

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

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

For the fiscal year ended December 31, 2020

OR

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

Commission File Number: 001-37899

SCWORX CORP.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(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
(212) 739-7825

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

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

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

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

As of June 30, 2020, the aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant was approximately \$48.1 million, based on the last reported trading price of the Common Stock on that date, as reported on the Nasdaq Capital Market.

The number of shares outstanding of the registrant's common stock as of May 15, 2021 was 10,029,433.

SCWORX CORP.
ANNUAL
REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2020
TABLE OF CONTENTS

<u>PART I</u>		
<u>Item 1.</u>	<u>Business</u>	1
<u>Item 1A.</u>	<u>Risk Factors</u>	10
<u>Item 1B.</u>	<u>Unresolved Staff Comments</u>	23
<u>Item 2.</u>	<u>Properties</u>	23
<u>Item 3.</u>	<u>Legal Proceedings</u>	23
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	25
<u>PART II</u>		
<u>Item 5.</u>	<u>Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	26
<u>Item 6.</u>	<u>Selected Financial Data</u>	26
<u>Item 7.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	26
<u>Item 7A.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	40
<u>Item 8.</u>	<u>Financial Statements and Supplementary Data</u>	40
<u>Item 9.</u>	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	40
<u>Item 9A.</u>	<u>Controls and Procedures</u>	40
<u>Item 9B.</u>	<u>Other Information</u>	41
<u>PART III</u>		
<u>Item 10.</u>	<u>Directors, Executive Officers and Corporate Governance</u>	42
<u>Item 11.</u>	<u>Executive Compensation</u>	46
<u>Item 12.</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters</u>	48
<u>Item 13.</u>	<u>Certain Relationships and Related Transactions, and Director Independence</u>	49
<u>Item 14.</u>	<u>Principal Accountant Fees and Services</u>	50
<u>PART IV</u>		
<u>Item 15.</u>	<u>Exhibits and Financial Statement Schedules</u>	52
	<u>Signatures</u>	53
	<u>Index to Consolidated Financial Statements</u>	F-1
	<u>Index to Exhibits</u>	54

Cautionary Statement Regarding Forward-Looking Statements

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

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

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

- our ability to secure new data management contracts as well as renewals of existing contracts;
- our ability to obtain additional financing in sufficient amounts or on acceptable terms when required;
- our dependence on third-party subcontractors to perform some of the work on our contracts;
- the impact of new or changed laws, regulations or other industry standards that could adversely affect our ability to conduct our business;
- the impact of the COVID-19 pandemic on our revenues;
- our ability to adopt and master new technologies and adjust certain fixed costs and expenses to adapt to our industry’s and customers’ evolving demands; and
- changes in general market, economic and political conditions in the United States and global economies or financial markets, including those resulting from natural or man-made disasters.

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

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

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

PART I

Item 1. Business

Corporate Information

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

Our principal executive offices are located at 590 Madison Avenue, 2nd Floor, New York, New York, 10022. Our telephone number is (844) 472-9679.

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

Business Combination and Related Transactions

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, 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 purchase accounting for the transaction.

Our Business

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

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

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

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

SCWorx’s software solutions are delivered to clients within a fixed term period, where such software is hosted in SCWorx’s data center and accessed by the client through a secure connection in a software as a service (“SaaS”) delivery method.

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

SCWorx’s Software Solutions/Services

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

- Virtualized Item Master File repair, expansion and automation — The process begins with data normalization — data is put into a simplified and normalized structure and location for use throughout the enterprise. The SCWorx software normalizes, automates and builds interoperability via advanced attribution, vendor and contract mapping, product categorization, repairing the unit of measure and establishing revenue codes and flags. SCWorx improves the healthcare providers’ business processes through the establishment of a clean and normalized Item Master File that improves efficiencies, eliminates cumbersome and error-prone manual processes, and provides an integrated cloud-based suite of services that enhances the productivity of operating room staff, supply chain margins and billing revenue through the seamless sharing and accuracy of critical business data.
- Electronic Medical Record Management — The Electronic Medical Record (EMR) module integrates the advanced data attributes created by SCWorx in the Item Master into the EMR. The EMR serves as the database that hospitals use to document all clinical procedures in terms of the products used and the costs that should be charged. What makes this module special is that prior to its creation there was no mechanism that tied product purchases to actual utilization. Hospitals, being mass consumption businesses, had no way to identify excess ordering that always accompanies mass consumption organizations. In addition, the automation and consistency of delivered attributes dramatically reduces the administrative burden as today these additional attributes are being created by expensive clinical resources manually — over and over again by each hospital. The SCWorx EMR management system creates one vernacular for each hospital so they see the data in a manner that suits them — and then creates a universal vernacular so they can see their performance against other like institutions.
- Charge Description Master Management — The Charge Description Master (CDM) Management module assists healthcare providers by integrating the CDM data into the workflow of the hospitals purchasing systems so that the latest costs can be automatically updated against the hospitals charging systems. The CDM data provided by SCWorx is made more accurate, and the resulting data is integrated to the Item Master for real-time delivery to the EMR — this data is the last remaining piece of information that is consumed by the EMR and passed ultimately to the patient billing systems. SCWorx provides real-time integration, automation and management of Item Master File, Clinical Information Systems and the Charge Description Master.
- Contract Management — SCWorx’s Contract Management Module assists healthcare providers to establish an efficient contract management system and to provide first class care to patients, while reducing operating costs, assuring adherence to compliance requirements, and mitigating risk. By linking the Item Master File to the healthcare providers contract management system and procedures, SCWorx simplifies the way contracts are managed from start to finish by streamlining the processes of creating, routing, reviewing and approving contracts. SCWorx delivers a data warehouse platform which integrates item master management, spend analysis, and contract management. These solutions enable financial staff across the healthcare provider to drill down quickly and deeply into actionable and real-time financial data and key performance indicators to improve revenue realization and staff efficiency. This suite of solutions includes the ability to automatically push price changes to a contract, compliance for standard and non-standard products, contract compliance and optimization reporting, reliable cost data for current and alternate products, cost performance metrics, matching purchase order price to contract and contract repository.

- Request for Proposal (“RFP”) Automation — With the reality of shrinking operating margins, increasing operating expenses and decreasing insurance reimbursements, hospitals must evaluate all major expenditures. In addition, requirements for provable quality of service supported by trackable metrics now frequently necessitate the search for better options available in the marketplace. Since hospital-based provider subsidies are often a major expense item and since there are often perceived opportunities for quality improvement, it is a reasonable practice for hospital leadership to carefully evaluate all of their current hospital-based services and associated financial support before each contract renegotiation. The proliferation of large regional and national providers, with their ability to derive benefits from economies of scale, have made RFPs much more of a competitive process. Hospital administrators, however, often rely on poor or conflicting data when creating an RFP. Through the integration and utilization of the SSOT SCWorx automates the RFP process and makes it more accurate. SCWorx automates the core sourcing processes with the intention to accelerate cycle times, surveys and confirms business preferred processes, designs and builds a flow chart for the current and desired workflows, cross references bid analysis, implements bid scoring, customizes software to support automation and customizes the report writer and output documents.
- Integration of Acquired Businesses — The agnostic design of the SCWorx solution enables rapid deployment of a virtual Item Master File to quickly and easily allow combining healthcare providers to share information and achieve cost synergies and interoperability without large and cumbersome upgrades or implementations. During the consolidation of healthcare providers, SCWorx cleans the data and makes the data available to the disparate systems. In addition, M&A activity requires in-depth reporting for comparison of Group Purchasing Organization (“GPO”) contract overlap. When healthcare providers that use different GPOs merge, or are acquired, there is a lack of information to compare contracts. SCWorx provides information for comparative purposes to solve these issues rapidly.
- Rebate Management — Frequently, vendors use rebates and incentives as a key part of their pricing strategy and structure when selling to hospitals. This tactic makes pricing more attractive to healthcare providers. When tracked through Accounts Payable, and issued correctly, rebates can help healthcare organizations save money. At any large healthcare provider, vendor rebates can be difficult to manage since they require a multi-step process to track dollars earned, credits issued, and monies paid. Rebates frequently cause tracking challenges for Accounts Payable departments. Inconsistent tracking is the primary problem for loss of savings with vendor rebate programs. SCWorx’s Rebate Management Module enables healthcare providers to correctly calculate and track rebates provided by healthcare provider vendors. Purchasing or Contracting departments monitor rebates by creating and maintaining a Rebates Master List which is provided to the Accounts Payable department. To assist in this cumbersome process, SCWorx provides information from the SSOT, such as historical data, frequent updates, advanced administrative fee reporting, purchase rebate tracking, early payment/discount management and Vendor Master Data alignment.
- Big Data Analytics Model — SCWorx provides an in-depth, easy-to-use web portal for display, reporting and analysis of the information contained within the SCWorx data warehouse. SCWorx’s analytics solution enables healthcare providers to view benchmarking information, quickly add new items to the SSOT and identify cost savings through this real-time and on-demand solution. In addition to simplifying the item add process, SCWorx provides peer comparison reporting against similar healthcare providers and a list of informative reports for business measurement, such as spend trend analysis, contract gap analysis, market price comparison, etc. The SCWorx product line is a simplified user experience and visual display for the hospital employee which does not require access to the SCWorx application.
- Data Integration and Warehousing — Healthcare providers maintain a significant amount of data. In many cases the data is not useful for analytics since the data is held within an individual “silo.” SCWorx establishes an expandable, data warehouse of items that have been normalized, repaired and enriched as the SSOT for useful benchmarking, interoperability and analytics. SCWorx’s data warehouse allows healthcare providers to effectively use the data contained in their environment and efficiently establish the supply chain as a leading driver of revenue cycle management. The data warehouse is updated as frequently as every five minutes without intervention.

- ScanWorx — Our mobile perioperative closed loop scanning solution is driven by the SCWorx foundational data structure, and utilizes interoperable data exchanges to push and secure the customer’s enriched item master, all built around the customer’s internal business rules and chart of account requirements offering the following:
 - Cloud hosted mobile scanning solution, which automates the consumption of known and unknown implant device utilization during surgical procedures via intuitive Scanning or smart searching features.
 - All scanned device utilization will capture all available attributes, such as Global Trade Item Number, Lot, Serial numbers, expiration dates.
 - ScanWorx will establish the following connections with existing Enterprise Resource Planning (“ERP”) and Electronic Medical Record (“EMR”) enterprise systems for the following:
 - EMR — Daily scheduling feeds with case information
 - ERP — Bill-Only electronic purchase orders
 - EMR — Case closure with device utilization integration
 - ScanWorx has the ability to consume additional product utilization per case when provided by the EMR for surgical preference cards, central sterile processing products, and anesthesia gas.
 - ScanWorx will identify and automate the Item-Add process for unknown items introduced during surgical procedures based on customer’s existing business rules.

Direct-Worx — In March 2020, in response to the COVID-19 pandemic, SCWorx established a wholly-owned subsidiary, Direct-Worx, LLC, with the intention of utilizing the SCWorx database to identify trends within the purchasing supply chain and then use this information to assist the Company in its endeavors to provide critical, difficult-to-find items for the healthcare industry.

- The Company sought to provide COVID-19 Rapid Test Kits and PPE — Personal Protective Equipment to the healthcare industry. PPE includes items such as masks, gloves, gowns, shields, etc.

The Company has extensive experience in the healthcare industry and industry contacts, and a database of items specifically designated to assist the healthcare industry in fulfilling its inventory demands.

The sale of PPE and rapid test kits for COVID-19 represented a new business for the Company and is subject to the myriad risks associated with any new venture. The Company encountered great difficulty in attempting to secure reliable sources of supply for both COVID-19 Rapid Test Kits and PPE. The Company currently has no contracted supply of Rapid Test Kits or PPE. During the year ended December 31, 2020, the Company has completed only minimal sales of COVID-19 rapid test kits and PPE. In addition, changes in market conditions and FDA processes governing the sale of COVID-19 serology tests could have the effect of rendering the COVID-19 serology tests held by the Company not saleable in the United States, which could have a material adverse effect on the Company’s financial condition and results of operations. There can be no assurance that the Company will be able to generate any significant revenue from the sale of PPE products or rapid test kits, and as of the date of this report, the Company has not generated any material revenue from the sale of PPE or rapid test kits.

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

Clients and Strategic Partners

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

Competition

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

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

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

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

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

Contracts, License and Service Fees

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

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

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

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

Third Party License Fees

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

PPE and Rapid Test Kit Products

We are endeavoring to sell our existing inventory of PPE products primarily through use of our internal and external sales personnel. Through the date of filing we have not had significant sales of PPE products.

CageTix Ticketing Platform

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

Property

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

The company also has a lease for office space in Greenwich, Connecticut which expired in March 2020 and is now Month-to-month.

Government Regulation

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

The sale of tests to identify antibodies to the SARS-CoV-2 virus in the blood (i.e., COVID-19 serology tests) in the United States is subject to regulation by the US Food and Drug Administration (FDA). In order for such COVID-19 serology tests to be sold in the United States, they must be authorized for sale by the FDA, either by being cleared under FDA's 510(k) pathway, approved under FDA's Premarket Approval pathway, or, more commonly, authorized under the Emergency Use Authorization (EUA) process developed by FDA for COVID-19 serology tests during the duration of the current public health emergency.

The Company believes that the COVID-19 serology tests held by the Company will conform with the FDA EUA process for COVID-19 serology tests and therefore can be lawfully distributed in the United States. Changes in FDA processes governing the sale of COVID-19 serology tests could have the effect of rendering the COVID-19 serology tests to be sold by the Company not saleable in the United States, which could have a material adverse effect on the Company.

Intellectual Property

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

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

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

Seasonality

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

Employees

As of December 31, 2020, we had 9 employees, of which 2 were management and finance and the rest in operations. We primarily utilize independent contractors and third-part vendors for software, maintenance of our database and customer software installation.

Legal Proceedings

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

On April 29, 2020, a securities class action case was filed in the United States District Court for the Southern District of New York against us and our CEO. The action is captioned Daniel Yannes, individually and on behalf of all others similarly situated, Plaintiff vs. SCWorx Corp. and Marc S. Schessel, Defendants.

On May 27, 2020, a second securities class was filed in the United States District Court for the Southern District of New York against us and our CEO. The action is captioned Caitlin Leeburn, individually and on behalf of all others similarly situated, Plaintiff v. SCWorx Corp. and Marc S. Schessel, Defendants.

On June 23, 2020, a third securities class was filed in the United States District Court for the Southern District of New York against us and our CEO. The action is captioned Jonathan Charles Leonard, individually and on behalf of all others similarly situated, Plaintiff v. SCWorx Corp. and Marc S. Schessel, Defendants.

All three lawsuits allege that our company and our CEO mislead investors in connection with our April 13, 2020 press release with respect to the sale of COVID-19 rapid test kits. The plaintiffs in these actions are seeking unspecified monetary damages. These three class actions were consolidated on September 18, 2020 and Daniel Yannes was designated lead plaintiff. A consolidated Amended Complaint (“CAC”) was filed on October 19, 2020. The Defendants filed a motion to dismiss the CAC on November 18, 2020, and the briefing on that motion was complete on January 8, 2021. We are still awaiting a ruling on the motion, and we intend to continue vigorously defending against this lawsuit.

On June 15, 2020, a shareholder derivative claim was filed in the United States District Court for the Southern District of New York against Marc S. Schessel, Steven Wallitt (current directors), and Robert Christie and Charles Miller (former directors) (“Director Defendants”). The action is captioned Javier Lozano, derivatively on behalf of SCWorx Corp., Plaintiff, v. Marc S. Schessel, Charles K. Miller, Steven Wallitt, Defendants, and SCWorx Corp., Nominal Defendant. This lawsuit alleges that the Director Defendants breached their fiduciary duties to the Company, including by misleading investors in connection with our April 13, 2020 press release with respect to the sale of COVID-19 rapid test kits, failing to correct false and misleading statements and failing to implement proper disclosure and internal controls. The Plaintiff, on our behalf, is seeking an award of monetary damages, improvements in our disclosure and internal controls, and legal fees. The Director Defendants intend to vigorously defend against these proceedings. This derivative action is also still pending, and the plaintiff in such action has agreed to voluntarily stay the case until a ruling on a motion to dismiss, which we intend to file in the securities class action case.

