

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

FORM 10-Q

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

For the quarterly period ended March 31, 2019

or

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

For the transition period from _____ to _____

Commission File Number: 001-37899

SCWORX CORP.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

47-5412331
(I.R.S. Employer
Identification No.)

590 Madison Avenue, 21st Floor
New York, New York 10022
(Address of principal executive offices, including zip code)

(212) 739-7825
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, \$.001 par value per share	WORX	Nasdaq Capital Market

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 past 12 months, 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 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of the registrant's common stock outstanding at May 22, 2019: 6,573,342

SCWorx Corp.
Form 10-Q

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Cautionary Statement Regarding Forward-Looking Statements

Certain statements that we make from time to time, including statements contained in this Quarterly Report on Form 10-Q constitute “forward-looking statements” within the meaning of the 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 Form 10-Q are forward-looking statements. These statements, among other things, relate to our business strategy, goals and expectations concerning our 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 Form 10-Q 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 increased 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” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018. 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:

- Integrate and optimize the operations from the acquisition of SCWorx Corp.; and
- Grow the revenues and contain the costs related to our recently acquired SaaS business.

Although we believe that the expectations reflected in the forward-looking statements contained in this Form 10-Q 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 Form 10-Q 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 Form 10-Q.

You should read this Form 10-Q 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-FINANCIAL INFORMATION

Item 1. Financial Statements

**SCWorx Corp.
Condensed Consolidated Balance Sheets**

	March 31, 2019	December 31, 2018
	<u>(Unaudited)</u>	<u>(as adjusted)</u>
ASSETS		
Current assets:		
Cash	\$ 2,765,290	\$ 76,459
Accounts receivable	769,030	520,692
Interest expense receivable	—	121,350
Prepaid expenses and other assets	374,257	—
Convertible notes receivable, at fair value	—	837,317
Investment in warrants, at fair value	—	67,000
Total current assets	<u>3,908,577</u>	<u>1,622,818</u>
Fixed assets	27,932	—
Intangible assets	233,676	—
Goodwill	8,466,282	—
Due from shareholder	—	1,409,284
TOTAL ASSETS	<u><u>\$ 12,636,467</u></u>	<u><u>\$ 3,032,102</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY\ (DEFICIT)		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,293,165	\$ 855,759
Contract liabilities	811,922	816,714
Notes payable related party	192,446	—
Current liabilities - discontinued operations	2,623	—
Total current liabilities	<u>2,300,156</u>	<u>1,672,473</u>
Notes payable - related party	—	1,591,491
TOTAL LIABILITIES	<u><u>2,300,156</u></u>	<u><u>3,263,964</u></u>
Commitments and contingencies		
Stockholders' Equity\ (Deficit):		
Preferred stock, 900,000 shares authorized; 816,638 and 0 shares issued and outstanding, respectively	7,955,945	—
Common stock, \$.001 par value; 10,000,000 shares authorized; 6,563,195 and 5,838,149 shares issued and outstanding, respectively	6,563	5,838
Additional paid-in capital	9,570,485	1,244,273
Accumulated deficit	<u>(7,196,682)</u>	<u>(1,481,973)</u>
TOTAL STOCKHOLDERS' EQUITY\ (DEFICIT)	<u><u>10,366,311</u></u>	<u><u>(231,862)</u></u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 12,636,467</u></u>	<u><u>\$ 3,032,102</u></u>

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

SCWorx Corp.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended	
	March 31,	
	2019	2018
Revenue	\$ 1,248,104	\$ 786,104
Cost of revenue	(788,870)	(793,225)
Gross margin	459,234	(7,121)
Operating expenses:		
General and administrative	6,627,939	135,516
Research and development	182,339	—
Total operating expenses	6,810,278	135,516
Loss from operations	(6,351,044)	(142,637)
Other income	465,055	—
Interest expense	(23,720)	(41,623)
Loss before taxes	(5,909,709)	(184,260)
Income tax expense (benefit)	(195,000)	—
Net loss	\$ (5,714,709)	\$ (184,260)
Loss per share:		
Basic and diluted	\$ (1.27)	\$ (0.04)
Weighted average number of shares used in per share calculation, basic and diluted	4,492,919	4,476,013

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

SCWorx Corp.
Condensed Consolidated Statement of Changes In Stockholders' Equity\ (Deficit)
(Unaudited)

Three Months Ended March 31, 2018	Membership Units	Members' Deficit	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders/ Members' Deficit
			Shares	Amount	Shares	Amount			
Balance—December 31, 2017	17,500	\$ (1,101,259)	—	\$ —	—	\$ —	\$ —	\$ —	\$ (1,101,259)
Net loss	—	(184,260)	—	—	—	—	—	—	(184,260)
Balance March 31, 2018	17,500	\$ (1,285,519)	—	\$ —	—	\$ —	\$ —	\$ —	\$ (1,285,519)

Three Months Ended March 31, 2019	Membership Units	Members' Deficit	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders Equity (Deficit)
			Shares	Amount	Shares	Amount			
Balance at December 31, 2018, as restated	—	—	—	—	5,838,149	5,838	1,244,273	(1,481,973)	(231,862)
CEO surrender of common shares in settlement of due from shareholder balance	—	—	—	—	(574,991)	(575)	(1,608,258)	—	(1,608,833)
Series A Preferred share issuance (Alliance MMA)	—	—	619,138	5,980,945	—	—	—	—	5,980,945
Issuance of common stock	—	—	—	—	1,283,124	1,283	5,883,078	—	5,884,361
Series A Preferred share issuance	—	—	7,500	75,000	—	—	—	—	75,000
Conversion of notes payable - related party into Series A Preferred share issuance	—	—	190,000	1,900,000	—	—	—	—	1,900,000
Exercise of warrants	—	—	—	—	9,891	10	61,013	—	61,023
Issuance of warrants in settlement of lease dispute	—	—	—	—	—	—	66,275	—	66,275
Shares issued in cashless exercise of warrants	—	—	—	—	3,732	4	(4)	—	—
Stock based compensation related to founders transfer of common shares to contractors	—	—	—	—	—	—	5,322,930	—	5,322,930
Stock based compensation related to employee and contractor equity awards	—	—	—	—	3,290	3	306,900	—	306,903
Stock and warrant dividend	—	—	—	—	—	—	(1,705,722)	—	(1,705,722)
Net loss	—	—	—	—	—	—	—	(5,714,709)	(5,714,709)
Balance—March 31, 2019	—	—	816,638	\$ 7,955,945	6,563,195	\$ 6,563	\$ 9,570,485	\$ (7,196,682)	\$ 10,336,311

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

SCWorx Corp.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended	
	March 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (5,714,709)	\$ (184,260)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	451	—
Stock-based compensation	5,629,833	—
Amortization of acquired intangibles	6,324	—
Gain on change in fair value of warrant assets	(55,000)	—
Gain on change in fair value of convertible notes receivable	(531,405)	—
Changes in operating assets and liabilities:		
Accounts receivable	(248,338)	65,047
Prepaid expenses and other assets	(252,907)	—
Accounts payable and accrued liabilities	(1,083,263)	(44,131)
Contract liabilities	(4,792)	168,911
Net cash (used in) provided by operating activities of continuing operations	(2,253,806)	5,567
Net cash (used in) operating activities of discontinued operations	(311,891)	—
Net cash (used in) operating activities	(2,565,697)	5,567
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash acquired in reverse acquisition	5,441,437	—
Advances to due from shareholder	(199,549)	(587,053)
Advances on convertible notes receivable - Alliance MMA	(215,000)	—
Purchases of fixed assets	(28,383)	—
Net cash provided by (used in) investing activities	4,998,505	(587,053)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable - related parties	120,000	591,600
Proceeds from preferred stock placement	75,000	—
Proceeds from exercise of warrants	61,023	—
Net cash provided by financing activities	256,023	591,600
NET INCREASE IN CASH	2,688,831	10,114
CASH - BEGINNING OF PERIOD	76,459	15,159
CASH - END OF PERIOD	<u>\$ 2,765,290</u>	<u>\$ 25,273</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ —	\$ —
Cash paid for taxes	\$ —	\$ —
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of warrant in settlement of vendor liability	\$ 66,275	\$ —
Cashless exercise of warrant	\$ 4	\$ —
Surrender of common shares in settlement of due from shareholder balance	\$ 1,608,833	\$ —
Stock and warrant dividend	\$ 1,705,722	\$ —
Warrants issued to company	\$ 19,000	\$ —
Conversion of notes payable-related party into Series A Preferred Shares	\$ 1,900,000	\$ —
Issuance of preferred and common stock in connection with acquisition of Alliance MMA, net of cash	\$ 6,423,869	\$ —

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

SCWorx Corp.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1. Description of Business

Nature of Business

SCWorx, LLC (“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 its wholly owned subsidiary, Primrose Solutions, LLC, (“Primrose”), a Delaware limited liability company focused on developing functionality within the SCWorx software. The majority shareholders of Primrose were shareholders of SCWorx LLC and based upon Staff Accounting Bulletin (“SAB”) Topic 5G, the technology acquired has been accounted for at predecessor cost of \$0. To facilitate the planned acquisition by Alliance MMA, Inc, on June 27, 2018, SCWorx, LLC, merged with and into a newly formed SCWorx Acquisition Corp., a Delaware corporation, with SCWorx Acquisition Corp. being the surviving entity. Subsequently, on August 17, 2018, SCWorx Acquisition Corp. changed its name to SCWorx Corp. (the “Company” or “SCWorx”). On November 30, 2018 the Company and certain shareholders agreed to cancel 6,510 common shares and the Company issued 3,125 shares of common stock to new third-party investors for \$1.25 million in cash. In addition, on February 1, 2019, SCWorx Corp. (f/k/a SCWorx Acquisition Corp.) changed its name to SCW FL Corp.

Business Combination and Related Transactions

In June 2018, SCWorx Acquisition Corp. entered into a Securities Purchase Agreement (“SPA”) with Alliance MMA, Inc. (“Alliance”), as amended December 18, 2018, under which the SCW LLC agreed to purchase up to \$1.25 million in principal amount of Alliance’s convertible notes and warrants to purchase up to 1,128,356 [59,387 shares reflective of one for nineteen stock split] shares of Alliance common stock. The initial \$750,000 tranche of the notes was convertible into shares of Alliance common stock at an initial conversion price of \$0.3725 [\$7.0775 post-split] and the related 503,356 [26,492 post-split] warrants have an exercise price of \$0.3725 [\$7.0775 post-split]. The conversion price on the \$750,000 convertible note was reduced to \$0.215 [\$4.085 post-split] per share in January 2019. The remaining \$500,000 tranche of the notes is convertible into shares of Alliance common stock at a conversion price of \$0.20 [\$3.80 post-split] and the related 625,000 [32,895 post-split] warrants have an exercise price of \$0.30 [\$5.70 post-split]. All of these notes (an aggregate of \$1.25 million in principal amount) converted automatically into Alliance common stock upon the closing of the Company’s acquisition on February 1, 2019 and were distributed to certain of the Company’s common shareholders.

Pursuant to the SPA, between June 29, 2018 and October 16, 2018, Alliance sold the Company convertible notes in the aggregate principal amount of \$750,000 and warrants to purchase 503,356 [26,492 post-split] shares of Alliance common stock, for an aggregate purchase price of \$750,000. Each of the notes bears interest at 10% annually and have a one year term. The warrants have an exercise price of \$0.3725, [\$7.0775 post-split] a term of five years and were vested upon grant. As noted above, these notes automatically converted into Alliance common stock upon the closing of the Company’s acquisition on February 1, 2019.

On August 20, 2018, the Company and its stockholders entered into a Stock Exchange Agreement with Alliance, as amended December 18, 2018 (“SEA”). Under the SEA, the Company’s shareholders agreed to sell all of the issued and outstanding common stock of the Company, in exchange for which Alliance agreed to issue at the closing (i) 100,000,000 shares of Alliance common stock to the Company’s stockholders.

Pursuant to the SPA, between November 16, 2018 and December 31, 2018, the Company purchased additional Alliance convertible notes in the aggregate principal amount of \$275,000 and warrants to purchase 356,250 [18,750 post-split] shares of Alliance common stock, for an aggregate purchase price of \$275,000. Each of the Notes bears interest at 10% annually and matures one year form the issue date. These warrants have an exercise price of \$0.30 [\$5.70 post-split], a term of five years and were vested upon grant. This brings the total amount funded by the Company to \$1,035,000 as of December 31, 2018. In January 2019, SCWorx purchased \$215,000 of additional Alliance convertible notes under the aggregate \$1,250,000 note purchase agreement. These notes automatically converted into Alliance common stock upon the closing of the Company’s acquisition on February 1, 2019. In January 2019, SCWorx purchased \$215,000 of additional AMMA convertible notes under the aggregate \$1,250,000 note purchase agreement.

In anticipation of the acquisition of the Company, Alliance filed an original listing application with the Nasdaq Capital Market to list the common stock of the combined company. On February 1, 2019, the Nasdaq approved the listing of Alliance’s common stock (on a combined basis with the Company), with the result being that the newly combined company’s common stock is now newly listed on the Nasdaq Capital Market.

On February 1, 2019, Alliance MMA completed the acquisition of SCWorx, changed its name to SCWorx Corp., changed its ticker symbol to “WORX”, and effected a one-for-nineteen reverse stock split of its common stock [bracketed amounts represent post-split adjusted shares or per share amounts], which combined the 100,000,000 Alliance shares of common stock issued to the Company’s shareholders into 5,263,158 shares of common stock of the newly combined company.

From a legal perspective, Alliance MMA acquired SCWorx FL Corp, and as a result, historical equity awards including stock options and warrants are carried forward at their historical basis.

From an accounting perspective, Alliance MMA was acquired by SCWorx FL Corp in a reverse merger and as a result, the Company has completed preliminary purchase accounting for the transaction.

SCWorx Corp.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Operations of the Business

SCWorx is a leading 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 quickly and accurately improve the flow of information between the existing supply chain ERP systems ("EMR"), 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
- Charge Description Master Management
- Contract Management
- Request for Proposal Automation
- Rebate Management
- Big Data Analytics Model
- 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, operates an online event ticketing platform focused on serving regional MMA promotions.

SCWorx Corp.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 2. Liquidity

The Company's primary need for liquidity is to fund the working capital needs of the business and general corporate purposes. The Company has historically incurred losses and has relied on borrowings from members to fund the operations and growth of the business. As of March 31, 2019, the Company had cash of approximately \$2,765,000, working capital of approximately \$1,780,000, and an accumulated deficit of approximately \$8,727,000.

During 2018, the Company began to gain traction with more hospitals and witnessed customer renewals of expiring agreements with existing customers. During the first quarter of 2019, the Company signed four contracts with new customers and plan to sign on average, a contract a month, with new customers during 2019. Management expects increases in revenue to provide sufficient cash flow to fund the operations for at least the one-year period following the release of these consolidated financial statements.

In 2018, the Company completed a common stock private place of \$1.25 million. In the first quarter of 2019, the transactions related to the purchase of Alliance MMA resulted in an increase of cash of \$5.4 million which along with increasing sales is expect to fund operations for at least the next 12 months; however, the Company will thereafter need to raise additional funding through strategic relationships, public or private equity or debt financings. If such funding is not available or not available on terms acceptable to the Company, the Company's current plans for expansion may be curtailed.

