):*

| Trade Date (List Chronologically) (Month/DayNear).. | Number of SCWorx Common Stock Shares Sold | Price | Amount Received (Excluding Commissions, Taxes, and Fees) |
|---|---|---|---|
| | | | |
| | | | |

***S** - Sale, D - Delivery (Transfer-Out)

**E. Ending Holdings:**

State the total number of SCWorx common stock shares owned at the close of trading on April 21, 2020, long or short *(must be documented).*

If **additional space is needed, attach separate, numbered sheets, giving all required information, substantially in the same format, and print your name and Social Security or Taxpayer Identification number at the top of each sheet.**

**CERTIFICATION**

By signing and submitting this Claim Form, the claimant(s) or the person(s) who represent(s) the claimant(s) agree(s) to the Releases contained in the Notice and certifies (certify) as follows:

1. I (we) purchased SCWorx publicly-traded common stock and was (were) damaged thereby.

2. By submitting this Claim Form, I (we) state that I (we) believe in good faith that I am (we are) a Settlement Class Member as defined above and in the Notice, or am (are) acting for such person(s); that I am (we are) not a Defendant in the Action or anyone excluded from the Settlement Class; that I (we) have read and understand the Notice; that I (we) believe that I am (we are) entitled to receive a share of the Net Settlement Fund, as defined in the Notice; that I (we) elect to participate in the proposed Settlement described in the Notice; and that I (we) have not filed a request for exclusion.

3. I (we) consent to the jmisdiction of the Court with respect to all questions concerning the validity of this Claim Form. I (we) understand and agree that my (our) claim may be subject to investigation and discovery under the Federal Rules of Civil Procedure, provided that such investigation and discovery shall be limited to my (our) status as a Settlement Class Member(s) and the validity and amount of my (our) claim. No discovery shall be allowed on the merits of the Action or Settlement in connection with processing of the Claim Form.

4. I (we) have set forth where requested above all relevant information with respect to each purchase of SCWorx publicly-traded common stock during the Class Period, and each sale, if any, as well as my(our) holdings as requested. I (we) agree to furnish additional information to the Claims Administrator to support this claim ifrequested to do so.

5. I (we) have enclosed photocopies of confirmation slips, account statements, or other documents evidencing each purchase, sale or retention of SCWorx publicly-traded common stock listed above in support of our claim.

6. I (we) understand that the information contained in this Claim Form is subject to such verification as the Claims Administrator may request or as the Court may direct, and I (we) agree to cooperate in any such verification. (The information requested herein is designed to provide the minimum amount of information necessary to process most simple claims. The Claims Administrator may request additional information as required to efficiently and reliably calculate your recognized claim. In some cases, the Claims Administrator may condition acceptance of the claim based upon the production of additional information, including, where applicable, information concerning transactions in any derivatives securities such as options.)

7. Upon the occurrence of the Effective Date, as defined in the Notice, I (we) agree and acknowledge that my (our) signature(s) hereto shall effect and constitute a full and complete release, remise and discharge by me (us) and my (our) heirs, executors, administrators, predecessors, successors and assigns (or, if lam (we are) submitting this Claim Form on behalf of a corporation, a partnership, estate or one or more other persons, by it, him, her or them, and by its, his, her or their heirs, executors, administrators, predecessors, successors and assigns) of each of the ''PlaintiffReleasees", as defined in the Notice.

8. I **(We) understand that** I **(we) am (are) prohibited by Court-ordered agreement from selling or transferring more than twenty-five percent (25%) per week of any Settlement Shares** I **(we) may receive during any of the four weeks immediately following the Distribution of such Settlement Shares.**

9. I (We) certify that I am (we are) NOT subject to backup withholding under the provisions of Section 3406 (a)(l)(c) of the Internal Revenue Code because: (a) I am (We are) exempt from backup withholding, or

(b) I (We) have not been notified by the I.R.S. that I am (we are) subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the I.R.S. has notified me (us) that I am (we are) no longer subject to backup withholding.

NOTE: If you have been notified by the I.RS. that you are subject to backup withholding, please strike out the language that you are not subject to backup withholding in the certification above.

UNDER THE PENALTIES OF PERJURY, I (WE) CERTIFY THAT ALL OF THE INFORMATION I (WE) PROVIDED ON THIS PROOF OF CLAIM AND RELEASE IS TRUE, CORRECT AND COMPLETE.

Signature of Claimant (If this claim is being made on behalf of Joint Claimants, then each must sign)

_____

(Signature)

_____

(Signature)

_____

(Capacity of person(s) signing, e.g. beneficial purchaser(s), executor, administrator, trustee, etc.)

Date: _____

**THIS CLAIM FORM MUST BE MAILED TO THE CLAIMS ADMINISTRATOR BY FIRST-CLASS MAIL, OR SUBMITTED ONLINE AT WWW.SCWORXSECURITIESLITIGATION.COM, POSTMARKED (OR RECEIVED) NO LATER THAN AUGUST 9, 2022. IF MAILED, THE CLAIMS FORM SHOULD BE ADDRESSED TO:**

**SCWorx Securities Litigation**
**c/o A.B. Data, Ltd.**
**P.O. Box 170500**
**Milwaukee, WI 53217**

If mailed, a Claim Form received by the Claims Administrator shall be deemed to have been submitted when posted, if mailed by August 9, 2022, and if a postmark is indicated on the envelope and it is mailed first class and addressed in accordance with the above instructions. In all other cases, a Claim Form shall be deemed to have been submitted when actually received by the Claims Administrator.

**REMINDER CHECKLIST**

- o Please be sure to sign this Claim Form. If this Claim Form is submitted on behalf of joint claimants, then both claimants must sign.
- o Please remember to attach supporting documents. Do NOT send any stock certificates. Keep copies of everything you submit.
- o Do NOT use highlighter on the Claim Fmm or any supporting documents.
- o If you move after submitting this Claim Form, please notify the Claims Administrator of the change in your address.
- o Please remember that you are subject to a Court-ordered Agreement referenced in Paragraph 8 of the above Certification which limits your ability to sell your Settlement Shares during the four weeks following the distribution of the Settlement Shares.

**Exhibit A-(iii)**

**UNITED STATES DISTRICT COURT SOUTHERN DISTRICT OF NEW YORK**

| | |
|---|---|
| DANIEL YANNES, Individually and on Behalf of All Others Similarly Situated,<br><br>Plaintiff,<br><br>vs.<br><br>SCWORX CORPORATION and MARC S. SCHESSEL,<br><br>Defendants. | Civil Action NO.: 20-CV-3349-JGK<br><br>CLASS ACTION |

**SUMMARY NOTICE OF** (i) **PENDENCY OF CLASS ACTION AND PROPOSED SETTLEMENT;** (ii) **MOTION FOR AN AWARD OF ATTORNEYS' FEES AND REIMBURSEMENT OF LITIGATION EXPENSES; AND**
**(iii) SETTLEMENT FAIRNESS HEARING**

**TO:** ALL PERSONS AND ENTITIES WHO PURCHASED OR OTHERWISE ACQUIRED SCWORX CORPORATION ("SCWORX") COMMON STOCK ON THE NASDAQ OR OTHER U.S. EXCHANGES OR IN A U.S. TRANSACTION BETWEEN APRIL 13, 2020 AND APRIL 17, 2020, INCLUSIVE (THE "SETTLEMENT CLASS").

Certain persons and entities are excluded from the Settlement Class as set forth in the Stipulation and Agreement of Settlement dated February 11, 2022 ("Stipulation") and the Notice described below.

YOU ARE HEREBY NOTIFIED, pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Southern District of New York, that the above-captioned action ("Action") has been provisionally certified as a class action for the purposes of settlement only and that the parties to the Action have reached a proposed settlement of the Action ("Settlement"). A hearing will be held on June 29,-2022, at 2:30 p.m., before the Honorable John G. Koeltl, United States District Judge, at the Southern District of New York, 500 Pearl St., Courtroom 14A, New York, NY 10007-1312, for the purpose of dete1mining: a) whether the proposed Settlement of the claims alleged in the Action for a total value of no less than Three Million Three Hundred Thousand Dollars ($3,300,000.00), consisting of Two Million Seven Hundred Thousand Dollars ($2,700,000.00) in cash and the number of shares of SCWorx common stock that equate to a value of Six Hundred Thousand Dollars ($600,000.00), plus an additional one hundred thousand (100,000) shares of SCWorx common stock at then-current market values, is fair, reasonable, and adequate and should be approved by the Court; b) whether the Action should be dismissed with prejudice against the Defendants as set forth in the Stipulation; c) whether the Settlement Class should be certified for purposes of settlement; d) whether the proposed Plan of Allocation is fair and reasonable and should be approved by the Court; e) whether Lead Counsel's request for an award of attorneys' fees and reimbursement of Litigation Expenses should be approved by the Court; and f) any other relief the Court deems necessaiy to effectuate the tem1s of the Settlement.

IF YOU ARE A MEMBER OF THE SETTLEMENT CLASS, YOUR RIGHTS WILL BE AFFECTED BY THE SETTLEMENT OF THIS ACTION, AND YOU MAY BE ENTITLED TO SHARE IN THE SETTLEMENT FUND.

If you have not received a detailed Notice of (i) Pendency of Class Action and Proposed Settlement; (ii) Motion for an Award of Attorneys' Fees and Reimbursement of Litigation Expenses; and (iii) Settlement Fairness Hearing (''Notice") and Claim Fmm, you may obtain a copies by contacting the Claims Administrator by mail at SCWorx Securities Litigation c/o A.B. Data, Ltd., P.O. Box 170500, Milwaukee, WI, 53217, by email at info@SCWorxSecuritiesLitigation.com, by telephone at 1-877-266-4060, or by the website at www.SCWorxSecuritiesLitigation.com. If you are a Settlement Class Member, in order to share in the distribution of the Net Settlement Fund, you must submit a Claim Form by mail ***(postmarked no later than August 9, 2022),*** or electronically ***no later than August 9, 2022,*** establishing that you are entitled to recover. If you are a Settlement Class Member and do not submit a proper Claim Form, you will not be eligible to share in the distribution of the net proceeds of the Settlement but you will nevertheless be bound by any releases, judgments or orders entered by the Court in the Action.

If you are a Settlement Class Member, you have the right to object to the Settlement, the Plan of Allocation, or the attorneys' fee and Litigation Expense applications, or otherwise request to be heard. To object, you must submit a written objection in accordance with the procedures described in the more detailed Notice, referred to above. Any written objection must be delivered to the following recipients so that it is ***received no later than June 8, 2022:*** (a) the Clerk's Office, United States District Court for the Southern District of New York, 500 Pearl Street, New York, NY 10007; (b) Frederic S. Fox, Kaplan Fox & Kilsheimer LLP, 850 Third Avenue, 14th Floor, New York, NY 10022; (c) Carole R. Bernstein, Law Offices of Carole R. Bernstein, 41 Maple Ave. **N.,** Westport, CT 06880; and (d) Paul R. Bessette, King & Spalding LLP, 500 West 2nd Street, Ste. 1800, Austin, TX 78701. Note that the Court can only approve or deny the Settlement, not change the terms of the Settlement.

lfyou are a Settlement Class Member and wish to exclude yourself from the Settlement Class, you must submit a request for exclusion such that it is ***received no later than June 8, 2022,*** in accordance with the procedures described in the Notice. If you properly exclude yourself from the Settlement Class, you will not be bound by any releases, judgments or orders entered by the Court in the Action and you will not be eligible to share in the net proceeds of the Settlement. Excluding yourself is the only option that allows you to be part of any other current or future lawsuit against Defendants or any of the other released parties concerning the claims being resolved by the Settlement. Please note, however, if you decide to exclude yourself from the Settlement Class, you may be time-barred from asserting the claims covered by the Action by a statute of repose.

**PLEASE DO NOT CONTACT THE COURT, THE CLERK'S OFFICE, DEFENDANTS OR THEIR COUNSEL REGARDING TIDS NOTICE.**
If you have any questions about the Settlement, you may contact Lead Counsel at the address listed below:


Frederic S. Fox
**KAPLAN FOX & KILSHEIMER LLP**
850 Third Avenue, 14th Floor New York, NY 10022
(212) 687-1980
mail@kaplanfox.com


Dated: -------

By Order of the Clerk of Court United States District Court Southern District of New York

**Exhibit 10.8**

**IN THE UNITED STATES DISTRICT COURT**
**FOR THE SOUTHERN DISTRICT OF NEW YORK**

| | |
|---|---|
| IN RE SCWORX CORP. DERIVATIVE LITIGATION | Lead Case No. 1:20-cv-04554-JGK |

**STIPULATION OF SETTLEMENT**

This Stipulation of Settlement (the "Stipulation") dated February 15, 2022, is made and entered into by the following Parties (as defined herein), each by and through their respective counsel: (1) plaintiffs in the above-captioned consolidated stockholder derivative action (the "Consolidated Action"), Javier Lozano ("Lozano") and Josstyn Richter ("Richter") ("Federal Plaintiffs"), plaintiff in the shareholder derivative action captioned *Zarins, et al. v. Schessel, et al.*, Case No. 2020-0924-MTZ, pending in the Delaware Court of Chancery (the "Delaware Action," and together with the Consolidated Action, the "Derivative Actions"), Hemrita Zarins ("Zarins," and collectively with Federal Plaintiffs, "Plaintiffs"); (2) individual defendants Marc S. Schessel, Charles K. Miller, Robert Christie, and Steven Wallitt (the "Individual Defendants"); and (3) nominal defendant SCWorx Corp. ("SCWorx" or the "Company," and together with the Individual Defendants, "Defendants") ("Parties" refers collectively to Defendants and Plaintiffs).[1]

This Stipulation, subject to court approval, is intended to fully, finally, and forever resolve, discharge, and settle any and all Released Claims (as defined herein), upon the terms and subject to the conditions set forth herein.