On August 21, 2020, a shareholder derivative claim was filed in the United States District Court for the Southern District of New York against Marc S. Schessel, Steven Wallitt (current directors), and Robert Christie and Charles Miller (former directors) (“Director Defendants”). The action is captioned Jostyn Richter, derivatively on behalf of SCWorx Corp., Plaintiff, v. Marc S. Schessel, Charles K. Miller, Steven Wallitt, Defendants, and SCWorx Corp., Nominal Defendant. This lawsuit alleges that the Director Defendants breached their fiduciary duties to the Company, including by misleading investors in connection with our April 13, 2020 press release with respect to the sale of COVID-19 rapid test kits, failing to correct false and misleading statements and failing to implement proper disclosure and internal controls. The Plaintiff, on our behalf, is seeking an award of monetary damages, improvements in our disclosure and internal controls, and legal fees. The Director Defendants intend to vigorously defend against these proceedings.

On August 27, 2020, the Lozano and Richter derivative actions were consolidated and jointly stayed until a ruling on a motion to dismiss which we filed in the securities class action case.

On September 30, 2020, a shareholder derivative action was filed in the Supreme Court State of New York, New York County against Marc S. Schessel and Steven Wallitt (current directors) and Charles Miller (a former director). The action is captioned Hemrita Zarins, derivatively on behalf of SCWorx Corp. v. Marc S. Schessel, Charles Miller, Steven Wallitt and SCWorx, Nominal Defendant. This lawsuit alleges that the Director Defendants breached their fiduciary duties to the Company, including by misleading investors in connection with the Company’s April 13, 2020 press release with respect to the sale of COVID-19 rapid test kits, failing to correct false and misleading statements and failing to implement proper disclosure and internal controls. The Plaintiff, on our behalf, is seeking an award of monetary damages, improvements in our disclosure and internal controls, and legal fees. On October 28, 2020, Zarins withdrew this action and refiled an action in the Chancery Court in the State of Delaware on October 29, 2020. Zarins named as Defendants Marc S. Schessel, Robert Christie (a former director), Steven Wallitt and SCWorx, Nominal Defendant. The allegations, as well as the relief sought, in the Delaware Chancery Court proceeding are substantially the same as that filed in the New York State Action. This action has been stayed pending the ruling on the motion to dismiss in the aforementioned securities class action. The Director Defendants intend to vigorously defend against these proceedings.

In addition, following the April 13, 2020 press release and related disclosures (related to COVID-19 rapid test kits), the Securities and Exchange Commission made an inquiry regarding the disclosures we made in relation to the transaction involving COVID-19 test kits. On April 22, 2020, the Securities and Exchange Commission ordered that trading in the securities of our company be suspended because of “questions and concerns regarding the adequacy and accuracy of publicly available information in the marketplace” (the “SEC Trading Halt”). The SEC Trading Halt expired May 5, 2020, at 11:59 PM EDT. We are fully cooperating with the SEC’s investigation and are providing documents and other requested information.

In April 2020, we received related inquiries from The Nasdaq Stock Market and the Financial Industry Regulatory Authority (FINRA). We have been fully cooperating with these agencies and providing information and documents, as requested. On May 5, 2020, the Nasdaq Stock Market informed us that it had initiated a “T12 trading halt,” which means the halt will remain in place until we have fully satisfied Nasdaq’s request for additional information. We fully cooperated with Nasdaq and responded to all of Nasdaq’s information requests as they were issued. The T12 trading halt was lifted on August 10, 2020.

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

In connection with these actions and investigations, the Company is obligated to indemnify its officers and directors for costs incurred in defending against these claims and investigations. Because the Company currently does not have the resources to pay for these costs, its directors and officers liability insurance carrier has agreed to indemnify these persons even though the \$750,000 retention under such policy has not yet been met. The Company estimates it is currently obligated to pay approximately \$700,000 of the retention, which payments could have a material adverse effect on the Company. The \$700,000 have been accrued in accounts payable and accrued liabilities in these financial statements.

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

On October 3, 2019, David Klarman, a former employee of Alliance, served a complaint against SCWorx seeking \$400,000.00 for a breach of his employment agreement with Alliance. Klarman claims that Alliance ceased paying him his salary in March 2018 as well as other alleged contractual benefits. SCWorx does not believe that it owes the amount demanded and intends to vigorously defend against these claims. On March 6, 2020, SCWorx filed an answer and counterclaims against Mr. Klarman. On September 18, 2020, the Court granted Klarman’s counsel’s motion to withdraw as counsel due to irreconcilable differences. “The Court stayed the case for 45 days after service of the Court’s order. Mr. Klarman’s wife, Marie Klarman, Esq., filed a Notice of Appearance on November 6, 2020 and filed a motion on November 9, 2020 seeking various forms of relief -- in violation of the Court’s Individual Rules and the Commercial Division Rules. We opposed Klarman’s motion on December 31, 2020 and the case was marked fully submitted on January 21, 2021. By Decision and Order dated March 26, 2021, the Court granted Klarman’s motion to dismiss four (4) of fourteen (14) defenses, denied Klarman’s motion to dismiss SCWorx’s counterclaims against him; denied Klarman’s motion for summary judgment and denied Klarman’s motion to strike allegations contained in the Affirmative Defenses and Counterclaims based on his contention that such allegations were “scandalous” or prejudicial. The Court has scheduled a conference for April 28, 2021 presumably to set a discovery schedule.

At this time, we are unable to predict the duration, scope, or possible outcome of these investigations and lawsuits.

Available Information

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

Item 1A. Risk Factors

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

Risks Related to Our Financial Results and Financing Plans

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

Our operations and business have experienced disruption due to the unprecedented conditions surrounding the COVID-19 pandemic which spread throughout the United States and the world. The New York and New Jersey area, where the Company is headquartered, was at one of the epicenters of the coronavirus outbreak in the United States. The Company has followed the recommendations of local health authorities to minimize exposure risk for its team members since the outbreak.

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

We have attempted to mitigate these risks through the sale of personal protective equipment ("PPE") and COVID-19 rapid test kits to the health care industry, including many of our hospital customers.

The sale of PPE and rapid test kits for COVID-19 represented a new business for the Company and is subject to the myriad risks associated with any new venture. The Company encountered great difficulty in attempting to secure reliable sources of supply for both COVID-19 Rapid Test Kits and PPE. The Company currently has no contracted supply of Rapid Test Kits or PPE. During the year ended December 31, 2020, the Company has completed only minimal sales of COVID-19 rapid test kits and PPE. In addition, changes in market conditions and FDA processes governing the sale of COVID-19 serology tests could have the effect of rendering the COVID-19 serology tests held by the Company not saleable in the United States, which could have a material adverse effect on the Company's financial condition and results of operations. There can be no assurance that the Company will be able to generate any significant revenue from the sale of PPE products or rapid test kits, and as of the date of this report, the Company has not generated any material revenue from the sale of PPE or rapid test kits.

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

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

We have a history of losses and may continue to incur losses in the future, which could negatively impact the trading value of our common stock. For the year ended December 31, 2020, our revenues were \$5,213,118, and we had a net loss of \$7,402,350. For the year ended December 31, 2019, our revenues were \$5,548,119, and we had a net loss of \$11,312,500. At December 31, 2020, we had an accumulated deficit of \$20,196,823.

We incurred losses from operations of \$6,045,011 for the year ended December 31, 2020 and \$11,897,491 for the year ended December 31, 2019. We may continue to incur operating and net losses in future periods. These losses may increase, and we may never achieve profitability for a variety of reasons, including increased competition, decreased growth in our target market and other factors described elsewhere in this “Risk Factors” section. If we cannot achieve sustained profitability, our stockholders may lose all or a portion of their investment in our company.

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

To become profitable, we must, among other things, increase our revenues. Our total revenues stayed relatively flat at \$5,213,118 in the year ended December 31, 2020 as compared to \$5,548,119 in the year ended December 31, 2019. However, the COVID-19 pandemic may continue to adversely affect our near-term revenue growth. In order to become profitable and then maintain profitability, we must, among other things, increase our revenues while dealing with the COVID-19 pandemic. This adverse effect on revenue will be exacerbated if we are unable to develop and market new products, which could help us increase our sales to existing customers or develop new customers. Even if we are able to grow our revenues, they may not be sufficient to exceed increases in our operating expenses or to enable us to achieve or sustain profitability.

Risks Related to Our Business

Our inability to obtain additional capital may prevent us from completing our business strategy and successfully operating our business; however, additional financings may subject our existing stockholders to substantial dilution.

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

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

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

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

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

- We may have difficulty retaining or hiring key personnel, customers and suppliers to maintain expanded operations;
- Our internal resources may not be adequate to support our operations as we expand, particularly if we are awarded a significant number of contracts in a short time period;
- We may have difficulty retaining and obtaining any required regulatory approvals, licenses and permits;
- We may not be able to obtain additional equity or debt financing on terms acceptable to us or at all, and any such financing could result in dilution to our stockholders, impact our ability to service our debt within the scheduled repayment terms and include covenants or other restrictions that would impede our ability to manage our operations;
- We may have failed to, or be unable to, discover liabilities of the acquired companies during the course of performing our due diligence; and
- We may be required to record additional goodwill as a result of an acquisition, which will reduce our tangible net worth.

Any of these risks could prevent us from executing our acquisition growth strategy, which could adversely affect our business, financial condition, results of operations and prospects.

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

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

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

Our customer base is highly concentrated. Due to the size and nature of our contracts, one or a few customers have represented a substantial portion of our consolidated revenues and gross profits in any one year or over a period of consecutive years. Two customers accounted for approximately 22% and 17%, respectively, of our revenue in the year ended December 31, 2020. Two customers accounted for approximately 19% and 10%, respectively, of our revenue in the year ended December 31, 2019. Revenues under our contracts with significant customers may continue to vary from period to period depending on the timing or volume of work that those customers contract from us. A limited number of customers may continue to comprise a substantial portion of our revenue for the foreseeable future.

Because we do not maintain any reserves for payment defaults, a default or delay in payment on a significant scale could adversely affect our business, financial condition, results of operations and prospects. We could lose business from a significant customer for a variety of reasons, including:

- the consolidation, merger or acquisition of an existing customer, resulting in a change in procurement strategies employed by the surviving entity that could reduce the amount of work we receive;
- our performance on individual contracts or relationships with one or more significant customers could become impaired due to another reason, which may cause us to lose future business with such customers and, as a result, our ability to generate income would be adversely impacted;

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

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

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

Our auditors have indicated in their report on our financial statements for the year ended December 31, 2020 that conditions exist that raise substantial doubt about our ability to continue as a going concern since we may not have sufficient capital resources from operations and existing financing arrangements to meet our operating expenses and working capital requirements.

As of December 31, 2020, we had only limited cash on hand, a working capital deficit of \$2,414,635 and accumulated deficit of \$20,196,823. During the year ended December 31, 2020, we had a net loss of \$7,402,350 and used \$959,070 of cash in operations. We have historically incurred operating losses and may continue to incur operating losses for the foreseeable future. We believe that these conditions raise substantial doubt about our ability to continue as a going concern. This may hinder our future ability to obtain financing or may force us to obtain financing on less favorable terms than would otherwise be available. If we are unable to develop sufficient revenues and additional customers for our products and services, we may not generate enough revenue to sustain our business, and we may fail, in which case our stockholders would suffer a total loss of their investment. There can be no assurance that we will be able to continue as a going concern.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Our Industry

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

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

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

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

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

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

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

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

In general, economic uncertainty makes it difficult to estimate our customers' requirements for our services. Our plan for growth depends on expanding our company. If economic factors in any of the regions in which we plan to expand are not favorable to the growth and development of the medical industry, we may not be able to carry out our growth strategy, which could adversely affect our business, financial condition, results of operations and prospects.

Other Risks Relating to Our Company and Results of Operations

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

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

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

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

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

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

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

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

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

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

Risks Related to our Common Stock

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

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

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

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

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

Sales of substantial amounts of shares of our common stock, or the perception that these sales could occur, could adversely affect the market price of our common stock and could impair our future ability to raise capital through common stock offerings. As of December 31, 2020 and May 15, 2021, we had 9,895,600 and 10,029,433 shares of common stock issued and outstanding, respectively, of which 2,296,832 and 2,170,056 shares, respectively, were restricted securities pursuant to Rule 144 promulgated by the SEC. The sale of these shares into the open market may adversely affect the market price of our common stock.

As of December 31, 2020 and May 15, 2021, there were outstanding warrants to purchase an aggregate of 675,091 and 765,552 shares of our common stock, respectively, at a weighted-average exercise price of \$8.95 and \$8.37 per share, respectively, all of which were exercisable as of such date. The market price of our common stock also may be adversely affected by our issuance of shares of our capital stock or convertible securities in connection with future acquisitions, or in connection with other financing efforts.

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

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

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

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

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

Maintaining effective internal control over financial reporting is necessary for us to produce accurate and complete financial reports and to help prevent financial fraud. In addition, such control is required in order to maintain the listing of our common stock on the Nasdaq Capital Market. While we have undertaken remedial steps to improve our financial reporting process, including the implementation of a firm-wide accounting information system that collects, stores and processes financial and accounting data on a consolidated basis for use in meeting our reporting obligations, there are no assurances that our internal control over financial reporting has been effective at any time since then. For the year ended December 31, 2020, we did not have effective controls over financial reporting. Our management has identified material weaknesses in our internal controls related to deficiency in the design of internal controls and segregation of duties.

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

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

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

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

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

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

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

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

As of December 31, 2020, there was goodwill of \$8,366,467. We evaluate goodwill at least annually, and will do so more frequently if events or circumstances indicate that impairment may have occurred. Many of the assumptions and estimates that we make in order to estimate the fair value of our intangible assets directly impact the results of impairment testing, including an estimate of future expected revenues, earnings and cash flows, and the discount rates applied to expected cash flows. We are able to influence the outcome and ultimate results based on the assumptions and estimates we choose for testing. To avoid undue influence, we have set criteria that are followed in making assumptions and estimates. The determination of whether goodwill or acquired intangible assets have become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the value of our reporting unit. Changes in our strategy or market conditions could significantly impact these judgments and require adjustments to recorded amounts of intangible assets.

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

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

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

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

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

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

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

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

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

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

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

Our limited operating history makes forecasting our revenues and expenses difficult.

Revenues and operating results are difficult to forecast accurately because of our relatively limited operating history as a combined business, which commenced in February of 2019, and because SCWorx's results generally depend primarily on our ability to secure term service/license agreements, which are subject to varying degrees of uncertainty. As a result, we may be unable to adjust our spending appropriately to compensate for any unexpected revenue shortfall, which may result in substantial losses and a lower market price for our common stock. The Company's results will also depend on its ability to enter into agreements to acquire and sell PPE and test kits. We have encountered difficulty in securing reliable sources of supply of these products.

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

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

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

Our common stock is currently listed on the Nasdaq Capital Market. In order to maintain this listing, we are required to comply with various continued listing standards, including corporate governance requirements, set forth in the Nasdaq Listing Rules. These standards and requirements include, but are not limited to, maintaining a minimum bid price for our common stock, as well as having a majority of our Board members qualify as independent. If we fail to meet any one of these requirements for an extended period of time, we will be subject to possible de-listing. In addition, on January 4, 2021, The Nasdaq Stock Market notified us that due to our failure to hold our annual meeting before December 31, 2020, we were no longer in compliance with their listing rule which requires us to hold our annual meeting before December 31 of each year. The Company intends to hold a Special Meeting in lieu of its 2020 Annual Meeting May 24, 2021, which will have the effect of curing this deficiency.

Further on April 19, 2021 and April 21, 2021, the Nasdaq Stock Market notified the Company that it was not in compliance with the Nasdaq's rules for continued listing because the Company has not yet filed its 10-K for the fiscal year ended December 31, 2020 ("2020 10-K"), as required by Nasdaq Rule 5250(c)(1) (the April 21 notification superseded the April 19 notification). The most recent Nasdaq notice requires the Company to submit its plan to regain compliance, no later than May 19, 2021. The filing of this 10-K will cure this deficiency.

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

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

Our stock price has been volatile.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In connection with the Class Action claims and investigations described in Item 3. Legal Proceedings of this Annual Report on Form 10-K, we are obligated to indemnify our officers and directors for costs incurred in defending against these claims and investigations. Because we currently do not have the resources to pay for these costs, our directors and officers liability insurance carrier has agreed to indemnify these persons even though the \$750,000 retention under such policy has not yet been met. Ultimately, we will be obligated to pay the amount of the retention to the extent of actual settlement and defense costs, which payments could have a material adverse effect on the Company.