SCWorx Corp.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 3. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The accompanying consolidated financial statements include the accounts of SCWorx Corp. (f/k/a Alliance MMA) and its wholly-owned subsidiaries, SCW FL Corp and Primrose Solutions, LLC. All significant intercompany balances and transactions are 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.

Fair Value of Financial Instruments

Management applies fair value accounting for all 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 accounts receivable, due from shareholder and convertible notes receivable. 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. The Company believes that any concentration of credit risk in its due from shareholder and convertible notes receivable was substantially mitigated by the shareholder's material interest in the Company, ability to sell off portions of the interest, if necessary, and the closing of the acquisition of the SCWorx by Alliance and conversion of the notes payable to Series A Preferred share and the settlement of the due from stockholder balance with the surrender of 1,401 SCWorx common shares in January 2019.

For the quarter ended March 31, 2019, the Company had two customers representing 24% and 11% of aggregate revenues. For the quarter ended March 31, 2018, the Company had three customers representing 23%, 21% and 15% of aggregate revenues. At March 31, 2019, the Company had 3 customers representing 32%, 18% and 12% of aggregate accounts receivable. At December 31, 2018, the Company had 3 customer representing 39%, 21% and 13% of aggregate accounts receivable.

SCWorx Corp.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

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 deemed no allowance for doubtful accounts necessary as of March 31, 2019 and December 31, 2018.

Leases

We determine if an arrangement is a lease at inception. Operating leases are included in the lease right-of-use ("ROU") assets, current portion and long-term portion of lease obligations on our consolidated balance sheet. 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. The operating lease ROU asset also includes any lease payments to be made and excludes lease incentives. 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

The Company includes the results of operations of the business it acquired in its consolidated results as of the date of acquisition. The Company allocates the fair value of the purchase consideration of its 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 the 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 the Company's acquisitions, refer to "Note 4 Business Combination."

Goodwill and 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 third 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 ticket software and promoter relationships resulting from the 2019 business combination. The Company's identified intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from 3 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, see "Note 4 – Business Combination."

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 one to five years.

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

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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 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 standalone selling price for each distinct performance obligation and is typically estimated based on observable transactions when these services are sold on a standalone 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 provides.

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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.

Software-as-a-Service and Maintenance

Software-as-a-service and maintenance revenues are recognized ratably over the contract terms beginning on the commencement date of each contract, which is the date 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 us 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 exists, delivery has occurred, the sales price is fixed or determinable, and the collectability of the resulting receivable is reasonably assured. The adoption of Topic 606 did not result in a cumulative effect adjustment to our 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 has not presented any varying factors that affect the nature, timing and uncertainty of revenues and cash flows.

There were no revenues that were recognized from performance obligations that were partially satisfied prior to January 1, 2018.

Costs to Obtain and 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.

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Cost of Revenue

Cost of revenues primarily represents 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. If any, contract assets are reported on the consolidated balance sheet. There are no contract assets as of March 31, 2019 and December 31, 2018.

Contract liabilities arise when customers remit contractual cash payments in advance of the Company satisfying its 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 \$811,922 and \$816,714 as of March 31, 2019 and December 31, 2018, respectively.

Research and Development Costs

The Company expenses all research and development related costs as incurred. Research and development cost for the quarters ended March 31, 2019 and 2018 was \$182,339 and \$0, respectively. These research and development cost relate to a new product expected to be released during 2019.

Advertising Costs

The Company expenses advertising costs as incurred. There were no advertising costs for the quarters ended March 31, 2019 and 2018.

Income Taxes

The Company converted to a corporation from a limited liability company during 2018.

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. For the quarter ended March 31, 2019, the Company has evaluated available evidence and concluded that the Company may not realize all the benefit 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. As of March 31, 2019, we completed the accounting for tax effects of the Tax Act under ASC 740. There were no impacts to the reporting period ended March 31, 2019.

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The income tax benefit for the quarters ended March 31, 2019 and 2018 was \$195,000 and \$0 respectively, and are included in accounts payable and accrued liabilities on the condensed consolidated balance sheet.

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 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 fair value of the Company's stock awards for non-employees is estimated based on the fair market value on each vesting date, accounted for under the variable-accounting method.

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 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 WORX 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. See "Note 10 – Stockholders Equity" for additional detail.

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 the Company's 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; however, the Company believes, given the absence of any such payments in the Company's history, and the estimated low probability of such payments in the future, that the estimated fair value of these indemnification agreements is immaterial. In addition, the Company has directors' and officers' liability insurance coverage that is intended to reduce its financial exposure and may enable the Company to recover any payments, should they occur.

Contingencies

From time to time, the Company may be involved in legal and administrative proceedings and claims of various types. The Company records a liability in its 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, the Company discloses the loss contingency and an estimate of possible loss or range of loss (unless such an estimate cannot be made). The Company does not recognize gain contingencies until they are realized. Legal costs incurred in connection with loss contingencies are expensed as incurred. See "Note 9 – Commitments and Contingencies," for further information.

SCWorx Corp.
Notes to Condensed Consolidated Financial Statements
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Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The accounting estimates and assumptions that require management's most significant, difficult, and subjective judgment include the accounting for the business combination, the recognition of revenue, collectability of accounts receivable, valuation of convertible notes receivable and related warrants, the assessment of recoverability of goodwill and intangible assets, the assessment of useful lives and the recoverability of property and equipment, the valuation and recognition of stock-based compensation expense, loss contingencies, and income taxes. Actual results could differ materially from those estimates.

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Recently Issued Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”). ASU 2016-02 requires a lessee to record a right-of-use asset and a corresponding lease liability, initially measured at the present value of the lease payments, on the balance sheet for all leases with terms longer than 12 months, as well as the disclosure of key information about leasing arrangements. Disclosures are required to provide the amount, timing and uncertainty of cash flows arising from leases. A modified retrospective transition approach is provided for lessees of capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. In July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842) Targeted Improvements* (“ASU 2018-11”). ASU 2018-11 allows all entities adopting ASU 2016-02 to choose an additional (and optional) transition method of adoption, under which an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. ASU 2018-11 also allows lessors to not separate non-lease components from the associated lease component if certain conditions are met. The Company adopted the provisions of ASU 2016-02 and ASU 2018-11 in the quarter beginning January 1, 2019. The adoption resulted in the recognition of a right of use asset of approximately \$56,000 and lease liability of approximately \$56,000, and additional disclosures.

In October 2018, the FASB issued ASU No. 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities* (“ASU 2018-17”). ASU 2018-17 provides that indirect interests held through related parties in common control arrangements should be considered on a proportional basis for determining whether fees paid to decision makers and service providers are variable interests. ASU 2018-17 is effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted. We do not expect the standard to have a material impact on our consolidated financial statements.

In February 2018, the FASB issued new guidance (ASU 2018-02) to allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts & Jobs Act. We have adopted the new standard effective January 1, 2019, and the standard did not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”), which modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective in the first quarter of fiscal 2020, and earlier adoption is permitted. We do not expect the standard to have a material impact on our consolidated financial statements.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (ASU 2017-04), which eliminates step two from the goodwill impairment test. Under ASU 2017-04, an entity should recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value up to the amount of goodwill allocated to that reporting unit. This guidance will be effective for us in the first quarter of 2020 on a prospective basis, and early adoption is permitted. We do not expect the standard to have a material impact on our consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, *Stock-based Compensation: Improvements to Nonemployee Share-based Payment Accounting*, which amends the existing accounting standards for share-based payments to nonemployees. This ASU aligns much of the guidance on measuring and classifying nonemployee awards with that of awards to employees. Under the new guidance, the measurement of nonemployee equity awards is fixed on the grant date. The effective date for the standard is for interim periods in fiscal years beginning after December 15, 2018, with early adoption permitted, but no earlier than the Company’s adoption date of Topic 606. The new guidance is required to be applied retrospectively with the cumulative effect recognized at the date of initial application. The Company has adopted this new standard in the first quarter of fiscal 2019 and the adoption of the standard did not have a material impact on its consolidated financial statements.

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Note 4. Business Combinations

Preliminary purchase accounting

On February 1, 2019, the Company's shareholders exchanged all of its outstanding shares in exchange of the Company for 5,263,158 shares of Alliance common stock. Due to the Company 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 on a prospective basis. In accordance with purchase accounting rules under ASC 805, the purchase consideration was \$11,865,306.

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

	Estimated Useful Life (years)	Estimated Fair Value
Cash		\$ 5,441,437
Goodwill		8,466,282
Identifiable intangible assets:		
Ticketing software	5	64,000
Promoter relationships	7	176,000
Total identifiable intangible assets		240,000
Accounts payable		(1,901,624)
Current liabilities - discontinued operations		(380,789)
Aggregate purchase price		\$ 11,865,306

The allocation of consideration to the assets acquired and liabilities assumed at their estimated acquisition date fair values are considered preliminary and may change within the permissible measurement period, not to exceed one year.

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Identified intangible assets consist of the following:

Intangible assets	Useful Life	March 31, 2019		
		Gross Assets	Accumulated Amortization	Net
Ticketing software	5 years	\$ 64,000	\$ (2,133)	\$ 61,867
Promoter relationships	7 years	176,000	(4,191)	171,809
Total intangible assets, gross		<u>\$ 240,000</u>	<u>\$ (6,324)</u>	<u>\$ 233,676</u>

Amortization expense for the quarter ended March 31, 2019 and 2018, was \$6,324 and \$0, respectively.

As of March 31, 2019, the estimated future amortization expense of amortizable intangible assets is as follows:

2019 (remaining 9 months)	\$ 28,457
2020	37,943
2021	37,943
2022	37,943
2023	37,943
Thereafter	53,447
	<u>\$ 233,676</u>

Goodwill

The changes to the carrying value of goodwill from January 1, 2019 through March 31, 2019 are reflected below:

December 31, 2018	\$ —
Goodwill related to the acquisition of Alliance MMA	8,446,282
March 31, 2019	<u>\$ 8,446,282</u>

Note 5. Related Party Transactions

Due from Shareholder

The Company's founder and majority stockholder had provided cash advances on an unsecured and non-interest-bearing basis, during the first few years of operation. Beginning in 2016, the founder began receiving distributions from the Company. The amounts owed to and due from the shareholder have been netted in the accompanying consolidated balance sheets. In January 2019, this shareholder surrendered 1,401 common shares to the Company as settlement of the balance due. As of March 31, 2019, and December 31, 2018, the net balance due from the founder was \$0 and \$1.4 million, respectively. The balance did not carry a maturity date and there were no repayment terms.

Due to Shareholder

In October 2016, the Company entered into an unsecured loan agreement with a minority shareholder for up to \$1 million of borrowings for operating expenses. In November 2016 and January 2018, the Company entered into additional loan agreements to provide up to an additional \$2 million of borrowings for which the Company has guaranteed payment from its subsidiary. The interest rate for the notes is 10% per annum and notes mature in January 2021. One of the notes bore interest at 10% for the first 90 days and was then adjusted to 18% per annum.

As previously mentioned, on August 20, 2018, the Company entered into a Stock Exchange Agreement with Alliance MMA, as amended December 18, 2018 in connection therewith this minority shareholder agreed to accept Series A Preferred Stock Units having a face value equal to the total amount owed to him (\$2.1 million) in full satisfaction of such indebtedness (including principal and accrued interest).

As of March 31, 2019, and December 31, 2018, the due to shareholder totaled \$192,446 and \$1,591,491 respectively.

The Company incurred interest expense of \$23,720 and \$41,623 for the quarter ended March 31, 2019 and 2018, respectively. As of March 31, 2019 and 2018, the amount accrued was \$0 and \$41,623, respectively.

In addition, this shareholder also provided office space to the Company at no cost.

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Note 6. Convertible Notes Receivable

On June 28, 2018, SCWorx Acquisition Corp. entered into a SPA with Alliance MMA, under which SCW LLC agreed to buy up to \$1.0 million in principal amount of convertible notes and warrants to purchase up to 671,142 [35,323] shares of common stock. The notes were originally convertible into shares of common stock at a conversion price of \$0.3725 [\$7.0775] and bore interest at 10% annually. The warrants were originally exercisable for shares of common stock at an exercise price of \$0.3725 [\$7.0775].

Under the SPA, SCWorx Acquisition Corp. agreed to fund (i) \$500,000 at the initial closing, (ii) a second tranche of \$250,000 upon the signing of a business combination agreement with the Company and (iii) a third tranche of \$250,000 upon mutual agreement of Alliance MMA and SCWorx.

On December 18, 2018, SCWorx agreed to increase the total amount of principal from \$1.0 million to \$1.25 million and to reduce the conversion price of the final \$500,000 installment of the aggregate \$1,250,000 note purchase to \$0.20 [\$3.80] per share. The warrant exercise price for the related warrants to purchase 625,000 [32,895,] shares was reduced to \$0.30 [\$5.70] per share.

Pursuant to the SPA, during 2018, SCWorx purchased convertible notes from Alliance MMA in the principal amount of \$1,035,000 and warrants to purchase an aggregate of 859,606 [45,242] shares of common stock, for an aggregate purchase price of \$1,035,000. The note for \$750,000 bears interest at 10% annually and matures on July 31, 2019. This note was amended in January 2019 to reduce the conversion price to \$0.215 [\$4.09] per share. The related warrant to acquire 503,356 [26,492] common shares has an exercise price of \$0.3725 [\$7.0775], a term of five years and was vested upon grant. The note for \$275,000 has a conversion price of \$0.20 [\$3.80], bears interest at 10% annually and matures on June 22, 2019. The warrant to acquire 356,250 [18,750] common shares has an exercise price of \$0.30 [\$5.70], a term of five years and was vested upon grant.

During the first quarter of 2019 SCWorx purchased additional convertible notes from Alliance MMA in the principal amount of \$215,000 and warrants to purchase an aggregate of 268,750 [14,145] shares of common stock, for an aggregate purchase price of \$215,000. The note for \$215,000 has a conversion price of \$0.20 [\$3.80], bears interest at 10% annually and matures on June 22, 2019. The warrant to acquire 268,750 [14,145] common shares has an exercise price of \$0.30 [\$5.70], a term of five years and was vested upon grant.

The Alliance acquisition closed on February 1, 2019 and the principal, commitment costs and accrued interest related to the purchased Alliance convertible notes automatically converted into 6,883,319 [362,280] shares of Alliance common stock. In January 2019, the SCWorx board of directors declared a dividend of the 6,883,319 [362,280] shares when converted of Alliance common stock to the SCWorx shareholders, two of whom waived their rights to the dividend, resulting in the shares being distributed to shareholders who participated in the 2018 stock offering of \$1.25 million.

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Note 7. Fair value of financial instruments

FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820-10 also establishes a framework for measuring the fair value of assets and liabilities according to a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that are derived from assumptions based on management's estimate of assumptions that market participants would use in pricing the asset or liability based on the best information available under the circumstances.

The hierarchy is broken down into the following three levels, based on the reliability of inputs:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs for assets or liabilities that are derived from assumptions based on management's estimate of assumptions that market participants would use in pricing the assets or liabilities.

Fair value is determined on a recurring basis based on appraisals by qualified licensed appraisers and is adjusted for management's estimates of costs to sell and holding period discounts.