[1] Although only filed in the Consolidated Action, this Stipulation also resolves the Delaware Action. On the Effective Date (defined herein), the parties in the Delaware Action shall stipulate to voluntarily dismiss the case with prejudice within five (5) days thereafter.

## I. BACKGROUND OF THE DERIVATIVE ACTIONS AND THE SETTLEMENT

### A. Factual Background and Plaintiffs' Claims

SCWorx offers data services and software solutions to healthcare providers. The Company's software is aimed at optimizing information flow and enhancing the business systems of healthcare organizations. In April 2020, during the COVID-19 pandemic, which strained healthcare systems across the United States and around the world and resulted in serious medical equipment shortages, the Company announced that it was expanding into a new business to supply personal protective equipment for healthcare workers as well as COVID-19 test kits.

Plaintiffs allege in the Derivative Actions that the Individual Defendants breached their fiduciary duties by personally making and/or causing the Company to make to the investing public a series of materially false and misleading statements and omissions about SCWorx's business, operations, and prospects and causing the Company to fail to maintain an adequate system of internal controls. Specifically, the Derivative Actions allege that as early as April 13, 2020, and at least through April 17, 2020, Defendants issued false and misleading statements indicating that SCWorx had the capacity to successfully enter the market for selling COVID-19 test kits and had secured lucrative purchase and supply agreements for COVID-19 test kits purportedly worth millions of dollars for the Company.

### B. Procedural History

#### i. The Consolidated Action

On June 15, 2020, plaintiff Lozano filed a Verified Shareholder Derivative Complaint on behalf of SCWorx against the Individual Defendants in the United States District Court for the Southern District of New York (the "Court"), asserting claims for breaches of fiduciary duties, unjust enrichment, abuse of control, gross mismanagement, waste of corporate assets, and seeking contribution under sections 10(b) and 21D of the Securities Exchange Act of 1934 (the "Exchange Act") (the "*Lozano* Action").

On August 12, 2020, the parties in the *Lozano* Action stipulated to stay proceedings pending the resolution of a forthcoming motion to dismiss in the related now-consolidated securities class action, captioned *Yannes v. SCWorx Corp., et al.*, No. 1:20-cv-03349-JGK (S.D.N.Y.) (the "Securities Class Action"). The Court so-ordered the stipulation to stay the same day, August 12, 2020 (the "Stay Order").

On August 21, 2020, plaintiff Richter filed another Verified Shareholder Derivative Complaint on behalf of SCWorx against the Individual Defendants in the Court, also asserting claims for breaches of fiduciary duties, unjust enrichment, abuse of control, gross mismanagement, waste of corporate assets, and seeking contribution under sections 10(b) and 21D of the Exchange Act (the "*Richter* Action").

On August 26, 2020, the parties in the *Lozano* Action and the *Richter* Action filed a Joint Stipulation and [Proposed] Order Consolidating Related Shareholder Derivative Actions and Appointing Co-Lead Counsel that stipulated to: (i) consolidate the related actions to form the Consolidated Action; (ii) appoint The Brown Law Firm, P.C. and The Rosen Law Firm, P.A. Co- Lead Counsel for Federal Plaintiffs; and (iii) apply the terms of the Stay Order to the Consolidated Action. The Court so-ordered the stipulation to consolidate the next day, August 27, 2020.

The Stay Order provided, among other things, that during the pendency of the stay, Defendants would provide copies of any discovery provided or produced to any plaintiff or purported shareholder in any related actions/threatened actions, including in response to books and records demands under 8 Del. C. § 220 ("Section 220"), subject to an appropriate confidentiality agreement and/or protective order. On January 28, 2021 and on August 11, 2021, Defendants provided Federal Plaintiffs copies of non-public documents, including documents produced in response to Section 220 demands, including the documents produced to plaintiff Zarins.

On June 21, 2021, the Court denied the defendants' motion to dismiss plaintiffs' consolidated class action complaint in the Securities Class Action.

**ii. The Delaware Action**

On October 28, 2020, plaintiff Zarins filed under seal a confidential Verified Stockholder Derivative Complaint on behalf of SCWorx, with the benefit of the Company's books and records pursuant to Section 220, against Defendants Schessel, Christie, and Wallitt in the Court of Chancery of the State of Delaware ("Delaware Court"), asserting claims for breaches of fiduciary duties, waste of corporate assets, and unjust enrichment (the "Delaware Action"). A public version of the complaint was filed on November 2, 2020.

On February 3, 2021, the parties in the Delaware Action stipulated to stay the proceedings pending the resolution of the motion to dismiss in the Securities Class Action. The Delaware Court so-ordered the stipulation to stay the Delaware Action the same day.

**C. Settlement Negotiations**

On July 23, 2021, the Parties agreed to attend a mediation, at which the parties to the Securities Class Action would also participate, before experienced JAMS mediator, Jed D. Melnick, Esq. (the "Mediator") to attempt to resolve the claims in the Derivative Actions.

On August 16, 2021, in anticipation of the mediation, Plaintiffs submitted a joint mediation brief to Defendants and the Mediator, addressing relevant arguments and allegations in the Derivative Actions. Together with their mediation submission, Plaintiffs provided counsel for Defendants with a settlement demand that included a comprehensive corporate governance reforms proposal. On each of August 12, 2021 and August 23, 2021, Defendants provided Plaintiffs with their respective mediation statements.

On August 23, 2021, the Parties, including the Defendants' D&O insurers and plaintiff Zarins, participated in an all-day mediation via Zoom with the Mediator. Although the Parties were unable to reach an agreement to settle the claims in the Derivative Actions at the Mediation, the Parties subsequently engaged in arm's-length negotiations through emails and teleconferences, with the assistance of the Mediator. The Parties continued to engage in good faith settlement negotiations in the months following the Mediation, including by exchanging various drafts of proposed corporate governance reforms, until they reached an agreement-in-principle to settle the Derivative Actions.

On October 18, 2021, the Parties reached an agreement on the material terms of the settlement, including the corporate governance reforms that SCWorx will adopt as consideration for the settlement, which corporate governance reforms are set forth in Exhibit A hereto (the "Reforms").

With substantial assistance from the Mediator, and only after agreeing in principle to the Reforms, the Parties negotiated, at arm's-length, the attorneys' fees and reimbursement of expenses to be paid to Plaintiffs' Counsel. On December 13, 2021, the Individual Defendants agreed to cause their D&O insurers to pay three hundred thousand dollars ($300,000) to Plaintiffs' Counsel for their attorneys' fees and expenses in light of the substantial benefit that will be conferred upon the Company and its shareholders by the Reforms as a result of the settlement.

The Parties memorialized the terms of the settlement in a binding Settlement Term Sheet dated December 22, 2021 ("Term Sheet").

The members of SCWorx's Board of Directors (the "Board"), in exercising their business judgment, have resolved that the settlement contemplated herein and all of its terms, as set forth in this Stipulation (the "Settlement"), is in the best interest of SCWorx and its shareholders.

## II. PLAINTIFFS' CLAIMS AND THE BENEFITS OF SETTLEMENT

Plaintiffs believe that their derivative claims have substantial merit, and Plaintiffs' entry into this Stipulation is not intended to be and shall not be construed as an admission or concession concerning the relative strength or merit of the claims alleged in the Derivative Actions. However, Plaintiffs and Plaintiffs' Counsel (defined herein) recognize and acknowledge the significant risk, expense, and length of continued proceedings necessary to prosecute the derivative claims against the Individual Defendants through trial and possible appeals. Plaintiffs' Counsel also have taken into account the uncertain outcome and the risk of any litigation, especially in complex cases such as those comprising the Derivative Actions, as well as the difficulties and delays inherent in such litigation. Plaintiffs' Counsel are also mindful of the inherent problems of establishing standing in derivative litigation, and the possible defenses to the claims alleged in the Derivative Actions.

Plaintiffs' Counsel have conducted extensive investigation and analysis, including, *inter alia*: (i) reviewing and analyzing SCWorx press releases, public statements, filings with the U.S. Securities and Exchange Commission ("SEC"); (ii) reviewing and analyzing securities analysts' reports and advisories and media reports about the Company; (iii) reviewing and analyzing the pleadings contained in the Securities Class Action; (iv) researching the applicable law with respect to the claims alleged and the potential defenses thereto; (v) preparing and filing the complaints in the Derivative Actions; (vi) researching and evaluating factual and legal issues relevant to the claims; (vii) analyzing and reviewing confidential documents produced by Defendants; (viii) engaging in settlement negotiations with Defendants' Counsel regarding the specific facts, and perceived strengths and weaknesses of the Derivative Actions, and other issues in an effort to facilitate negotiations; (ix) conducting damages analyses and research into the Company's corporate governance structure in connection with settlement efforts; (x) preparing a comprehensive written settlement demand and modified demands over the course of the Parties' settlement negotiations; (xi) preparing a mediation statement; (xii) participating in the all-day virtual mediation; and (xiii) negotiating the material terms of the settlement, and negotiating and drafting the Term Sheet and this comprehensive Stipulation.

Based on Plaintiffs' Counsel's thorough review and analysis of the relevant facts, allegations, defenses, and controlling legal principles, Plaintiffs' Counsel believe that the Settlement set forth in this Stipulation is fair, reasonable, and adequate, and confers substantial benefits upon SCWorx. Based upon Plaintiffs' Counsel's evaluation, Plaintiffs have determined that the Settlement is in the best interests of SCWorx and have agreed to settle the Derivative Actions upon the terms and subject to the conditions set forth herein.

## III. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY

Defendants have denied and continue to deny each and every claim and contention alleged by Plaintiffs in the Derivative Actions. The Individual Defendants have expressly denied and continue to deny all charges of wrongdoing or liability against them arising out of any of the conduct, statements, acts, or omissions alleged, or that could have been alleged, in the Derivative Actions. Nonetheless, Defendants have concluded that it is desirable for the Derivative Actions to be fully and finally settled in the matter and upon the terms and conditions set forth in this Stipulation. Defendants have also taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like this. Defendants have, therefore, determined that it is in the best interests of SCWorx for the Derivative Actions to be settled in the manner and upon the terms and conditions set forth in this Stipulation.

Neither this Stipulation, nor any of its terms or provisions, nor entry of the Judgment (as defined herein) nor any document or exhibit referred to or attached to this Stipulation, nor any action taken to carry out this Stipulation is or may be construed or used as evidence of the validity or infirmity of any of the Released Claims or an admission by or against any Defendant of any fault, wrongdoing, or concession of liability or non-liability whatsoever.

## IV. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and among the undersigned counsel for the Parties herein, in consideration of the benefits flowing to the Parties from the Settlement, and subject to the approval of the Court, that the Released Claims shall be finally and fully compromised, settled, and released, and the Derivative Actions shall be dismissed with prejudice and with full preclusive effect as to all Parties, upon and subject to the terms and conditions of this Stipulation, as set forth below.

### 1. DEFINITIONS

As used in this Stipulation, the following terms have the meanings specified below:

1.1 "Board" means SCWorx's Board of Directors.

1.2 "Claims" means claims, demands, rights, liabilities, losses, obligations, duties, damages, costs, debts, expenses, interest, penalties, sanctions, fees, attorneys' fees, actions, potential actions, causes of action, suits, judgments, defenses, counterclaims, offsets, decrees, matters, issues, and controversies of any kind, nature, or description whatsoever, whether direct or derivative, known or unknown, disclosed or undisclosed, accrued or unaccrued, apparent or not apparent, foreseen or unforeseen, matured or not matured, suspected or unsuspected, liquidated or not liquidated, fixed or contingent, held at any point from the beginning of time to the date of the Stipulation's execution.

1.3 “Consolidated Action” means the consolidated derivative action pending in the Court, captioned *In re SCWorx Corp. Derivative Litigation*, Lead Case No. 1:20-cv-04554-JGK (S.D.N.Y.).

1.4 “Court” means the United States District Court for the Southern District of New York.

1.5 “Current SCWorx Shareholders” means any Person or Persons who are record or beneficial owners of SCWorx stock as of the date of this Stipulation, and who continue to own SCWorx common stock as of the date of the Settlement Hearing, and their successors-in- interest, excluding the Individual Defendants, the officers and directors of SCWorx, members of their immediate families, and their legal representatives, heirs, successors, or assigns, and any entity in which any of the Individual Defendants has or has had a controlling interest.

1.6 “Defendants” means the Individual Defendants and nominal defendant, SCWorx.

1.7 “Defendants’ Counsel” means King & Spalding LLP, Law Offices of Carole R. Bernstein, and Pashman Stein Walder Hayden, P.C.

1.8 “Delaware Action” means the shareholder derivative action pending in the Delaware Court captioned *Zarins, et al. v. Schessel, et al.*, Case No. 2020-0924-MTZ (Del. Ch.).

1.9 “Derivative Actions” means the Consolidated Action and the Delaware Action.

1.10 “Effective Date” means the date by which all of the events and conditions specified in Section IV (¶6.1) have been met and have occurred.

1.11 “Federal Plaintiffs” means plaintiffs Javier Lozano and Josstyn Richter in the Consolidated Action.

1.12 “Fee and Expense Amount” means the terms of the sum to be paid to Plaintiffs’ Counsel for their attorneys’ fees and expenses, as detailed in Section IV, ¶¶4.1, 4.2. of this Stipulation, subject to approval by the Court.