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

In connection with these actions and investigations, the Company is obligated to indemnify its officers and directors for costs incurred in defending against these claims and investigations. Because the Company currently does not have the resources to pay for these costs, its directors and officers liability insurance carrier has agreed to indemnify these persons even though the \$750,000 retention under such policy has not yet been met. The Company estimates it is currently obligated to pay approximately \$700,000 of the retention, which payments could have a material adverse effect on the Company.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

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

The company also has a lease for office space in Greenwich, Connecticut which expired in March 2020 and is now Month-to-month.

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

Item 3. Legal Proceedings

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

On April 29, 2020, a securities class action case was filed in the United States District Court for the Southern District of New York against us and our CEO. The action is captioned Daniel Yannes, individually and on behalf of all others similarly situated, Plaintiff vs. SCWorx Corp. and Marc S. Schessel, Defendants.

On May 27, 2020, a second securities class was filed in the United States District Court for the Southern District of New York against us and our CEO. The action is captioned Caitlin Leeburn, individually and on behalf of all others similarly situated, Plaintiff v. SCWorx Corp. and Marc S. Schessel, Defendants.

On June 23, 2020, a third securities class was filed in the United States District Court for the Southern District of New York against us and our CEO. The action is captioned Jonathan Charles Leonard, individually and on behalf of all others similarly situated, Plaintiff v. SCWorx Corp. and Marc S. Schessel, Defendants.

All three lawsuits allege that our company and our CEO misled investors in connection with our April 13, 2020 press release with respect to the sale of COVID-19 rapid test kits. The plaintiffs in these actions are seeking unspecified monetary damages. These three class actions were consolidated on September 18, 2020 and Daniel Yannes was designated lead plaintiff. A consolidated Amended Complaint (“CAC”) was filed on October 19, 2020. The Defendants filed a motion to dismiss the CAC on November 18, 2020, and the briefing on that motion was complete on January 8, 2021. We are still awaiting a ruling on the motion, and we intend to continue vigorously defending against this lawsuit.

On June 15, 2020, a shareholder derivative claim was filed in the United States District Court for the Southern District of New York against Marc S. Schessel, Steven Wallitt (current directors), and Robert Christie and Charles Miller (former directors) (“Director Defendants”). The action is captioned Javier Lozano, derivatively on behalf of SCWorx Corp., Plaintiff, v. Marc S. Schessel, Charles K. Miller, Steven Wallitt, Defendants, and SCWorx Corp., Nominal Defendant. This lawsuit alleges that the Director Defendants breached their fiduciary duties to the Company, including by misleading investors in connection with our April 13, 2020 press release with respect to the sale of COVID-19 rapid test kits, failing to correct false and misleading statements and failing to implement proper disclosure and internal controls. The Plaintiff, on our behalf, is seeking an award of monetary damages, improvements in our disclosure and internal controls, and legal fees. The Director Defendants intend to vigorously defend against these proceedings. This derivative action is also still pending, and the plaintiff in such action has agreed to voluntarily stay the case until a ruling on a motion to dismiss, which we intend to file in the securities class action case.

On August 21, 2020, a shareholder derivative claim was filed in the United States District Court for the Southern District of New York against Marc S. Schessel, Steven Wallitt (current directors), and Robert Christie and Charles Miller (former directors) (“Director Defendants”). The action is captioned Josstyn Richter, derivatively on behalf of SCWorx Corp., Plaintiff, v. Marc S. Schessel, Charles K. Miller, Steven Wallitt, Defendants, and SCWorx Corp., Nominal Defendant. This lawsuit alleges that the Director Defendants breached their fiduciary duties to the Company, including by misleading investors in connection with our April 13, 2020 press release with respect to the sale of COVID-19 rapid test kits, failing to correct false and misleading statements and failing to implement proper disclosure and internal controls. The Plaintiff, on our behalf, is seeking an award of monetary damages, improvements in our disclosure and internal controls, and legal fees. The Director Defendants intend to vigorously defend against these proceedings.

On August 27, 2020, the Lozano and Richter derivative actions were consolidated and jointly stayed until a ruling on a motion to dismiss which we filed in the securities class action case.

On September 30, 2020, a shareholder derivative action was filed in the Supreme Court State of New York, New York County against Marc S. Schessel and Steven Wallitt (current directors) and Charles Miller (a former director). The action is captioned Hemrita Zarins, derivatively on behalf of SCWorx Corp. v. Marc S. Schessel, Charles Miller, Steven Wallitt and SCWorx, Nominal Defendant. This lawsuit alleges that the Director Defendants breached their fiduciary duties to the Company, including by misleading investors in connection with the Company’s April 13, 2020 press release with respect to the sale of COVID-19 rapid test kits, failing to correct false and misleading statements and failing to implement proper disclosure and internal controls. The Plaintiff, on our behalf, is seeking an award of monetary damages, improvements in our disclosure and internal controls, and legal fees. On October 28, 2020, Zarins withdrew this action and refiled an action in the Chancery Court in the State of Delaware on October 29, 2020. Zarins named as Defendants Marc S. Schessel, Robert Christie (a former director), Steven Wallitt and SCWorx, Nominal Defendant. The allegations, as well as the relief sought, in the Delaware Chancery Court proceeding are substantially the same as that filed in the New York State Action. This action has been stayed pending the ruling on the motion to dismiss in the aforementioned securities class action. The Director Defendants intend to vigorously defend against these proceedings.

In addition, following the April 13, 2020 press release and related disclosures (related to COVID-19 rapid test kits), the Securities and Exchange Commission made an inquiry regarding the disclosures we made in relation to the transaction involving COVID-19 test kits. On April 22, 2020, the Securities and Exchange Commission ordered that trading in the securities of our company be suspended because of “questions and concerns regarding the adequacy and accuracy of publicly available information in the marketplace” (the “SEC Trading Halt”). The SEC Trading Halt expired May 5, 2020, at 11:59 PM EDT. We are fully cooperating with the SEC’s investigation and are providing documents and other requested information.

In April 2020, we received related inquiries from The Nasdaq Stock Market and the Financial Industry Regulatory Authority (FINRA). We have been fully cooperating with these agencies and providing information and documents, as requested. On May 5, 2020, the Nasdaq Stock Market informed us that it had initiated a "T12 trading halt," which means the halt will remain in place until we have fully satisfied Nasdaq's request for additional information. We fully cooperated with Nasdaq and responded to all of Nasdaq's information requests as they were issued. The T12 trading halt was lifted on August 10, 2020.

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

In connection with these actions and investigations, the Company is obligated to indemnify its officers and directors for costs incurred in defending against these claims and investigations. Because the Company currently does not have the resources to pay for these costs, its directors and officers liability insurance carrier has agreed to indemnify these persons even though the \$750,000 retention under such policy has not yet been met. The Company estimates it is currently obligated to pay approximately \$700,000 of the retention, which payments could have a material adverse effect on the Company.

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

On October 3, 2019, David Klarman, a former employee of Alliance, served a complaint against SCWorx seeking \$400,000.00 for a breach of his employment agreement with Alliance. Klarman claims that Alliance ceased paying him his salary in March 2018 as well as other alleged contractual benefits. SCWorx does not believe that it owes the amount demanded and intends to vigorously defend against these claims. On March 6, 2020, SCWorx filed an answer and counterclaims against Mr. Klarman. On September 18, 2020, the Court granted Klarman's counsel's motion to withdraw as counsel due to "irreconcilable differences." The Court stayed the case for 45 days after service of the Court's order. Mr. Klarman's wife, Marie Klarman, Esq., filed a Notice of Appearance on November 6, 2020 and filed a motion on November 9, 2020 seeking various forms of relief -- in violation of the Court's Individual Rules and the Commercial Division Rules. We opposed Klarman's motion on December 31, 2020 and the case was marked fully submitted on January 21, 2021. By Decision and Order dated March 26, 2021, the Court granted Klarman's motion to dismiss four (4) of fourteen (14) defenses, denied Klarman's motion to dismiss SCWorx's counterclaims against him; denied Klarman's motion for summary judgment and denied Klarman's motion to strike allegations contained in the Affirmative Defenses and Counterclaims based on his contention that such allegations were "scandalous" or prejudicial. On April 7, 2021, Klarman filed a Reply to the Counterclaims, denying the material allegations and interposed numerous affirmative defenses. The Court has issued a preliminary conference order, setting a discovery cut-off of October 2022.

At this time, we are unable to predict the duration, scope, or possible outcome of these investigations and lawsuits.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information for Common Stock

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

	2020		2019	
	High	Low	High	Low
First Quarter	\$ 3.14	\$ 1.55	\$ 7.74	\$ 3.23
Second Quarter	\$ 12.02	\$ 2.09	\$ 7.69	\$ 4.26
Third Quarter	\$ 5.75	\$ 1.29	\$ 5.34	\$ 2.05
Fourth Quarter	\$ 2.22	\$ 1.03	\$ 3.44	\$ 2.20

On January 4, 2021, The Nasdaq Stock Market notified us that due to our failure to hold our annual meeting before December 31, 2020, we were no longer in compliance with their listing rule which requires us to hold our annual meeting before December 31 of each year. The Company intends to hold a Special Meeting in lieu of its 2020 Annual Meeting in May 2021, which will have the effect of curing this deficiency.

Further on April 19, 2021 and April 21, 2021, the Nasdaq Stock Market notified the Company that it was not in compliance with the Nasdaq’s rules for continued listing because the Company has not yet filed its 10-K for the fiscal year ended December 31, 2020 (“2020 10-K”), as required by Nasdaq Rule 5250(c)(1) (the April 21 notification superseded the April 19 notification). The most recent Nasdaq notice requires the Company to submit its plan to regain compliance, no later than May 19, 2021. The filing of this 10-K will cure this deficiency.

Holders of Record

As of May 15, 2021, there were 10,029,433 outstanding shares of common stock held by 86 stockholders of record.

Dividends

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

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

Item 6. Selected Financial Data

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

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

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

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

Our Business

On February 1, 2019, we acquired SCWorx Corp. in a stock for stock transaction, in connection with which we changed our name to SCWorx Corp. and changed our trading symbol on the Nasdaq to WORX. 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 improve the flow of information quickly and accurately between the existing supply chain, electronic medical records, clinical systems, and patient billing functions. The software is designed to achieve multiple operational benefits such as supply chain cost reductions, decreased accounts receivables aging, accelerated and more accurate billing, contract optimization, increased supply chain management and cost visibility, synchronous charge description master ("CDM") and control of vendor rebates and contract administration fees.

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

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

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

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

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

SCWorx, as part of the acquisition of Alliance MMA, operated an online event ticketing platform focused on serving regional MMA (“mixed martial arts”) promotions.

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

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

Critical Accounting Policies and Estimates

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

Basis of Presentation

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

Principles of Consolidation

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

Reverse Stock Split

On February 1, 2019, we effected a 1-for-19 reverse stock split with respect to the outstanding shares of our common stock. The reverse stock split was deemed effective at the open of business on February 4, 2019. The reverse stock split did not affect the total number of shares of common stock that we are authorized to issue, which is 45,000,000 shares. The reverse stock split also did not affect the total number of shares of Series A preferred stock that we are authorized to issue, which is 900,000 shares. Share and per share data have been adjusted for all periods presented to reflect the reverse stock split unless otherwise noted.

Cash

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

Fair Value of Financial Instruments

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

Concentration of Credit and Other Risks

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

For the year ended December 31, 2020, we had two customers representing 22% and 17% of aggregate revenues. For the year ended December 31, 2019, we had two customers representing 19% and 10% of aggregate revenues. At December 31, 2020, we had three customers representing 35%, 32% and 10% of aggregate accounts receivable. At December 31, 2019, we had four customers representing 17%, 14%, 10% and 10% of aggregate accounts receivable.

Allowance for Doubtful Accounts

Our company continually monitors customer payments and maintains a reserve for estimated losses resulting from our customers' inability to make required payments. In determining the reserve, we evaluate the collectability of our accounts receivable based upon a variety of factors. In cases where we become aware of circumstances that may impair a specific customer's ability to meet its financial obligations, we record a specific allowance against amounts due. For all other customers, we recognize allowances for doubtful accounts based on our historical write-off experience in conjunction with the length of time the receivables are past due, customer creditworthiness, geographic risk and the current business environment. Actual future losses from uncollectible accounts may differ from our estimates. The Company recorded an allowance for doubtful accounts as of December 31, 2020 and 2019 of \$183,277 and \$344,412, respectively.

Leases

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

Business Combinations

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

Goodwill and Identified Intangible Assets

Goodwill

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

Identified intangible assets

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

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

Property and Equipment

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

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

Revenue Recognition

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

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract

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

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

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

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

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

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

Revenue recognition for our performance obligations are as follows:

Data Normalization and Professional Services

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

SaaS and Maintenance

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

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

As of December 31, 2020, we had \$2,025,333 of remaining performance obligations recorded as deferred revenue. We expect to recognize sales relating to these existing performance obligations of during 2021.

Costs to Fulfill a Contract

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

Cost of Revenue

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

Contract Balances

Contract assets arise when the revenue associated prior to our unconditional right to receive a payment under a contract with a customer (*i.e.*, unbilled revenue) and are derecognized when either it becomes a receivable or the cash is received. There were no contract assets as of December 31, 2020 and 2019.

Contract liabilities arise when customers remit contractual cash payments in advance of our company satisfying our performance obligations under the contract and are derecognized when the revenue associated with the contract is recognized when the performance obligation is satisfied. Deferred revenue for contract liabilities were \$2,025,333 and \$1,056,637 as of December 31, 2020 and 2019, respectively.

Income Taxes

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

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

Valuation allowances are provided if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. During the year ended December 31, 2020, we evaluated available evidence and concluded that we may not realize all the benefits of our deferred tax assets; therefore, a valuation allowance was established for our deferred tax assets.

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

On December 22, 2017, the Tax Cuts and Jobs Act of 2017, (the “Tax Act”) was enacted. The Tax Act significantly revised the U.S. corporate income tax regime by, including but not limited to, lowering the U.S. corporate income tax rate from 34% to 21% effective January 1, 2018, implementing a territorial tax system, imposing a one-time transition tax on previously untaxed accumulated earnings and profits of foreign subsidiaries, and creating new taxes on foreign sourced earnings. During the years ended December 31, 2020 and 2019, we completed the accounting for tax effects of the Tax Act under ASC 740. There were no impacts to the years ended December 31, 2020 and 2019.

Stock-based Compensation Expense

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

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

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

Loss Per Share

We compute earnings (loss) per share in accordance with ASC 260, “Earnings per Share” which requires presentation of both basic and diluted earnings (loss) per share (“EPS”) on the face of the income statement. Basic EPS is computed by dividing the loss available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive. As of December 31, 2020 and 2019, we had 790,847 and 1,650,511, respectively, common stock equivalents outstanding.

Indemnification

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

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

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

Contingencies

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

Use of Estimates

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

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Update ("ASU") 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 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. We 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 additional disclosures and a right of use asset of approximately \$53,000 included as a component of prepaid expenses and other assets and a lease liability of approximately \$53,000, which is included as a component of accounts payable and accrued liabilities at December 31, 2019. The Company did not have any right of use assets or lease liabilities at December 31, 2020.

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 adopted this new standard in the first quarter of fiscal 2020, and the adoption of 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 adopted this new standard in the first quarter of fiscal 2020, and the adoption of the standard did not have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU 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. We adopted this new standard in the first quarter of fiscal 2020, and the adoption of the standard did not 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 our 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. We adopted this new standard in the first quarter of fiscal 2019, and the adoption of the standard did not have a material impact on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13 (“ASU 2016-13”) “Financial Instruments - Credit Losses” (“ASC 326”): *Measurement of Credit Losses on Financial Instruments* which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss model which requires the use of forward-looking information to calculate credit loss estimates. It also eliminates the concept of other-than-temporary impairment and requires credit losses related to available-for-sale debt securities to be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. These changes will result in earlier recognition of credit losses. In November 2019, the FASB issued ASU 2019-10 “Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)” (“ASC 2019-10”), which defers the effective date of ASU 2016-13 to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, for public entities which meet the definition of a smaller reporting company. The Company will adopt ASU 2016-13 effective January 1, 2023. Management is currently evaluating the effect of the adoption of ASU 2016-13 on the consolidated financial statements. The effect will largely depend on the composition and credit quality of our investment portfolio and the economic conditions at the time of adoption.

Results of Operations

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

Our operations and business have experienced disruption due to the unprecedented conditions surrounding the COVID-19 pandemic which spread throughout the United States and the world. The New York and New Jersey area, where the Company is headquartered, was at one of the epicenters of the coronavirus outbreak in the United States. The Company has followed the recommendations of local health authorities to minimize exposure risk for its team members since the outbreak.