The following table presents information as of December 31, 2018 about significant unobservable inputs (Level 3) used in the valuation of assets measured at fair value on a recurring basis:

Financial Instrument	Fair Value	Valuation technique	Significant Unobservable inputs
Convertible notes receivable	\$ 837,817	Monte Carlo Simulation	Probability of conversion and interest rates on comparable financial instruments
Investment in warrants	\$ 67,000	Black-Scholes Option Pricing Model	Common stock volatility and discount

The fair value of the convertible notes receivable (and related discount) at the date of issuance was determined using the Monte Carlo simulation, probability of conversion and comparable interest rates. The Company did not have any of these financial instruments at March 31, 2019.

The assumptions used to measure the fair value of the convertible notes receivable as of original issuance date and as of December 31, 2018 were as follows:

	Issuance Dates	December 31, 2018
Risk-Free Interest Rate	2.41%-2.47%	2.41%
Probability of conversion into equity	50%-90%	90%
Expected Volatility	91.95%	91.95%
Term	.09-.59 years	.09 year

The Company held a warrant to purchase common shares of Alliance MMA. The fair value of the warrant asset (and related discount) at the date of issuance was determined using the Black-Scholes option pricing model. The Black-Scholes model uses a combination of observable inputs (Level 2) and unobservable inputs (Level 3) in calculating fair value.

The assumptions used to measure the fair value of the warrants as of original issuance date and as of December 31, 2018 were as follows:

	Issuance Date	December 31, 2018
Risk-Free Interest Rate	2.47%	2.41%
Expected Dividend Yield	0%	0%
Expected Volatility	91.95%	91.95%
Term	5 years	5 years
Fair Market Value of Common Stock	\$ 0.3275	\$ 0.16

The balances and levels of the assets measured at fair value on a recurring basis at December 31, 2018 are presented in the following table:

	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Financial assets:			
Convertible notes receivable	\$ -	\$ -	\$ 837,317
Investment in warrants	-	-	67,000
Total	\$ -	\$ -	\$ 904,317

A summary of the changes in the Company's convertible notes receivable at fair value using significant observable inputs (Level 3) as of and for the quarter ended March 31,

2019 is as follows:

	2019
Convertible notes receivable, December 31, 2018	\$ 837,317
Notes issued (face value \$215,000), at fair value	196,000
Increase in fair value	531,405
Conversion of notes into common stock	(1,564,722)
Investment in notes receivable, March 31, 2019	<u>\$ -</u>

A summary of the changes in the Company's investment in warrants measured at fair value using significant observable inputs (Level 3) as of and for the quarter ended March 31, 2019 is as follows:

	2019
Investment in warrants, December 31, 2018	\$ 67,000
Warrants issued to the Company	19,000
Increase in fair value	55,000
Conversion of warrants into common stock	(141,000)
Investment in warrants, March 31, 2019	<u>\$ -</u>

The values of the investment in warrants at issuance and as of March 31, 2019 were \$152,000 and \$0, respectively, with a gain from the change in fair value of \$55,000 for the quarter ended March 31, 2019 and is disclosed in the accompanying consolidated statement of operations.

SCWorx Corp.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 8. Leases

Operating Leases

Under Topic 842, a contract is a lease, or contains a lease, if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration. To determine whether a contract conveys the right to control the use of an identified asset for a period of time, an entity shall assess whether, throughout the period of use, the entity has both of the following: (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and (b) the right to direct the use of the identified asset.

The Company leases office facilities under operating leases. Our principle executive office in New York City is under a month to month arrangement. The Company's office lease has a remaining lease of less than one year. Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term. As a practical expedient, the Company elected, for all office and facility leases, not to separate nonlease components (e.g., common-area maintenance costs) from lease components (e.g., 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.

Rent expense for the quarters ended March 31, 2019 and 2018 was approximately \$3,877 and \$9,650 respectively.

On January 1, 2019, the Company adopted Topic 842 using the modified retrospective approach. The Company recorded operating lease assets (right-of-use assets) of approximately \$53,000 and operating lease liabilities of approximately \$53,000. There was no impact to accumulated deficit upon adoption of Topic 842.

We have operating leases for corporate, business and technician offices. Leases with an initial term of 12 months or less, including month-to-month agreements, are not recorded on the consolidated balance sheet, unless the arrangement includes an option to purchase the underlying asset, or an option to renew the arrangement, that we are reasonably certain to exercise (short-term leases). Our leases have remaining lease terms of one to 15 months, none of which include options to extend the leases without a new arrangement.

As of March 31, 2019, assets recorded under operating leases were approximately \$43,000. 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 our 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.

The following table presents supplemental consolidated balance sheet information related to our operating leases:

	As of March 31, 2019
Right-of-use Assets	\$ 42,655
Short-term operating lease liabilities	\$ 42,655

For the three months ended March 31, 2019, the components of lease expense were as follows:

	Three Months Ended March 31, 2019
Operating lease cost	\$ 10,016
Interest expense	1,234
Total lease cost	\$ 11,250

SCWorx Corp.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Other information related to leases was as follows:

	Three Months Ended March 31, 2019
Supplemental Cash Flows Information	
Cash paid for amounts included in the measurement of operating lease liabilities:	
Operating cash flows for operating leases	\$ 11,250
Weighted Average Remaining Lease term (months) – Operating Lease	12
Weighted Average Discount Rate – Operating Lease	10%

The maturity analysis of the Company’s annual undiscounted cash flows of operating lease liabilities as of March 31, 2019 are as follows:

	Operating Lease
Year Ending:	
2019 (excluding the quarter ended March 31, 2019)	\$ 33,750
2020	11,250
Total minimum lease payments	45,000
Lease amount representing interest	(2,345)
Total lease liabilities	\$ 42,655

There were no commitments for non-cancelable operating leases as of December 31, 2018.

As of March 31, 2019, we have no additional operating leases, than that noted above, and no financing leases.

Note 9. Commitments and Contingencies

Legal Proceedings

In the normal course of business or otherwise, 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.

SCWorx Corp.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

On March 29, 2019, Network 1 Financial Securities Inc. (“Network One”) served a complaint against Alliance MMA. Network One alleges that Alliance breached its obligation under its agreements with Alliance to indemnify Network One for certain costs it incurred in connection with the defense and settlement of the class action litigation previously instituted against Alliance and Network One. This class action litigation has since been resolved, as previously disclosed. Network One has demanded approximately \$135,000 in payment of alleged damages. The Company does not believe that it owes the amount demanded and intends to vigorously defend against these claims.

On December 19, 2018, the Company’s former CEO, Robert L. Mazzeo, who resigned on May 25, 2018, served a complaint against Alliance MMA in the United States District Court for the Southern District of NY. Mazzeo alleges that he (i) was fraudulently induced to become the CEO of the Company and (ii) entered into an employment contract with the Company and that the Company breached said alleged contract. Mazzeo seeks damages in “excess of \$500,000.” The Company believes that the lawsuit is frivolous and violative of Rule 11 of the Federal Rules of Civil Procedure. The Company filed an answer to the complaint on February 5, 2019, and in addition to mounting a vigorous defense, filed counter claims alleging breach of fiduciary duty. The Company does not believe that it owes the amount demanded and intends to vigorously defend against these claims.

In August 2018, SCWorx settled a dispute with a former employee for \$260,000, of which approximately \$132,000 was paid in 2018 and the balance of \$128,000 was accrued at December 31, 2018. The remaining balance was paid in January 2019. The employee had sued the Company in Massachusetts Superior Court for compensation under an employment agreement.

Other

As part of the stock offering completed in January 2018, Alliance issued warrants with a provision requiring Alliance to pay the warrant holder the Black - Scholes value of the warrant upon a fundamental transaction as defined in the SPA. On August 20, 2018, Alliance entered into a Stock Exchange Agreement with SCWorx which upon the closing in February 2019, qualified as a fundamental transaction. The holders of the warrants had thirty days to notify SCWorx of the exercise of their rights under this provision, and two holders did so in the allotted time. The Company has negotiated settlements with the warrant holders aggregating \$175,000 which has been accrued at March 31, 2019.

Note 10. Stockholders’ Equity

The December 31, 2018 common share and additional paid-in capital amounts have been restated to reflect the share exchange in connection with the Acquisition and a subsequent one-for-nineteen reverse stock split.

Transfer of Common Shares to Consultants

On or about February 1, 2019, the Company’s Founder and CEO as well as the President, transferred an aggregate of approximately 1,379,000 and 144,000 common shares, respectively to certain consultants of the Company, of which approximately 983,000 and 144,000 common shares were sold to consultants in exchange for promissory notes. The Company accounted for these share transfers as stock-based compensation expense based upon the black-scholes model as if these were stock option grants made by the Company. The Company used the following inputs in the black-scholes option pricing model, expected life of 5 years, risk-free interest rate of 2.51%, volatility 92% and dividend yield of 0%. As a result, the Company recognized approximately \$3.6 million of stock-based compensation expense related to these share transfers. Additionally, approximately 396,000 shares on common stock were transferred by the Founder and CEO to contractors for no consideration. The Company accounted for these share transfers as stock based compensation based upon the underlying common share price of \$0.23 as of the date of transfer. The Company recognized \$1.7 million of stock-based compensation expense related to these transfers.

Stock Option Plan

In connection with the acquisition, the Company adopted the Alliance MMA 2016 Stock Option Plan as Amended. The Alliance MMA 2016 Equity Incentive Plan allows the Company to grant shares of the Company’s common stock to the Company’s directors, officers, employees and consultants. On January 30, 2019, the Alliance MMA shareholders approved the amendment of the Alliance MMA 2016 Stock Option Plan to increase the number of shares of common stock available for issuance thereunder to 3,000,000 shares of common stock, on a post-split basis.

On February 13, 2019, the Board of Directors of the Company granted an aggregate of 425,000 restricted stock units (“RSUs”) under the Amended Alliance MMA 2016 Stock Option Plan, of which an aggregate 325,000 were granted to management and vest quarterly over the next three years, and 100,000 were issued to a consultant and vest quarterly over one year. Upon the effectiveness under the Securities Act of 1933 of an S-8 Registration Statement with respect to the shares covered by the Plan, these RSUs vest in twelve equal quarterly installments, commencing on the grant date of February 13, 2019 and had a grant date fair value of \$2.7 million. The Company also granted an additional 525,000 RSUs which are subject to performance vesting, of which an aggregate of 225,000 were issued to our management and 300,000 were issued to a consultant. Additionally, the board of directors awarded stock options under the plan to each of the four independent board members to acquire an aggregate of 53,572 shares of the Company’s common stock and to an employee to acquire 25,000 shares. The stock options have a term of five years, an exercise price of \$6.49 per share, vest quarterly over four quarters beginning on the grant date of February 13, 2019 and had a grant date fair value of \$431,000. The Company determined the fair value of the stock options using the Black-Scholes model with the following inputs, expected life 10 years, risk-free interest rate 0.25%, dividend yield 0%, expected volatility 90%.

SCWorx Corp.
Notes to Condensed Consolidated Financial Statements
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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 March 31, 2019 are:

Reflective of one-for-nineteen reverse stock split

	Warrant Grants		Stock Option Grants	
	Number of Shares Subject to Warrants	Weighted-Average Exercise Price Per Share	Number of Shares Subject to Options	Weighted-Average Exercise Price Per Share
Balance at December 31, 2018	236,825	\$ 27.84	135,023	\$ 7.70
Granted	34,395	-	53,572	5.49
Exercised	(61,023)	5.51	-	-
Cancelled/Forfeited	-	-	-	-
Balance at March 31, 2019	<u>210,197</u>	<u>\$ 2.33</u>	<u>188,595</u>	<u>\$ 2.22</u>
Exercisable at March 31, 2019	<u>210,197</u>	<u>\$ 2.33</u>	<u>188,595</u>	<u>\$ 2.22</u>

As of March 31, 2019 and December 31, 2018, the total unrecognized expense for unvested stock options and restricted stock awards, net of actual forfeitures, was approximately \$3.8 million and \$0 respectively, to be recognized over a three year period for restricted stock awards and one year for option grants.

SCWorx Corp.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Stock-based compensation expense for the three months ended March 31, 2019 and 2018 is as follows:

	Three Months Ended March 31,	
	2019	2018
Stock-based compensation expense	\$ 5,629,833	\$ -

Stock-based compensation expense categorized by the equity components for the three months ended March 31, 2019 and 2018 is as follows:

	Three Months Ended March 31,	
	2019	2018
Stock option awards	\$ 49,018	\$ -
Warrants	-	-
Common stock	257,885	-
Transfer of common stock by founders to contractors	5,322,930	-
	\$ 5,629,833	\$ -

SCWorx Corp.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 11. 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.

SCWorx Corp.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

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:

	Three Months Ended March 31,	
	2019	2018
Stock options	188,595	-
Warrants	196,052	-
Total common stock equivalents	<u>384,647</u>	<u>-</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of our financial condition and results of operations in conjunction with our unaudited condensed consolidated financial statements and the related notes included in Item 1, "Financial Statements" of this Form 10-Q. In addition to our historical unaudited condensed consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs which involves risk, uncertainty and assumptions. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Form 10-Q.

Corporate Information

SCWorx, LLC (n/k/a SCW FL Corp.) (the "Company" or SCWorx") was a privately held limited liability company which was organized in Florida on November 17, 2016. On December 31, 2017, SCWorx acquired its wholly owned subsidiary, Primrose Solutions, LLC, ("Primrose"), a Delaware limited liability company focused on developing functionality within SCWorx software. To facilitate the planned acquisition by Alliance MMA, Inc, on June 27, 2018, SCWorx, LLC, merged with and into a newly formed SCWorx Acquisition Corp., a Delaware corporation, with SCWorx Acquisition Corp. being the surviving entity. Subsequently, on August 17, 2018, SCWorx Acquisition Corp. changed its name to SCWorx Corp. On February 1, 2019, SCWorx Corp. (f/k/a SCWorx Acquisition Corp.) changed its name to SCW FL Corp. Alliance MMA was incorporated in Delaware on February 15, 2015 under the name "Alliance MMA, Inc."

On February 1, 2019, Alliance acquired SCWorx Corp. (n/k/a SCW FL Corp.) in a stock for stock exchange transaction and changed its name to SCWorx Corp. As a result of the acquisition, there was a change of control of Alliance. Consequently, the acquisition is being treated as a reverse acquisition, under which SCWorx is treated as the acquirer for accounting purposes, as a result of which, the historical financial statements presented herein are those of SCW FL Corp. Effective February 4, 2019, the Company changed the trading symbol for its common stock listed on the Nasdaq Capital Market to "WORX."

Our principal executive offices are located at 590 Madison Avenue, 2nd Floor, New York, New York, 10022. Our telephone number is (212) 739-7825.

In this Quarterly Report, the terms "SCWorx," the "Company," "we," "us" and "our" refer to SCWorx Corp., a Delaware corporation, unless the context requires otherwise. Unless specified otherwise, the historical financial results in this Annual Report are those of the Company and its subsidiaries on a consolidated basis.

Our Business

SCWorx is a leading 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 quickly and accurately improve the flow of information between the existing supply chain ERP systems ("EMR"), 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
- Charge Description Master Management
- Contract Management
- Request for Proposal Automation
- Rebate Management
- Big Data Analytics Model
- 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, operates an online event ticketing platform focused on serving regional Mixed Martial Arts ("MMA") promotions. Due to the relative size of the ticketing business and how information is reported to our chief operating decision maker (CODM), we will include the ticketing business as part of our SaaS business reporting unit.