1.13 “Final” means when the last of the following, with respect to the Judgment approving this Stipulation, substantially in the form of Exhibit D, attached hereto, shall have occurred: (1) the expiration of the time to file a notice of appeal from the Judgment without a notice of appeal having been filed; or (2) if an appeal has been filed, the court of appeals has either affirmed the Judgment or dismissed that appeal and the time for any reconsideration or further appellate review has passed; or (3) if a higher court has granted further appellate review, that court has either affirmed the underlying Judgment or affirmed the court of appeal’s decision affirming the Judgment or dismissing the appeal. For purposes of this paragraph, an “appeal” shall not include any appeal that concerns only the issue of attorneys’ fees and expenses or the payment of service awards to Plaintiffs. Any proceeding or order, or any appeal or petition for review pertaining solely to the application for attorneys’ fees, costs, or expenses, and/or service awards to Plaintiffs shall not in any way delay or preclude the Judgment from becoming Final.

1.14 “Individual Defendants” means Marc S. Schessel, Charles K. Miller, Robert Christie, and Steven Wallitt.

1.15 “Judgment” means the [Proposed] Order and Final Judgment entered by the Court that dismisses the Consolidated Action pursuant to the Settlement, substantially in the form of Exhibit D attached hereto.

1.16 “Mediator” means Jed D. Melnick, Esq. of JAMS.

1.17 “Notice” means the Notice of Pendency and Proposed Settlement of Stockholder Derivative Actions, substantially in the form of Exhibit C attached hereto.

1.18 “Parties” means, Plaintiffs and Defendants.

1.19 “Person” means any natural person, individual, corporation, partnership, limited partnership, limited liability partnership, limited liability company, association, joint venture, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, any business or legal entity, professional corporation, and any spouse, heir, legatee, executor, administrator, predecessor, successor, representative, or assign of any of the foregoing.

1.20 “Plaintiffs” means Federal Plaintiffs and plaintiff in the Delaware Action, Hemrita Zarins.

1.21 “Plaintiffs’ Counsel” means The Brown Law Firm, P.C., The Rosen Law Firm, P.A., and Gainey McKenna & Egleston.

1.22 “Preliminary Approval Order” means the Preliminary Approval Order entered by the Court that preliminarily approves the Settlement, authorizes the form and manner of providing notice of the Settlement to Current SCWorx Shareholders, and sets a date for the Settlement Hearing, substantially in the form of Exhibit B attached hereto.

1.23 “Reforms” means the corporate governance reforms set forth in Exhibit A attached hereto, which the Company shall adopt, implement, and maintain, pursuant to and in accordance with this Stipulation.

1.24 “Related Persons” means, with respect to any Person, all of such Person’s current and former parents, subsidiaries, divisions, departments, affiliates, stockholders, officers, directors, employees, agents, attorneys, auditors, accountants, underwriters, advisors, insurers, partners, control persons, family members (in their capacities as such), representatives, predecessors, successors, and assigns; and all heirs, executors, trustees, representatives, and administrators of any of the foregoing.

1.25 “Released Claims” shall collectively mean: (i) any and all claims for relief (including Unknown Claims, as defined in ¶1.31 below), actions, suits, claims, debts, disputes, demands, rights, liabilities, sums of money due, judgments, matters, issues, charges of any kind (including, but not limited to, any claims for interest, attorneys’ fees, expert or consulting fees, and any other costs, expenses, amounts, or liabilities whatsoever), and claims of relief or causes of action of every nature and description whatsoever, known or unknown, whether or not concealed or hidden, asserted or unasserted, fixed or contingent, accrued or unaccrued, liquidated or unliquidated, at law or in equity, matured or unmatured, foreseen or unforeseen, whether arising under federal or state statutory or common law, or any other law, rule, or regulation, whether foreign or domestic, that have been asserted in the Derivative Actions or could have been asserted in the Derivative Actions by Plaintiffs, SCWorx, or by any other shareholder of SCWorx against each and every Defendant and the Released Persons, arising out of, relating to, or based upon the facts, transactions, matters, events, occurrences, acts, disclosures, statements, SEC filings, practices, omissions, or failures to act that were alleged or referred to in the complaints filed in the Derivative Actions; and (ii) any claims in connection with, based upon, arising out of, or relating to the Settlement, but excluding any claims to enforce the Settlement set forth in this Stipulation.

1.26 “Released Persons” means, collectively, SCWorx, the Individual Defendants, and their Related Persons. “Released Person” means, individually, any of the Released Persons.

1.27 “Releasing Parties” means Plaintiffs, Current SCWorx Shareholders (solely in their capacity as SCWorx shareholders), Plaintiffs’ Counsel, and SCWorx. “Releasing Party” means, individually, any of the Releasing Parties.

1.28 “SCWorx” or the “Company” means nominal defendant SCWorx Corp. and its affiliates, subsidiaries, predecessors, successors, and assigns.

1.29 “Settlement” means the settlement and compromise of the derivative claims as provided for in this Stipulation.

1.30 “Settlement Hearing” means the hearing set by the Court to consider final approval of the Settlement.

1.31 “Unknown Claims” means any Released Claim(s) that any Releasing Party does not know of or suspect to exist in his, her, or its favor at the time of the Settlement of the Released Persons, including, without limitation, those claims that, if known by him, her, or it, might have affected his, her, or its settlement with and release of the Released Persons or might have affected his, her, or its decision whether to object to this Settlement. With respect to any and all Released Claims, the Parties stipulate and agree that, upon the Effective Date, the Releasing Parties shall expressly waive and relinquish, and each Current SCWorx Shareholder shall be deemed to have and by operation of the Judgment shall have expressly waived and relinquished to the fullest extent permitted by law, the provisions, rights and benefits conferred by and under California Civil Code § 1542, and any other law of the United States or any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to California Civil Code § 1542, which provides:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

The Releasing Parties acknowledge that they and Current SCWorx Shareholders may hereafter discover facts in addition to or different from those now known or believed to be true by them, with respect to the subject matter of the Released Claims, but it is the intention of the Parties that the Releasing Parties, and all Current SCWorx Shareholders shall be deemed to and by operation of the Judgment shall completely, fully, finally, and forever compromise, settle, release, discharge, and extinguish any and all Released Claims, known or unknown, suspected or unsuspected, contingent or absolute, accrued or unaccrued, apparent or unapparent, which do now exist, or heretofore existed, or may hereafter exist, upon any theory of law or equity now existing or coming into existence in the future, and without regard to the subsequent discovery of additional or different facts. The Parties acknowledge that the foregoing waiver was separately bargained for and is a key element of the Stipulation of which this release is a part.

**2. TERMS OF THE SETTLEMENT**

2.1 As a result of the filing, pendency, and settlement of the Derivative Actions, within sixty (60) days of the date that the Court enters the Judgment, the Company, or the Board, as applicable, shall implement the Reforms, which are set forth in Exhibit A attached hereto. The Reforms shall remain in effect for no less than five (5) years after the Effective Date.

2.2 SCWorx acknowledges and agrees that the filing, pendency, and settlement of the Derivative Actions was the primary factor in the Company’s decision to adopt and implement the Reforms, which comprise new practices. SCWorx also acknowledges and agrees that the Reforms confer substantial benefits to SCWorx and SCWorx’s shareholders.

**3. APPROVAL AND NOTICE**

3.1 Promptly after execution of this Stipulation, the Federal Plaintiffs and Defendants shall submit this Stipulation together with its exhibits to the Court and shall jointly apply for entry of an order (the "Preliminary Approval Order"), substantially in the form of Exhibit B attached hereto, requesting: (i) preliminary approval of the Settlement set forth in this Stipulation; (ii) approval of the form and manner of providing notice of the Settlement to Current SCWorx Shareholders; and (iii) a date for the Settlement Hearing.

3.2 SCWorx shall undertake the administrative responsibility for giving notice to Current SCWorx Shareholders and shall be solely responsible for paying the costs and expenses related to providing notice of the Settlement to Current SCWorx Shareholders. Within ten (10) business days after the entry of the Preliminary Approval Order, SCWorx shall: (1) post a copy of the Notice and the Stipulation, with its exhibits, on the Investor Relations page of the Company's website; (2) file the Notice and the Stipulation, with its exhibits, with the SEC as exhibits to a Form 8-K; and (3) issue the Notice in a press release. The Notice shall provide a link to the Investor Relations page of SCWorx's website where the Notice and Stipulation with its exhibits, may be viewed, which link shall be maintained through the date of the Settlement Hearing. The Parties believe the content and manner of the notice, as set forth in this paragraph, constitutes adequate and reasonable notice to Current SCWorx Shareholders pursuant to applicable law and due process. No later than twenty (20) calendar days following entry of the Preliminary Approval Order, Defendants' Counsel shall file with the Court an appropriate affidavit or declaration with respect to filing, issuing, and posting of the notice of the Settlement.

3.3 Pending the Effective Date, all proceedings in the Derivative Actions shall be stayed except as otherwise provided herein.

**4. ATTORNEYS' FEES AND REIMBURSEMENT OF EXPENSES**

4.1 After negotiating the material terms of the Settlement, the Parties, with the assistance of the Mediator, began separate negotiations regarding the attorneys' fees and expenses to be paid to Plaintiffs' Counsel.

4.2 In recognition of the substantial benefits conferred upon SCWorx as a result of the Reforms and Plaintiffs' and Plaintiffs' Counsel's efforts in connection with the Derivative Actions, the Individual Defendants shall cause their D&O insurers to pay three hundred thousand dollars ($300,000) to Plaintiffs' Counsel for their attorneys' fees and costs (the "Fee and Expense Amount"), subject to Court approval.

4.3 The Fee and Expense Amount, or such other amount as may be awarded by the Court, shall constitute final and complete payment for Plaintiffs' attorneys' fees and expenses that have been incurred or will be incurred in connection with the Derivative Actions. Within thirty (30) calendar days after the date of entry of the Preliminary Approval Order, the Individual Defendants shall cause their D&O insurers to pay or cause to be paid the Fee and Expense Amount to the escrow account of The Brown Law Firm, P.C. ("Escrow Account"). Plaintiffs' Counsel shall promptly provide to Defendants' Counsel, after the date of entry of the Preliminary Approval Order, all necessary payment details to accomplish payment of the Fee and Expense Amount to the Escrow Account via wire transfer or check, and an executed Form W-9.

4.4 The Fee and Expense Amount, to the extent approved by the Court, shall be released to Plaintiffs' Counsel from the Escrow Account upon entry of an order by the Court approving the fee award, notwithstanding any potential appeals.

4.5 If the Fee and Expense Amount is reduced by the Court or following any appeal, Plaintiffs' Counsel will pay the Defendants' D&O insurers the amount by which the Fee and Expense Amount was reduced within thirty (30) days of such order.

4.6 In no event shall Defendants or their D&O insurers be obligated to pay any fees or costs to Plaintiffs' Counsel in excess of the Fee and Expense Amount. Defendants, including SCWorx, shall have no responsibility for, and no liability with respect to, the allocation of the attorneys' fees and expenses awarded or distribution of attorneys' fees and expenses from the Escrow Account.

4.7 Plaintiffs' Counsel may apply to the Court for a service award of up to one thousand five hundred dollars ($1,500) for each of the Plaintiffs ("Service Awards"), only to be paid upon Court approval, and to be paid from the Fee and Expense Amount in recognition of Plaintiffs' participation and effort in the prosecution of the Derivative Actions. Defendants shall not oppose Plaintiffs' Counsel's application for the Service Awards. The failure of the Court to approve any Service Award, in whole or in part, shall have no effect on the Settlement set forth in this Stipulation.

**5. RELEASES**

5.1 Within five (5) days after the Effective Date, the parties in the Delaware Action will file a stipulation of dismissal with prejudice, substantially in the form of Exhibit E, attached hereto, in the Delaware Action.

5.2 Upon the Effective Date, to the extent that the Plaintiffs, Plaintiffs' Counsel, and each of SCWorx's shareholders possess any of the Released Claims derivatively, Plaintiffs, Plaintiffs' Counsel, and each of SCWorx's shareholders (solely in their capacity as SCWorx shareholders) shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever waived, released, relinquished, discharged and dismissed all Released Claims (including Unknown Claims) against the Released Persons, including any and all claims (including Unknown Claims) against the Released Persons arising out of, relating to, or in connection with the defense, Settlement, or resolution of the Derivative Actions.

5.3 Upon the Effective Date, to the extent Plaintiffs, Plaintiffs' Counsel, and each of SCWorx's shareholders possess any of the Released Claims derivatively, Plaintiffs, Plaintiffs' Counsel, and each of SCWorx's stockholders (solely in their capacity as SCWorx shareholders) shall be forever barred, estopped, and enjoined from commencing, instituting, or prosecuting any of the Released Claims (including Unknown Claims) or any action or other proceeding against any of the Released Persons based on the Released Claims, or any action or proceeding arising out of, relating to, or in connection with the Released Claims or the filing, prosecution, defense, settlement, or resolution of the Derivative Actions. Nothing herein shall in any way impair or restrict the rights of any Party to enforce the terms of this Stipulation.

5.4 Upon the Effective Date, SCWorx, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished, and discharged all Released Claims (including Unknown Claims) against the Released Persons.

5.5 Upon the Effective Date, SCWorx shall be forever barred, estopped, and enjoined from commencing, instituting, or prosecuting any of the Released Claims (including Unknown Claims) or any action or other proceeding against any of the Released Persons based on the Released Claims, or any action or proceeding arising out of, relating to, or in connection with the Released Claims or the filing, prosecution, defense, settlement, or resolution of the Derivative Actions. Nothing herein shall in any way impair or restrict the rights of any Party to enforce the terms of this Stipulation.