In addition, the Company’s customers (hospitals) have also experienced extraordinary disruptions to their businesses and supply chains, while experiencing unprecedented demand for health care services related to COVID-19. As a result of these extraordinary disruptions to our customers’ business, our customers have been focused on meeting the nation’s health care needs in response to the COVID-19 pandemic. As a result, there is a significant risk that our customers will not be able to focus any resources on expanding the utilization of our services, which could adversely impact our future growth prospects, at least until the adverse effects of the pandemic subside. In addition, the financial impact of COVID-19 on our hospital customers could cause the hospital to delay payments due to us for services, which could negatively impact our cash flows.

We have attempted to mitigate these risks through the sale of personal protective equipment (“PPE”) and COVID-19 rapid test kits to the health care industry, including many of our hospital customers.

The sale of PPE and rapid test kits for COVID-19 represented a new business for the Company and is subject to the myriad risks associated with any new venture. The Company encountered great difficulty in attempting to secure reliable sources of supply for both COVID-19 Rapid Test Kits and PPE. The Company currently has no contracted supply of Rapid Test Kits or PPE. During the year ended December 31, 2020, the Company has completed only minimal sales of COVID-19 rapid test kits and PPE. In addition, changes in market conditions and FDA processes governing the sale of COVID-19 serology tests could have the effect of rendering the COVID-19 serology tests held by the Company not saleable in the United States, which could have a material adverse effect on the Company’s financial condition and results of operations. There can be no assurance that the Company will be able to generate any significant revenue from the sale of PPE products or rapid test kits, and as of the date of this report, the Company has not generated any material revenue from the sale of PPE or rapid test kits.

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

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

The following summary of our results of operations should be read in conjunction with our consolidated financial statements for the years ended December 31, 2020 and 2019.

Our operating results for the years ended December 31, 2020 and 2019 are summarized as follows:

	Years Ended		Difference
	December 31, 2020	December 31, 2019	
Revenue	\$ 5,213,118	\$ 5,548,119	\$ (335,001)
Cost of revenues	3,515,279	4,382,083	(866,804)
General and administrative	7,742,850	13,063,527	(5,320,677)
Other (expense) income	(1,357,339)	584,991	(1,942,330)
Provision for income taxes	-	-	-
Net loss	<u>(7,402,350)</u>	<u>(11,312,500)</u>	<u>3,910,150</u>

Our significant balance sheet accounts as of December 31, 2020 and 2019 are summarized as follows:

	December 31, 2020	December 31, 2019
Balance Sheet Data:		
Cash	\$ 376,425	\$ 487,953
Accounts receivable, net	722,156	799,246
Prepaid expenses and other current assets	87,630	11,160
Total current assets	2,184,651	1,298,359
Goodwill and intangible assets, net	8,366,467	8,571,686
Total assets	10,627,274	9,992,805
Total current liabilities	4,599,286	3,067,193
Long-term liabilities	293,972	-
Total liabilities	4,893,258	3,067,193
Stockholders’ equity	5,734,016	6,925,612

Revenues

Revenue for the year ended December 31, 2020 was \$5,213,118, compared to revenue for the year ended December 31, 2018, which was \$5,548,119. The decline in revenue is primarily related to decreases in one time revenue from the addition in 2019 of new multi-year customer contracts and a decrease in revenue from data consulting projects which were completed during 2019. Given the disruption caused to our hospital customers by the COVID-19 pandemic, we expect that our near-term revenues will likely be adversely impacted.

Expenses

General and administrative expenses decreased \$5,320,677 to \$7,742,850 for the year ended December 31, 2020, as compared to \$13,063,527 in the same period of 2019. This decrease is largely due to decreases of approximately \$3.8 million in non-cash stock compensation, approximately \$900,000 in salary expense, approximately \$415,000 in travel expense, approximately \$775,000 in accounting and auditing expense, and approximately \$930,000 in research and development costs, partially offset by an increase of approximately \$973,000 in legal fees largely related to the matters described in Item 3. Legal Proceedings in 2020.

We had other expense of \$1,357,339 in 2020 compared to other income of \$584,991 in 2019. In 2020, other expenses were related to losses on stock settlement of payables. In 2019, there was a gain on the fair value of convertible note receivable of \$372,282 and a gain on the fair value of asset (warrant) in 2019 of \$55,000. Interest expense decreased from \$23,720 in 2019 to \$0 in 2020.

Liquidity and Capital Resources

Going Concern

Management has concluded and our auditors have indicated in their report on our consolidated financial statements for the year ended December 31, 2020 that conditions exist that raise substantial doubt about our ability to continue as a going concern since we may not have sufficient capital resources from operations and existing financing arrangements to meet our operating expenses and working capital requirements. As of December 31, 2020, we had a working capital deficit of \$2,414,635 and accumulated deficit of \$20,196,823. During the year ended December 31, 2020, we had a net loss of \$7,402,350 and used \$959,070 of cash in operations. We have historically incurred operating losses and may continue to incur operating losses for the foreseeable future. We believe that these conditions raise substantial doubt about our ability to continue as a going concern. This may hinder our future ability to obtain financing or may force us to obtain financing on less favorable terms than would otherwise be available. If we are unable to develop sufficient revenues and additional customers for our products and services, we may not generate enough revenue to sustain our business, and we may fail, in which case our stockholders would suffer a total loss of their investment. There can be no assurance that we will be able to continue as a going concern.

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

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

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

We are currently experiencing a working capital deficiency. As of December 31, 2020, we had a working capital deficit of approximately \$2.4 million, compared to a deficit of approximately \$1.8 million as of December 31, 2019. The approximate \$645,000 increase in our working capital deficit was due primarily to an approximate \$969,000 increase in contract liabilities, due to the selling additional annual contracts to customers, an approximate \$375,000 increase in equity financing not yet converted, an approximate \$188,000 increase in accounts payable and accrued expenses, an approximate \$112,000 decrease in cash, and an approximate \$77,000 decrease in accounts receivable, partially offset by an approximate \$998,000 increase in inventory and an approximate \$76,000 increase in prepaid expenses.

As of May 15, 2021, we had only limited cash on hand, and we are experiencing negative cash flows from operations. Consequently, we need to raise additional capital as soon as possible to fund our operations and the implementation of our business plan.

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

In order to remedy this liquidity deficiency, we have cut spending and are actively seeking to raise additional funds through the sale of equity and debt securities, and ultimately, we will need to generate substantial positive operating cash flows. Our internal sources of funds will consist of cash flows from operations, but not until we begin to realize additional revenues from the sale of our products and services. As previously stated, our operations are generating negative cash flows, and thus adversely affecting our liquidity. If we are able to secure sufficient funding in the second quarter of 2021 to fully implement our business plan, we expect that our operations could begin to generate significant cash flows in the first quarter of 2022, which should ameliorate our liquidity deficiency. If we are unable to raise additional funds in the near term, we will not be able to fully implement our business plan, in which case there could be a material adverse effect on our results of operations and financial condition.

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

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

Cash Flows

	Years ended December 31,	
	2020	2019
Net cash used in operating activities	\$ (959,070)	\$ (4,691,290)
Net cash provided by investing activities	-	4,915,236
Net cash provided by financing activities	847,542	187,548
Change in cash	\$ (111,528)	\$ 411,494

Our operations through December 31, 2020 have resulted in negative cash flows from operations of \$959,070. If we are able to raise additional capital during the second quarter of 2021 and generate additional revenue through the acquisition of new customers, coupled with an anticipated reduction in legal and accounting expenses, we believe we may begin to generate positive operating cash flows during the first quarter of 2022. However, there is no assurance we will be able to increase our revenue sufficiently so as to generate positive operating cash flows within this time frame.

Operating Activities

Net cash used in operating activities was \$959,070 for the year ended December 31, 2020, mainly related to the net loss of \$7,402,350, and offset by non-cash stock-based compensation of \$3,284,570 related to various equity awards to employees and non-employees, \$1,612,538 in non-cash losses related to the settlement of accounts payable, a \$848,473 increase in accounts payable and accrued liabilities, and a \$968,696 increase in deferred revenue, partially offset by a \$76,470 increase in prepaid expenses, and a \$523,440 increase in inventory.

Net cash used in operating activities was \$4,691,290 for the year ended December 31, 2019, mainly related to the net loss of \$11,312,500, and offset by non-cash stock-based compensation of \$7,482,254 related to various equity awards to employees and non-employees.

Investing Activities

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

Net cash provided by investing activities was \$4,915,236 for the year ended December 31, 2019, related to the cash acquired in the reverse acquisition of \$5,441,437, partially offset by advances to a shareholder of \$199,549 and the purchase of Alliance convertible notes receivable of \$215,000 and capital expenditures of \$111,652.

Financing Activities

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

Net cash provided by financing activities was \$187,548 for the year ended December 31, 2019, primarily related to the proceeds from a note payable, related party.

Contractual Cash Obligations

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

Off-Balance Sheet Arrangements

As of December 31, 2020, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Item 8. Financial Statements and Supplementary Data

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

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

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

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

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

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

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

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

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

Item 9A. Controls and Procedures

Management’s Conclusions Regarding Effectiveness of Disclosure Controls and Procedures

Management conducted an evaluation of the effectiveness of our “disclosure controls and procedures” (“Disclosure Controls”), as defined by Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of December 31, 2020, the end of the period covered by this Annual Report on Form 10-K, as required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act. The Disclosure Controls evaluation was done under the supervision and with the participation of management, including our President/COO 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 President 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 December 31, 2020, such that the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding disclosure.

Management Report on Internal Controls over Financial Reporting

Our management has identified material weaknesses in our internal controls related to deficiencies in the design of internal controls and segregation of duties. Management is planning to meet with the Audit Committee to discuss remediation efforts, which are expected to be resolved during 2021, or until such time as management is able to conclude that its remediation efforts are designed and operating effectively. Our management is actively looking for additional accounting and finance personnel to assist in the remediation efforts.

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

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

Changes in Internal Control over Financial Reporting.

During the year ended December 31, 2020, the Company hired a new CFO to manage financial reporting, increase the segregation of duties, and implement increased financial controls.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

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

Name	Age	Position(s)
Timothy A. Hannibal	52	President & Chief Operating Officer
Chris Kohler	40	Chief Financial Officer
Alton Irby	80	Director
Marc S. Schessel	58	Director
Mark Shefts	63	Director
Steven Wallitt	59	Director

Background of Officers and Directors

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

Timothy A. Hannibal

Mr. Hannibal has over 29 years' experience in SaaS and cloud technology, driving revenue, go-to-market strategies, mergers and acquisitions and executive management. Mr. Hannibal joined the Company in January 2019 as our Chief Revenue Officer. He was appointed interim Chief Financial Officer on June 10, 2020. On August 10, 2020, Mr. Hannibal was appointed President, Chief Operating Officer and a member of the Board of Directors. Prior to joining the Company, Mr. Hannibal was an executive at Primrose Solutions (the predecessor to the SCWorx) which he joined in September of 2016. At Primrose, Mr. Hannibal was responsible for overseeing marketing, sales and operations, including executing the Company's business plan. Mr. Hannibal has a successful track record of growth and management at both startup and national companies. Prior to joining Primrose, Mr. Hannibal was the President and CEO of VaultLogix, a company he founded, for thirteen years. VaultLogix was a leading SaaS company in the cloud backup industry before being acquired by J2 Global.

Chris Kohler

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

Alton Irby

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

Marc Schessel

Mr. Schessel, is SCWorx's founder and former Chief Executive Officer. He continues to serve on the Board of Directors, though he has not been renominated to serve on the Board after the Special Meeting in lieu of 2020 Annual Meeting to be held in May 2021. He also serves as a consultant to the Company. He founded SCWorx's predecessor (Primrose LLC) in 2012 and has been Chairman and CEO of SCWorx since then. Commencing his work in supply chain during his ten years in the Marine Corps, Mr. Schessel was awarded the Naval Achievement medal along with the Naval Commendation medal for services rendered in creating the first automated supply and logistics software (M triple S) which was ultimately put in service at leading corporations such as Sears and IBM. Since leaving the Marine Corps, Mr. Schessel has continued his work in refining programmatic solutions for the most complex and critical supply chains in the country — the healthcare industry. Working in all facets of the Healthcare Supply Chain, Mr. Schessel spent over ten years as a Vice President of Supply Chain for a large NYC based Integrated Delivery Network before forming his own consultancy — focused on delivering automated solutions to Providers, Business-to-Business (B2B) e-commerce companies (GHX), tier one consulting firms, GPOs, distributors, payors and manufacturers. Mr. Schessel also served as a consultant to the United Nations — developing an automated Emergency Medical Response program that, based on the event, forecasts the items, quantities and logistical delivery networks crucial for responders, allowing countries by region to better plan, stock and store critical supplies.

Mark Shefts

Mr. Shefts, has served as a director and a member of our audit committee, compensation committee and nominating committee since May 15, 2020. Mr. Shefts was a member of the board of directors and chairman of the audit committee of Alliance MMA, Inc. from August 2016 to October 2017. Since 2004, Mr. Shefts has served as the Chief Executive Officer of The Rushcap Group, Inc., a privately held investment and consulting firm. Since 2005, Mr. Shefts has served as a Trustee of The Onyx & Breezy Foundation, a non-profit organization. Previously, Mr. Shefts was the Director, President and co-owner of All-Tech Investment Group Inc., from 1987 to 2001, and Domestic Securities, Inc., from 1993 to 2011, each an SEC-registered broker dealer. Mr. Shefts has previously owned seats on both the New York Stock Exchange and the Chicago Stock Exchange. Mr. Shefts has been an arbitrator for the American Arbitration Association and FINRA Dispute Resolution, Inc. with an area of specialization in the field of financial services. Mr. Shefts has held FINRA Series 7, 24 and 63 licenses and a Series 27 qualification as a Financial and Operations Principal. Mr. Shefts is also certified as Financial Services Auditor and a Certified Fraud Examiner. Mr. Shefts has been a Director, EVP & Chief Financial officer of Arbor Entech Corp. and Solar Products Sun-Tank, Inc., each a publicly traded company. Mr. Shefts holds a BS in accounting from Brooklyn College of The City University of New York.

Steven Wallitt

Mr. Wallitt, has worked as owner and director of a packaging materials company since 1981. He is responsible for decision making in all areas of the company, including sourcing the best and most efficient methods for achieving maximum profitability and the highest quality standards. He has extensive knowledge in evaluating sales and marketing proposals. Beginning in 2008, he has been an investor in both private and public companies, as well as early-stage public companies with personal investments of \$50,000 to more than \$3,000,000. He has consulted for many of these companies in areas ranging from public market strategies, growth strategies, evaluating contract proposals, cost control and evaluating employee responsibilities in order to achieve maximum efficiencies. Since 2014, Mr. Wallitt has been an advisory board member to Redtower Capital, a California-based investment firm where he advises on all aspects of client identification, sales and marketing strategies and profit maximization. Since 2017, he has been a significant investor in Alliance MMA and SCWorx. Mr. Wallitt holds a BA degree in communications from Rider College, Lawrenceville, NJ.

Code of Business Conduct and Ethics

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

Family Relationships

There are no family relationships between any of our directors, executive officers or significant employees, except that Mr. Schessel, who is currently a director, is the father-in-law of Chad Otens and Theodore Dembowski, two of our significant software developers.

Involvement in Certain Legal Proceedings

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

Board Composition

The Board of Directors currently consists of five directors. Each director will serve in office until the Special Meeting in lieu of 2020 annual meeting of stockholders (to be held in May 2021) or until their successors have been duly elected and qualified, or until the earlier of their respective death, resignation or removal

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

Term of Office

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

Committees of the Board of Directors

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

Audit Committee

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

Compensation Committee

The Compensation Committee oversees our executive compensation and recommends various incentives for key employees to encourage and reward increased corporate financial performance, productivity and innovation. The members of the compensation committee are Mr. Shefts and Mr. Wallitt.

Nominating and Governance Committee

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

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

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

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

Changes in Nominating Procedures

None.

Section 16(a) Beneficial Ownership Reporting Compliance

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

Based solely on our review of the copies of such reports received by us, and on written representations by our officers and directors regarding their compliance with the applicable reporting requirements under Section 16(a) of the Exchange Act, and without conducting an independent investigation of our own, we believe that with respect to the fiscal year ended December 31, 2020, our officers and directors, and all of the persons known to us to beneficially own more than 10% of our common stock filed all required reports on a timely basis except for an initial Form 4 filing by our newly appointed CFO due to his needing to apply for Edgar codes.