SaaS Business

The Company's SaaS business focusses on streamlining the three core healthcare provider systems; Supply Chain, Financial and Clinical (EMR) enabling providers' enterprise systems to work as one automated and seamless business management system. 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 moves data from one application to another to drive supply cost reductions, optimize contracts, increase supply chain management (SCM) cost visibility and control rebates and contract administration fees.

Business Combination and Related Transactions

On February 1, 2019 (“Closing Date”), Alliance completed the legal acquisition of SCW FL Corp (f/k/a SCWorx Corp.) in a stock for stock exchange transaction pursuant to the share exchange agreement, dated as of August 20, 2018, as amended by Amendment No. 1 thereto (the “Share Exchange Agreement” or “SEA”). Pursuant to the SEA, Alliance MMA acquired from the existing stockholders of SCWorx Corp. all the issued and outstanding shares of common stock of SCWorx Corp. (the “Acquisition”) in exchange for the SCWorx shareholders obtaining a controlling interest in Alliance. In connection with the Acquisition, Alliance effected a one-for-nineteen reverse stock split of its common stock and changed its name to SCWorx Corp. References to SCWorx herein refer to the company acquired by Alliance.

In connection with the Acquisition, Alliance MMA:

issued approximately 5,263,158 post-split adjusted shares of the Company’s common stock, each of which had a value of approximately \$4.40 per share, based on the last sale price of Alliance’s common stock on the Closing Date

After giving effect to the Alliance common stock issued in connection with the Acquisition (but before exercise of outstanding rights to acquire common stock), Alliance had approximately 6,546,216 shares of common stock outstanding on a post-split adjusted basis.

In connection with the closing of the Acquisition on February 1, 2019 and as a result of the issuance of the 5,263,158 (post-split adjusted) shares of the Alliance’s common stock, there was a change of control of Alliance. Upon completion of the Acquisition, Marc S. Schessel, the majority stockholder of SCWorx, beneficially owned approximately 1,032,603 post-split adjusted shares of the Company’s common stock (15.8% of the issued and outstanding shares, not including shares which were issuable to Mr. Schessel under the SEA, the right to which was transferred by him and over which Mr. Schessel has neither voting nor investment control). Mr. Schessel was the controlling shareholder of SCWorx Corp. immediately prior to the Acquisition.

The SEA provided that SCWorx would have the right to designate the officers and directors of Alliance upon completion of the Acquisition. As a result, effective as of the Closing Date, Messrs. Tracy, Gamberale and Watson resigned as directors of Alliance and John Price resigned the office of President but remained as Chief Financial Officer of SCWorx post-closing. Chuck Miller remained as a director of Alliance.

Immediately prior to their resignation as directors, the board of directors appointed the following individuals, designated by SCWorx Corp. pursuant to the SEA, to serve as directors and officers of the Company post-closing:

- Ira Eliot Ritter, Director
- Francis Knuettel II, Director
- Robert Christie, Director
- Marc S. Schessel, Chief Executive Officer and Director
- John Price, Chief Financial Officer, Treasurer and Secretary

Results of Operations - SCWorx – three months ended March 31, 2019

Revenues

Our revenue is substantially derived from our SaaS based business.

Revenue for the three months ended March 31, 2019 was \$1.2 million, compared to revenue for the three months ended March 31, 2018 of \$786,000. The increase in revenue is primarily related to the addition of four new customers in 2019.

Expenses

Cost of revenues

Cost of revenues decreased \$4,000 to \$789,000 for the three months ended March 31, 2019 compared to \$793,000 for the same period in 2018. The decrease is related to a minor reduction in consulting costs to maintain our large data array.

General and administrative

General and administrative expenses increased \$6,492,000 to \$6,628,000 for the three months ended March 31, 2019 compared to \$136,000 for the same period in 2018. Salary and wages increased \$247,000 as we increased executive head count in February 2019 with the acquisition of Alliance MMA and added an additional 3 employees. Stock based compensation expense increased \$307,000 related to employee and non-employee equity awards and \$5,323,000 related to the transfer of common shares from our founder and significant shareholder to non-employee contractors, \$175,000 related to the settlement of certain warrant holders, IT supplies increased \$18,000 and fees increased \$11,000. Amortization increased \$6,000 related to acquired assets. Insurance increased \$18,000 as the Company adjusted for additional coverage for 2019.

We do not expect to incur further stock-based compensation expense related to stock transfers by our founder or significant shareholder. However, we do expect stock-based compensation expense related to employee and non-employ equity awards to increase.

Professional and consulting expenses increased approximately \$334,000 to \$334,000 for the three months ended March 31, 2019 compared to \$0 in the same period of 2018. The increase in this expense was due primarily to an increase of \$254,000 in accounting fees in relation to the transaction between Alliance MMA and SCWorx, \$11,000 increase in investor relations, an increase of \$59,000 in legal expense in relation to the transaction between Alliance MMA and SCWorx and \$10,000 increase in SEC fees. We expect to continue to incur significant additional accounting fees related to the transaction between Alliance MMA and SCWorx.

Research and Development

Research and development expense increased approximately \$182,000 to \$182,000 for the three months ended March 31, 2019 compared to \$0 in the same period of 2018. The increase is related to product development costs for product extensions related to our existing large data array technology.

Liquidity and Capital Resources

Our operations have historically generated negative cash flows, Consequently, our primary source of cash has been from the issuance of notes and collections on customer trade receivables.

Consolidated Statements of Cash Flows Data:	<u>Three Months Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Net cash (used in) operating activities	\$ (2,565,697)	\$ (5,567)
Net cash (used in) provided by investing activities	4,998,505	(587,053)
Net cash provided by financing activities	256,023	591,600
Net increase in cash	<u>\$ 2,688,831</u>	<u>\$ 10,114</u>

Operating Activities

Cash used in operating activities was \$2.6 million for the three months ended March 31, 2019, mainly related to the net loss of \$5.7 million, an increase of \$248,000 in accounts receivable, related to additional revenue from new customers, an increase in prepaid assets of \$253,000 and a decrease in accounts payable and accrued liabilities of \$1.1 million related to payments made on payable balances mainly from the acquisition of Alliance MMA offset by non-cash stock based compensation of \$5.6 million related to the transfer of common shares from our founders and CEO and President to non-employee contractors, and equity awards to our management team and board of directors, and fair value gains on warrants and convertible note assets.

Cash used in operating activities was \$6,000 for the three months ended March 31, 2018, mainly related to the net loss of \$184,000, offset by an decrease in accounts receivable of \$65,000, and decrease of \$44,000 in accounts payable, and increase of \$169,000 of contract liabilities.

Investing Activities

Cash provided by investing activities was \$5.0 million for the three months ended March 31, 2019, related to \$5.4 million cash acquired as part of the purchase of Alliance, offset by funding of advances due to founder\shareholder of \$200,000 in January 2019 and advances on convertible notes receivable with AMMA of \$215,000.

Cash used in investing activities was \$587,000 for the three months ended March 31, 2018, due to advances on a loan with a shareholder.

Financing Activities

Cash provided by financing activities was \$256,000 for the three months ended March 31, 2019, primarily related to proceeds from our notes payable with a related party of \$120,000, sale of Series A Preferred totaling \$75,000 and cash from common stock warrants exercises of \$61,000.

Cash provided by financing activities was \$592,000 for the three months ended March 31, 2018 related to proceeds from our note with a significant shareholder\then officer of \$592,000.

We do not expect any further advances from the significant shareholder\former officer.

Off-Balance Sheet Arrangements

As of March 31, 2019 and December 31, 2018, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Critical Accounting Policies and Estimates

For a discussion of our critical accounting policies and estimates, see Part II, Item 7 -*Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Annual Report on Form 10-K for the year ended December 31, 2018.

Recent Accounting Pronouncements

Refer to “*Note 3- Recent Accounting Pronouncements*” of the notes to unaudited condensed consolidated financial statements for a full description of recent accounting pronouncements including the respective expected dates of adoption.

Item 3. 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 4. Controls and Procedures

Evaluation 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 March 31, 2019, the end of the period covered by this Form 10-Q, 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 Office and Chief Financial Officer concluded that, due to deficiencies in the design of internal controls and lack of segregation of duties, our Disclosure Controls were not effective as of March 31, 2019, such that the Disclosure Controls did not ensure 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 required disclosure.

Management Report on Internal Controls over Financial Reporting

Our management has identified material weaknesses in our internal controls related to deficiencies in the design of internal controls, effectiveness of financial reporting, disclosure controls and segregation of duties. Management is planning to meet with the Audit Committee to discuss remediation efforts, which are expected to be remediated in the fourth quarter of 2019, until such time as management is able to conclude that its remediation efforts are operating and effective.

Notwithstanding the foregoing, our management, including our Chief Executive Officer and Chief Financial Officer, has concluded that the unaudited condensed consolidated financial statements included in this Form 10-Q present fairly, in all material respects, our consolidated financial position, consolidated results of operations and consolidated 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.

During the quarter ended March 31, 2019, other than described above, there was no change in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II-OTHER INFORMATION

Item 1. 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.

On March 29, 2019, Network 1 Financial Securities Inc. (“Network One”) served a complaint against Alliance MMA. Network One alleges that Alliance breached its obligation under its agreements with Alliance to indemnify Network One for certain costs it incurred in connection with the defense and settlement of the class action litigation previously instituted against Alliance and Network One. This class action litigation has since been resolved, as previously disclosed. Network One has demanded approximately \$135,000 in payment of alleged damages. The Company does not believe that it owes the amount demanded and intends to vigorously defend against these claims. The Company does not believe it owes the amount demanded and intends to vigorously defend against these claims.

On December 19, 2018, the Company’s former CEO, Robert L. Mazzeo, who resigned on May 25, 2018, served a complaint against Alliance MMA in the United States District Court for the Southern District of NY. Mazzeo alleges that he (i) was fraudulently induced to become the CEO of the Company and (ii) entered into an employment contract with the Company and that the Company breached said alleged contract. Mazzeo seeks damages in “excess of \$500,000.” The Company believes that the lawsuit is frivolous and violative of Rule 11 of the Federal Rules of Civil Procedure. The Company filed an answer to the complaint on February 5, 2019, and in addition to mounting a vigorous defense, filed counter claims alleging breach of fiduciary duty. The Company does not believe it owes the amount demanded and intends to vigorously defend against these claims.

In August 2018, SCWorx settled a dispute with a former employee for \$260,000, which was accrued for in 2018 of which approximately \$132,000 was paid in 2018. The remaining balance was paid in January 2019. The employee had sued the Company in Massachusetts Superior Court for compensation under an employment agreement.

Item 1A. Risk Factors

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 2. Unregistered Sales of Equity Securities and Use of Proceeds

On September 13, 2018, Alliance MMA issued 200,000 shares of common stock and warrants to purchase 50,000 shares to a note holder in consideration of his agreement to extend the note until December 31, 2018 and convert all interest related to the Note into shares of company common stock. The warrants have an exercise price of \$.29 per share.

On October 19, 2018, Alliance MMA issued 794,483 shares of common stock in consideration of (i) a “most favored nation” clause contained in a subscription agreement and (ii) the termination of said agreement.

On February 1, 2019, Alliance issued an aggregate of 362,280 post-split adjusted shares of common stock to SCWorx FL Corp. in connection with the conversion of the aggregate \$1.25 million convertible notes (and related accrued but unpaid interest and commitment fees), which converted automatically by their terms upon completion of the acquisition transaction. Of the \$1.25 million, \$750,000 was converted at \$0.215 [\$4.085 post-split] per share and \$500,000 as converted at \$0.20 per share [\$3.80 post-split].

The Company believes that the foregoing transactions were exempt from the registration requirements under the Securities Act of 1933, as amended (“the Act”), based on the following facts: there was no general solicitation, there was a limited number of purchasers, each of whom the Registrant believes was an “accredited investor” (within the meaning of Regulation D under the Securities Act of 1933, as amended) and was sophisticated about business and financial matters, and all shares issued were subject to restriction on transfer, so as to take reasonable steps to assure that the purchaser was not an underwriter within the meaning of Section 2(11) under the Act.

Item 5. Other Information

Alliance previously incorrectly reported in its Current Reports on Form 8-K and 8-K/A filed February 20, 2019 that the vesting of an aggregate 425,000 RSUs granted to members of management and a consultant would commence beginning on August 15, 2019. The actual vesting of RSUs granted to management is as follows: upon the effectiveness under the Securities Act of 1933 of an S-8 Registration Statement with respect to the shares covered by the Plan, the time-based vesting of these RSU commences on the grant date of February 13, 2019. Consequently, if an S-8 registration statement regarding the Plan went effective on June 30, 2019 one quarter of vesting would occur upon the filing of said registration statement (initial quarter of vesting would occur May 13, 2019, the three month anniversary of the grant date).

Item 6. Exhibits.

EXHIBIT INDEX

Pursuant to the rules and regulations of the SEC, the Company has filed certain agreements as exhibits to this Quarterly Report on Form 10-Q. 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.

<u>Exhibit Number</u>	<u>Description</u>
<u>3.1</u>	<u>Certificate of Incorporation, as amended February 1, 2019 (Incorporated by reference to exhibit 3.1 to the Company's Annual Report on form 10-K filed April 1, 2019)</u>
<u>3.3</u>	<u>Amended and Restated Bylaws (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)</u>
<u>10.1</u>	<u>Second Amended and Restated 2016 Equity Incentive Plan (Incorporated by reference to Annex A to the Company's Definitive Proxy Statement filed with the SEC on January 17, 2019)</u>
<u>10.3</u>	<u>Warrant dated December 18, 2018 issued to SCWorx related to \$275,000 convertible note (Incorporated by reference to exhibit 10.3 to the Company's current report filed December 19, 2018)</u>
<u>10.4</u>	<u>Share Exchange Agreement with SCWorx Corp dated August 20, 2018, as amended December 18, 2018 (Incorporated by reference to exhibit 10.4 to the Company's current report filed December 19, 2018)</u>
<u>10.5</u>	<u>Securities Purchase Agreement for up to \$9 million Preferred Stock Units, executed by the registrant December 18, 2018 (Incorporated by reference to exhibit 10.5 to the Company's current report filed December 19, 2018)</u>
<u>10.6</u>	<u>Certificate of Designations of Series A Convertible Preferred Stock (Incorporated by reference to exhibit 10.6 to the Company's current report filed December 19, 2018)</u>
<u>10.7</u>	<u>Form of Warrant related to Series A Convertible Preferred Stock (Incorporated by reference to exhibit 10.7 to the Company's current report filed December 19, 2018)</u>
<u>10.20</u>	<u>Executive Employment Agreement between the Company and John Price, effective February 1, 2019 (Incorporated by reference to exhibit 10.20 to the Company's Annual Report on form 10-K filed April 1, 2019)</u>
<u>10.21</u>	<u>Executive Employment Agreement between the Company and Marc Schessel, effective February 1, 2019 (Incorporated by reference to exhibit 10.21 to the Company's Annual Report on form 10-K filed April 1, 2019)</u>
<u>31.1</u>	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*</u>
<u>31.2</u>	<u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*</u>
<u>32.1</u>	<u>Section 1350 Certification of the Chief Executive Officer *</u>
<u>32.2</u>	<u>Section 1350 Certification of the Chief Financial Officer*</u>

* Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SCWORX CORP.