5.6 Upon the Effective Date, each of the Released Persons shall be deemed to have fully, finally, and forever released, relinquished, and discharged Plaintiffs and their Related Persons, Plaintiffs' Counsel and their Related Persons, and SCWorx's shareholders (solely in their capacity as SCWorx shareholders) and their Related Persons from all claims (including Unknown Claims), arising out of, relating to, or in connection with the institution, prosecution, assertion, settlement, or resolution of the Derivative Actions or the Released Claims. Nothing herein shall in any way impair or restrict the rights of any Party to enforce the terms of this Stipulation.

**6. CONDITIONS OF SETTLEMENT; EFFECT OF DISAPPROVAL, CANCELLATION, OR TERMINATION**

6.1 The Effective Date of this Stipulation shall be conditioned on the occurrence of all of the following events:

a. Court approval of the content and method of providing notice of the proposed Settlement to Current SCWorx Shareholders, and the subsequent dissemination pursuant thereto of the notice of the proposed Settlement to Current SCWorx Shareholders;

b. Court entry of the Judgment, in all material respects in the form set forth as Exhibit D annexed hereto, approving the Settlement and dismissing the Consolidated Action with prejudice, without awarding costs to any party, except as provided herein;

c. payment of the Fee and Expense Amount in accordance with Section IV (¶¶4.1-4.3); and

d. the passing of the date upon which the Judgment becomes Final.

6.2 If any of the conditions specified above in Section IV, ¶6.1 are not met, then this Stipulation shall be canceled and terminated subject to Section IV, ¶6.3, unless counsel for the Parties mutually agree in writing to proceed with this Stipulation.

6.3 If for any reason the Effective Date of this Stipulation does not occur or the Delaware Action is not dismissed with prejudice, or if this Stipulation is in any way canceled, terminated or fails to become Final in accordance with its terms: (a) all Parties shall be restored to their respective positions in the Derivative Actions as of the date of this Stipulation; (b) all releases delivered in connection with this Stipulation shall be null and void, (other than those set forth in Section IV, Paragraphs 1.1-1.31, 4.3-4.5, 6.2-.6.3, 7.3, 7.6-7.16, 7.20); (c) the Fee and Expense Amount paid to Plaintiffs' Counsel shall be refunded and returned to the Defendants' D&O insurers within thirty (30) days of receiving notice from Defendants or from a court of appropriate jurisdiction; and (d) all negotiations, proceedings, documents prepared, and statements made in connection herewith shall be without prejudice to the Parties, shall not be deemed or construed to be an admission by a Party of any act, matter, or proposition, and shall not be used in any manner for any purpose in any subsequent proceeding in the Consolidated Action, the Delaware Action, or in any other proceeding for any purpose.

**7. MISCELLANEOUS PROVISIONS**

7.1 The Parties: (a) acknowledge that it is their intent to consummate this Stipulation; and (b) agree to cooperate to the extent reasonably necessary to implement the terms and conditions of this Stipulation and to effectuate and to exercise their best efforts to accomplish the foregoing terms and conditions of this Stipulation.

7.2 The Parties intend this Settlement to be a final and complete resolution of all disputes between them with respect to the Derivative Actions and Released Claims. The Settlement comprises claims that are contested and shall not be deemed an admission by any Party as to the merits of any claim, allegation, or defense. Subject to, and conditional on, the Court's final approval of the Settlement contemplated herein, the Parties agree that each has complied fully with the applicable requirements of good faith litigation, the Derivative Actions are being settled voluntarily by the Defendants, and no Parties shall take the position that the Derivative Actions were brought or defended in bad faith or in violation of Rule 11 of the Federal Rules of Civil Procedure or its state law counterparts.

7.3 Neither this Stipulation, including the annexed exhibits, nor the Settlement, nor any act performed or document executed pursuant to or in furtherance of this Stipulation or the Settlement: (i) is or may be deemed to be or may be offered, attempted to be offered or used in any way by the Parties or any other Person as a presumption, a concession or an admission of, or evidence of, any fault, wrongdoing, liability, or non-liability of the Parties or Released Persons, or of the validity or infirmity of any Released Claims; (ii) is or may be deemed to be or may be offered, attempted to be offered or used in any way by the Parties or any other Person as a presumption, a concession, an admission, or evidence of any fault, omission, wrongdoing or liability of any of the Parties in any other actions or proceedings, whether civil, criminal, or administrative, other than to enforce the terms therein.

7.4 Plaintiffs have not assigned, encumbered or in any manner transferred in whole or in part any of the Released Claims.

7.5 All agreements made and orders entered during the course of the Derivative Actions relating to the confidentiality of information and documents shall survive this Stipulation.

7.6 This Stipulation may be modified or amended only by a writing signed by the signatories hereto.

7.7 This Stipulation shall be deemed drafted equally by all Parties.

7.8 No representations, warranties, or inducements have been made to any of the Parties concerning this Stipulation or its exhibits other than the representations, warranties, and covenants contained and memorialized in such documents.

7.9 Each counsel or other Person executing this Stipulation or its exhibits on behalf of any of the Parties hereby warrants that such Person has the full authority to do so.

7.10 The exhibits to this Stipulation are material and integral parts hereof and are fully incorporated herein by this reference.

7.11 This Stipulation and the exhibits attached hereto constitute the entire agreement among the Parties with respect to the subject matter hereof and supersede all prior and contemporaneous oral and written agreements and discussions.

7.12 This Stipulation shall be read and interpreted according to its plain meaning and any ambiguity shall not be construed against any Party. It is expressly agreed by the Parties that the judicial rule of construction that a document should be more strictly construed against the draftsperson thereof shall not apply to any provision of this Stipulation. In the event that there exists a conflict or inconsistency between the terms of this Stipulation and the terms of any exhibit hereto, the terms of this Stipulation shall prevail.

7.13 This Stipulation may be executed in one or more counterparts, including by signature transmitted electronically, by facsimile or e-mailed PDF files. Each counterpart, when so transmitted, shall be deemed to be an original, and all such counterparts together shall constitute the same instrument.

7.14 This Stipulation shall be considered to have been negotiated, executed and delivered, and to be wholly performed, in the State of New York, and the rights and obligations of the parties to this Stipulation shall be construed and enforced in accordance with, and governed by, the internal, substantive laws of the State of New York without giving effect to that State’s choice of law principles.

7.15 Without affecting the finality of the Judgment entered in accordance with this Stipulation, the Court shall retain jurisdiction to implement and enforce the terms of the Stipulation and the Judgment and to consider any matters or disputes arising out of or relating to the Settlement, and the Parties submit to the jurisdiction of the Court for purposes of implementing and enforcing the Settlement embodied in the Stipulation and Judgment, and for matters or disputes arising out of or relating to the Settlement.

7.16 Pending the Effective Date or the termination of the Stipulation according to its terms, Plaintiffs and SCWorx shareholders, and anyone who acts or purports to act on their behalf, are barred and enjoined from commencing, prosecuting, instigating, or in any way participating in the commencement or prosecution of any action asserting any Released Claims derivatively against any of the Released Persons in any court or tribunal.

7.17 Any planned, proposed, or actual sale, merger, or change-in-control of SCWorx shall not void this Stipulation. The Stipulation shall run to the Parties' respective successors-in- interest. In the event of a planned, proposed, or actual sale, merger, or change-in-control of SCWorx, the Parties shall continue to seek court approval of the Settlement expeditiously, including, but not limited to, the Settlement terms reflected in this Stipulation and the Fee and Expense Amount.

7.18 In the event any proceedings by or on behalf of SCWorx, whether voluntary or involuntary, are initiated under any chapter of the United States Bankruptcy Code, including an act of receivership, asset seizure, or similar federal or state law action ("Bankruptcy Proceedings"), the Parties agree to use their reasonable best efforts to obtain all necessary orders, consents, releases, and approvals for effectuation of this Stipulation in a timely and expeditious manner. In the event of any Bankruptcy Proceedings by or on behalf of SCWorx, the Parties agree that all dates and deadlines set forth herein will be extended for such periods of time as are necessary to obtain necessary orders, consents, releases and approvals from the bankruptcy court to carry out the terms and conditions of the Stipulation.

7.19 After prior notice to the Court, but without further order of the Court, the Parties may agree to reasonable extensions of time to carry out any provisions of this Stipulation.

7.20 Any dispute arising out of or relating to the Settlement shall be resolved by the Mediator, or by a mutually agreed upon private neutral, first by way of mediation and, if unsuccessful, then by way of final, binding, non-appealable resolution.

IN WITNESS WHEREOF, the Parties have caused the Stipulation to be executed by their duty authorized attorneys and dated February 15, 2022.

Dated: February 15, 2022

**THE ROSEN LAW FIRM, P.A**

Phillip Kim
275 Madison Avenue, 40th Floor
New York, NY 10016
Telephone: (212) 686-1060
E-mail: pkim@rosenlegal.com

Dated: February 15, 2022

**THE BROWN LAW FIRM, P.C.**

/s/ Timothy Brown

Timothy Brown
767 Third Avenue, Suite 2501
New York, NY 1017
Telephone: (516) 922-5427
E-mail: tbrown@thebrownlawfirm.net

*Co-Lead Counsel for Federal Plaintiffs*

Dated: February 15. 2022

**GAINEY McKENNA & EGLESTON**

/s/ Thomas J. McK na

Thomas J. McK na
501 Fitlh Avenue. 19th Floor
New York.NY 10017
Telephone: (212) 983-1300
Email: tjmckenna@gme-law.com

*Counsel for f'laint/ff Hemrita Zarins*

Dated: February 15. 2022

**KING & SPALDING LLP**

Paul R. Bcssene
Michael J. Biles
I 185 Avenueof the Amcricas
New York.NY 10036
Tel:(212) 556-2100
Email: pbessene@kslaw.com
mbiles@kslaw.com

*Counsel.for D(!(endant Marc S. Scltessel*

Dated: February 15. 2022

**LAW OFFICES OF CAROLER. BERNSTEIN**

Carole R. Bernstein
41 Maple A venue North
Westport, CT 06880
Tel.:(203) 255-8698
Email: cbemsteinesq@gmail.com

*Counsel for Nominal Defendant SCWorx*

Dated: February 15. 2022

**PASHMAN STEIN WALDER HAYDEN, P.C.**

BruceS. Rosen
Bell Works
101 Crawfords Comer Road. Suite 4202

Dated: February 15, 2022

**GAINEY McKENNA & EGLESTON**

Thomas J. McKenna
501 Fifth Avenue, 19th Floor
New York, NY 10017
Telephone: (212) 983-1300
Email: tjmckenna@gme-law.com

*Counsel for Plainti.f/Hemrita Zarins*

Dated: February 15, 2022

**KING & SPALDING LLP**

/s/ Paul R Bessette

Paul R Bessette
Michael J. Biles
1185 Avenue of the Americas
New York, NY 10036
Tel: (212) 556-2100
Email: pbessette@kslaw.com
mbiles@kslaw.com

*Counsel for Defendant Marc S. Schessel*

Dated: February 15, 2022

**LAW OF.FICES OF.CAROLER. BERNSTEIN**

/s/ Carafe ernstein

Carafe ernstein
41 Maple Avenue North
Westport, CT 06880
Tel.: (203) 255-8698
Email: cbernsteinesq@gmail.com

*Counsel for Nominal Defendant SCWorx*

Dated: February 15, 2022

**PASHMAN STEIN WALDER HAYDEN,P.C.**

/s/ Bruce S. Rosen

Bruce S. Rosen
Bell Works
101 Crawfords Corner Road, Suite 4202
Holmdel, NJ 07733
Telephone: (732) 852-2481
Telephone: (973) 457-0123
Email: brosen@pashmanstein.com

*Counsel for Defendants Charles K. Miller, Robert Christie, and Steven Wallitt*

**IN THE UNITED STATES DISTRICT COURT**
**FOR THE SOUTHERN DISTRICT OF NEW YORK**

| | |
|---|---|
| IN RE SCWORX CORP. DERIVATIVE LITIGATION | Lead Case No. 1:20-cv-04554-JGK<br>**EXHIBIT A** |

**CORPORATE GOVERNANCE REFORMS**

Within sixty (60) days of the date that the United States District Court for the Southern District of New York ("Court") enters the Judgment in the above-captioned action, the Board of Directors ("Board") of SCWorx Corp. ("SCWorx" or the "Company") shall adopt resolutions and amend Board committee charters and/or its Bylaws[1] to ensure adherence to the following changes, modifications, and improvements to the Company's corporate governance and business ethics practices (the "Reforms"), which shall remain in effect for no less than five (5) years after the Effective Date.[2]

SCWorx acknowledges and agrees that the filing, pendency, and settlement of the Derivative Actions was the primary factor in the Company's decision to adopt and implement the Reforms. SCWorx also acknowledges and agrees that the Reforms confer substantial benefits to SCWorx and SCWorx's shareholders.

**1. IMPROVEMENTS TO CORPORATE TRANSPARENCY**

In addition to the disclosure and internal control weaknesses identified and discussed in the Derivative Actions, the Company continues to display weaknesses in its disclosures, or lack thereof, to the investing public. By way of example:

(a) The Company's Nominating and Corporate Governance Committee Charter refers to SCWorx's corporate governance guidelines (including that it is required to "develop and recommend to the Board for approval, and review on an ongoing basis the adequacy of, the corporate governance guidelines applicable to the Company."). No Corporate Governance Guidelines are published on the Company website and none apparently exist.

1 The term "Bylaws" refers to the Amended and Restated Bylaws of Alliance MMA, Inc. attached as Exhibit 3.3 to the Company's annual report for the fiscal year ended December 31, 2020 on Form 10-K filed with the Securities and Exchange Commission ("SEC") on May 19, 2021, as amended through the date of this Agreement.

2 Except as otherwise expressly provided below or as the context otherwise requires, all capitalized terms contained herein shall have the same meanings and/or definitions as set forth in the Stipulation of Settlement dated February 15, 2022.