Item 11. Executive Compensation

The following summary compensation table sets forth information concerning compensation for services rendered in all capacities during 2020 and 2019 awarded to, earned by or paid to our executive officers. The value attributable to any option awards and stock awards reflects the grant date fair values of stock awards calculated in accordance with FASB Accounting Standards Codification Topic 718. As described further in Note 9, Stockholders' Equity, to our consolidated year-end financial statements, the assumptions made in the valuation of these option awards and stock awards is set forth therein.

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Changes in Pension Value and Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Marc Schessel (1) Chairman and Former Chief Executive Officer	2020	373,750	-	240,000	-	-	-	29,805	643,555
	2019	366,667	-	486,750	-	-	-	27,528	880,945
Timothy Hannibal (2) President, Chief Operating Officer and director	2020	244,000	-	1,881,101	-	-	-	37,394	2,162,495
	2019	200,000	-	324,500	-	-	-	22,916	547,416
Chris Kohler (3) Chief Financial Officer	2020	12,000	-	-	-	-	-	-	12,000
	2019	-	-	-	-	-	-	-	-
James Schweikert (4) Former Chief Operating Officer	2020	-	-	-	-	-	-	-	-
	2019	145,833	-	1,263,750	-	-	-	17,519	1,427,102
John Price (5) Former Chief Financial Officer	2020	-	-	-	-	-	-	-	-
	2019	237,500	-	1,839,250	-	-	-	41,959	2,172,709

- (1) Mr. Schessel was appointed Chairman and Chief Executive Officer of SCWorx Corp (f/k/a Alliance MMA, Inc.) on February 1, 2019. On January 19, 2020 Mr. Schessel resigned as Chief Executive Officer but remains as Chairman.
- (2) Mr. Hannibal was hired as Chief Revenue Officer on February 1, 2019 and was appointed Interim Chief Financial Officer on June 10, 2020. On August 10, 2020 Mr. Hannibal was appointed President and Chief Operating Officer.
- (3) Mr. Kohler was hired as Chief Financial Officer on November 1, 2020.
- (4) Mr. Schweikert was appointed Chief Operating Officer on May 31, 2019. Mr. Schweikert's employment was terminated by mutual agreement on April 29, 2020.
- (5) Mr. Price was President and Chief Financial Officer of Alliance MMA, until the acquisition on February 1, 2019, at which time he was appointed our Chief Financial Officer. He resigned on October 25, 2019.

Directors' Compensation

The following summary compensation table sets forth information concerning compensation for services rendered in all capacities during 2020 and 2019 awarded to, earned by or paid to our directors. The value attributable to any stock option awards reflects the grant date fair values of stock awards calculated in accordance with ASC Topic 718.

Name	Year	Fees Earned or Paid in Cash (\$)	Stock Award (\$)	Option Award (\$)	Non-equity Incentive Plan Compensation (\$)	Non-qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Mark Shefts (1) Director	2020 2019	- -	727,685 -	- -	- -	- -	- -	727,685 -
Steven Wallitt (2) Director	2020 2019	- -	240,000 -	- -	- -	- -	- -	240,000 -
Alton Irby (3) Director	2020 2019	- -	- -	- -	- -	- -	- -	- -
Francis Knuettel (4) Former Director	2020 2019	- -	- 135,000	- 73,528	- -	- -	- -	- 208,528
Ira Ritter (5) Former Director	2020 2019	- -	- -	- 203,108	- -	- -	- -	- 203,108
Joseph Gamberale (6) Former Director	2020 2019	- -	- -	- -	- -	- -	- 20,955	- 20,955
Charles K. Miller (7) Former Director	2020 2019	- -	240,000 -	- 203,108	- -	- -	- -	240,000 203,108
Robert Christie (8) Former Director	2020 2019	- -	- -	- 203,108	- -	- -	- -	- 203,108
Joel D Tracy Former Director	2020 2019	- -	- -	- -	- -	- -	- 29,777	- 29,777
Burt Watson Former Director	2020 2019	- -	- -	- -	- -	- -	- -	- -

(1) Mark Shefts was appointed as a Director on May 15, 2020.

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

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

(4) Francis Knuettel was appointed as a Director on February 1, 2019 and resigned on December 31, 2019.

(5) Ira Ritter was appointed as a Director on February 1, 2019 and resigned on December 31, 2019.

(6) Joseph Gamberale was appointed as a Director on February 12, 2015 and resigned on February 1, 2019. His other compensation includes the costs of health insurance premiums paid on his behalf.

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

(8) Robert Christie was appointed as a Director on February 1, 2019 and resigned April 29, 2020.

(9) Joel D. Tracy was appointed as a Director on September 30, 2016 and resigned February 1, 2019. His other compensation includes the costs of health insurance premiums paid on his behalf.

(10) Burt Watson was appointed as a Director on September 30, 2016 and resigned February 1, 2019.

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

The following table sets forth certain information regarding beneficial ownership of our common stock as of May 15, 2021: (i) by each of our directors, (ii) by each of the named executive officers, (iii) by all of our executive officers and directors as a group, and (iv) by each person or entity known by us to beneficially own more than five percent (5%) of any class of our outstanding shares. As of May 15, 2021, there were 10,029,433 shares of our common stock outstanding.

Amount and Nature of Beneficial Ownership as of May 15, 2021 (1)

Named Executive Officers and Directors	Common Stock	Preferred Stock	Options/ Warrants	Total	Percentage Ownership
<i>Current</i>					
Marc Schessel (5)	1,506,606	—	—	1,506,606	15
Timothy Hannibal	368,420	—	—	368,420	3.7
Chris Kohler	—	—	—	—	*
Steven Wallitt(4)	200,120	5,000	—	213,278	2.1
Mark Shefts(3)	159,391	—	2,340	159,391	1.6
Alton Irby	—	—	—	—	*
Directors and Executive Officers as a Group (6 persons)	2,234,537	5,000	—	2,247,695	22.4
<i>Former</i>					
Ira Ritter	—	—	—	—	*
Frank Knuettel II	—	—	—	—	*
Charles K. Miller	3,289	—	—	3,289	*
Joseph Gamberale	400,780	—	82,238	438,018	4.4
Robert Christie	—	—	—	—	*
Joel D. Tracy(2)	19,026	24,105	—	82,461	*
Burt Watson	878	—	—	878	*
John Price	—	—	34,211	34,211	*

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

- (1) In determining beneficial ownership of our common stock as of a given date, the number of shares shown includes shares of common stock that may be acquired upon the exercise of stock options within 60 days of May 15, 2021. In determining the percent of common stock owned by a person or entity on May 15, 2021, (a) the numerator is the number of shares of the class beneficially owned by such person or entity, including shares which may be acquired within 60 days of May 15, 2021 upon the exercise of stock options, and (b) the denominator is the sum of (i) the total shares of common stock outstanding on May 15, 2021 and (ii) the total number of shares that the beneficial owner may acquire upon exercise of stock options within 60 days of May 15, 2021. Unless otherwise indicated, the address of each of the individuals and entities named below is c/o SCWorx Corp., 590 Madison Avenue, 21st Floor, New York, New York 10022.
- (2) In addition to the 11,131 shares of common stock held directly, also includes 7,895 shares of common stock held by a relation of Mr. Tracy. Mr. Tracy has voting and disposition power over the shares. Total holdings also includes 63,435 Common Shares issuable upon conversion of Series A Preferred Stock
- (3) In addition to the 11,704 shares of common stock held directly, also includes 7,968 shares held by the Rushcap Group, Inc., of which Mr. Shefts and his spouse, Wanda Shefts, are the sole stockholders. Mr. Shefts has voting and dispositive power over the shares held by the Rushcap Group, Inc.
- (4) Total holdings includes 13,158 Common Shares issuable upon conversion of Series A Preferred Stock.
- (5) Mr. Schessel resigned as Chief Executive Officer on January 9, 2021 but remains as Chairman as of the date of this filing.

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

Prior to the completion of our initial public offering, our Board of Directors adopted the Alliance MMA 2016 Equity Incentive Plan (the “2016 Plan”) pursuant to which we may grant shares of our common stock to our directors, officers, employees or consultants. Our stockholders approved the 2016 Plan at our annual meeting of stockholders held September 1, 2017, and on January 30, 2019 approved the Amended and Restated 2016 Plan, which permits the issuance of up to 3,000,000 shares. Unless earlier terminated by the Board of Directors, the 2016 plan will terminate, and no further awards may be granted, after July 30, 2026.

The following sets forth the stock option awards to our officers and directors as of December 31, 2020.

Outstanding Equity Awards at December 31, 2020

Name	Option Awards					Stock Awards			
	Number of securities underlying unexercised options exercisable	Number of securities underlying unexercised options unexercisable	Equity incentive plan awards: Number of securities underlying unexercised options	Option exercise price	Option expiration date	Number of shares or units of stock that have not vested	Market value of shares or units of stock that have not vested	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested	Equity incentive plan awards: Market value of unearned shares, units or other rights that have not vested
<i>Current Officers</i>									
Timothy Hannibal									
First award	-	-	-	\$ -	-	-	\$ -	20,833	\$ 135,208
Second award	-	-	-	\$ -	-	-	\$ -	205,054	\$ 635,667
Third award	-	-	-	\$ -	-	-	\$ -	100,000	\$ 310,000

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

Certain Relationships and Related Transactions

The Company incurred interest expense of \$23,720 to Mark Munro, a related party during the year ended December 31, 2019, which was accrued and converted to Series A Preferred Stock in 2019.

On July 24, 2020, the Company’s then Chief Executive Officer, Marc Schessel, transferred 20,000 of his personally held common shares to Mark Shefts, a Director as compensation for acting as a director. The company deemed this transfer to be in consideration for services and recorded a non-cash expense of \$115,100 for the fair value of the shares transferred.

Included in accounts payable at December 31, 2020 are amounts due to officers of the Company in the amount of \$153,838.

Included in accounts receivable at December 31, 2020 are amounts due from a former officer and director of the Company in the amount of \$28,673.

On January 19, 2020, Marc. S. Schessel’s employment as CEO of SCWorx, Corp., a Delaware corporation, ceased by mutual agreement, and the Company and Mr. Schessel concurrently entered into a consulting agreement under which Mr. Schessel will provide consulting services to the Company. The Consulting Agreement provides for annual consulting fees of \$295,000. In addition, such agreement provides for cash and equity bonuses based on revenue generation. The Consulting Agreement is for a term of two years, but may be terminated by the Company for “cause” (as defined) or by either party for any reason or no reason upon sixty days prior notice. The Consulting Agreement also contains non-competition and non-solicitation provisions which are applicable during the term of the Consulting Agreement and for a period of two years thereafter.

Director Independence

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

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

Item 14. Principal Accountant Fees and Services

The Audit Committee of the Board of Directors has selected BF Borgers CPA PC, an independent registered public accounting firm, to audit our financial statements for the year ending December 31, 2020. BF Borgers CPA PC has served as our independent registered public accounting firm since April 2021. Prior to April 2021, the Company's independent registered public accounting firm was Sadler Gibb & Associates, LLC, and for the year ending December 31, 2019, Withum served as the Company's independent registered public accounting firm.

Principal Accountant Fees and Services

During 2020 and 2019, fees for services provided by Sadler Gibb were as follows:

	For the year ended December 31,	
	2020	2019
Audit Fees	\$ 10,000	\$ -
Audit-Related Fees	-	-
Tax Fees	-	-
All Other Fees	-	-
Total	<u>\$ 10,000</u>	<u>\$ -</u>

During 2020 and 2019, fees for services provided by Withum were as follows:

	For the year ended December 31,	
	2020	2019
Audit Fees	\$ 131,637	\$ 233,589
Audit-Related Fees	-	-
Tax Fees	-	-
All Other Fees	-	-
Total	<u>\$ 131,637</u>	<u>\$ 233,589</u>

Audit Fees

Audit fees for 2020 and 2019 include amounts related to the audit of our annual consolidated financial statements and quarterly review of the consolidated financial statements included in our Quarterly Reports on Form 10-Q.

Audit Related Fees

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

Tax Fees

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

All Other Fees

There were no other fees billed for services rendered to our company, other than the services described above, in 2020 and 2019.

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

PART IV

Item 15. Exhibits and Financial Statement Schedules

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

- (1) *Financial Statements*. See Index to Consolidated Financial Statements, which appears on page F-1 hereof. The consolidated financial statements listed in the accompanying Index to Consolidated Financial Statements are filed herewith in response to this Item.
- (2) *Financial Statement Schedules*. Schedules are omitted because the required information is not present or is not present in amounts sufficient to require submission of the schedule or because the information required is given in the consolidated financial statements or the notes thereto.
- (3) *Exhibits*. The information required by this Item 15 is incorporated by reference to the Index to Exhibits accompanying this Annual Report on Form 10-K.

SIGNATURES

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

SCWorx Corp.

By: /s/ Timothy Hannibal
Timothy Hannibal
President, Chief Operating Officer
May 19, 2021

By: /s/ Chris Kohler
Chris Kohler
Chief Financial Officer
May 19, 2021

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

/s/ Timothy Hannibal
Timothy Hannibal
President, Chief Operating Officer
May 19, 2021

/s/ Chris Kohler
Chris Kohler
Chief Financial Officer
May 19, 2021

/s/ Mark Shefts
Mark Shefts,
Director
May 19, 2021

/s/ Steven Wallitt
Steven Wallitt,
Director
May 19, 2021

/s/ Alton Irby
Alton Irby
Director
May 19, 2021

Index to Consolidated Financial Statements

SCWorx Corp.
Consolidated Financial Statements

	<u>Page Number</u>
Consolidated balance sheets as of December 31, 2020 and 2019	F-4
Consolidated statements of operations for the years ended December 31, 2020 and 2019	F-5
Consolidated statements of changes in stockholders' equity for the years ended December 31, 2020 and 2019	F-6
Consolidated statements of cash flows for the years ended December 31, 2020 and 2019	F-7
Notes to consolidated financial statements	F-8

F-1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of SCWorx Corp. (the "Company") as of December 31, 2020, the related statement of operations, stockholders' equity (deficit), and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

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

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

Basis for Opinion

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

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

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

/s/ BF Borgers CPA PC

BF Borgers CPA PC

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

May 19, 2021

F-2

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders' and the Board of Directors of SCWorx Corp.:

Opinion On The Financial Statements

We have audited the accompanying consolidated balance sheet of SCWorx Corp. (the "Company") as of December 31, 2019, and the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows for the year then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2019, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Substantial Doubt Regarding Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the entity has suffered recurring losses from operations, has negative cash flows from operations, and has an accumulated deficit, that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

We have served as the Company's auditor since 2018.