Date: May 23, 2019

By: /s/ Marc S. Schessel
Name: Marc S. Schessel
Title: Chief Executive Officer
(Principal Executive Officer)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SCWORX CORP.

Date: May 23, 2019

By: /s/ John Price
Name: John Price
Title: Chief Financial Officer
(Principal Financial Officer)
(Principal Accounting Officer)

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (the "Agreement"), is made and entered into effective as of February 1, 2019, by and between SCWorx Corp., a Delaware corporation (the "Company"), and Marc S. Schessel, an individual and resident of the State of New York (the "Executive").

In consideration of the mutual covenants and undertakings herein contained, the parties, each intending to be legally bound, agree as follows:

1. Employment. Upon the terms and subject to the conditions set forth in this Agreement, the Company employs Executive as the Company's Chief Executive Officer, and Executive accepts such employment. The Executive will report to the Company's Board of Directors.

2. Position. Executive agrees to serve as Chief Executive Officer of the Company and to perform such duties as are commensurate with such office, including the oversight and management of the day-to-day affairs of the Company and the Business. The Executive will devote substantially all his business time and efforts to the Company and the Company's business and will not engage in other business activities without the Company's prior consent, whether or not such business activity is pursued for profit, gain or other pecuniary advantage. Nothing herein will prevent Executive from engaging in investment activities unrelated to the Company's business for his own account. As used in this Agreement "Business" means the business of promoting, and otherwise commercializing the Company's SaaS business to the health care industry and the commercial exploitation of related products, services and markets.

3. Term. The term of this Agreement will begin on February 1, 2019 (the "Effective Date") and will end on the three-year anniversary of such date (the "Term"). The Term will automatically renew for renewal periods of one year each unless either party gives the other written notice of intent not to renew at least ninety (90) days prior to such date. The parties hereto agree that, upon the expiration of the Term, the Executive's employment with the Company will terminate and the Executive will not be entitled to any further compensation, except as otherwise expressly provided in this Agreement. The Company will be under no obligation whatsoever to renew or continue the employment of the Executive beyond the Term.

4. Salary.

(a) Compensation. Executive will receive a salary of Four Hundred Thousand dollars (\$400,000) per year ("Base Compensation"), pro-rated for partial years, payable at regular intervals in accordance with the Company's normal practices in effect from time to time. Salary payments shall be subject to all applicable federal and state withholding, payroll, and other taxes, and all applicable deductions for benefits as may be required by law. Base Compensation and the benefits set forth under Section 5 below will commence on the Effective Date. Executive's Base Compensation will be reviewed annually by the compensation committee of the Board of Directors (the "Committee") and Executive will be eligible for consideration for merit-based increases to Base Compensation as determined by the Committee in its sole discretion, it is the intention of the Company to increase the Executive's Base Compensation on the first anniversary of the Term provided the Company achieves certain financial milestones to be agreed upon by the Company and the Executive.

(b) Bonus. In addition to Base Salary, Executive shall be eligible to receive discretionary performance based bonuses during the Term as determined by the Committee. Any bonus and any equity consideration to be provided to Executive shall be reviewed and determined by the Committee on an annual basis to set performance criteria for purposes of compliance with the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

(c) Equity Compensation. Effective as of February 13, 2020, the Executive was awarded RSUs priced at the market price under the Company's Second Amended and Restated 2016 Equity Incentive Plan (the "Plan"), and otherwise on such terms and subject to such conditions as the Committee shall determine. Executive may, as determined by the Committee in its discretion, periodically receive additional grants of stock options, restricted stock or other equity-related awards under the Plan or under any other equity compensation plan authorized by the Board from time to time, subject to the terms and conditions thereof. Upon a Change of Control (as defined in the Plan), all unvested stock options granted pursuant to this Agreement will immediately vest.

5. Benefit Programs.

(a) During the Term, Executive will be entitled to participate in or receive benefits as follows:

- (i) health and dental insurance pursuant to the Company's current or future plans and policies (premium for only Executive to be paid by Company);
- (ii) reimbursement of reasonable out-of-pocket relocation expenses ;
- (ii) participation in Company 401(k) plan with Company match of Executive's contribution on a dollar-for-dollar basis for the first 3% of Executive's Base Compensation; and
- (iii) participation in any other Executive benefit plan of the Company provided to all employees of the Company on the same terms as other employees of the Company based on tenure and position.

All benefits will be pursuant to programs or arrangements made available by the Company on the date of this Agreement and from time to time in the future to the Company's other employees on a basis consistent with the terms, conditions and overall administration of the foregoing plans, programs or arrangements and with respect to which Executive is otherwise eligible to participate or receive benefits. Executive acknowledges such benefits are subject to change as and when changed by the Company generally.

(b) During the Term, the Company will provide Executive with a Company owned or leased computer and printer and supplies for Company purposes, and home office high-speed internet.

(c) During the Term, the Company will provide Executive with a mobile smart phone and either pay directly or reimburse Executive for the cost of a reasonable plan for Executive's use on behalf of the Company.

(d) The items provided in connection with paragraphs (b) and (c) will be returned by Executive to the Company upon any termination of this Agreement.

6. General Policies.

(a) So long as the Executive is employed by the Company pursuant to this Agreement, Executive will receive reimbursement from the Company, as appropriate, for all reasonable business expenses incurred by Executive in accordance with Company policies and in the course of his employment by the Company, upon submission to the Company of written vouchers or documented receipts and statements for reimbursement.

(b) During the Term, the Executive will be entitled to four weeks of paid vacation, which will be utilized at such times when his absence will not materially impair the Company's normal business functions. In addition to the vacation described above, Executive also will be entitled to all paid holidays customarily given by the Company to its employees.

(c) All other matters relating to the employment of Executive by the Company not specifically addressed in this Agreement will be subject to the general policies regarding employees of the Company in effect from time to time.

7. Termination of Employment

Executive's employment by the Company and this Agreement may be terminated before the expiration of the Term, without breach of this Agreement, in accordance with the provisions set forth below:

7.1 Termination by the Company for Cause. The Company may terminate Executive's employment and this Agreement for Cause (as defined below), but only after: (i) giving Executive written notice of the failure or conduct which the Company believes to constitute Cause; and (ii) with respect to elements (c) through (e) below, providing Executive a reasonable opportunity, and in no event more than twenty (20) days, to cure such failure or conduct, unless the Board determines in its good faith judgment that such failure or conduct is not reasonably capable of being cured. In the event Executive does not cure the alleged failure or conduct within the time frame provided for such cure by the Company, the Company shall send the Executive written notice specifying the effective date of termination. The failure by the Company to set forth in the notice referenced in this Section 7.1 any fact or circumstance which contributes to a showing of Cause shall not waive any right of the Company to assert, or preclude the Company from asserting, such fact or circumstance in enforcing its rights hereunder. For purposes of this Agreement, the term "Cause" means:

(a) conviction of a felony or a crime involving fraud or moral turpitude; or

(b) theft, material act of dishonesty or fraud, intentional falsification of any employment or Corporation records, or commission of any criminal act which impairs participant's ability to perform appropriate employment duties for the Corporation; or

(c) intentional or reckless conduct or gross negligence materially harmful to the Corporation or the successor to the Corporation after a Change in Control, including violation of a non-competition or confidentiality agreement; or

(d) willful failure to follow lawful instructions of the person or body to which participant reports; or

(e) gross negligence or willful misconduct in the performance of participant's assigned duties. Cause shall not include unsatisfactory performance in the achievement of Executive's job objectives, unless Executive fails to cure such unsatisfactory performance as provided above.

If the Company terminates Executive's employment for Cause, then Executive shall be entitled to receive the payments and benefits set forth in Section 8.1 below.

The Company may suspend Executive with pay pending an investigation authorized by the Company or a governmental authority or a determination whether Executive has engaged in acts or omissions constituting Cause, and such paid suspension shall not constitute Good Reason or a termination of Executive's employment.

7.2 Termination by the Company Without Cause.

(a) The Company may terminate the employment of Executive and this Agreement at any time during the Term of this Agreement without Cause by giving Executive written notice of such termination, to be effective upon the giving of such written notice, in which case Executive shall receive the compensation, severance, and benefit continuation required by Section 8.3 below; provided, however, that if Company terminates Executive's employment without Cause during the Protection Period (as defined below), then Executive shall be entitled to receive the payments and benefits set forth in Section 8.4 below.

(b) For purposes of this Agreement, the term "Protection Period" means the period of time commencing on the date of the first occurrence of a Change in Control and continuing until the earlier of (i) the second anniversary of the first occurrence of the Change in Control, and (ii) the Term of this Agreement; and the six (6) month period prior to such Change in Control date if the Executive is terminated without Cause or terminates for Good Reason and in either case such termination (x) was requested by the third party that effectuates the Change in Control, or (y) occurs in connection with or in anticipation of a Change in Control, it being agreed that any such action taken following stockholder approval of a transaction which if consummated would constitute a Change in Control shall be deemed to be in anticipation of a Change in Control provided such transaction is actually consummated.

7.3 Termination by the Company Due to Inability to Perform or Death.

(a) The Company may terminate the employment of Executive and this Agreement at any time during the Term of this Agreement, to the extent permitted by law, upon thirty (30) days' notice to Executive in the event of Executive's Inability to Perform. For this purpose, the term "Inability to Perform" means and shall be deemed to have occurred if Executive has been determined under the Company's long term disability plan to be eligible for long-term disability benefits or, in the event the Company does not maintain such a plan or in the absence of Executive's participation in or application for benefits under such a plan, such term shall mean the inability of Executive, despite any reasonable accommodation required by law, due to bodily injury or disease or any other physical or mental incapacity, to perform the services required hereunder for a period of ninety (90) consecutive days; or

(b) This Agreement shall be deemed terminated immediately upon the death of Executive.

7.4 Termination by Executive for Good Reason. Executive may terminate his employment and this Agreement at any time for Good Reason (as defined below). A termination of employment and this Agreement by Executive for Good Reason shall entitle Executive to payments and other benefits as specified in Section 8.3, unless such termination occurs during the Protection Period in which case the payments and benefits in Section 8.4 shall apply. For purposes of this Agreement, the term “Good Reason” means, subject to the notice and cure provisions herein, any of the following actions if taken without Executive’s prior written consent: (a) the assignment to the Executive of any duties materially inconsistent with the position in the Corporation that Executive held immediately prior to the assignment; (b) a Change of Control resulting in a significant adverse alteration in the status or conditions of Executive’s participation with the Corporation or other nature of Executive’s responsibilities from those in effect prior to such Change of Control, including any significant alteration in Executive’s responsibilities immediately prior to such Change in Control; (c) the failure by the Company to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive prior to such failure; or (d) any other action or inaction that constitutes a material breach by the Company of this Agreement. To exercise the option to terminate employment for Good Reason, Executive must provide written notice to the Company of Executive’s belief that Good Reason exists within sixty (60) days of the initial existence of the Good Reason condition, and that notice shall describe in reasonable detail the condition(s) believed to constitute Good Reason. The Company then shall have thirty (30) days to remedy the Good Reason condition(s). If not remedied within that 30-day period or if the Company notifies Executive that it does not intend to cure such condition(s) before the end of that 30-day period, Executive may submit a notice of termination to the Company; provided, however, that the notice of termination invoking Executive’s option to terminate employment for Good Reason must be given no later than sixty (60) days after the date the Good Reason condition first arose; otherwise, Executive shall be deemed to have accepted the condition(s), or the Company’s correction of such condition(s), that may have given rise to the existence of Good Reason.

7.5 Termination by Executive Without Good Reason. Executive may also terminate his employment and this Agreement without Good Reason by providing at least ninety (90) days’ written notice of such termination to the Company. In the event of a termination pursuant to this Section 7.5, Executive shall be entitled to payments and other benefits as specified in Section 8.1 below. At the Company’s option, the Company may accelerate the date of Executive’s termination of employment by paying to Executive the Base Salary and value of the benefits that Executive would have received during the period by which the date of termination is so accelerated and such acceleration shall not change the characterization of the termination by Executive as a termination without Good Reason.

7.6 Return of Confidential Information and Company Property. Upon termination of Executive’s employment for any reason, Executive shall immediately return all Confidential Information and other Company property to the Company.

8. Effect of Termination.

8.1 Termination by the Company for Cause or Termination by Executive Without Good Reason

In the event Executive’s employment and this Agreement are terminated pursuant to Sections 7.1 or 7.5 above:

(a) The Company shall pay to Executive, or his representatives, on the date of termination of employment only that portion of the Base Salary and benefits provided in Section 4(a) that has been accrued through the date of termination, any accrued but unpaid vacation pay provided in Section 4(a), any accrued benefits provided in Section 5, and any expense reimbursements due and owing to Executive as of the date of termination; and

(b) Executive shall not be entitled to: (i) any other salary or compensation; (ii) any bonus pursuant to Section 4(b); (iii) any equity consideration pursuant to Section 4(c); nor (iv) any benefits pursuant to Section 5; and

(c) Executive shall return the laptop computer and cellular telephone provided in Section 5 within five (5) business days of the date of termination.

8.2 Termination by the Company Due to Executive's Inability to Perform or Death

In the event Executive's employment and this Agreement are terminated pursuant to Section 7.3 above, the Company shall pay to Executive, or his representatives, all of the following:

(a) The payments, if any, referred to in Section 8.1(a) above as of the date of termination; and

(b) Subject to compliance with Section 409A of the Code, an amount equal to the greater of (i) one hundred percent (100%) of Executive's target bonus (if any) for the year in which the date of termination occurs, or (ii) a bonus for such year as may be determined by the Committee in its sole discretion. This amount shall be paid in the form of a lump sum, less applicable statutory deductions and withholdings, as soon as practicable after the date of termination, but no later than March 15 of the year immediately following the year in which the date of termination occurs; and

(c) For a termination due to Inability to Perform only, then the Company shall pay Executive a severance equal to six (6) months of Executive's Base Salary at the time of termination. This severance amount shall be paid to Executive in equal regular installments over the six (6) month period pursuant to the Company's regular payroll periods, less applicable statutory deductions and tax withholdings. The first installment shall be paid to Executive on the first payroll period after the date of termination; and

(d) Should Executive or his representatives timely elect to continue coverage under a group health insurance plan sponsored by the Company or one of its affiliates and timely make the premium payments, reimburse Executive on a monthly basis for the cost of continued coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") or other applicable law for Executive and any eligible dependents until the earlier of (i) the date Executive is no longer entitled to continuation coverage under COBRA or (ii) for twelve (12) months after the date of termination.