(b) All of the Company's corporate governance documents published on its website are undated.

The Company shall correct these and all other similar deficiencies promptly (and thereafter, timely) by filing appropriate Form 8-K's, issuing press releases, and/or publishing revised corporate governance documents on its website.

**2. BOARD OF DIRECTORS**

The Board shall adopt the following reforms as they relate to its composition and practices:

(a) Procedure for Identifying New Independent Directors: Candidates for the Board shall be identified pursuant to the following procedures, which are designed to ensure the identification of qualified, experienced, independent, and effective directors:

(1) The Nominating and Corporate Governance Committee, as reconstituted herein, shall when evaluating potential Board candidates, consider the following among other qualifications: (i) substantial executive, board-level, and/or legal or audit experience, with particular attention paid to experience at healthcare technology and/or public companies; (ii) demonstrated financial and/or business acumen; (iii) integrity and high ethical standards; (iv) sufficient time to devote to the Company's business; (v) relevant public company compliance experience; and (vi) demonstrated ability to think independently and work collaboratively; and

(2) Any proposed independent director candidate that does not meet the applicable Nasdaq independence requirements and the additional independence requirements required in subparagraph (c) hereof shall be disqualified.

(b) Lead Independent Director: The Company shall adopt a formal policy providing that if at any point the Chairman of the Board is not an "independent" director, then the independent members of the Board shall select one independent director to serve as the Lead Independent Director, who shall act as liaison with the Chairman and shall have the following specific duties:

(1) Working directly with Company management to ensure the preparation of meeting agendas, materials and schedules, and seeking input from all directors as to the preparation of the agendas for Board and committee meetings;

(2) Assessing and advising the Board as to the quality, quantity, and timeliness of the information provided to the Board by Company management to assist the Board in performing its oversight duties;

(3) Developing the agenda for, and moderating executive sessions of, the Board, and acting as principal liaison between the Board and management on sensitive issues;

(4) Making recommendations to the Chairman of the Board concerning the retention and supervision of outside consultants retained by the full Board;

(5) Acting as liaison between the independent directors and the Chairman of the Board and management, and regularly consulting with the chairpersons of the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee;

(6) Leading the Board's and the Compensation Committee's evaluation of the performance of the Chief Executive Officer ("CEO") in order to confirm whether the CEO is providing effective leadership for the Company in the long and short-term and determining CEO compensation; and

(7) Guiding the CEO succession planning process.

(c) Enhanced Board Independence: The Board shall create and adopt Corporate Governance Guidelines to require that 75% of the members of the Board be independent within the meaning of the NASDAQ listing standards at all times. "Independence" under this clause shall also require that any potential member of the Board:

(1) has not been employed by the Company or by any of its subsidiaries or affiliates in any capacity within the last five (5) calendar years;

(2) does not own or control, directly or indirectly, five percent (5%) or more of the voting power of the Company;

(3) has not received, during the current calendar year or any of the three (3) immediately preceding calendar years, remuneration, directly or indirectly, other than *de minimis* remuneration (less than $5,000) as a result of service as, or being affiliated with, an entity that serves as: (i) an advisor, consultant, or legal counsel to the Company or to a member of the Company's senior management; or (ii) a significant customer, supplier, or partner of the Company;

(4) has no personal service contracts with the Company or any member of the Company's senior management;

(5) is not affiliated with a not-for-profit entity that receives significant contributions from the Company or the Company's executive officers;

(6) during the current calendar year or any of the three (3) immediately preceding calendar years, has not had any business relationship with the Company for which the Company has been required to make disclosure under Regulation S-K of the SEC, other than for service as a director or for which relationship no more than de minimis remuneration was received in any one such year;

(7) is not employed by a private or public company at which an executive officer of the Company serves as a director;

(8) has no interest in any investment that overlaps with an investment by the Company and/or its senior management, other than as a passive investor or any interest in the Company or its subsidiaries; and

(9) is not a member of the immediate family of any person who fails to satisfy the qualifications described above.

(10) An independent director who loses his or her independent status, thereby causing the Company to have fewer than the required number of independent directors, shall immediately resign from the Board. Each independent director shall annually certify in writing that he or she is independent.

(11) Together with the Nominating and Corporate Governance Committee, the Board shall review all disclosures regarding director independence in its Proxy Statement for each annual meeting of stockholders. Such review shall include discussions with each director who may qualify as independent and an evaluation of any relationships that might compromise the director's independence and must be sufficient for the Board to determine that the disclosures in each Proxy Statement accurately describe information concerning each director's background, employment and affiliations, and independence.

(d) Limitation on Other Boards: The Board shall amend its governance documents as necessary to require that all independent directors may sit on no more than two (2) additional boards of publicly traded companies, and that the CEO may sit on no more than one (1) other such board. SCWorx's directors and officers may not serve as Board members at companies that directly compete with SCWorx.

(e) Mandatory Attendance at Annual Meetings: Per SCWorx's 2021 Proxy Statement, "[w]e encourage our directors to attend our special and annual stockholders' meetings." The Company shall institute a policy that, absent extraordinary circumstances, each member of the Board shall attend each annual shareholder meeting either in person or remotely, and, during the annual shareholder meeting, shareholders shall have the right to ask questions, both orally and in writing, and receive answers and discussion from the CEO and members of the Board. Such discussion shall take place regardless of whether those questions were submitted in advance.

**3. ENHANCEMENTS TO THE CHIEF FINANCIAL OFFICER POSITION**

The enhanced responsibilities of the Chief Financial Officer ("CFO") shall include oversight and administration of SCWorx's corporate governance policies, fostering a culture that integrates compliance and ethics into business processes and practices through awareness and training, maintaining and monitoring a system for accurate public and internal disclosures and reporting, and investigating potential compliance and ethics concerns. The CFO shall report in writing promptly to the Governance Committee (defined below) and Audit Committee any credible allegations of compliance and ethics concerns or financial fraud or reporting violations.

The CFO shall be primarily responsible for managing SCWorx's ethics and compliance program and for assisting the Board in fulfilling its oversight duties with regard to SCWorx's compliance with applicable laws, regulations, and the dissemination of true and accurate information. In this regard, the CFO shall report directly to the Governance Committee and work with other Board committees as appropriate to facilitate the Board's oversight responsibilities.

The responsibilities and duties of SCWorx's CFO shall include the following:

(a) Working with the Governance Committee to evaluate and define the goals of the Company's ethics and compliance program in light of trends and changes in laws that may affect SCWorx's compliance with laws relating to disclosure of the Company's business, business prospects, and risk exposure;

(b) Managing and overseeing SCWorx's ethics and compliance program, and communicating with and informing the Governance Committee regarding progress toward meeting program goals;

(c) (i) assessing organizational risk for misconduct and noncompliance with applicable laws and regulations; and (ii) reporting material risks relating to compliance or disclosure issues to the Governance Committee; and

(d) Working with the Audit Committee to evaluate the adequacy of SCWorx's internal controls over compliance and developing proposals for improving these controls for submission to such Committee. This includes meeting with the Audit Committee at least once every quarter to discuss ongoing and potential litigation and compliance issues.

**4. IMPROVEMENTS TO THE AUDIT COMMITTEE AND ITS CHARTER**

SCWorx shall adopt a resolution to amend the Audit Committee Charter. The amended Audit Committee Charter shall be posted on the Company's website and shall include its latest revision date.

The Audit Committee Charter shall be amended as follows:

(a) The Audit Committee shall be comprised of at least three independent directors;

(b) The Audit Committee shall meet at least four (4) times annually and in separate executive sessions with the Company's management and independent auditor. The CFO will not be present in such executive session meetings. The Audit Committee shall meet at least quarterly in separate sessions with the Company's outside counsel to review any legal matters pertinent to carrying out its duties;

(c) The Audit Committee shall review the Code of Code of Conduct at least annually, and monitor compliance with the Code of Conduct; and

(d) The Audit Committee shall solicit the input of department representatives as necessary to review the accuracy of public disclosures related to issues within their expertise, including, without limitation: (i) operations, enterprise risks, and compliance matters that may have a material impact on the Company's operational performance, financial health, balance of risk, stability, or liquidity; or (ii) any other matter required to be disclosed under state and federal securities laws and regulations.

**5. IMPROVEMENTS TO THE NOMINATING AND CORPORATE GOVERNANCE COMMITTEE AND ITS CHARTER**

SCWorx shall adopt a resolution to amend the Nominating and Corporate Governance Committee Charter. The amended Nominating and Corporate Governance Committee Charter shall be posted on the Company's website and shall include its latest revision date. The Nominating and Corporate Governance Committee Charter shall be amended as follows:

(a) The Nominating and Corporate Governance Committee ("Governance Committee") shall consist of at least three (3) members, as opposed to the currently required minimum of two (2) members;

(b) The Governance Committee shall meet with each prospective new Board member prior to his or her nomination to the Board and then recommend whether such individual shall be nominated for membership to the Board. Such review shall require, *inter alia*, a background check of each candidate;

(c) Final approval of a director candidate shall be determined by the full Board. Potential disqualifying conflicts of interests to be considered shall include familial relationships with Company officers or directors, interlocking directorships, and substantial business, civic, and/or social relationships with other members of the Board that could impair the prospective Board member's ability to act independently from the other Board members; and

(d) In accordance with its duties to develop principles of corporate governance and recommend such principles to the Board, the Governance Committee shall ensure that any agreed upon corporate governance principles or guidelines are promptly and widely available to the public, through the Company's website or otherwise.

The Governance Committee shall also have the following enhanced responsibilities:

(a) The Governance Committee shall, with the participation and assistance of the Compensation Committee and the Board's independent Chairman, conduct annual evaluations of the performance and effectiveness of the Company's CFO, as it relates to compliance and risk management;

(b) The Governance Committee shall be primarily responsible for the Company's risk management policies and oversight of the operation of the Company's risk management framework. The Governance Committee shall be responsible for monitoring SCWorx's internal risk assessment and internal reporting conducted by SCWorx employees. The Governance Committee shall use reasonable efforts to identify material risks relating to SCWorx's compliance with all applicable laws and regulations, including laws and regulations related to public disclosures regarding SCWorx's business and business prospects. To ensure that the Governance Committee is sufficiently informed to effectively fulfill these responsibilities, the Governance Committee shall confer with the CFO. The Governance Committee shall also have free access to management and Company employees for the purpose of identifying material risks relating to SCWorx's aforesaid compliance. The Governance Committee shall advise the Board whenever any material risks relating to SCWorx's aforesaid compliance are identified, including specific recommendations regarding mitigating these risks, as well as relevant considerations relating to SCWorx's public disclosures of these risks;

(c) The Governance Committee shall be responsible for reviewing the Company's periodic public reports and other public discourses to ensure proper disclosure of risks and risk factors, including those arising from the Company's business strategies. In the event that such review reveals a false statement or omission of material fact in an issued periodic public report or other public disclosure, the Governance Committee shall report the deficiency to the full Board;

(d) The Governance Committee, with the assistance of the Audit Committee and the Company's CFO, shall be responsible for monitoring compliance with SCWorx's Code of Conduct. In the event that a violation of the Code of Conduct is sufficiently material to trigger a disclosure obligation, the Governance Committee shall report the violation to the full Board;

(e) The Governance Committee shall report compliance issues that may have significant financial implications to the Audit Committee, and shall also report compliance issues (including risks relating to compliance issues) that are sufficiently material to trigger a disclosure obligation to the Audit Committee: The Governance Committee shall have the authority to retain separate and independent advisors or counsel to aid in fulfilling its responsibilities under its charter, which shall be at SCWorx's expense; and

(f) The Governance Committee shall keep the Board apprised of its activities and shall directly advise the Board in detail of material findings promptly. The Governance Committee shall be responsible for overseeing the maintenance and oversight of the Company's Whistleblower Policy, discussed hereunder. The Governance Committee shall ensure that all anonymous whistleblower complaints are provided to the Company's CFO, and that all complaints are completely and fully investigated by the CFO, and that any appropriate remedial action is taken based on the results of the investigation. The Governance Committee and the CFO shall ensure that nonretaliation policies are instituted and strictly complied with in order to protect any SCWorx employee who reports a complaint via the hotline.

**6. IMPROVEMENTS TO THE COMPENSATION COMMITTEE CHARTER**

SCWorx shall adopt a resolution to amend the Compensation Committee Charter. The amended Compensation Committee Charter shall be posted on the Company's website and shall include its latest revision date. The Compensation Committee Charter shall be amended as follows:

(a) The Compensation Committee shall consist of at least three (3) members;

(b) In determining director independence, the standards and requirements set forth herein shall be utilized and reflected in the Charter;

(c) In determining, setting, or approving annual short-term compensation arrangements, the Compensation Committee shall take into account the particular executive's performance as it relates to both legal compliance and compliance with the Company's internal policies and procedures. This shall not affect payments or benefits that are required to be paid pursuant to the Company's plans, policies, or agreements; and

(d) In determining, setting, or approving termination benefits and/or separation pay to executive officers, the Compensation Committee shall take into consideration the circumstances surrounding the particular executive officer's departure and the executive's performance as it relates to both legal compliance and compliance with the Company's internal policies and procedures. This shall not affect payments or benefits that are required to be paid pursuant to the Company's plans, policies, or agreements.

**7. CREATION OF CORPORATE GOVERNANCE GUIDELINES**

No Corporate Governance Guidelines are published on the Company website or included with its other corporate governance documents. SCWorx's 2021 Proxy Statement provides in relevant part:

The primary responsibilities of our Nominating and Corporate Governance Committee include:

- Assisting the Board in, among other things, effecting Board organization, membership and function including identifying qualified Board nominees; effecting the organization, membership and function of Board committees including composition and recommendation of qualified candidates; establishment of and subsequent periodic evaluation of successor planning for the chief executive officer and other executive officers; development and evaluation of criteria for Board membership such as overall qualifications, term limits, age limits and independence; and ***oversight of compliance with applicable corporate governance guidelines***[.] (Emphasis added.)