/s/ WithumSmith+Brown, PC

East Brunswick, NJ
June 12, 2020

F-3

SCWorx Corp. Consolidated Balance Sheets

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
ASSETS		
Current assets:		
Cash	\$ 376,425	\$ 487,953
Accounts receivable - net	722,159	799,246
Inventory	998,440	-
Prepaid expenses and other assets	87,630	11,160
Total current assets	<u>2,184,651</u>	<u>1,298,359</u>
Fixed assets - net	76,156	105,199
Goodwill	8,366,467	8,366,467
Intangible assets - net	-	205,219
Other assets	-	17,561
Total assets	<u>\$ 10,627,274</u>	<u>\$ 9,992,805</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,570,115	\$ 2,010,556
Accounts payable and accrued liabilities – related party	153,838	-
Shareholder advance	475,000	-
Deferred revenue	2,025,333	1,056,637
Equity financing	375,000	-
Total current liabilities	<u>4,599,286</u>	<u>3,067,193</u>
Long-term liabilities:		
Loan payable	293,972	-
Total long-term liabilities	<u>293,972</u>	<u>-</u>
Total liabilities	<u>4,893,258</u>	<u>3,067,193</u>
Commitments and contingencies		
Stockholders' equity:		
Series A Convertible Preferred stock, \$0.001 par value; 900,000 shares authorized; 84,872 and 578,567 shares issued and outstanding, respectively	85	579
Common stock, \$0.001 par value; 45,000,000 shares authorized; 9,895,600 and 7,390,261 shares issued and outstanding, respectively	9,896	7,391
Additional paid-in capital	25,920,858	19,712,115
Accumulated deficit	(20,196,823)	(12,794,473)
Total stockholders' equity	<u>5,734,016</u>	<u>6,925,612</u>

Total liabilities and stockholders' equity	<u>\$ 10,627,274</u>	<u>\$ 9,992,805</u>
--	----------------------	---------------------

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

F-4

SCWorx Corp.
Consolidated Statements of Operations

	For the years ended December 31,	
	2020	2019
Revenue	\$ 5,213,118	\$ 5,548,119
Operating expenses:		
Cost of revenues	3,515,279	4,382,083
General and administrative	7,742,850	13,063,527
Total operating expenses	<u>11,258,129</u>	<u>17,445,610</u>
Loss from operations	(6,045,011)	(11,897,491)
Other income (expenses):		
Interest expense	-	(23,720)
Interest income	-	37,773
Gain on fair value of convertible notes receivable	-	372,282
Gain on fair value of warrant asset	-	55,000
Loss on settlement of accounts payable	(1,357,339)	-
Other expense	-	(7,990)
Gain on exchange of debt for common stock – related party	-	151,646
Total other income (expense)	<u>(1,357,339)</u>	<u>584,991</u>
Net loss before income taxes	<u>(7,402,350)</u>	<u>(11,312,500)</u>
Provision for (benefit from) income taxes	-	-
Net loss	<u>\$ (7,402,350)</u>	<u>\$ (11,312,500)</u>
Net loss per share, basic and diluted	<u>\$ (0.88)</u>	<u>\$ (1.81)</u>
Weighted average common shares outstanding, basic and diluted	<u>9,057,127</u>	<u>6,263,846</u>

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

F-5

SCWorx Corp.
Consolidated Statements of Changes in Stockholders' Equity

Year ended December 31, 2020	Preferred Stock		Common stock		Additional paid-in capital	Accumulated deficit	Total
	Shares	\$	Shares	\$			
Balances, December 31, 2019	578,567	\$ 579	7,390,261	\$ 7,391	\$ 19,712,115	\$ (12,794,473)	\$ 6,925,612
Conversion of Series A Convertible Preferred Stock into common stock	(493,695)	(494)	1,299,200	1,299	(805)	-	-
Settlement of Accounts Payable	-	-	441,567	441	2,747,086	-	2,747,527
Shares issued in cashless exercise of warrants	-	-	415,904	416	(416)	-	-
Shares issued in cashless exercise of options	-	-	86,424	86	(86)	-	-
Warrants exercised for cash	-	-	7,000	7	38,563	-	38,570
Shares issued to current and former employees and directors	-	-	218,402	218	146,007	-	146,225
Stock based compensation	-	-	-	-	3,138,432	-	3,138,432
Shares issued for equity financing	-	-	36,842	38	139,962	-	140,000
Net Loss	-	-	-	-	-	(7,402,350)	(7,402,350)
Ending balance, December 31, 2020	<u>84,872</u>	<u>\$ 85</u>	<u>9,895,600</u>	<u>\$ 9,896</u>	<u>\$ 25,920,858</u>	<u>\$ (20,196,823)</u>	<u>\$ 5,734,016</u>
Year ended December 31, 2019	Preferred Stock		Common stock		Additional paid-in capital	Accumulated deficit	Total
	Shares	\$	Shares	\$			
Balances, December 31, 2018	-	\$ -	5,838,149	\$ 5,838	\$ 1,244,273	\$ (1,481,973)	\$ (231,862)
Surrender of common shares in settlement of due from stockholder balance	-	-	(574,991)	(575)	(1,608,258)	-	(1,608,833)

Series A Convertible Preferred share issuance (Alliance MMA)	629,138	629	-	-	5,980,501	-	5,981,130
Issuance of common stock in settlement of Series A Convertible Preferred Stock contractual fee	-	-	73,156	73	209,885	-	209,958
Conversion of Series A Convertible Preferred Stock into common stock	(240,571)	(240)	633,082	634	(394)	-	-
Issuance of common stock	-	-	1,283,124	1,283	5,883,078	-	5,884,361
Series A Convertible Preferred share issuance	-	-	-	-	-	-	-
Conversion of notes payable - related party into Series A Convertible Preferred share issuance	190,000	190	-	-	1,899,810	-	1,900,000
Exercise of warrants	-	-	11,075	11	67,537	-	67,548
Settlement of disputed contractual claim	-	-	19,801	20	117,982	-	118,002
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 founder's transfers of common shares to contractors	-	-	-	-	5,322,930	-	5,322,930
Stock-based compensation related to employee and contractor equity awards	-	-	78,290	78	2,159,247	-	2,159,325
Common stock issued in settlement of litigation	-	-	24,843	25	74,975	-	75,000
Stock and warrant dividend	-	-	-	-	(1,705,722)	-	(1,705,722)
Net loss	-	-	-	-	-	(11,312,500)	(11,312,500)
Ending balance, December 31, 2019	<u>578,567</u>	<u>\$ 579</u>	<u>7,390,261</u>	<u>\$ 7,391</u>	<u>\$ 19,712,115</u>	<u>\$ (12,794,473)</u>	<u>\$ 6,925,612</u>

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

F-6

SCWorx Corp.
Consolidated Statements of Cash Flows

	For the years ended December 31,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (7,402,350)	\$ (11,312,500)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	29,043	6,453
Amortization of intangibles	205,219	34,781
Stock-based compensation	3,284,570	7,482,254
Loss on settlement of accounts payable	1,612,538	-
Bad debt expense	73,993	344,412
Gain (loss) on change in fair value of warrant assets	-	(55,000)
Settlement of disputed contractual claim	-	118,002
Issuance of warrants in settlement of lease dispute	-	66,275
Common stock issued in settlement of litigation	-	75,000
Gain on exchange of debt for common stock	-	(151,646)
Issuance of common stock in settlement of Series A Convertible Preferred Stock contractual fee	-	209,958
Gain (loss) on change in fair value of convertible notes receivable	-	(372,282)
Non cash interest income	-	(37,773)
Non cash interest expense	-	23,720
Other income	-	7,990
Changes in operating assets and liabilities (net of amounts acquired):		
Accounts receivable	3,097	(622,966)
Prepaid expenses and other assets	(76,470)	(11,160)
Inventory	(523,440)	-
Other assets	17,561	(17,561)
Accounts payable and accrued liabilities	848,473	(719,170)
Deferred revenue	968,696	239,923
Net cash used in operating activities	<u>(959,070)</u>	<u>(4,691,290)</u>
Cash flows from investing activities:		
Cash acquired in reverse acquisition	-	5,441,437
Investment in AMMA warrant	-	(19,000)
Advances to shareholder	-	(199,549)
Purchase of convertible notes receivable - Alliance MMA	-	(196,000)
Purchase of fixed assets	-	(111,652)
Net cash provided by investing activities	<u>-</u>	<u>4,915,236</u>
Cash flows from financing activities:		
Proceeds from equity financing	515,000	-
Proceeds from loan payable	293,972	-
Proceeds from notes payable - related party	-	120,000
Proceeds from exercise of warrants	38,570	67,548
Net cash provided by financing activities	<u>847,542</u>	<u>187,548</u>
Net (decrease) increase in cash	(111,528)	411,494
Cash, beginning of period	487,953	76,459
Cash, end of period	<u>\$ 376,425</u>	<u>\$ 487,953</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Non-cash investing and financing activities:		
Cashless exercise of warrant	\$ 416	\$ 4
Cashless exercise of options	\$ 86	\$ -

Settlement of accounts payable with issuance of common stock	\$ 2,747,615	\$ -
Shareholder advances for purchase of inventory	\$ 475,000	\$ -
Issuance of warrant in settlement of vendor liability	\$ -	\$ 66,275
Conversion of Series A Convertible Preferred Stock into common shares		\$ 2,092,445
Common stock issued in settlement of litigation		\$ 75,000
Surrender of common stock in settlement of due from shareholder balance	\$ -	\$ 1,608,833
Stock and warrant dividend	\$ -	\$ 1,705,722
Warrants issued to company	\$ -	\$ 19,000
Issuance of preferred stock penalty		\$ 209,958
Interest receivable converted to common stock		\$ 145,000
Conversion of notes payable-related party into common stock		\$ 151,646
Conversion of notes payable-related party and interest into Series A Convertible Preferred Stock	\$ -	\$ 1,900,000
Issuance of preferred and common stock in connection with acquisition of Alliance MMA, net of cash	\$ -	\$ 6,424,054
Measurement period goodwill adjustment		\$ 99,815
Settlement of disputed contractual claim with issuance of common stock	\$ -	\$ 118,002

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

F-7

SCWorx Corp.
Notes to Consolidated Financial Statements

Note 1. Description of Business

Nature of Business

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

Business Combination and Related Transactions

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 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 purchase accounting for the transaction.

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 improve the flow of information quickly and accurately between the existing supply chain, electronic medical records, clinical systems, and patient billing functions. The software is designed to achieve multiple operational benefits such as supply chain cost reductions, decreased accounts receivables aging, accelerated and more accurate billing, contract optimization, increased supply chain management and cost visibility, synchronous Charge Description Master (“CDM”) and control of vendor rebates and contract administration fees.

F-8

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

- virtualized Item Master File repair, expansion and automation;
- CDM management;

- contract management;
- request for proposal automation;
- rebate management;
- big data analytics modeling; and
- data integration and warehousing.

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

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

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

On March 16, 2020, in response to the COVID-19 pandemic, SCWorx established a wholly-owned subsidiary, Direct-Worx, LLC, with the intention of utilizing the SCWorx database to identify trends within the purchasing supply chain and then use this information to assist the Company in its endeavors to provide critical, difficult-to-find items for the healthcare industry.

The Company sought to provide COVID-19 Rapid Test Kits and PPE — Personal Protective Equipment to the healthcare industry. PPE includes items such as masks, gloves, gowns, shields, etc.

The Company has extensive experience in the healthcare industry and industry contacts, and a database of items specifically designated to assist the healthcare industry in fulfilling its inventory demands.

The sale of PPE and rapid test kits for COVID-19 represented a new business for the Company and is subject to the myriad risks associated with any new venture. The Company encountered great difficulty in attempting to secure reliable sources of supply for both COVID-19 Rapid Test Kits and PPE. The Company currently has no contracted supply of Rapid Test Kits or PPE. During the year ended December 31, 2020, the Company has completed only minimal sales of COVID-19 rapid test kits and PPE. In addition, changes in market conditions and FDA processes governing the sale of COVID-19 serology tests could have the effect of rendering the COVID-19 serology tests held by the Company not saleable in the United States, which could have a material adverse effect on the Company's financial condition and results of operations. There can be no assurance that the Company will be able to generate any significant revenue from the sale of PPE products or rapid test kits, and as of the date of this report, the Company has not generated any material revenue from the sale of PPE or rapid test kits.

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

SCWorx, as part of the acquisition of Alliance MMA, operates an online event ticketing platform focused on serving regional MMA ("mixed martial arts") promotions.

Impact of the COVID-19 Pandemic

The Company's operations and business have experienced disruption due to the unprecedented conditions surrounding the COVID-19 pandemic spreading throughout the United States and the world. The New York and New Jersey area, where the Company is headquartered, was at one of the early epicenters of the coronavirus outbreak in the United States. The outbreak has since spread to the rest of the country and is adversely impacting new customer acquisition. The Company has been following the recommendations of local health authorities to minimize exposure risk for its team members since the outbreak.

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

The Company is endeavoring to mitigate these impacts to revenue through the sale of personal protective equipment ("PPE") and COVID-19 rapid test kits to the health care industry, including many of the Company's hospital customers. The Company's Chief Executive Officer and employees have experience in the healthcare industry and industry contacts, and a database of items designed to assist the healthcare industry in fulfilling its inventory demands.

On March 16, 2020, in response to the COVID-19 pandemic, SCWorx established a wholly-owned subsidiary, Direct-Worx, LLC to endeavor to source and provide critical, difficult-to-find items for the healthcare industry. Items have become difficult to source due to unexpected disruptions within the supply chain, such as the COVID-19 pandemic. Notwithstanding these efforts, the Company has to date realized only a minimal amount of revenue from the sale of PPE and Test Kits.

Note 2. Liquidity and Going Concern

Liquidity and Going Concern

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

The Company has suffered recurring losses from operations and incurred a net loss of \$7,402,350 for the year ended December 31, 2020 and \$11,312,500 for the year ended December 31, 2019. The accumulated deficit as of December 31, 2020 was \$20,196,823. The Company has not yet achieved profitability and expects to continue to incur cash outflows from operations. It is expected that its operating expenses will continue to increase and, as a result, the Company will eventually need to generate significant

increases in product revenues to achieve profitability. These conditions indicate that there is substantial doubt about the Company's ability to continue as a going concern within one year after the financial statement issuance date.

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

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

F-10

Note 3. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

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

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

Reverse Stock Split

On February 1, 2019, the Company effected a 1-for-19 reverse stock split with respect to the outstanding shares of its common stock. The reverse stock split was deemed effective on February 4, 2019. The reverse stock split did not affect the total number of shares of common stock that the Company is authorized to issue, which is 45,000,000 shares. The reverse stock split also did not affect the total number of shares of Series A preferred stock that the Company is authorized to issue, which is 900,000 shares. Share and per share data have been adjusted for all periods presented to reflect the reverse stock split unless otherwise noted.

Cash

Cash is maintained with various financial institutions. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. Amounts in excess of the FDIC insured limit for the years ended December 31, 2020 and 2019 were \$113,361 and zero, respectively.

Fair Value of Financial Instruments

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

Concentration of Credit and Other Risks

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash, accounts receivable, due from shareholder, convertible notes receivable and warrants. The Company believes that any concentration of credit risk in its accounts receivable is substantially mitigated by the Company's evaluation process, relatively short collection terms and the high level of credit worthiness of its customers. The Company performs ongoing internal credit evaluations of its customers' financial condition, obtains deposits and limits the amount of credit extended when deemed necessary but generally requires no collateral. 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 SCWorx by Alliance and conversion of the notes payable - related party into shares of Series A Convertible Preferred Stock and the settlement of the due from stockholder balance with the surrender of 1,401 SCWorx shares of common stock in January 2019.

F-11

For the year ended December 31, 2020 the Company had two customers representing 22% and 17% of aggregate revenues. For the year ended December 31, 2019, the Company had two customers representing 19% and 10% of aggregate revenues. At December 31, 2020, we had three customers representing 35%, 32% and 10% of aggregate accounts receivable. At December 31, 2019, the Company had four customers representing 17%, 14%, 10% and 10% of aggregate accounts receivable.

Allowance for Doubtful Accounts

The Company continually monitors customer payments and maintains a reserve for estimated losses resulting from its customers' inability to make required payments. In determining the reserve, the Company evaluates the collectability of its accounts receivable based upon a variety of factors. In cases where the Company becomes aware of circumstances that may impair a specific customer's ability to meet its financial obligations, the Company records a specific allowance against amounts due. For all other customers, the Company recognizes allowances for doubtful accounts based on its historical write-off experience in conjunction with the length of time the receivables are past due, customer creditworthiness, geographic risk and the current business environment. Actual future losses from uncollectible accounts may differ from the Company's estimates. The Company recorded an allowance for doubtful accounts as of December 31, 2020 and 2019 of \$183,277 and \$344,412, respectively.

Inventory

The inventory balance at December 31, 2020 is related to the Company's Direct-Worx, LLC subsidiary and consisted of approximately 87,000 gowns and approximately 47,000 test kits. These items are carried on the consolidated balance sheet at cost. A company affiliated with a shareholder advanced the \$475,000 in cash to the supplier of the test kits and the amount due is recorded in shareholder advance.

Inventory is valued at the lower of cost or market value. When market value is determined to be less than cost, the Company records an allowance. As of December 31, 2020 and 2019, the Company had allowances of \$0.

Leases

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

Business Combinations

The Company includes the results of operations of a business it acquires 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 5, Business Combinations.

F-12

Goodwill and Purchased Identified Intangible Assets

Goodwill

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

Identified intangible assets

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

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

Property and Equipment

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

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

Depreciation expense for the years ended December 31, 2020 and 2019 was \$29,043 and \$6,453, respectively.

Revenue Recognition

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

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

F-13

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

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

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

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

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

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

Data Normalization and Professional Services

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

SaaS and Maintenance

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

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

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

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

PPE Inventory sales

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

Brokered PPE sales

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

Remaining Performance Obligations

As of December 31, 2020, we had \$2,025,333 of remaining performance obligations recorded as deferred revenue. We expect to recognize sales relating to these existing performance obligations of during 2021.

Costs to Fulfill a Contract

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

Cost of Revenue

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

Contract Balances

Contract assets arise when the revenue associated prior to the Company's unconditional right to receive a payment under a contract with a customer (i.e., unbilled revenue) and are derecognized when either it becomes a receivable or the cash is received. There were no contract assets as of December 31, 2020 and 2019.