8.3 Termination by the Company Without Cause and Without a Change in Control or by Executive for Good Reason Without a Change in Control. In the event Executive's employment is terminated pursuant to Sections 7.2 or 7.4 above at any time in which there has not been a qualifying Change in Control termination, the Company shall pay Executive on the date of termination the payments referred to in Section 8.1(a) above, Executive shall also receive all of the following:

(a) A severance package equal to the lesser of (i) six (6) months of Executive's Base Salary at the time of termination and (ii) the Base Salary remaining under the Term of this Agreement. This severance amount shall be paid to Executive in equal regular installments over the term of the severance period pursuant to the Company's regular payroll periods, less applicable statutory deductions and tax withholdings. The first installment shall be paid to Executive on the first payroll period after the date of termination; and

(b) Subject to compliance with Section 409A of the Code, an amount equal to the greater of (i) (A) if the date of termination occurs between January 1 and June 30, then twenty-five percent (25%) of Executive's target bonus (if any) for the year in which the date of termination occurs or (B) if the date of termination occurs between July 1 and December 31, then fifty percent (50%) of Executive's target bonus (if any) for the year in which the date of termination occurs; and (ii) a bonus for such year as may be determined by the Committee in its sole discretion. This amount shall be paid in the form of a lump sum, less applicable statutory deductions and withholdings, as soon as practicable after the date of termination, but no later than March 15 of the year immediately following the year in which the date of termination occurs;

(c) Should Executive or his representatives timely elect to continue coverage under a group health insurance plan sponsored by the Company or one of its affiliates and timely make the premium payments, reimburse Executive on a monthly basis for the cost of continued coverage under the COBRA for Executive and any eligible dependents until the earlier of (i) the date Executive is no longer entitled to continuation coverage under COBRA or (ii) for twelve (12) months after the date of termination; and

Unless otherwise provided in the equity award agreement, all stock options and other stock incentive awards held by Executive will become fully vested and immediately exercisable and all restrictions on any restricted stock held by Executive will be removed; provided, however, Executive shall not be released from the black-out periods for the next financial reporting quarter following the date of termination or Securities Exchange Act of 1934, as amended (the "Exchange Act"), trading obligations typically required for an executive in this position .

8.4 Termination by the Company Without Cause After a Change in Control or by Executive for Good Reason After a Change in Control

In the event Executive's employment is terminated pursuant to Sections 7.2 or 7.4 above during the Protection Period, the Company shall pay Executive on the date of termination the payments referred to in Section 7.1 (a) above, Executive shall also receive all of the following:

(a) Subject to compliance with Section 409A of the Code, a severance package equal to one year of Executive's Base Salary immediately prior to the Change in Control. This severance amount shall be paid to Executive in equal regular installments over a 12-month period pursuant to the Company's regular payroll periods, less applicable statutory deductions and tax withholdings. The first installment shall be paid to Executive on the first payroll period after the date of termination and after the effective date of the Release ; and

(b) Subject to compliance with Section 409A of the Code, an amount equal to the greater of (i) one hundred percent (100%) of Executive's target bonus (if any) for the year in which the date of termination occurs or (ii) a bonus for such year as may be determined by the Committee in its sole discretion. This amount shall be paid in the form of a lump sum, less applicable statutory deductions and withholdings, as soon as practicable after the date of termination, but no later than March 15 of the year immediately following the year in which the date of termination occurs; and

(c) A one-time cash payment equivalent to one year's salary, less applicable statutory deductions and tax withholdings, to be paid within thirty (30) days of the date of termination; and

(d) Should Executive or his representatives timely elect to continue coverage under a group health insurance plan sponsored by the Company or one of its affiliates and timely make the premium payments, reimburse Executive on a monthly basis for the cost of continued coverage under the COBRA for Executive and any eligible dependents until the earlier of (i) the date Executive is no longer entitled to continuation coverage under COBRA or (ii) for twelve (12) months after the date of termination; and

(e) All stock options and other incentive awards held by Executive will become fully vested and immediately exercisable and all restrictions on any restricted stock held by Executive will be removed; provided, however, Executive shall not be released from the black-out periods for the next financial quarter following the date of termination or any restrictions imposed under the Securities act of 1933, as amended, or Securities Exchange Act of 1934, as amended, trading obligations typically required for an executive in this position.

9. Non-Competition and Confidentiality Covenants. Executive and Company are party to that certain Non-Competition and Non-Solicitation Agreement, dated of even date herewith (the "Non-Competition Agreement"), attached hereto as Exhibit A, which is incorporated herein by reference. The Non-Competition Agreement contains, among other things, covenants of Executive respecting non-competition, non-solicitation and non-disclosure. Any breach of the Non-competition Agreement that is not cured as permitted therein shall be deemed a breach of this Section 9. The Non-Competition Agreement shall survive the termination of this Agreement pursuant to its terms.

10. Notices. For purposes of this Agreement, notices and all other communications provided for herein will be in writing and will be deemed to have been given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: Marc S. Schessel
 c/o SCWorx Corp.
 590 Madison Avenue, 21st Floor
 New York, New York 10022
 Phone: (408) 550-5767

If to the Company: SCWorx Corp.
 590 Madison Avenue, 21st Floor
 New York, New York 10022
 Attention: Paul K. Danner, III
 Phone: (212) 521-4268
 Fax: (212) 521-4099

with copies to:

The Nossiff Law Firm, LLP
300 Brickstone Sq., Suite 201
Andover, MA 01810
Attention: John G. Nossiff, Esq.
Phone: (978) 409-2648
Email: Jnossiff@nossiff-law.com

or to such other address as either party hereto may have furnished to the other party in writing in accordance herewith, except that notices of change of address will be effective only upon receipt.

11. Governing Law. The validity, interpretation, and performance of this Agreement will be governed by the laws of the State of Delaware, without reference to the choice of law principles or rules thereof, except to the extent that federal law will be deemed to apply.

12. Modification. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in a writing signed by the Company and the Executive. No waiver by any party hereto at any time of any breach by another party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of dissimilar provisions or conditions at the same or any prior subsequent time. No agreements or representation, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement.

13. Validity. The invalidity or unenforceability of any provisions of this Agreement will not affect the validity or enforceability of any other provisions of this Agreement which will remain in full force and effect.

14. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same agreement.

15. Assignment. This Agreement is personal in nature and Executive may not, without consent of the Company, assign or transfer this Agreement or any rights or obligations hereunder.

16. Document Review. The Company and the Executive hereby acknowledge and agree that each (i) has read this Agreement in its entirety prior to executing it, (ii) understands the provisions and effects of this Agreement, (iii) has consulted with such attorneys, accountants and financial and other advisors as it or he has deemed appropriate in connection with their respective execution of this Agreement, and (iv) has executed this Agreement voluntarily and knowingly.

17. Entire Agreement. This Agreement (including Exhibit A) together with any understandings or modifications thereof as agreed to in writing by the parties, will constitute the entire agreement between the parties hereto regarding the subject matter of Executive's employment with the Company.

18. Representations and Covenants of Executive. Executive represents and warrants to the Company that: (a) he has full power and authority to enter into this Agreement, (b) the execution and delivery of this Agreement and the performance of his duties hereunder shall not result in a breach of, or constitute a default under, any agreement or obligation to which he may be bound or subject, (c) this Agreement represents a valid, legally binding obligation on him and is enforceable against him in accordance with its terms except as the enforceability of this Agreement may be subject to or limited by general principles of equity and by bankruptcy or other similar laws relating to or affecting the rights of creditors generally, and (d) the Executive has resigned from all positions as an employee, officer, director or executive of prior employers.

19. Representations and Covenants of the Company. The Company represents and warrants to the Executive that: (a) it has full power and authority to enter into this Agreement, (b) the execution and delivery of this Agreement and the performance of its duties hereunder shall not result in a breach of, or constitute a default under, any agreement or obligation to which he may be bound or subject, and (c) this Agreement represents a valid, legally binding obligation on the Company and is enforceable against him in accordance with its terms except as the enforceability of this Agreement may be subject to or limited by general principles of equity and by bankruptcy or other similar laws relating to or affecting the rights of creditors generally.

[Signature Page to Executive Employment Agreement Follows]

[Signature Page to Executive Employment Agreement]

IN WITNESS WHEREOF, the parties have caused the Agreement to be executed and delivered as of the date first set forth above.

SCWorx Corp

By: /s/ John Price
John Price
Title: CFO

/s/ Marc S. Schessel
Marc S. Schessel

NON-COMPETITION AND NON-SOLICITATION AGREEMENT

THIS NON-COMPETITION AND NON-SOLICITATION AGREEMENT (the "Agreement"), dated as of February 1, 2019 (the "Effective Date") is entered into by and between SCWorx Corp. , a Delaware corporation ("Company") Marc S. Schessel, an individual and resident of the State of New York (the "Executive").

NOW, THEREFORE, in consideration of the employment or continued employment of the Executive by the Company, and the continued receipt and access to confidential, proprietary, and trade secret information associated with the Executive's position with the Company, the Executive and the Company agree as follows:

1 . Confidentiality. Executive understands and agrees that in the course of providing services to the Company, Executive may acquire confidential and/or proprietary information concerning the Company's operations, its future plans and its methods of doing business. Executive understands and agrees it would be extremely damaging to the Company if Executive disclosed such information to a competitor or made such information available to any other person. Executive understands and agrees that such information is divulged to Executive in strict confidence and Executive understands and agrees that Executive shall not use such information other than in connection with the Business and will keep such information secret and confidential unless disclosure is required by court order or otherwise by compulsion of law. In view of the nature of Executive's employment with the Company and the information that Executive has received during the course of Executive's employment, Executive also agrees that the Company would be irreparably harmed by any violation, or threatened violation of the agreements in this paragraph and that, therefor, the Company shall be entitled to an injunction prohibiting Executive from any violation or threatened violation of such agreements.

2 . Non-Competition and Non-Solicitation. The Executive acknowledges and agrees that the nature of the Company's confidential, proprietary, and trade secret information to which the Executive has, and will continue to have, access to derives value from the fact that it is not generally known and used by others in the highly competitive industry in which the Company competes. The Executive further acknowledges and agrees that, even in complete good faith, it would be impossible for the Executive to work in a similar capacity for a competitor of the Company without drawing upon and utilizing information gained during employment with the Company. Accordingly, at all times during the Executive's employment with the Company and for a period of one (1) year after termination, for any reason, of such employment, the Executive will not, directly or indirectly:

(a) Engage in any business or enterprise (whether as owner, partner, officer, director, employee, consultant, investor, lender or otherwise, except as the holder of not more than one percent (1%) of the outstanding capital stock of a company) that directly or indirectly competes with the Company's business or the business of any of its subsidiaries anywhere in the United States; or

(b) Either alone or in association with others (i) solicit, or facilitate any organization with which the Executive is associated in soliciting, any employee of the Company or any of its subsidiaries to leave the employ of the Company or any of its subsidiaries; (ii) solicit for employment, hire or engage as an independent contractor, or facilitate any organization with which the Executive is associated in soliciting for employment, hire or engagement as an independent contractor, any person who was employed by the Company or any of its subsidiaries at any time during the term of the Executive's employment with the Seller or the Company or any of their respective subsidiaries (provided, that this clause (ii) shall not apply to any individual whose employment with the Seller, the Company or any of its subsidiaries has been terminated for a period of one year or longer); or (iii) solicit business from or perform services for any customer, supplier, licensee or business relation of the Seller or the Company or any of their respective subsidiaries, induce or attempt to induce, any such entity to cease doing business with the Company or any of its subsidiaries; or in any way interfere with the relationship between any such entity and the Company or any of its subsidiaries.

3 . Return of Property. Executive understands and agrees that all business information, files, research, records, memoranda, books, lists and other documents and tangible materials, including computer disks, and other hardware and software that he receives during his employment, whether confidential or not, are the property of the Company, and that, upon the termination of his services, for whatever reason, he will promptly deliver to the Company all such materials, including copies thereof, in his possession or under his control. Any analytical templates, books, presentations, reference materials, computer disks and other similar materials already rightfully owned by the Executive prior to the Effective Date shall remain the property of the Executive and any copies thereof obtained by or provided to the Company shall be returned or destroyed in a manner similar acceptable to the Executive.

4 . Not Employment Contract. The Executive acknowledges that this Non-Competition and Non-Solicitation Agreement does not constitute a contract of employment and, except as set forth in Executive Employment Agreement (to which this Agreement is ancillary), does not guarantee that the Company or any of its subsidiaries will continue his employment for any period of time or otherwise change the at-will nature of his employment.

5 . Interpretation. If any restriction set forth in Section 2 is found by any court of competent jurisdiction to be invalid, illegal, or unenforceable, it shall be modified to the minimum extent necessary to render the modified restriction valid, legal and enforceable. The parties intend that the non-competition and non-solicitation provisions contained in this Agreement shall be deemed to be a series of separate covenants, one for each and every county of each and every state of the United States of America where this provision is intended to be effective.

6 . Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

7 . Waiver of Rights. No delay or omission by the Company in exercising any right under this Agreement will operate as a waiver of that or any other right. A waiver or consent given by the Company on any one occasion is effective only in that instance and will not be construed as a bar to or waiver of any right on any other occasion.

8 . Equitable Remedies. The restrictions contained in this Agreement are necessary for the protection of the business and goodwill of the Company and its subsidiaries and are considered by the Executive to be reasonable for such purpose. The Executive agrees that any breach of this Agreement is likely to cause the Company substantial and irrevocable damage and therefor, in the event of any such breach, the Executive agrees that the Company, in addition to such other remedies that may be available, shall be entitled to specific performance and other injunctive relief.

9 . Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware. Any action, suit, or other legal proceeding which is commenced to resolve any matter arising under or relating to any provision of this Agreement shall be commenced only in a court of the State of Delaware (or, if appropriate, a federal court located within Delaware), and the Company and the Executive each consent to the jurisdiction of such a court.

7. Term. This Agreement shall be effective on the Effective Date. This Agreement shall expire on [Expiry of employment agreement], provided the obligations of the Executive under Sections 2 shall survive for a period of one (1) year after expiration or termination. Notwithstanding the foregoing the obligations of the Executive under Sections 1 shall survive for two (2) years and Section 3 shall survive indefinitely.

8. Certain Exclusions. The obligations stipulated in Section 1 of this Agreement shall not apply to confidential information which: (i) is, prior to disclosure, in the lawful possession of, or already known to, the Executive; (ii) has come into the public domain through no fault of the Executive; (iii) has been lawfully received from a third party without restrictions or breach of this Agreement; (iv) is independently developed by the Executive without any use of the confidential information of the Company; or (v) is disclosed pursuant to the order or requirement of a court, administrative agency, or other governmental body, subject to the Executive giving reasonable prior notice in writing to the Company to allow it to seek protective or other court orders.

THE EXECUTIVE ACKNOWLEDGES THAT HE HAS CAREFULLY READ THIS AGREEMENT, HAS SOUGHT INDEPENDENT COUNSEL TO ADVISE HIM AS TO THE NATURE AND EXTENT OF HIS OBLIGATIONS HEREUNDER AND UNDERSTANDS AND AGREES TO ALL OF THE PROVISIONS IN THIS AGREEMENT.

[Signature Page to Non-Competition And Non-Solicitation Agreement Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers as of the date first above written.

COMPANY:

SCWorx Corp

By: /s/ John Price
Name: John Price
Title: CFO

EXECUTIVE:

/s/ Marc S. Schessel
Marc S. Schessel

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (the "Agreement"), is made and entered into effective as of February 1, 2019, by and between SCWorx Corp., a Delaware corporation (the "Company"), and John Price, an individual and resident of the State of Colorado (the "Executive").