Regarding Corporate Governance Guidelines, its Nominating and Corporate Governance Charter provides in relevant part:

The Committee shall have the following authority and responsibilities:

* * *

To develop and recommend to the Board a set of corporate governance guidelines applicable to the Company, to review these principles at least once a year and to recommend any changes to the Board, and to oversee the Company's corporate governance practices, including reviewing and recommending to the Board for approval any changes to the other documents and policies in the Company's corporate governance framework, including its certificate of incorporation and by- laws.

* * *

To develop and recommend to the Board for approval, and review on an ongoing basis the adequacy of, the corporate governance guidelines applicable to the Company.

The Governance Committee shall create and publish on the Company website Corporate Governance Guidelines that comply with the governance matters set forth herein, and which are otherwise consistent with all applicable laws, rules, and regulations. These guidelines shall include its date of creation and most recent revision dates.

**8. IMPROVEMENTS TO THE CODE OF CONDUCT**

SCWorx shall amend its Code of Conduct to conform with and include the governance reforms contained herein. The Code of Conduct shall include its date of creation and most recent revision dates.

**9. EMPLOYEE TRAINING IN RISK ASSESSMENT AND COMPLIANCE**

SCWorx shall amend its Code of Conduct and/or its Bylaws as necessary to require that SCWorx institute annual employee training concerning risk assessment and compliance at SCWorx, as follows:

(a) Training shall be mandatory for all directors, officers, and employees of SCWorx. Training shall be annual for all such persons, and in the event a person is appointed or hired after the annual training for a particular year, a special training session shall be held for such individual within sixty (60) business days of his or her appointment or hiring. Training shall include coverage of risk assessment and compliance, the Code of Conduct, any and all manuals or policies established by SCWorx concerning legal or ethical standards of conduct to be observed in connection with work performed for SCWorx ("SCWorx's Policies"), and the laws and regulations regarding public disclosures.

**10. RELATED PARTY TRANSACTIONS**

The Company's 2021 Proxy Statement states: "[o]ur policy is to enter into transactions with related parties on terms that are on the whole no less favorable to us than those that would be available from unaffiliated parties at arm's length." No Corporate Governance Guidelines are published on the Company website and none apparently exist. The Company Code of Conduct is also silent regarding related party transactions.

In accordance with this provision, SCWorx create a "Related Party Transactions Policy" that requires the following reporting practices with respect to related party transactions:

(a) All Board members and executive officers shall submit to the Audit Committee and the CFO an up-to-date list of companies in which they are a director, an officer, and/or of which they own a controlling interest, and to promptly update the list when any changes occur;

(b) The Audit Committee and the CFO shall implement procedures to ensure that any material transaction that SCWorx is contemplating that would confer a monetary or other benefit to a party that is related to SCWorx or its officers will promptly be disclosed to the Board. Materiality of such transactions and whether such transactions are with a party that is related to SCWorx or its officers shall be determined by the factors set forth under Item 404(a) of Regulation S-K. The procedures shall include written disclosure to the Board of the details of any such transaction including the nature of the relationship between the proposed counterparty and the party related to SCWorx or its officers, the financial terms and other pertinent information;

(c) In determining whether a proposed related party transaction should be approved, the Board's independent directors shall consider the business purpose for the proposed transaction, the fairness of the transaction to the Company, and whether the proposed transaction impairs the independence of any outside director or presents an improper conflict of interest for any SCWorx officer or director whether or not they are involved in the transaction; and

(d) The Related Party Transactions Policy shall be formalized, listed, and identified in each of the Company's Proxy Statements, and shall be published on the Company website and wherever other SCWorx corporate governance documents appear.

**11. WHISTLEBLOWERS**

The Company has established a formal Whistleblower Policy, which shall henceforth be administered by the CFO, under the supervision of the Governance Committee. The Company shall make such policy available to all employees. The CFO and Governance Committee shall be responsible for overseeing the maintenance and oversight of SCWorx's Whistleblower Policy and a dedicated Whistleblower Email Hotline (which will go the CFO) ("Whistleblower Hotline"). The contact information for the Whistleblower Hotline will be provided to all employees via electronic mail. Employees will be informed via email that the Whistleblower Hotline is a channel for employees to report their concerns regarding, among other things, the integrity of SCWorx's public disclosures, internal controls, auditing, financial reporting, regulatory compliance, and other matters. Employees may also use this communication channel to report concerns relating to ethical business or personal conduct, integrity, and professionalism.

**12. POLICY ON LOBBYING AND POLITICAL CONTRIBUTIONS**

The Company's Code of Conduct contains a short provision forbidding the making of payments or gifts to foreign government officials for the purposes of, among other things, influencing a decision to award or retain business. The Company shall amend the Code of Conduct to further limit the use of corporate funds and other assets for governmental lobbying and political campaigns as follows:

(a) The Board shall ensure that any Company lobbying or political activity is conducted solely for promoting the commercial interests of SCWorx as a whole and is in the interests of its shareholders. The Board shall ensure that lobbying and political spending do not reflect narrow political preferences of the Company's executives that have little or no bearing on SCWorx's own commercial performance.

(b) The Board shall provide a report, updated at least semiannually, detailing the Company's use of corporate funds and other assets for governmental lobbying and political campaigns ("Political Disclosure Report"). The Political Disclosure Report shall address:

(1) SCWorx's policies and procedures for making, with corporate funds or assets, contributions, and expenditures (direct or indirect) to participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office, or influence the general public, or any segment thereof, with respect to an election or referendum;

(2) SCWorx's monetary and nonmonetary contributions and expenditures (direct or indirect) used in the manner described in section (a) above, including the identity of the recipient as well as the amount paid to each, and the title(s) of the person(s) in the Company responsible for such decision-making;

(3) SCWorx's lobbying positions on key policy issues and how these are reflected in written submissions to politicians, regulators, political parties, trade associations, or civil society groups;

(4) the names of lobbyist firms retained and key relationships with trade associations that engage in lobbying on the Company's behalf; and

(5) payments to trade associations and other tax-exempt organizations used for political activities.

(c) The Political Disclosure Report shall be posted in a conspicuous place on SCWorx's website.

(d) Material breaches of the Company's policy on lobbying and political contributions shall be immediately reported to the Board, and the Board shall have defined policies for dealing with material breaches.

(e) The Board shall monitor the effectiveness of lobbying and political donations in terms of how this investment of time and resources benefits the long-term interests of SCWorx and its shareholders.

**CREDIT FOR PRIOR ACTIONS**

SCWorx has taken the following actions since the commencement of the Derivative Actions to ensure that such issues do not occur again:

- Secured three new outside directors (Alton Irby on March 16, 2021; John Ferrara and Steve Horowitz on August 11, 2021);
- Board began working on plan for CEO to step down (September 2020), and the CEO stepped down (Effective January 19, 2021);
- Former CEO was not renominated to Board in the Company's April 27, 2021 Proxy Statement;
- Restructured all Board committees (August 2021) (all new outside directors); and
- Promoted experienced industry executive to Interim CFO (June 11, 2020), then to President/COO and Director (August 10, 2020), and finally to CEO (May 28, 2021).

Due to its current operational size, SCWorx cannot sustain an internal audit department. SCWorx has also taken the following actions to ensure the timely and accurate filing of all financial documents, including but not limited to annual and quarterly financial reports (10-Ks and 10-Qs).

- Engaged new independent auditing firm (without material relationships to major shareholders/directors) (October 2020); and
- Hired a new experienced Chief Financial Officer (November 2020).

The commencement of the Derivative Actions was among the important factors in the Board's decisions to implement the foregoing governance reforms. SCWorx acknowledges and agrees that the foregoing governance reforms confer substantial benefits to SCWorx and SCWorx's shareholders.

**IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK**

| | |
|---|---|
| IN RE SCWORX CORP. DERIVATIVE LITIGATION | Lead Case No. 1:20-cv-04554-JGK |

] **PRELIMINARY APPROVAL ORDER**

This matter came before the Court for a hearing on March 21, 2022. Federal Plaintiffs' have made an unopposed motion, pursuant to Rule 23.1 of the Federal Rules of Civil Procedure, for an order: (i) preliminarily approving the proposed settlement ("Settlement") of stockholder derivative claims brought on behalf of SCWorx Corp. ("SCWorx," or the "Company") in accordance with the Stipulation of Settlement dated February 15, 2022 (the "Stipulation"); (ii) approving the form and manner of the notice of the Settlement; and (iii) setting a date for the Settlement Hearing.[2]

WHEREAS, the Stipulation sets forth the terms and conditions for the Settlement, including, but not limited to a proposed Settlement and dismissal with prejudice of the above captioned consolidated stockholder derivative action brought on behalf of SCWorx (the "Consolidated Action"), as well as resolution of plaintiff Hemrita Zarin's claims in the Delaware Action.

1 "Federal Plaintiffs" refers to plaintiffs Javier Lozano and Josstyn Richter in the above captioned consolidated stockholder derivative action. Federal Plaintiffs, together with Henuita Zarins (who is plaintiff to a related shareholder derivative action pending in the State of Delaware Comi of Chancery titled, *Zarins, et al. v. Schessel, et al.,* Case No. 2020-0924-MTZ (the "Delaware Action") are collectively referred to as "Plaintiffs."

2 Except as otherwise expressly provided below or as the context otherwise requires, all capitalized terms contained herein shall have the same meanings and/or definitions as set forth in the Stipulation.

WHEREAS, the Court having: (i) read and considered Plaintiffs' Unopposed Motion for Preliminary Approval of Derivative Settlement together with the accompanying Memorandum of Law in Support; (ii) read and considered the Stipulation, as well as all the exhibits attached thereto; and (iii) heard and considered arguments by counsel for the Parties in favor of preliminary approval of the Settlement;

WHEREAS, the Court finds, upon a preliminary evaluation, that the proposed Settlement falls within the range of possible approval criteria, as it provides a beneficial result for SCWorx and appears to be the product of serious, informed, non-collusive negotiations overseen by an experienced mediator; and

WHEREAS, the Court also finds, upon a preliminary evaluation, tbat SCWorx shareholders should be apprised of the Settlement through the Parties' proposed form and means of notice, allowed to file objections, if any, thereto, and appear at the Settlement Hearing.

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED AS FOLLOWS:

1. This Court preliminarily approves, subject to further consideration at the Settlement Hearing described below, the Settlement as set forth in the Stipulation as being fair, reasonable, and adequate.

2. A hearing shall be held on June 29, 2022 at 2:30 p.m., before the Honorable John G. Koeltl, at the U.S. District Court for the Southern District of New York, 500 Pearl Street, New York, New York 10007 (the "Settlement Hearing"), at which the Court will determine: (i) whether the terms of the Stipulation should be approved as fair, reasonable, and adequate; (ii) whether all Released Claims against the Released Persons should be fully and finally released;

(iii) whether the agreed-to Fee and Expense Amount as well as the Service Awards should be approved; and (iv) such other matters as the Court may deem appropriate.

3. The Court finds that the form, substance, and dissemination of information regarding the proposed Settlement in the manner set out in this order ("Preliminary Approval Order") constitutes the best notice practicable under the circumstances and complies fully with Rule 23.1 of the Federal Rules of Civil Procedure and due process.

4. Within ten (10) business days after the entry of this Order, SCWorx shall: (I) post a copy of the Notice and the Stipulation, with its exhibits, on the Investor Relations page of the Company's website; (2) file the Notice and the Stipulation, with its exhibits, with the U.S. Securities and Exchange Commission as exhibits to a Form 8-K; and (3) issue the Notice in a press release. The Notice shall provide a link to the Investor Relations page of SCWorx's website where the Notice and Stipulation with its exhibits, may be viewed, which link shall be maintained through the date of the Settlement Hearing.

5. All costs incurred in the posting, filing, and issuing of the notice of the Settlement shall be paid by SCWorx, and SCWorx shall undertake all administrative responsibility for the filing, issuing, and posting of the notice of the Settlement.

6. No later than (20) calendar days following entry of this Order, Defendants' Counsel shall file with the Court an appropriate affidavit or declaration with respect to filing, issuing, and posting the notice of the Settlement as provided for in paragraph 4 of this Preliminary Approval Order.

7. All Current SCWorx Shareholders shall be subject to and bound by the provisions of the Stipulation and the releases contained therein, and by all orders, determinations, and judgments in the Consolidated Action concerning the Settlement, whether favorable or unfavorable to Current SCWorx Shareholders.

8. Pending the Effective Date or the te1mination of the Stipulation according to its terms, Plaintiffs and SCWorx shareholders, and anyone who acts or purports to act on their behalf, are barred and enjoined from commencing, prosecuting, instigating, or in any way participating in the commencement or prosecution of any action asserting any Released Claims derivatively against any of the Released Persons in any court or tribunal.

9. Any shareholder of SCWorx common stock may appear and show cause, if he, she, or it has any reason why the Settlement embodied in the Stipulation should not be approved as fair, reasonable, and adequate, or why a judgment should or should not be entered hereon, or the Fee and Expense Amount or Service Awards should not be awarded. However, no SCWorx shareholder shall be heard or entitled to contest the approval of the proposed Settlement, or, if approved, the Judgment to be entered hereon, unless that SCWorx shareholder has caused to be filed, and served on counsel as noted below, written objections stating all supporting bases and reasons for the objection, and setting forth proof, including documentary evidence, of current ownership of SCWorx stock and ownership of SCWorx stock as of the date of the Stipulation.