Contract liabilities arise when customers remit contractual cash payments in advance of our company satisfying our performance obligations under the contract and are derecognized when the revenue associated with the contract is recognized when the performance obligation is satisfied. Contract liabilities were \$2,025,333 and \$1,056,637 as of December 31, 2020 and 2019, respectively.

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. As of December 31, 2020 and 2019, the Company has evaluated available evidence and concluded that the Company may not realize all the benefits of its deferred tax assets; therefore, a valuation allowance has been established for its deferred tax assets.

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

F-15

On December 22, 2017, the Tax Cuts and Jobs Act of 2017, (the "Tax Act") was enacted. The Tax Act significantly revised the U.S. corporate income tax regime by, including but not limited to, lowering the U.S. corporate income tax rate from 34% to 21% effective January 1, 2018, implementing a territorial tax system, imposing a one-time transition tax on previously untaxed accumulated earnings and profits of foreign subsidiaries, and creating new taxes on foreign sourced earnings. The Company completed the accounting for tax effects of the Tax Act under ASC 740. There were no impacts to the years ended December 31, 2020 and 2019.

Stock-Based Compensation

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

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

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

Loss Per Share

The Company computes earnings (loss) per share in accordance with ASC 260, "Earnings per Share" which requires presentation of both basic and diluted earnings (loss) per share ("EPS") on the face of the income statement. Basic EPS is computed by dividing the loss available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive. As of December 31, 2020 and 2019, the Company had 790,847 and 1,650,511, respectively, common stock equivalents outstanding.

Indemnification

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

F-16

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

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

Contingencies

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

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

Use of Estimates

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

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Update ("ASU") 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 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. We 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 additional disclosures and a right of use asset of approximately \$53,000 included as a component of prepaid expenses and other assets and a lease liability of approximately \$53,000, which is included as a component of accounts payable and accrued liabilities at December 31, 2019. The Company did not have any right of use assets or lease liabilities at December 31, 2020.

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 adopted this new standard in the first quarter of fiscal 2020, and the adoption of 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 adopted this new standard in the first quarter of fiscal 2020, and the adoption of the standard did not have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU 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. We adopted this new standard in the first quarter of fiscal 2020, and the adoption of the standard did not 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 our 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. We adopted this new standard in the first quarter of fiscal 2019, and the adoption of the standard did not have a material impact on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13 ("ASU 2016-13") "Financial Instruments - Credit Losses" ("ASC 326"): *Measurement of Credit Losses on Financial Instruments* which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss model which requires the use of forward-looking information to calculate credit loss estimates. It also eliminates the concept of other-than-temporary impairment and requires credit losses related to available-for-sale debt securities to be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. These changes will result in earlier recognition of credit losses. In November 2019, the FASB issued ASU 2019-10 "Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)" ("ASC 2019-10"), which defers the effective date of ASU 2016-13 to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, for public entities which meet the definition of a smaller reporting company. The Company will adopt ASU 2016-13 effective January 1, 2023. Management is currently evaluating the effect of the adoption of ASU 2016-13 on the consolidated financial statements. The effect will largely depend on the composition and credit quality of our investment portfolio and the economic conditions at the time of adoption.

Note 4. Related Party Transactions

The Company incurred interest expense of \$23,720 to Mark Munro, a related party during the year ended December 31, 2019, which was accrued and converted to Series A Preferred Stock in 2019.

During April, 2020, a company affiliated with a shareholder advanced \$475,000 in cash to the supplier of test kits for their purchase. The amount due is recorded in shareholder advance.

On July 24, 2020, the Company's then Chief Executive Officer, Marc Schessel, transferred 20,000 of his personally held common shares to Mark Shefts, a Director as compensation for acting as a director. The company deemed this transfer to be in consideration for services and recorded a non-cash expense of \$115,100 for the fair value of the shares transferred.

Included in accounts payable at December 31, 2020 are amounts due to officers of the Company in the amount of \$153,838.

Included in accounts receivable at December 31, 2020 are amounts due from a former officer and director of the Company in the amount of \$28,673.

F-18

Note 5. Business Combinations

Purchase accounting

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

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

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

Identified intangible assets consist of the following:

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

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

Amortization expense for the years ended December 31, 2020 and 2019, was \$205,219 and \$34,781, respectively.

F-19

Goodwill

The changes to the carrying value of goodwill for the years ended December 31, 2020 and 2019 are reflected below:

	Fair Value
December 31, 2018	\$ -
Preliminary goodwill related to the acquisition	8,466,282
Measurement period adjustment	(99,815)
December 31, 2019	\$ 8,366,467
Measurement period adjustment	-
December 31, 2020	<u>\$ 8,366,467</u>

During the measurement period the Company adjusted the original goodwill amount by \$99,815 during the year ended December 31, 2019.

Note 6. Loan Payable

Receipt of CARES funding

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

Note 7. Leases

Operating Leases

The Company’s principal executive office in New York City is under a month to month arrangement. The Company also had a lease in Greenwich, CT which expired in March 2020 and is now month-to-month.

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

F-20

The Company adopted FASB Accounting Standards Codification, Topic 842, Leases (“ASC 842”) electing the practical expedient that allows the Company not to restate its comparative periods prior to the adoption of the standard on January 1, 2019. As such, the disclosures required under ASC 842 are not presented for periods before the date of adoption. For the comparative periods prior to adoption, the Company presented the disclosures which were required under ASC 840. The Company elected the optional transition method and adopted the new guidance on January 1, 2019 on a modified retrospective basis with no restatement of prior period amounts. As allowed under the new accounting standard, the Company elected to apply practical expedients to carry forward the original lease determinations, lease classifications and accounting of initial direct costs for all asset classes at the time of adoption. The Company also elected not to separate lease components from non-lease components and to exclude short-term leases from its consolidated balance sheet. The Company’s adoption of the new standard as of January 1, 2019 resulted in the recognition of right-of-use assets of approximately \$53,000 and liabilities of approximately \$53,000. There was no impact to the accumulated deficit upon adoption of Topic 842.

As of December 31, 2020, assets recorded under operating leases were \$0. Operating lease right of use assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The discount rate used to determine the commencement date present value of lease payment is the Company’s incremental borrowing rate, which is the rate incurred to borrow on a collateralized basis over a similar term at an amount equal to the lease payments in a similar economic environment. Certain adjustments to the right-of-use asset may be required for items such as initial direct costs paid or incentives received.

For the year ended December 31, 2020 and 2019, the components of lease expense were as follows:

	For the years ended December 31,	
	2020	2019
Operating lease cost	\$ 61,895	\$ 39,184
Total lease cost	\$ 61,895	\$ 39,184

Other information related to leases was as follows:

	For the years ended December 31,	
	2020	2019
Cash paid for amounts included in the measurement of operating lease liabilities:		
Operating cash flows for operating leases	\$ 61,895	\$ 39,184
Weighted average remaining lease term (months) – operating leases	-	3
Weighted average discount rate– operating leases	N/A	10%

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

	Operating Lease
Year Ending December 31, 2019	
Total minimum lease payments	\$ 11,365
Lease amount representing interest	(300)
Total lease liabilities	\$ 11,065

There were no commitments for non-cancelable operating leases as of December 31, 2020 and as of December 31, 2019 there were non-cancellable lease liabilities of \$11,365.

As of December 31, 2020 and 2019, the Company has no additional operating leases, other than those noted above, and no financing leases.

Note 8. Commitments and Contingencies

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 April 29, 2020, a securities class action case was filed in the United States District Court for the Southern District of New York against us and our CEO. The action is captioned Daniel Yannes, individually and on behalf of all others similarly situated, Plaintiff vs. SCWorx Corp. and Marc S. Schessel, Defendants.

F-21

On May 27, 2020, a second securities class was filed in the United States District Court for the Southern District of New York against us and our CEO. The action is captioned Caitlin Leeburn, individually and on behalf of all others similarly situated, Plaintiff v. SCWorx Corp. and Marc S. Schessel, Defendants.

On June 23, 2020, a third securities class was filed in the United States District Court for the Southern District of New York against us and our CEO. The action is captioned Jonathan Charles Leonard, individually and on behalf of all others similarly situated, Plaintiff v. SCWorx Corp. and Marc S. Schessel, Defendants.

All three lawsuits allege that our company and our CEO mislead investors in connection with our April 13, 2020 press release with respect to the sale of COVID-19 rapid test kits. The plaintiffs in these actions are seeking unspecified monetary damages. These three class actions were consolidated on September 18, 2020 and Daniel Yannes was designated lead plaintiff. A consolidated Amended Complaint (“CAC”) was filed on October 19, 2020. The Defendants filed a motion to dismiss the CAC on November 18, 2020, and the briefing on that motion was complete on January 8, 2021. We are still awaiting a ruling on the motion, and we intend to continue vigorously defending against this lawsuit.

On June 15, 2020, a shareholder derivative claim was filed in the United States District Court for the Southern District of New York against Marc S. Schessel, Steven Wallitt (current directors), and Robert Christie and Charles Miller (former directors) (“Director Defendants”). The action is captioned Javier Lozano, derivatively on behalf of SCWorx Corp., Plaintiff, v. Marc S. Schessel, Charles K. Miller, Steven Wallitt, Defendants, and SCWorx Corp., Nominal Defendant. This lawsuit alleges that the Director Defendants breached their fiduciary duties to the Company, including by misleading investors in connection with our April 13, 2020 press release with respect to the sale of COVID-19 rapid test kits, failing to correct false and misleading statements and failing to implement proper disclosure and internal controls. The Plaintiff, on our behalf, is seeking an award of monetary damages, improvements in our disclosure and internal controls, and legal fees. The Director Defendants intend to vigorously defend against these proceedings. This derivative action is also still pending, and the plaintiff in such action has agreed to voluntarily stay the case until a ruling on a motion to dismiss, which we intend to file in the securities class action case.

On August 21, 2020, a shareholder derivative claim was filed in the United States District Court for the Southern District of New York against Marc S. Schessel, Steven Wallitt (current directors), and Robert Christie and Charles Miller (former directors) (“Director Defendants”). The action is captioned Josstyn Richter, derivatively on behalf of SCWorx Corp., Plaintiff, v. Marc S. Schessel, Charles K. Miller, Steven Wallitt, Defendants, and SCWorx Corp., Nominal Defendant. This lawsuit alleges that the Director Defendants breached their fiduciary duties to the Company, including by misleading investors in connection with our April 13, 2020 press release with respect to the sale of COVID-19 rapid test kits, failing to correct false and misleading statements and failing to implement proper disclosure and internal controls. The Plaintiff, on our behalf, is seeking an award of monetary damages, improvements in our disclosure and internal controls, and legal fees. The Director Defendants intend to vigorously defend against these proceedings.

On August 27, 2020, the Lozano and Richter derivative actions were consolidated and jointly stayed until a ruling on a motion to dismiss which we filed in the securities class action case.

On September 30, 2020, a shareholder derivative action was filed in the Supreme Court State of New York, New York County against Marc S. Schessel and Steven Wallitt (current directors) and Charles Miller (a former director). The action is captioned Hemrita Zarins, derivatively on behalf of SCWorx Corp. v. Marc S. Schessel, Charles Miller, Steven Wallitt and SCWorx, Nominal Defendant. This lawsuit alleges that the Director Defendants breached their fiduciary duties to the Company, including by misleading investors in connection with the Company’s April 13, 2020 press release with respect to the sale of COVID-19 rapid test kits, failing to correct false and misleading statements and failing to implement proper disclosure and internal controls. The Plaintiff, on our behalf, is seeking an award of monetary damages, improvements in our disclosure and internal controls, and legal fees. On October 28, 2020, Zarins withdrew this action and refiled an action in the Chancery Court in the State of Delaware on October 29, 2020. Zarins named as Defendants Marc S. Schessel, Robert Christie (a former director), Steven Wallitt and SCWorx, Nominal Defendant. The allegations, as well as the relief sought, in the Delaware Chancery Court proceeding are substantially the same as that filed in the New York State Action. This action has been stayed pending the ruling on the motion to dismiss in the aforementioned securities class action. The Director Defendants intend to vigorously defend against these proceedings.

F-22

In addition, following the April 13, 2020 press release and related disclosures (related to COVID-19 rapid test kits), the Securities and Exchange Commission made an inquiry regarding the disclosures we made in relation to the transaction involving COVID-19 test kits. On April 22, 2020, the Securities and Exchange Commission ordered that trading in the securities of our company be suspended because of “questions and concerns regarding the adequacy and accuracy of publicly available information in the marketplace” (the “SEC Trading Halt”). The SEC Trading Halt expired May 5, 2020, at 11:59 PM EDT. We are fully cooperating with the SEC’s investigation and are providing documents and other requested information.

In April 2020, we received related inquiries from The Nasdaq Stock Market and the Financial Industry Regulatory Authority (FINRA). We have been fully cooperating with these agencies and providing information and documents, as requested. On May 5, 2020, the Nasdaq Stock Market informed us that it had initiated a “T12 trading halt,” which means the halt will remain in place until we have fully satisfied Nasdaq’s request for additional information. We fully cooperated with Nasdaq and responded to all of Nasdaq’s information requests as they were issued. The T12 trading halt was lifted on August 10, 2020.

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

In connection with these actions and investigations, the Company is obligated to indemnify its officers and directors for costs incurred in defending against these claims and investigations. Because the Company currently does not have the resources to pay for these costs, its directors and officers liability insurance carrier has agreed to indemnify these persons even though the \$750,000 retention under such policy has not yet been met. The Company estimates it is currently obligated to pay approximately \$700,000 of the retention, which payments could have a material adverse effect on the Company. The \$700,000 has been accrued in accounts payable and accrued liabilities in these financial statements.

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

On October 3, 2019, David Klarman, a former employee of Alliance, served a complaint against SCWorx seeking \$400,000.00 for a breach of his employment agreement with Alliance. Klarman claims that Alliance ceased paying him his salary in March 2018 as well as other alleged contractual benefits. SCWorx does not believe

that it owes the amount demanded and intends to vigorously defend against these claims. On March 6, 2020, SCWorx filed an answer and counterclaims against Mr. Klarman. On September 18, 2020, the Court granted Klarman's counsel's motion to withdraw as counsel due to "irreconcilable differences." The Court stayed the case for 45 days after service of the Court's order. Mr. Klarman's wife, Marie Klarman, Esq., filed a Notice of Appearance on November 6, 2020 and filed a motion on November 9, 2020 seeking various forms of relief -- in violation of the Court's Individual Rules and the Commercial Division Rules. We opposed Klarman's motion on December 31, 2020 and the case was marked fully submitted on January 21, 2021. By Decision and Order dated March 26, 2021, the Court granted Klarman's motion to dismiss four (4) of fourteen (14) defenses, denied Klarman's motion to dismiss SCWorx's counterclaims against him; denied Klarman's motion for summary judgment and denied Klarman's motion to strike allegations contained in the Affirmative Defenses and Counterclaims based on his contention that such allegations were "scandalous" or prejudicial. On April 7, 2021, Klarman filed a Reply to the Counterclaims, denying the material allegations and interposed numerous affirmative defenses. The Court has issued a preliminary conference order, setting a discovery cut-off of October 2022.

At this time, we are unable to predict the duration, scope, or possible outcome of these investigations and lawsuits.

F-23

Note 9. Stockholders' Equity

Common Stock

Authorized Shares

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

Issuance of Shares Pursuant to Conversion of Series A Preferred Stock

On July 17, 2019, we issued 65,789 shares of our common stock to a holder of our shares of Series A Convertible Preferred Stock upon the conversion of 25,000 of such shares of Series A Convertible Preferred Stock.

On September 9, 2019, we issued 200,000 shares of our common stock to a holder of our shares of Series A Convertible Preferred Stock upon the conversion of 76,000 of such shares of Series A Convertible Preferred Stock.

On September 16, 2019, we issued 43,081 shares of our common stock to a holder of our shares of Series A Convertible Preferred Stock upon the conversion of 16,371 of such shares of Series A Convertible Preferred Stock.

On September 16, 2019, we issued 108,422 shares of our common stock to a holder of our shares of Series A Convertible Preferred Stock upon the conversion of 41,200 of such shares of Series A Convertible Preferred Stock.

On September 25, 2019, we issued 73,156 shares of our common stock to the holders of Series A Convertible Preferred Stock in settlement of fees owed to such holders pursuant to the terms of such of the Series A Convertible Preferred Stock. The shares had a fair value of \$250,000.

On September 30, 2019, we issued 24,843 shares of our common stock to a former employee in settlement of litigation. The shares of common stock had a fair value of \$75,000.