In consideration of the mutual covenants and undertakings herein contained, the parties, each intending to be legally bound, agree as follows:

1. Employment. Upon the terms and subject to the conditions set forth in this Agreement, the Company employs Executive as the Company's Chief Financial Officer, and Executive accepts such employment. The Executive will report to the Company's Chief Executive Officer. This agreement supersedes the Employment Agreement between the Company and the Executive dated August 3, 2016, which Agreement is hereby terminated and neither party shall have any further rights or obligation thereunder.

2. Position. Executive agrees to serve as Chief Financial Officer of the Company and to perform such duties as are commensurate with such office, including the oversight and management of the financial affairs of the Company and the Business. The Executive will devote substantially all his business time and efforts to the Company and the Company's business and will not engage in other business activities without the Company's prior consent, whether or not such business activity is pursued for profit, gain or other pecuniary advantage. Nothing herein will prevent Executive from engaging in investment activities unrelated to the Company's business for his own account. As used in this Agreement "Business" means the business of promoting, and otherwise commercializing the Company's SaaS business to the health care industry and the commercial exploitation of related products, services and markets.

3. Term. The term of this Agreement will begin on February 1, 2019 (the "Effective Date") and will end on the three-year anniversary of such date (the "Term"). The Term will automatically renew for renewal periods of one year each unless either party gives the other written notice of intent not to renew at least ninety (90) days prior to such date. The parties hereto agree that, upon the expiration of the Term, the Executive's employment with the Company will terminate and the Executive will not be entitled to any further compensation, except as otherwise expressly provided in this Agreement. The Company will be under no obligation whatsoever to renew or continue the employment of the Executive beyond the Term.

4. Salary.

(a) Compensation. Executive will receive a salary of Two Hundred Fifty Thousand dollars (\$250,000) per year ("Base Compensation"), pro-rated for partial years, payable at regular intervals in accordance with the Company's normal practices in effect from time to time. Salary payments shall be subject to all applicable federal and state withholding, payroll, and other taxes, and all applicable deductions for benefits as may be required by law. Base Compensation and the benefits set forth under Section 5 below will commence on the Effective Date. Executive's Base Compensation will be reviewed annually by the compensation committee of the Board of Directors (the "Committee") and Executive will be eligible for consideration for merit-based increases to Base Compensation as determined by the Committee in its sole discretion, it is the intention of the Company to increase the Executive's Base Compensation on the first anniversary of the Term provided the Company achieves certain financial milestones to be agreed upon by the Company and the Executive.

(b) Bonus. In addition to Base Salary, Executive shall be eligible to receive discretionary performance based bonuses during the Term as determined by the Committee. Any bonus and any equity consideration to be provided to Executive shall be reviewed and determined by the Committee on an annual basis to set performance criteria for purposes of compliance with the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

(c) Equity Compensation. Effective as of February 13, 2019, the Executive was awarded RSUs priced at the market price under the Company's Second Amended and Restated 2016 Equity Incentive Plan (the "Plan"), and otherwise on such terms and subject to such conditions as the Committee shall determine. Executive may, as determined by the Committee in its discretion, periodically receive additional grants of stock options, restricted stock or other equity-related awards under the Plan or under any other equity compensation plan authorized by the Board from time to time, subject to the terms and conditions thereof. Upon a Change of Control (as defined in the Plan), all unvested stock options granted pursuant to this Agreement will immediately vest.

5. Benefit Programs.

(a) During the Term, Executive will be entitled to participate in or receive benefits as follows:

- (i) health and dental insurance pursuant to the Company's current or future plans and policies (premium for only Executive to be paid by Company);
- (ii) reimbursement of reasonable out-of-pocket relocation expenses, subject to the prior approval of the CEO;
- (iii) participation in Company 401(k) plan with Company match of Executive's contribution on a dollar-for-dollar basis for the first 3% of Executive's Base Compensation; and
- (iv) participation in any other Executive benefit plan of the Company provided to all employees of the Company on the same terms as other employees of the Company based on tenure and position.

All benefits will be pursuant to programs or arrangements made available by the Company on the date of this Agreement and from time to time in the future to the Company's other employees on a basis consistent with the terms, conditions and overall administration of the foregoing plans, programs or arrangements and with respect to which Executive is otherwise eligible to participate or receive benefits. Executive acknowledges such benefits are subject to change as and when changed by the Company generally.

(b) During the Term, the Company will provide Executive with a Company owned or leased computer and printer and supplies for Company purposes, and home office high-speed internet.

(c) During the Term, the Company will provide Executive with a mobile smart phone and either pay directly or reimburse Executive for the cost of a reasonable plan for Executive's use on behalf of the Company.

(d) The items provided in connection with paragraphs (b) and (c) will be returned by Executive to the Company upon any termination of this Agreement.

6. General Policies.

(a) So long as the Executive is employed by the Company pursuant to this Agreement, Executive will receive reimbursement from the Company, as appropriate, for all reasonable business expenses incurred by Executive in accordance with Company policies and in the course of his employment by the Company, upon submission to the Company of written vouchers or documented receipts and statements for reimbursement.

(b) During the Term, the Executive will be entitled to four weeks of paid vacation, which will be utilized at such times when his absence will not materially impair the Company's normal business functions. In addition to the vacation described above, Executive also will be entitled to all paid holidays customarily given by the Company to its employees.

(c) All other matters relating to the employment of Executive by the Company not specifically addressed in this Agreement will be subject to the general policies regarding employees of the Company in effect from time to time.

7. Termination of Employment

Executive's employment by the Company and this Agreement may be terminated before the expiration of the Term, without breach of this Agreement, in accordance with the provisions set forth below:

7.1 Termination by the Company for Cause. The Company may terminate Executive's employment and this Agreement for Cause (as defined below), but only after: (i) giving Executive written notice of the failure or conduct which the Company believes to constitute Cause; and (ii) with respect to elements (c) through (e) below, providing Executive a reasonable opportunity, and in no event more than twenty (20) days, to cure such failure or conduct, unless the Board determines in its good faith judgment that such failure or conduct is not reasonably capable of being cured. In the event Executive does not cure the alleged failure or conduct within the time frame provided for such cure by the Company, the Company shall send the Executive written notice specifying the effective date of termination. The failure by the Company to set forth in the notice referenced in this Section 7.1 any fact or circumstance which contributes to a showing of Cause shall not waive any right of the Company to assert, or preclude the Company from asserting, such fact or circumstance in enforcing its rights hereunder. For purposes of this Agreement, the term "Cause" means:

(a) conviction of a felony or a crime involving fraud or moral turpitude; or

(b) theft, material act of dishonesty or fraud, intentional falsification of any employment or Corporation records, or commission of any criminal act which impairs participant's ability to perform appropriate employment duties for the Corporation; or

(c) intentional or reckless conduct or gross negligence materially harmful to the Corporation or the successor to the Corporation after a Change in Control, including violation of a non-competition or confidentiality agreement; or

(d) willful failure to follow lawful instructions of the person or body to which participant reports; or

(e) gross negligence or willful misconduct in the performance of participant's assigned duties. Cause shall not include unsatisfactory performance in the achievement of Executive's job objectives, unless Executive fails to cure such unsatisfactory performance as provided above.

If the Company terminates Executive's employment for Cause, then Executive shall be entitled to receive the payments and benefits set forth in Section 8.1 below.

The Company may suspend Executive with pay pending an investigation authorized by the Company or a governmental authority or a determination whether Executive has engaged in acts or omissions constituting Cause, and such paid suspension shall not constitute Good Reason or a termination of Executive's employment.

7.2 Termination by the Company Without Cause.

(a) The Company may terminate the employment of Executive and this Agreement at any time during the Term of this Agreement without Cause by giving Executive written notice of such termination, to be effective upon the giving of such written notice, in which case Executive shall receive the compensation, severance, and benefit continuation required by Section 8.3 below; provided, however, that if Company terminates Executive's employment without Cause during the Protection Period (as defined below), then Executive shall be entitled to receive the payments and benefits set forth in Section 8.4 below.

(b) For purposes of this Agreement, the term "Protection Period" means the period of time commencing on the date of the first occurrence of a Change in Control and continuing until the earlier of (i) the second anniversary of the first occurrence of the Change in Control, and (ii) the Term of this Agreement; and the six (6) month period prior to such Change in Control date if the Executive is terminated without Cause or terminates for Good Reason and in either case such termination (x) was requested by the third party that effectuates the Change in Control, or (y) occurs in connection with or in anticipation of a Change in Control, it being agreed that any such action taken following stockholder approval of a transaction which if consummated would constitute a Change in Control shall be deemed to be in anticipation of a Change in Control provided such transaction is actually consummated.

7.3 Termination by the Company Due to Inability to Perform or Death.

(a) The Company may terminate the employment of Executive and this Agreement at any time during the Term of this Agreement, to the extent permitted by law, upon thirty (30) days' notice to Executive in the event of Executive's Inability to Perform. For this purpose, the term "Inability to Perform" means and shall be deemed to have occurred if Executive has been determined under the Company's long term disability plan to be eligible for long-term disability benefits or, in the event the Company does not maintain such a plan or in the absence of Executive's participation in or application for benefits under such a plan, such term shall mean the inability of Executive, despite any reasonable accommodation required by law, due to bodily injury or disease or any other physical or mental incapacity, to perform the services required hereunder for a period of ninety (90) consecutive days; or

(b) This Agreement shall be deemed terminated immediately upon the death of Executive.

7.4 Termination by Executive for Good Reason. Executive may terminate his employment and this Agreement at any time for Good Reason (as defined below). A termination of employment and this Agreement by Executive for Good Reason shall entitle Executive to payments and other benefits as specified in Section 8.3, unless such termination occurs during the Protection Period in which case the payments and benefits in Section 8.4 shall apply. For purposes of this Agreement, the term “Good Reason” means, subject to the notice and cure provisions herein, any of the following actions if taken without Executive’s prior written consent: (a) the assignment to the Executive of any duties materially inconsistent with the position in the Corporation that Executive held immediately prior to the assignment; (b) a Change of Control resulting in a significant adverse alteration in the status or conditions of Executive’s participation with the Corporation or other nature of Executive’s responsibilities from those in effect prior to such Change of Control, including any significant alteration in Executive’s responsibilities immediately prior to such Change in Control; (c) the failure by the Company to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive prior to such failure; or (d) any other action or inaction that constitutes a material breach by the Company of this Agreement. To exercise the option to terminate employment for Good Reason, Executive must provide written notice to the Company of Executive’s belief that Good Reason exists within sixty (60) days of the initial existence of the Good Reason condition, and that notice shall describe in reasonable detail the condition(s) believed to constitute Good Reason. The Company then shall have thirty (30) days to remedy the Good Reason condition(s). If not remedied within that 30-day period or if the Company notifies Executive that it does not intend to cure such condition(s) before the end of that 30-day period, Executive may submit a notice of termination to the Company; provided, however, that the notice of termination invoking Executive’s option to terminate employment for Good Reason must be given no later than sixty (60) days after the date the Good Reason condition first arose; otherwise, Executive shall be deemed to have accepted the condition(s), or the Company’s correction of such condition(s), that may have given rise to the existence of Good Reason.

7.5 Termination by Executive Without Good Reason. Executive may also terminate his employment and this Agreement without Good Reason by providing at least ninety (90) days’ written notice of such termination to the Company. In the event of a termination pursuant to this Section 7.5, Executive shall be entitled to payments and other benefits as specified in Section 8.1 below. At the Company’s option, the Company may accelerate the date of Executive’s termination of employment by paying to Executive the Base Salary and value of the benefits that Executive would have received during the period by which the date of termination is so accelerated and such acceleration shall not change the characterization of the termination by Executive as a termination without Good Reason.

7.6 Return of Confidential Information and Company Property. Upon termination of Executive’s employment for any reason, Executive shall immediately return all Confidential Information and other Company property to the Company.

8. Effect of Termination.

8.1 Termination by the Company for Cause or Termination by Executive Without Good Reason

In the event Executive’s employment and this Agreement are terminated pursuant to Sections 7.1 or 7.5 above:

(a) The Company shall pay to Executive, or his representatives, on the date of termination of employment only that portion of the Base Salary and benefits provided in Section 4(a) that has been accrued through the date of termination, any accrued but unpaid vacation pay provided in Section 4(a), any accrued benefits provided in Section 5, and any expense reimbursements due and owing to Executive as of the date of termination; and

(b) Executive shall not be entitled to: (i) any other salary or compensation; (ii) any bonus pursuant to Section 4(b); (iii) any equity consideration pursuant to Section 4(c); nor (iv) any benefits pursuant to Section 5; and

(c) Executive shall return the laptop computer and cellular telephone provided in Section 5 within five (5) business days of the date of termination.

8.2 Termination by the Company Due to Executive's Inability to Perform or Death

In the event Executive's employment and this Agreement are terminated pursuant to Section 7.3 above, the Company shall pay to Executive, or his representatives, all of the following:

(a) The payments, if any, referred to in Section 8.1(a) above as of the date of termination; and

(b) Subject to compliance with Section 409A of the Code, an amount equal to the greater of (i) one hundred percent (100%) of Executive's target bonus (if any) for the year in which the date of termination occurs, or (ii) a bonus for such year as may be determined by the Committee in its sole discretion. This amount shall be paid in the form of a lump sum, less applicable statutory deductions and withholdings, as soon as practicable after the date of termination, but no later than March 15 of the year immediately following the year in which the date of termination occurs; and

(c) For a termination due to Inability to Perform only, then the Company shall pay Executive a severance equal to six (6) months of Executive's Base Salary at the time of termination. This severance amount shall be paid to Executive in equal regular installments over the six (6) month period pursuant to the Company's regular payroll periods, less applicable statutory deductions and tax withholdings. The first installment shall be paid to Executive on the first payroll period after the date of termination; and

(d) Should Executive or his representatives timely elect to continue coverage under a group health insurance plan sponsored by the Company or one of its affiliates and timely make the premium payments, reimburse Executive on a monthly basis for the cost of continued coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") or other applicable law for Executive and any eligible dependents until the earlier of (i) the date Executive is no longer entitled to continuation coverage under COBRA or (ii) for twelve (12) months after the date of termination.

8.3 Termination by the Company Without Cause and Without a Change in Control or by Executive for Good Reason Without a Change in Control. In the event Executive's employment is terminated pursuant to Sections 7.2 or 7.4 above at any time in which there has not been a qualifying Change in Control termination, the Company shall pay Executive on the date of termination the payments referred to in Section 8.1(a) above, Executive shall also receive all of the following:

(a) A severance package equal to the lesser of (i) six (6) months of Executive's Base Salary at the time of termination and (ii) the Base Salary remaining under the Term of this Agreement. This severance amount shall be paid to Executive in equal regular installments over the term of the severance period pursuant to the Company's regular payroll periods, less applicable statutory deductions and tax withholdings. The first installment shall be paid to Executive on the first payroll period after the date of termination; and

(b) Subject to compliance with Section 409A of the Code, an amount equal to the greater of (i) (A) if the date of termination occurs between January 1 and June 30, then twenty-five percent (25%) of Executive's target bonus (if any) for the year in which the date of termination occurs or (B) if the date of termination occurs between July 1 and December 31, then fifty percent (50%) of Executive's target bonus (if any) for the year in which the date of termination occurs; and (ii) a bonus for such year as may be determined by the Committee in its sole discretion. This amount shall be paid in the form of a lump sum, less applicable statutory deductions and withholdings, as soon as practicable after the date of termination, but no later than March 15 of the year immediately following the year in which the date of termination occurs;

(c) Should Executive or his representatives timely elect to continue coverage under a group health insurance plan sponsored by the Company or one of its affiliates and timely make the premium payments, reimburse Executive on a monthly basis for the cost of continued coverage under the COBRA for Executive and any eligible dependents until the earlier of (i) the date Executive is no longer entitled to continuation coverage under COBRA or (ii) for twelve (12) months after the date of termination; and

Unless otherwise provided in the equity award agreement, all stock options and other stock incentive awards held by Executive will become fully vested and immediately exercisable and all restrictions on any restricted stock held by Executive will be removed; provided, however, Executive shall not be released from the black-out periods for the next financial reporting quarter following the date of termination or Securities Exchange Act of 1934, as amended (the "Exchange Act"), trading obligations typically required for an executive in this position .