10. At least twenty-one (21) days prior to the Settlement Hearing, any such person must file the written objection(s) and corresponding materials with the Clerk of the Court, U.S. District Court for the Southern District of New York, 500 Pearl Street, New York, New York 10007 and serve such materials by that date, to each of the following Parties' counsel:

*Counsel for Plaintiffs:*

THE ROSEN LAW FIRM, P.A.
Phillip Kim
275 Madison Avenue, 40th Floor
New York, NY 10016
Telephone: (212) 686-1060
E-mail: pkim@rosenlegal.com

THE BROWN LAW FIRM, P.C.

Timothy Brown

767 Third Avenue, Suite 2501
New York, NY 10017
Telephone: (516) 922-5427
E-mail: tbrown@thebrownlawfam.net

*Co-Lead Counsel for Federal Plaintiffs*

GAINEY Mc.KENNA & EGLESTON
Thomas J. McKenna
501 Fifth Avenue, 19th Floor
New York, NY 10017
Telephone: (212) 983-1300
Email: tjmckenna@gme-law.com

*Counsel for Plaintiff Hemrita Zarins*

*Counsel for Defendants:*

KING & SPALDING LLP
Paul R. Bessette
1185 Avenue of the Americas
New York, NY 10036
Telephone: (212) 556-2100
Email: pbessette@kslaw.com

*Counsel for Defendant Marc S. Schessel*

LAW OFFICES OF CAROLER. BERNSTEIN
Carole R. Bernstein
41 Maple Avenue North

Westport, CT 06880
Telephone: (203) 255-8698
Email: cbemsteinesq@gmail.com

*Counsel for nominal Defendant SCWorx Corp.*

PASHMAN STEIN WALDER HAYDEN, P.C.

Bruce S. Rosen
Bell Works
101 Crawfords Comer Road, Suite 4202
Holmdel, NJ 07733
Telephone: (732) 852-2481
Telephone: (973) 457-0123
Email: brosen@pashmanstein.com

*Counsel for Defendants Charles K. Miller, Robert Christie, and Steven Wallitt*

11. Only shareholders who have filed with the Court and sent to the Parties' counsel valid and timely written notices of objection will be entitled to be heard at the hearing unless the Court orders otherwise.

12. Any Person or entity who fails to appear or object in the manner provided herein shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to the fairness, reasonableness, or adequacy of the Settlement and to the Fee and Expense Amount and Service Awards, unless otherwise ordered by the Court, but shall be forever bound by the Judgment to be entered and the releases to be given as set forth in the Stipulation.

13. Federal Plaintiffs shall file their motion for final approval of the Settlement at least twenty-eight (28) days prior to the Settlement Hearing. If there is any objection to the Settlement, any response to the objection(s) must be filed at least seven (7) days prior to the Settlement Hearing.

14. All proceedings in this Consolidated Action are stayed until further order of the Court, except as may be necessary to implement the Settlement or comply with the terms of this Stipulation.

15. This Court may, for good cause, extend any of the deadlines set forth in this Preliminary Approval Order without further notice to shareholders.

16. The provisions contained in the Stipulation (including the exhibits annexed thereto) shall not be deemed a presumption, concession or an admission of, or evidence of, any fault, wrongdoing, liability, or non-liability of the Parties or Released Persons, or of the validity or infirmity of any Released Claims and shall not be interpreted, construed, deemed, invoked, offered, or received into evidence or otherwise used by any person in the Derivative Actions or in any other action or proceeding, whether civil, criminal, or administrative, except in connection with any proceeding to enforce the terms of the Settlement.

17. In the event that the Stipulation or Settlement is not approved by the Court, or the Settlement is terminated for any reason, the Parties shall be restored to their respective positions in the Derivative Actions as of the date of the Stipulation, and all negotiations, proceedings, documents prepared and statements made in connection herewith shall be without prejudice to the Parties, shall not be deemed or construed to be an admission by any Party of any act, matter or proposition and shall not be used in any manner for any purpose in any subsequent proceeding in the Action or in any other action or proceeding. In such event, the terms and provisions of the Stipulation (other than those set forth in Section IV, Paragraphs 1.1-1.31, 4.3- 4.5, 6.2-.6.3, 7.3, 7.6-7.16, 7.20) shall have no further force and effect with respect to the Parties and shall not be used in the Derivative Actions or in any other proceeding for any purpose and any judgment or orders entered by the Comt in accordance with the terms of the Stipulation shall be treated as vacated, *nunc pro tune.*

18. In the event that the Stipulation or Settlement is not approved by the Court, the Judgment does not become Final, or the Settlement is terminated for any other reason,, the Fee and Expense Amount paid to Plaintiffs' Counsel shall be refunded and returned to the Defendants' D&O insurers within thirty (30) days of receiving notice from Defendants or from a court of appropriate jurisdiction.

17. The Court reserves the right to hold the Settlement Hearing telephonically or by videoconference without further notice to SCWorx shareholders. Any SCWorx shareholder (or his, her or its counsel) who wishes to appear at the Settlement Hearing should consult the Court's calendar and/or the Investors Relations page of SCWorx's website for any change in date, time or format of the Settlement Hearing. The Court may approve the Settlement and any of its terms, with such modifications as may be agreed to by the Parties, if appropriate, without further notice to Current SCWorx Shareholders. The Court retains jurisdiction to consider all further applications arising out of or connected with the Settlement.

**IT IS SO ORDERED.**

DATED:
3/25/2

ONORABLE JOHN G. KOELTL
U.S. DISTRICT JUDGE

**IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK**

| | |
|---|---|
| IN RE SCWORX CORP. DERIVATIVE | Lead Case No. 1:20-cv-04554-JGK |
| LITIGATION | **EXHIBIT C** |

**NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF STOCKHOLDER DERIVATIVE ACTIONS**

TO: **ALL RECORD HOLDERS AND BENEFICIAL OWNERS OF SCWORX CORP. ("SCWORX" OR THE "COMPANY") COMMON STOCK (TICKER SYMBOL: WORX) AS OF FEBRUARY 15, 2022.**

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. THIS NOTICE RELATES TO A PROPOSED SETTLEMENT AND DISMISSAL WITH PREJUDICE OF STOCKHOLDER DERIVATIVE LITIGATION AND CONTAINS IMPORTANT INFORMATION REGARDING YOUR RIGHTS.

IF THE COURT APPROVES THE SETTLEMENT OF THE DERIVATIVE ACTIONS, SCWORX SHAREHOLDERS WILL BE FOREVER BARRED FROM CONTESTING THE APPROVAL OF THE PROPOSED SETTLEMENT AND DISMISSAL WITH PREJUDICE, AND FROM PURSUING RELEASED CLAIMS.

THIS ACTION IS NOT A "CLASS ACTION." THUS, THERE IS NO COMMON FUND UPON WHICH YOU CAN MAKE A CLAIM FOR A MONETARY PAYMENT.

PLEASE TAKE NOTICE that this action is being settled on the terms set forth in a Stipulation of Settlement, dated February 15, 2022 (the "Stipulation"). The purpose of this Notice is to inform you of:

- the existence of the above-captioned consolidated derivative action pending in the United States District Court for the Southern District Court (the "Court") captioned *In re SCWorx Corp. Derivative Litigation*, Lead Case No. 1:20-cv-04554-JGK (the "Consolidated Action"),
- the existence of a similar derivative action pending in the Delaware Court of Chancery captioned *Zarins, et al. v. Schessel, et al.*, Case No. 2020-0924-MTZ (together with the Consolidated Action, the "Derivative Actions"),
- the proposed settlement between Plaintiffs[1] and Defendants reached in the Derivative Actions (the "Settlement"),

1 All capitalized terms used in this notice, unless otherwise defined herein, are defined as set forth in the Stipulation.

- the hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the Settlement and dismissal of the Consolidated Action with prejudice,
- Plaintiffs' Counsel's application for fees and expenses, and
- Plaintiffs' monetary service awards.

This Notice describes what steps you may take in relation to the Settlement. This Notice is not an expression of any opinion by the Court about the truth or merits of Plaintiffs' claims or Defendants' defenses. This Notice is solely to advise you of the proposed Settlement of the Derivative Actions and of your rights in connection with the proposed Settlement.

Summary

On February 15, 2022, SCWorx, in its capacity as a nominal defendant, entered into the Stipulation to resolve the Derivative Actions filed derivatively on behalf of SCWorx, in the Court and in the Delaware Court of Chancery against certain current and former directors and officers of the Company and against the Company as a nominal defendant. The Stipulation and the settlement contemplated therein (the "Settlement"), subject to the approval of the Court, are intended by the Parties to fully, finally, and forever compromise, resolve, discharge, and settle the Released Claims and to result in the complete dismissal of the Derivative Actions with prejudice, upon the terms and subject to the conditions set forth in the Stipulation. The Settlement was reached after the Parties participated in a full-day videoconference mediation with Jed Melnick, Esq. of JAMS, a nationally recognized mediator with extensive experience mediating complex stockholder disputes similar to the Derivative Actions. The proposed Settlement requires the Company to adopt certain corporate governance reforms, as outlined in Exhibit A to the Stipulation.

In light of the substantial benefits conferred upon SCWorx by Plaintiffs' Counsel's efforts, after engaging in arm's length negotiations with the assistance of the Mediator, the Individual Defendants agreed to cause their D&O insurers to pay Plaintiffs' Counsel's attorneys' fee and expenses in the amount of $300,000 (the "Fee and Expense Amount"), subject to Court approval. Plaintiffs' Counsel may also apply to the Court for $1,500 service awards to be paid to each of the three Plaintiffs (the "Service Awards"), to be paid out of the Fee and Expense Amount, which Defendants shall not oppose.

This notice is a summary only and does not describe all of the details of the Stipulation. For full details of the matters discussed in this summary, please see the full Stipulation and its exhibits posted on the Company's website, www.scworx.com, contact Plaintiffs' Counsel at the addresses listed below, or inspect the full Stipulation and its exhibits filed with the Clerk of the Court.

What are the Lawsuits About?

The Derivative Actions are brought derivatively on behalf of nominal defendant SCWorx and allege that the Individual Defendants breached their fiduciary duties and committed other violations of law by making and/or causing the Company to make materially false statements or omissions to the investing public, and by causing the Company to fail to maintain internal controls. Specifically, the Derivative Actions allege that Defendants issued false and misleading statements indicating that SCWorx had the capacity to successfully enter the market for selling COVID-19 test kits and had secured lucrative purchase and supply agreements for COVID-19 test kits purportedly worth millions of dollars for the Company

Why is there a Settlement of the Derivative Actions?

The Court has not decided in favor of Defendants or Plaintiffs in the Consolidated Action. Instead, the Parties have agreed to the Settlement to avoid the distraction, costs, and risks of further litigation, and because the Company has determined that the corporate governance reforms adopted by the Company as part of the Settlement provide substantial benefits to SCWorx and its shareholders.

Defendants have denied and continue to deny each and all of the claims and contentions alleged by Plaintiffs in the Derivative Actions. The Individual Defendants have expressly denied and continue to deny all charges of wrongdoing or liability against them arising out of any of the conduct, statements, acts, or omissions alleged, or that could have been alleged, in the Derivative Actions. Nonetheless, Defendants have concluded that it is desirable for the Derivative Actions to be fully and finally settled in the matter and upon the terms and conditions set forth in this Stipulation.

The Settlement Hearing, and Your Right to Object to the Settlement

On March 25, 2022, the Court entered an order preliminarily approving the Stipulation and the Settlement contemplated therein (the "Preliminary Approval Order") and providing for notice of the Settlement to be made to SCWorx shareholders. The Preliminary Approval Order further provides that the Court will hold a hearing (the "Settlement Hearing") on June 29, 2022 at 2:30 p.m. before the Honorable John G. Koeltl at the U.S. District Court for the Southern District of New York, 500 Pearl Street New York, NY 10007 to among other things: (i) determine whether the proposed Settlement is fair, reasonable and adequate and in the best interests of the Company and its shareholders; (ii) consider any objections to the Settlement submitted in accordance with this Notice; (iii) determine whether a judgment should be entered dismissing all claims in the Consolidated Action with prejudice, and releasing the Released Claims against the Released Persons; (iv) whether the Court should approve the agreed-to Fee and Expense Amount; (v) whether the Court should approve the Service Awards, which shall be funded from the Fee and Expense Amount to the extent approved by the Court; and (vii) consider any other matters that may properly be brought before the Court in connection with the Settlement.

The Court may, in its discretion, change the date and/or time of the Settlement Hearing without further notice to you. The Court also has reserved the right to hold the Settlement Hearing telephonically or by videoconference without further notice to you. If you intend to attend the Settlement Hearing, please consult the Court's calendar and/or the website of SCWorx, www. for any change in date, time or format of the Settlement Hearing.

Any SCWorx shareholder who wishes to object to the fairness, reasonableness, or adequacy of the Settlement as set forth in the Stipulation, or to the agreed-upon Fee and Expense Amount or Service Awards, may file with the Court a written objection. An objector must at least twenty-one (21) calendar days prior to the Settlement Hearing: (1) file with the Clerk of the Court and serve (either by hand delivery or by first class mail) upon the below listed counsel a written objection to the Settlement setting forth (a) the nature of the objection, (b) proof of ownership of SCWorx common stock as of February 15, 2022 and through the date of the filing of any such objection, including the number of shares of SCWorx common stock held and the date of purchase or acquisition, (c) any and all documentation or evidence in support of such objection; (d) the identities of any cases, by name, court, and docket number, in which the shareholder or his, her, or its attorney has objected to a settlement in the last three years; and (2) if intending to appear, and requesting to be heard, at the Settlement Hearing, he, she, or it must, in addition to the requirements of (1) above, file with the Clerk of the Court and serve (either by hand delivery or by first class mail) upon the below listed counsel (a) a written notice of his, her, or its intention to appear at the Settlement Hearing, (b) a statement that indicates the basis for such appearance, (c) the identities of any witnesses he, she, or it intends to call at the Settlement Hearing and a statement as to the subjects of their testimony, and (d) any and all evidence that would be presented at the Settlement Hearing. Any objector who does not timely file and serve a notice of intention to appear in accordance with this paragraph shall be foreclosed from raising any objection to the Settlement and shall not be permitted to appear at the Settlement Hearing, except for good cause shown.