8.4 Termination by the Company Without Cause After a Change in Control or by Executive for Good Reason After a Change in Control

In the event Executive's employment is terminated pursuant to Sections 7.2 or 7.4 above during the Protection Period, the Company shall pay Executive on the date of termination the payments referred to in Section 7.1 (a) above, Executive shall also receive all of the following:

(a) Subject to compliance with Section 409A of the Code, a severance package equal to one year of Executive's Base Salary immediately prior to the Change in Control. This severance amount shall be paid to Executive in equal regular installments over a 12-month period pursuant to the Company's regular payroll periods, less applicable statutory deductions and tax withholdings. The first installment shall be paid to Executive on the first payroll period after the date of termination and after the effective date of the Release ; and

(b) Subject to compliance with Section 409A of the Code, an amount equal to the greater of (i) one hundred percent (100%) of Executive's target bonus (if any) for the year in which the date of termination occurs or (ii) a bonus for such year as may be determined by the Committee in its sole discretion. This amount shall be paid in the form of a lump sum, less applicable statutory deductions and withholdings, as soon as practicable after the date of termination, but no later than March 15 of the year immediately following the year in which the date of termination occurs; and

(c) A one-time cash payment equivalent to one year's salary, less applicable statutory deductions and tax withholdings, to be paid within thirty (30) days of the date of termination; and

(d) Should Executive or his representatives timely elect to continue coverage under a group health insurance plan sponsored by the Company or one of its affiliates and timely make the premium payments, reimburse Executive on a monthly basis for the cost of continued coverage under the COBRA for Executive and any eligible dependents until the earlier of (i) the date Executive is no longer entitled to continuation coverage under COBRA or (ii) for twelve (12) months after the date of termination; and

(e) All stock options and other incentive awards held by Executive will become fully vested and immediately exercisable and all restrictions on any restricted stock held by Executive will be removed; provided, however, Executive shall not be released from the black-out periods for the next financial quarter following the date of termination or any restrictions imposed under the Securities act of 1933, as amended, or Securities Exchange Act of 1934, as amended, trading obligations typically required for an executive in this position.

9. Non-Competition and Confidentiality Covenants. Executive and Company are party to that certain Non-Competition and Non-Solicitation Agreement, dated of even date herewith (the "Non-Competition Agreement"), attached hereto as Exhibit A, which is incorporated herein by reference. The Non-Competition Agreement contains, among other things, covenants of Executive respecting non-competition, non-solicitation and non-disclosure. Any breach of the Non-competition Agreement that is not cured as permitted therein shall be deemed a breach of this Section 9. The Non-Competition Agreement shall survive the termination of this Agreement pursuant to its terms.

10. Notices. For purposes of this Agreement, notices and all other communications provided for herein will be in writing and will be deemed to have been given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: John Price
 c/o SCWorx Corp.
 590 Madison Avenue, 21st Floor
 New York, New York 10022
 Phone: (408) 550-5767

If to the Company: SCWorx Corp.
 590 Madison Avenue, 21st Floor
 New York, New York 10022
 Attention: Paul K. Danner, III
 Phone: (212) 521-4268
 Fax: (212) 521-4099

with copies to:

The Nossiff Law Firm, LLP
300 Brickstone Sq., Suite 201
Andover, MA 01810
Attention: John G. Nossiff, Esq.
Phone: (978) 409-2648
Email: Jnossiff@nossiff-law.com

or to such other address as either party hereto may have furnished to the other party in writing in accordance herewith, except that notices of change of address will be effective only upon receipt.

11. Governing Law. The validity, interpretation, and performance of this Agreement will be governed by the laws of the State of Delaware, without reference to the choice of law principles or rules thereof, except to the extent that federal law will be deemed to apply.

12. Modification. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in a writing signed by the Company and the Executive. No waiver by any party hereto at any time of any breach by another party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of dissimilar provisions or conditions at the same or any prior subsequent time. No agreements or representation, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement.

13. Validity. The invalidity or unenforceability of any provisions of this Agreement will not affect the validity or enforceability of any other provisions of this Agreement which will remain in full force and effect.

14. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same agreement.

15. Assignment. This Agreement is personal in nature and Executive may not, without consent of the Company, assign or transfer this Agreement or any rights or obligations hereunder.

16. Document Review. The Company and the Executive hereby acknowledge and agree that each (i) has read this Agreement in its entirety prior to executing it, (ii) understands the provisions and effects of this Agreement, (iii) has consulted with such attorneys, accountants and financial and other advisors as it or he has deemed appropriate in connection with their respective execution of this Agreement, and (iv) has executed this Agreement voluntarily and knowingly.

17. Entire Agreement. This Agreement (including Exhibit A) together with any understandings or modifications thereof as agreed to in writing by the parties, will constitute the entire agreement between the parties hereto regarding the subject matter of Executive's employment with the Company.

18. Representations and Covenants of Executive. Executive represents and warrants to the Company that: (a) he has full power and authority to enter into this Agreement, (b) the execution and delivery of this Agreement and the performance of his duties hereunder shall not result in a breach of, or constitute a default under, any agreement or obligation to which he may be bound or subject, (c) this Agreement represents a valid, legally binding obligation on him and is enforceable against him in accordance with its terms except as the enforceability of this Agreement may be subject to or limited by general principles of equity and by bankruptcy or other similar laws relating to or affecting the rights of creditors generally, and (d) the Executive has resigned from all positions as an employee, officer, director or executive of prior employers.

19. Representations and Covenants of the Company. The Company represents and warrants to the Executive that: (a) it has full power and authority to enter into this Agreement, (b) the execution and delivery of this Agreement and the performance of its duties hereunder shall not result in a breach of, or constitute a default under, any agreement or obligation to which he may be bound or subject, and (c) this Agreement represents a valid, legally binding obligation on the Company and is enforceable against him in accordance with its terms except as the enforceability of this Agreement may be subject to or limited by general principles of equity and by bankruptcy or other similar laws relating to or affecting the rights of creditors generally.

[Signature Page to Executive Employment Agreement Follows]

IN WITNESS WHEREOF, the parties have caused the Agreement to be executed and delivered as of the date first set forth above.

SCWorx Corp

By: /s/ Marc S. Schessel
Marc S. Schessel
Title: CEO

/s/ John Price
John Price

NON-COMPETITION AND NON-SOLICITATION AGREEMENT

THIS NON-COMPETITION AND NON-SOLICITATION AGREEMENT (the "Agreement"), dated as of February 1, 2019 (the "Effective Date") is entered into by and between SCWorx Corp. , a Delaware corporation ("Company") John Price, an individual and resident of the State of Colorado (the "Executive").

NOW, THEREFORE, in consideration of the employment or continued employment of the Executive by the Company, and the continued receipt and access to confidential, proprietary, and trade secret information associated with the Executive's position with the Company, the Executive and the Company agree as follows:

1 . Confidentiality. Executive understands and agrees that in the course of providing services to the Company, Executive may acquire confidential and/or proprietary information concerning the Company's operations, its future plans and its methods of doing business. Executive understands and agrees it would be extremely damaging to the Company if Executive disclosed such information to a competitor or made such information available to any other person. Executive understands and agrees that such information is divulged to Executive in strict confidence and Executive understands and agrees that Executive shall not use such information other than in connection with the Business and will keep such information secret and confidential unless disclosure is required by court order or otherwise by compulsion of law. In view of the nature of Executive's employment with the Company and the information that Executive has received during the course of Executive's employment, Executive also agrees that the Company would be irreparably harmed by any violation, or threatened violation of the agreements in this paragraph and that, therefor, the Company shall be entitled to an injunction prohibiting Executive from any violation or threatened violation of such agreements.

2 . Non-Competition and Non-Solicitation. The Executive acknowledges and agrees that the nature of the Company's confidential, proprietary, and trade secret information to which the Executive has, and will continue to have, access to derives value from the fact that it is not generally known and used by others in the highly competitive industry in which the Company competes. The Executive further acknowledges and agrees that, even in complete good faith, it would be impossible for the Executive to work in a similar capacity for a competitor of the Company without drawing upon and utilizing information gained during employment with the Company. Accordingly, at all times during the Executive's employment with the Company and for a period of one (1) year after termination, for any reason, of such employment, the Executive will not, directly or indirectly:

(a) Engage in any business or enterprise (whether as owner, partner, officer, director, employee, consultant, investor, lender or otherwise, except as the holder of not more than one percent (1%) of the outstanding capital stock of a company) that directly or indirectly competes with the Company's business or the business of any of its subsidiaries anywhere in the United States; or

(b) Either alone or in association with others (i) solicit, or facilitate any organization with which the Executive is associated in soliciting, any employee of the Company or any of its subsidiaries to leave the employ of the Company or any of its subsidiaries; (ii) solicit for employment, hire or engage as an independent contractor, or facilitate any organization with which the Executive is associated in soliciting for employment, hire or engagement as an independent contractor, any person who was employed by the Company or any of its subsidiaries at any time during the term of the Executive's employment with the Seller or the Company or any of their respective subsidiaries (provided, that this clause (ii) shall not apply to any individual whose employment with the Seller, the Company or any of its subsidiaries has been terminated for a period of one year or longer); or (iii) solicit business from or perform services for any customer, supplier, licensee or business relation of the Seller or the Company or any of their respective subsidiaries, induce or attempt to induce, any such entity to cease doing business with the Company or any of its subsidiaries; or in any way interfere with the relationship between any such entity and the Company or any of its subsidiaries.

3 . Return of Property. Executive understands and agrees that all business information, files, research, records, memoranda, books, lists and other documents and tangible materials, including computer disks, and other hardware and software that he receives during his employment, whether confidential or not, are the property of the Company, and that, upon the termination of his services, for whatever reason, he will promptly deliver to the Company all such materials, including copies thereof, in his possession or under his control. Any analytical templates, books, presentations, reference materials, computer disks and other similar materials already rightfully owned by the Executive prior to the Effective Date shall remain the property of the Executive and any copies thereof obtained by or provided to the Company shall be returned or destroyed in a manner similar acceptable to the Executive.

4 . Not Employment Contract. The Executive acknowledges that this Non-Competition and Non-Solicitation Agreement does not constitute a contract of employment and, except as set forth in Executive Employment Agreement (to which this Agreement is ancillary), does not guarantee that the Company or any of its subsidiaries will continue his employment for any period of time or otherwise change the at-will nature of his employment.

5 . Interpretation. If any restriction set forth in Section 2 is found by any court of competent jurisdiction to be invalid, illegal, or unenforceable, it shall be modified to the minimum extent necessary to render the modified restriction valid, legal and enforceable. The parties intend that the non-competition and non-solicitation provisions contained in this Agreement shall be deemed to be a series of separate covenants, one for each and every county of each and every state of the United States of America where this provision is intended to be effective.

6 . Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

7 . Waiver of Rights. No delay or omission by the Company in exercising any right under this Agreement will operate as a waiver of that or any other right. A waiver or consent given by the Company on any one occasion is effective only in that instance and will not be construed as a bar to or waiver of any right on any other occasion.

8 . Equitable Remedies. The restrictions contained in this Agreement are necessary for the protection of the business and goodwill of the Company and its subsidiaries and are considered by the Executive to be reasonable for such purpose. The Executive agrees that any breach of this Agreement is likely to cause the Company substantial and irrevocable damage and therefor, in the event of any such breach, the Executive agrees that the Company, in addition to such other remedies that may be available, shall be entitled to specific performance and other injunctive relief.

9 . Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware. Any action, suit, or other legal proceeding which is commenced to resolve any matter arising under or relating to any provision of this Agreement shall be commenced only in a court of the State of Delaware (or, if appropriate, a federal court located within Delaware), and the Company and the Executive each consent to the jurisdiction of such a court.

7 . Term. This Agreement shall be effective on the Effective Date. This Agreement shall expire on the expiration of the employment agreement with Executive, as extended, provided the obligations of the Executive under Sections 2 shall survive for a period of one (1) year after expiration or termination. Notwithstanding the foregoing the obligations of the Executive under Sections 1 shall survive for two (2) years and Section 3 shall survive indefinitely.

8. Certain Exclusions. The obligations stipulated in Section 1 of this Agreement shall not apply to confidential information which: (i) is, prior to disclosure, in the lawful possession of, or already known to, the Executive; (ii) has come into the public domain through no fault of the Executive; (iii) has been lawfully received from a third party without restrictions or breach of this Agreement; (iv) is independently developed by the Executive without any use of the confidential information of the Company; or (v) is disclosed pursuant to the order or requirement of a court, administrative agency, or other governmental body, subject to the Executive giving reasonable prior notice in writing to the Company to allow it to seek protective or other court orders.

THE EXECUTIVE ACKNOWLEDGES THAT HE HAS CAREFULLY READ THIS AGREEMENT, HAS SOUGHT INDEPENDENT COUNSEL TO ADVISE HIM AS TO THE NATURE AND EXTENT OF HIS OBLIGATIONS HEREUNDER AND UNDERSTANDS AND AGREES TO ALL OF THE PROVISIONS IN THIS AGREEMENT.

[Signature Page to Non-Competition And Non-Solicitation Agreement Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers as of the date first above written.

COMPANY:

SCWorx Corp

By: /s/ Marc S. Schessel

Name: Marc S. Schessel

Title: CEO

EXECUTIVE:

/s/ John Price

John Price

CERTIFICATION

I, Marc S. Schessel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)):
 - 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) 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
 - c) Disclosed in this report any change in the registrant's internal control over financial 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. The registrant's other certifying officer and 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: May 23, 2019

By: /s/ Marc S. Schessel

Marc S. Schessel
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, John Price, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)):
 - 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) 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
 - c) Disclosed in this report any change in the registrant's internal control over financial 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. The registrant's other certifying officer and 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: May 23, 2019

By: /s/ John Price
John Price
Chief Financial Officer
(Principal Accounting Officer)

Section 1350 CERTIFICATION

In connection with this Quarterly Report of SCWorx Corp. (the "Company"), on Form 10-Q for the quarter ended March 31, 2019, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Marc S. Schessel, Chief Executive 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: May 23, 2019

By: /s/ Marc S. Schessel

Marc S. Schessel
Chief Executive Officer
(Principal Executive Officer)

Section 1350 CERTIFICATION

In connection with this Quarterly Report of SCWorx Corp. (the "Company"), on Form 10-Q for the quarter ended March 31, 2019, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, John Price, Principal Accounting 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: May 23, 2019

By: /s/ John Price

John Price
Chief Financial Officer
(Principal Financial Officer)
(Principal Accounting Officer)