*IF YOU MAKE A WRITTEN OBJECTION, IT MUST BE ON FILE WITH THE CLERK OF THE COURT NO LATER THAN JUNE 7, 2022. The Clerk's address is:*

Clerk of the Court,
U.S. District Court for the Southern District of New York,
500 Pearl Street New York, NY 10007

*YOU ALSO MUST DELIVER COPIES OF THE MATERIALS TO PLAINTIFFS' COUNSEL AND DEFENDANTS' COUNSEL SO THEY ARE RECEIVED NO LATER THANJUNE 7, 2022. Counsel's addresses are:*

**Counsel for Plaintiffs:**

THE ROSEN LAW FIRM, P.A.
Phillip Kim
275 Madison Avenue, 40th Floor
New York, NY 10016
Telephone: (212) 686-1060

E-mail: pkim@rosenlegal.com

GAINEY McKENNA & EGLESTON
Thomas J. McKenna
501 Fifth Avenue, 19th Floor
New York, NY 10017
Telephone: (212) 983-1300

Email: tjmckenna@gme-law.com

THE BROWN LAW FIRM, P.C.
Timothy Brown
767 Third Avenue, Suite 2501
New York, NY 10017
Telephone: (516) 922-5427
E-mail: tbrown@thebrownlawfirm.net

**Counsel for Defendants:**

KING & SPALDING LLP
Paul R. Bessette
1185 Avenue of the Americas
New York, NY 10036
Telephone: (212) 556-2100
Email: pbessette@kslaw.com

PASHMAN STEIN WALDER HAYDEN, P.C.
Bruce S. Rosen
Bell Works
101 Crawfords Corner Road, Suite 4202
Holmdel, NJ 07733
Telephone: (732) 852-2481
Telephone: (973) 457-0123
Email: brosen@pashmanstein.com

LAW OFFICES OF CAROLE R. BERNSTEIN
Carole R. Bernstein
41 Maple Avenue North
Westport, CT 06880
Telephone: (203) 255-8698
Email: cbernsteinesq@gmail.com

An objector may file an objection on his, her, or its own or through an attorney hired at his, her, or its own expense. If an objector hires an attorney to represent him, her, or it for the purposes of making such objection, the attorney must serve (either by hand delivery or by first class mail) a notice of appearance on the counsel listed above and file such notice with the Court no later than twenty-one (21) calendar days before the Settlement Hearing. Any SCWorx shareholder who does not timely file and serve a written objection complying with the above terms shall be deemed to have waived, and shall be foreclosed from raising, any objection to the Settlement, and any untimely objection shall be barred.

Any objector who files and serves a timely, written objection in accordance with the instructions above, may appear at the Settlement Hearing either in person or through counsel retained at the objector's expense. Objectors need not attend the Settlement Hearing, however, in order to have their objections considered by the Court.

If you are an SCWorx shareholder and do not take steps to appear in this action and object to the proposed Settlement, you will be bound by the Judgment of the Court and will forever be barred from raising an objection to the settlement in this Consolidated Action, and from pursuing any of the Released Claims.

**SCWORX SHAREHOLDERS AS OF FEBRUARY 15, 2022 WHO HAVE NO OBJECTION TO THE SETTLEMENT DO NOT NEED TO APPEAR AT THE SETTLEMENT HEARING OR TAKE ANY OTHER ACTION.**

Interim Stay and Injunction

Pending the Court's determination as to final approval of the Settlement, Plaintiffs and Plaintiffs' Counsel, and any SCWorx shareholders, derivatively on behalf of SCWorx, are barred and enjoined from commencing, prosecuting, instigating, or in any way participating in the commencement or prosecution of any action asserting any Released Claims derivatively against any of the Released Persons in any court or tribunal.

Scope of the Notice

This Notice is a summary description of the Derivative Actions, the complaints, the terms of the Settlement, and the Settlement Hearing. For a more detailed statement of the matters involved in the Derivative Actions, reference is made to the Stipulation and its exhibits, copies of which may be reviewed and downloaded at www. scworx.com.

* * *

You may obtain further information by contacting Plaintiffs' Counsel at: Timothy Brown, The Brown Law Firm, P.C., 767 Third Avenue, Suite 2501, New York, NY 10017, Telephone: (516) 922-5427, E-mail: tbrown@thebrownlawfirm.net; or Phillip Kim, The Rosen Law Firm, P.A., 275 Madison Avenue, 40th Floor, New York, NY 10016, Telephone: (212) 686-1060, E- mail: pkim@rosenlegal.com; or Thomas J. McKenna, Gainey McKenna & Egleston, 501 Fifth Avenue, 19th Floor, New York, NY 10017, Telephone: (212) 983-1300, E-mail: tjmckenna@gme- law.com. **Please Do Not Call the Court or Defendants with Questions About the Settlement.**

**IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK**

| | |
|---|---|
| IN RE SCWORX CORP. DERIVATIVE | Lead Case No. 1:20-cv-04554-JGK |
| LITIGATION | **EXHIBIT D** |

**[PROPOSED] ORDER AND FINAL JUDGMENT**

This matter came before the Court for hearing on _____, 2022, to consider approval of the proposed settlement ("Settlement") set forth in the Stipulation of Settlement dated February 15, 2022 (the "Stipulation"). The Court has reviewed and considered all documents, evidence, objections (if any), and arguments presented in support of or against the Settlement. Good cause appearing therefore, the Court enters this Order and Final Judgment (the "Judgment").

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that:

1. This Judgment incorporates by reference the definitions in the Stipulation, and all capitalized terms used herein shall have the same meanings as set forth in the Stipulation.

2. This Court has jurisdiction over the subject matter of the Consolidated Derivative Action, including all matters necessary to effectuate the Settlement, and over the Parties.

3. The Court finds that the form of the notice of the Settlement and the means of dissemination of the notice of the Settlement provided to Current SCWorx Shareholders constituted the best notice practicable under the circumstances and fully satisfied the requirements of Rule 23.1 of the Federal Rules of Civil Procedure and the requirements of due process.

4. The Court hereby approves the Settlement set forth in the Stipulation and finds that the Settlement is, in all respects, fair, reasonable, and adequate to each of the Parties, and further finds that the Settlement is in the best interests of SCWorx and its shareholders.

5. The Consolidated Action and all claims contained therein, as well as all of the Released Claims against Released Persons, are dismissed with prejudice. The Parties are to bear their own costs, except as otherwise provided below.

6. Upon the Effective Date, to the extent that the Plaintiffs, Plaintiffs' Counsel, and each of SCWorx's shareholders possess any of the Released Claims derivatively, Plaintiffs, Plaintiffs' Counsel, and each of SCWorx's shareholders (solely in their capacity as SCWorx shareholders) shall be deemed to have, and by operation of this Judgment shall have, fully, finally, and forever waived, released, relinquished, discharged and dismissed all Released Claims (including Unknown Claims) against the Released Persons, including any and all claims (including Unknown Claims) against the Released Persons arising out of, relating to, or in connection with the defense, Settlement, or resolution of the Derivative Actions.

7. Upon the Effective Date, to the extent Plaintiffs, Plaintiffs' Counsel, and each of SCWorx's shareholders possess any of the Released Claims derivatively, Plaintiffs, Plaintiffs' Counsel, and each of SCWorx's stockholders (solely in their capacity as SCWorx shareholders) shall be forever barred, estopped, and enjoined from commencing, instituting, or prosecuting any of the Released Claims (including Unknown Claims) or any action or other proceeding against any of the Released Persons based on the Released Claims, or any action or proceeding arising out of, relating to, or in connection with the Released Claims or the filing, prosecution, defense, settlement, or resolution of the Derivative Actions. Nothing herein shall in any way impair or restrict the rights of any Party to enforce the terms of the Stipulation.

8. Upon the Effective Date, SCWorx, shall be deemed to have, and by operation of this Judgment shall have, fully, finally, and forever released, relinquished, and discharged all Released Claims (including Unknown Claims) against the Released Persons.

9. Upon the Effective Date, SCWorx shall be forever barred, estopped, and enjoined from commencing, instituting, or prosecuting any of the Released Claims (including Unknown Claims) or any action or other proceeding against any of the Released Persons based on the Released Claims, or any action or proceeding arising out of, relating to, or in connection with the Released Claims or the filing, prosecution, defense, settlement, or resolution of the Derivative Actions. Nothing herein shall in any way impair or restrict the rights of any Party to enforce the terms of the Stipulation.

10. Upon the Effective Date, each of the Released Persons shall be deemed to have fully, finally, and forever released, relinquished, and discharged Plaintiffs and their Related Persons, Plaintiffs' Counsel and their Related Persons, and SCWorx's shareholders (solely in their capacity as SCWorx shareholders) and their Related Persons from all claims (including Unknown Claims), arising out of, relating to, or in connection with the institution, prosecution, assertion, settlement, or resolution of the Derivative Actions or the Released Claims. Nothing herein shall in any way impair or restrict the rights of any Party to enforce the terms of the Stipulation.

11. During the course of the litigation, all parties and their respective counsel at all times complied with the requirements of Rule 11 of the Federal Rules of Civil Procedure.

12. The Court hereby approves the sum of $300,000 for the payment of Plaintiffs' Counsel's attorneys' fees and expenses ("Fee and Expense Amount") and finds that the Fee and Expense Amount is fair and reasonable. No other fees, costs, or expenses may be awarded to Plaintiffs' Counsel in connection with the Settlement. The Fee and Expense Amount shall be distributed in accordance with the terms of the Stipulation.

13. The Court hereby approves the Service Awards of $1,500 for each of the three Plaintiffs to be paid from Plaintiffs' Counsel's Fee and Expense Amount in recognition of Plaintiffs' participation and effort in the prosecution of the Derivative Actions.

14. Neither the Stipulation, including the annexed exhibits, nor the Settlement, nor any act performed or document executed pursuant to or in furtherance of the Stipulation or the Settlement: (i) is or may be deemed to be or may be offered, attempted to be offered or used in any way by the Parties or any other Person as a presumption, a concession or an admission of, or evidence of, any fault, wrongdoing, liability, or non-liability of the Parties or Released Persons, or of the validity or infirmity of any Released Claims; (ii) is or may be deemed to be or may be offered, attempted to be offered or used in any way by the Parties or any other Person as a presumption, a concession, an admission, or evidence of any fault, omission, wrongdoing or liability of any of the Parties in any other actions or proceedings, whether civil, criminal, or administrative, other than to enforce the terms therein.

15. The Released Parties and/or the Released Persons may file the Stipulation and/or this Judgment in any action that may be brought against them in order to support a defense, claim, or counterclaim based on principles of *res judicata*, collateral estoppel, release and discharge, good faith settlement, judgment bar or reduction, or any other theory of claim preclusion or issue preclusion or similar defense or counterclaim.

15. Without affecting the finality of this Judgment entered in accordance with the Stipulation, the Court shall retain jurisdiction to implement and enforce the terms of the Stipulation and this Judgment and to consider any matters or disputes arising out of or relating to the Settlement, and the Parties submit to the jurisdiction of the Court for purposes of implementing and enforcing the Settlement embodied in the Stipulation and Judgment, and for matters or disputes arising out of or relating to the Settlement.

16. Pursuant to Rule 23.1 of the Federal Rules of Civil Procedure, this Court hereby finally approves the Stipulation and Settlement in all respects, and orders the Parties to perform its terms to the extent the Parties have not already done so.

17. This Judgment is a final judgment, and the Court finds that no just reason exists for delay in entering this Judgment in accordance with the Stipulation. Accordingly, the Clerk is hereby directed to enter this Judgment forthwith in accordance with Rule 58 of the Federal Rules of Civil Procedure.

**IT IS SO ORDERED.**

DATED:

HONORABLE JOHN G. KOELTL
U.S. DISTRICT JUDGE

**Exhibit 31.1**

**CERTIFICATION**

I, Timothy A. Hannibal, certify that:

1. I have reviewed this Annual Report on Form 10-K of SCWorx Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods present in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financing reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2022

By: */s/* Timothy A. Hannibal
Timothy A. Hannibal
President and Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**CERTIFICATION**

I, Christopher J. Kohler, certify that:

1. I have reviewed this Annual Report on Form 10-K of SCWorx Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods present in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financing reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2022

By: */s/* Christopher J. Kohler
Christopher J. Kohler
Chief Financial Officer
(Principal Financial Officer)

**Exhibit 32.1**

**Section 1350 CERTIFICATION**

In connection with this Annual Report of SCWorx Corp. (the "Company") on Form 10-K for the year ended December 31, 2021, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Timothy A. Hannibal, President and Chief Operating Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2022

By: */s/* Timothy A. Hannibal
Timothy A. Hannibal
President and Chief Executive Officer
(Principal Executive Officer)

**Exhibit 32.2**

**Section 1350 CERTIFICATION**

In connection with this Annual Report of SCWorx Corp. (the "Company") on Form 10-K for the year ended December 31, 2021, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher J. Kohler, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2022

By: */s/* Christopher J. Kohler
Christopher J. Kohler
Chief Financial Officer
(Principal Financial Officer)