On November 11, 2019 we issued 200,000 shares of our common stock to the holders of Series A Convertible Preferred Stock in settlement of fees owed to such holders pursuant to the terms of such of the Series A Convertible Preferred Stock. The shares had a fair value of \$584,000.

On November 20, 2019, we issued 25,000 shares of our common stock to a former employee in per the terms of a settlement agreement. The shares of common stock had a fair value of \$73,250.

On December 5, 2019, we issued 50,000 shares of our common stock to a director as compensation. The shares of common stock had a fair value of \$135,000.

On December 11, 2019 we issued 6,579 shares of our common stock to the holders of Series A Convertible Preferred Stock in settlement of fees owed to such holders pursuant to the terms of such of the Series A Convertible Preferred Stock. The shares had a fair value of \$21,053.

On December 23, 2019 we issued 9,211 shares of our common stock to the holders of Series A Convertible Preferred Stock in settlement of fees owed to such holders pursuant to the terms of such of the Series A Convertible Preferred Stock. The shares had a fair value of \$26,343.

F-24

During January 2020, the Company issued 5,264 shares of common stock to a holder of its Series A Convertible Preferred Stock upon the conversion of 2,000 of such shares of Series A Convertible Preferred Stock.

During February 2020, the Company issued an aggregate of 172,369 shares of common stock to holders of its Series A Convertible Preferred Stock upon the conversion of an aggregate of 65,500 of such shares of Series A Convertible Preferred Stock.

During April 2020, the Company issued an aggregate of 1,043,935 shares of common stock to holders of its Series A Convertible Preferred Stock upon the conversion of an aggregate of 396,695 of such shares of Series A Convertible Preferred Stock.

During May 2020, the Company issued an aggregate of 51,316 shares of common stock to holders of its Series A Convertible Preferred Stock upon the conversion of an aggregate of 19,500 of such shares of Series A Convertible Preferred Stock.

During August 2020, the Company issued 13,158 shares of common stock to a holder of its Series A Convertible Preferred Stock upon the conversion of 5,000 of such shares of Series A Convertible Preferred Stock.

During October 2020, the Company issued 13,158 shares of common stock to a holder of its Series A Convertible Preferred Stock upon the conversion of 5,000 of such shares of Series A Convertible Preferred Stock.

Issuance of Shares to Current and Former Employees and Directors

On January 8, 2020, the Company issued 50,000 shares of common stock to a former employee per the terms of a settlement agreement.

On March 12, 2020, the Company issued 16,667 shares of common stock to an employee pursuant to a vesting schedule.

On April 15, 2020, the Company issued 3,913 shares of common stock to an employee pursuant to a vesting schedule.

On April 16, 2020, the Company issued 5,264 shares of common stock valued at \$36,584.80 or \$6.95 per share to a director pursuant to a vesting schedule.

On April 21, 2020, the Company issued 30,303 shares of common stock to a former employee pursuant to a vesting schedule.

On June 24, 2020, the Company issued 25,000 shares of common stock to an employee pursuant to a vesting schedule.

On August 25, 2020, the Company issued 87,255 shares of common stock valued at \$142,226 to a former employee per the terms of a settlement agreement, settling \$125,000 of accrued expenses and recorded a loss on settlement of \$17,226.

Transfer of Common Stock to Consultants

On or about February 1, 2019, the Company's founder and CEO as well as another shareholder transferred an aggregate of approximately 1,379,000 and 144,000 shares of common stock, respectively to certain consultants of the Company, of which approximately 983,000 and 144,000 shares of common stock, respectively 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 during the first quarter of 2019 related to these share transfers. Additionally, approximately 396,000 shares of 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 stock price of \$4.37 as of the date of transfer. The Company recognized approximately \$1.7 million of stock-based compensation expense related to these transfers during the first quarter of 2019.

Issuance of Shares Pursuant to Exercises of Common Stock Warrants

On April 14, 2020, a holder of common stock warrants exercised 7,000 warrants for a cash payment of, \$38,570.

Issuance of Shares Pursuant to Cashless Exercises of Common Stock Warrants

During April 2020, holders of common stock warrants exercised an aggregate of 520,925 warrants using a cashless exercise into 321,155 shares of common stock.

During May 2020, holders of common stock warrants exercised an aggregate of 56,982 warrants using a cashless exercise into 26,034 shares of common stock.

During August 2020, holders of common stock warrants exercised an aggregate of 116,448 warrants using a cashless exercise into 68,715 shares of common stock.

Issuance of Shares Pursuant to Cashless Exercises of Stock Options

During April 2020, holders of common stock options exercised an aggregate of 105,028 options using a cashless exercise into 57,534 shares of common stock.

During August 2020, holders of common stock options exercised an aggregate of 55,263 options using a cashless exercise into 28,890 shares of common stock.

Issuance of Shares Pursuant to Settlement of Accounts Payable

On April 16, 2020, the Company issued 100,000 shares of common stock in full settlement of \$640,517 of accounts payable. The shares had a fair value of \$6.95 per share.

On May 12, 2020, the Company issued 104,567 shares of common stock in full settlement of \$93,150 of accounts payable and recorded a loss on settlement of \$509,160. The shares had a fair value of \$5.76 per share.

On June 24, 2020, the Company issued 80,000 shares of common stock and warrants to purchase 100,000 shares of common stock, of which 50,000 shall be exercisable at \$3.80 per share and the remaining 50,000 shall be exercisable at \$5.80 per share, in each case for a term of 5 years, in connection with the termination of a consulting arrangement and in full settlement of any and all claims against the Company. The Company had previously accrued \$195,000 in connection with this consulting arrangement. The stock had a fair value of \$2.37 per share.

On August 27, 2020, the Company issued 17,000 shares of common stock valued at \$40,800 in full settlement of \$48,790 of accounts payable. The shares had a fair value of \$2.20 per share. The Company recorded a gain on settlement of accounts payable of \$7,990.

On September 10, 2020, the Company issued 140,000 shares of common stock valued at \$806,400 in full settlement of \$88,950 of accounts payable and recorded a loss on settlement of \$717,450. The shares had a fair value of \$5.76 per share.

Issuance of Shares for Equity Financing

On December 31, 2020, The Company issued 36,842 shares of common stock and 46,053 five year warrants to purchase shares of common stock at \$4.00 per share pursuant to the prior receipt of \$140,000 in equity financing.

Preferred Stock

Issuance of Series A Preferred Stock

On December 19, 2018, the Company authorized Series A Preferred Shares consisting of 900,000 authorized shares, with a par value of \$0.001.

Equity Financing

During May 2020, the Company received \$515,000 of a committed \$565,000 from the sale of 135,527 shares of common stock (at a price of \$3.80 per share) and warrants to purchase 169,409 shares of common stock, at an exercise price of \$4.00 per share. As of December 31, 2020, the full amount has not been received and only \$140,000 worth of the shares and warrants have been issued. The remaining \$375,000 is included in equity financing within current liabilities on the consolidated balance sheet.

Stock Incentive Plan

In connection with Alliance's acquisition of SCW FL Corp., the Company adopted Alliance's Second Amended and Restated 2016 Equity Incentive Plan ("2016

Plan”). The 2016 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 shareholders approved the amendment of the 2016 Plan to increase the number of shares of common stock available for issuance thereunder to 3,000,000 shares of common stock.

On February 13, 2019, the Board of Directors of the Company granted an aggregate of 425,000 restricted stock units (“RSUs”) under the 2016 Plan, of which an aggregate of 325,000 shares were granted to management and vest quarterly over the next three years, and of which 100,000 were issued to a consultant and vest quarterly over one year. Upon the effectiveness under the Securities Act of a registration statement on Form S-8 with respect to the shares covered by the 2016 Plan, these RSUs vest in twelve equal quarterly instalments, commencing on the grant date of February 13, 2019 and had a grant date fair value of approximately \$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 shares were issued to management and 300,000 were issued to a consultant. The 225,000 shares issued to management were cancelled in April 2020, when the person’s employment with the Company terminated. Additionally, the board of directors awarded stock options under the 2016 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% and expected volatility 90%.

F-26

On December 5, 2019, the Company issued 50,000 RSU’s to a member of the board of directors. The RSU’s vested immediately and had a fair value of \$135,000. Additionally, on December 10, 2019, the board of directors awarded stock options under the 2016 Plan to each of the three remaining independent directors to 50,000 shares of the Company’s common stock. The stock options have a term of five years, an exercise price of \$2.64 per share, vest immediately on the grant date of December 10, 2019 and had a grant date fair value of \$388,746. 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 1.0%, dividend yield 0% and expected volatility 100%.

On June 28, 2019, the Company terminated the aforementioned consultant and reversed the stock-based compensation expense recognized during the first quarter 2019 totaling \$162,250 as the consultant had not vested in any of the RSU’s.

On October 26, 2019, the employment of the Employee who received the 250,000 RSU’s on February 13, 2019, terminated and the remaining stock based compensation for the employee was cancelled as the employee had not vested in the shares.

The number of shares of the Company’s common stock that are issuable pursuant to warrant and stock option grants with time-based vesting as of and for the year ended December 31, 2019 are:

	Warrant Grants		Stock Option Grants		Restricted Stock Units	
	Number of shares subject to warrants	Weighted-average exercise price per share	Number of shares subject to options	Weighted-average exercise price per share	Number of shares subject to restricted stock units	Weighted-average exercise price per share
Balance at December 31, 2018	236,825	\$ 26.00	135,023	\$ 7.70	-	\$ -
Granted	1,112,220	5.67	203,572	3.65	730,303	-
Exercised	(11,075)	5.51	-	-	-	-
Cancelled/Forfeited	(26,054)	5.51	-	-	(100,000)	-
Balance at December 31, 2019	1,311,916	\$ 9.35	338,595	\$ 5.96	630,303	\$ -
Exercisable at December 31, 2019	1,311,916	\$ 9.35	226,095	\$ 6.57	630,303	\$ -

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

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

The Company has classified the warrant as having Level 2 inputs, and has used the Black-Scholes option-pricing model to value the warrant. The fair value at the issuance dates for the above warrant was based upon the following management assumptions:

	Issuance dates
Risk-free interest rate	1.00 – 1.69%
Expected dividend yield	0%
Expected volatility	100%
Term	5 years
Fair value of common stock	\$ 1.51 - 2.37

The Company’s outstanding warrants and options at December 31, 2020 are as follows:

Warrants Outstanding	Warrants Exercisable
----------------------	----------------------

Exercise Price Range	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	Intrinsic Value
\$3.80 - \$141.17	672,459	3.01	\$ 8.09	672,459	\$ 8.09	-

F-27

Options Outstanding				Options Exercisable		
Exercise Price Range	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	Intrinsic Value
\$2.64 - \$6.84	118,388	3.69	\$ 3.25	118,388	\$ 3.25	-

As of December 31, 2020 and 2019, the total unrecognized expense for unvested stock options and restricted stock awards was approximately \$2.5 million and \$3.2, respectively, to be recognized over a three-year period for restricted stock awards and one year for option grants from the date of grant.

Stock-based compensation expense for the years ended December 31, 2020 and 2019 was as follows:

	For the years ended December 31,	
	2020	2019
Stock-based compensation expense	\$ 3,284,570	\$ 7,482,254

Stock-based compensation expense categorized by the equity components for the years ended December 31, 2020 and 2019 is as follows:

	For the years ended December 31,	
	2020	2019
Common stock	\$ 3,169,470	\$ 1,575,044
Stock option awards	-	584,280
Transfer of common stock by founders to contractors	115,100	5,322,930
Total	\$ 3,284,570	\$ 7,482,254

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

Note 10. Net Loss Per Share

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

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

	For the years ended December 31,	
	2020	2019
Stock options	118,388	338,595
Warrants	672,459	1,311,916
Total common stock equivalents	790,847	1,650,511

F-28

Note 11. Income Taxes

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

The significant items comprising the Company's net deferred taxes as of December 31, 2020 and 2019 are as follows:

	As of December 31,	
	2020	2019
Net operating loss	\$ 7,377,962	\$ 6,408,788
Stock options and compensation	1,491,232	747,277
Other	-	18,716
Deferred revenue	-	4,247
Allowance for doubtful accounts	41,512	78,009
Valuation allowance	(8,893,457)	(7,088,189)
Total deferred tax asset	17,249	168,848
Basis difference fixed assets	(17,249)	(25,587)
Basis difference intangible assets	-	(46,482)
Other liabilities	-	(96,779)

Total deferred tax liability	(17,249)	(168,848)
Net deferred tax asset (liability)	\$ -	\$ -

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

	As of December 31,	
	2020	2019
Current tax:		
Federal	-	-
State	-	-
Total	-	-
Deferred tax:		
Federal	\$ (1,673,758)	\$ (1,575,843)
State	(131,510)	(123,778)
Less: change in valuation allowance	1,805,268	1,699,621
Total	\$ -	\$ -

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

	As of December 31,		As of December 31,	
	2020		2019	
Net loss before tax per financial statements	\$ (7,402,350)		\$ (11,312,500)	
Statutory rate	(1,554,494)	21.00%	(2,375,625)	21.00%
State tax rate	(122,139)	1.65%	(186,642)	1.65%
Permanent items	(128,636)	1.74%	862,623	-7.63%
Rate change	-	0.00%	23	0.00%
Change in valuation allowance	1,805,268	-24.39%	1,699,621	-15.02%
	\$ -	0.00%	\$ -	0.00%

As of December 31, 2020 and 2019, the Company had federal net operating loss carryforwards of approximately \$32.6 million and \$28.3 million, respectively, available to offset future taxable income. As of December 31, 2020 and 2019, the Company had state loss carry-forwards of approximately \$15.1 million and \$10.8, respectively. Future utilization of net operating losses may be limited due to potential ownership changes under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). The federal net operating loss carryforwards can be carried forward indefinitely and state loss carryforwards begin to expire in 2039.

F-29

The valuation allowance as of December 31, 2020 and 2019 was \$8,893,457 and \$7,088,189, respectively. The net change in valuation allowance for the years ended December 31, 2020 and 2019 was an increase of \$1,805,268 and \$7,014,399, respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on consideration of these items, management has determined that enough uncertainty exists relative to the realization of the deferred income tax asset balances to warrant the application of a full valuation allowance as of December 31, 2020 and 2019.

The Company had no unrecognized tax benefits during 2020 or 2019. By statute, all tax years are open to examination by the major taxing jurisdictions to which the Company is subject.

Note 12. Subsequent Events

Receipt of CARES funding

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

Changes in Management

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

Equity Issuances

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

On February 8, 2021, the Company issued 52,632 shares of common stock to a holder of its Series A Convertible Preferred Stock upon the conversion of 20,000 of such shares of Series A Convertible Preferred Stock.

Between January 25, 2021 and February 8, 2021, the Company issued a total of 8,832 shares of common stock to holders of fully vested restricted stock units.

F-30

EXHIBIT INDEX

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

Exhibit #	Exhibit Description
3.1	Certificate of Incorporation, as amended February 1, 2019 (incorporated by reference to Exhibit 3.1 to the Company's 10-K filed with the SEC on April 1, 2019)
3.3	Amended and Restated By-laws (Incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form S-1 (File No. 333-213166) filed with the SEC on August 16, 2016)
10.1	Consulting Agreement dated January 19, 2020 with Marc Schessel*
10.2	Equity Financing and warrant agreement dated December 31, 2020*
10.3	Equity Financing and warrant agreement dated January 6, 2021*
10.4	USA Procurement Purchase agreement dated May 26, 2020*
10.5	USA Procurement Settlement Agreement dated March 12, 2021*
23.1	Consent of independent registered public accounting firm*
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Section 1350 Certification of the Chief Executive Officer*
32.2	Section 1350 Certification of the Chief Financial Officer*
101 SCH	XBRL Taxonomy Extension Schema Document
101 CAL	XBRL Taxonomy Calculation Linkbase Document
101 LAB	XBRL Taxonomy Labels Linkbase Document
101 PRE	XBRL Taxonomy Presentation Linkbase Document
101 DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Filed herewith

CONSULTING AGREEMENT

This Consulting Agreement, including Exhibit A, dated effective January 15, 2021 (the “Effective Date”) (this “Agreement”), is made and entered into by and among SCWorx Corp. and its subsidiaries (collectively, the “Company”) and Marc S. Schessel (the “Consultant”).

Reference is made to that certain Employment Agreement (“Employment Agreement”) and Non-Competition Agreement (“Non-Competition Agreement”), in each case between the Company and Consultant dated February 1, 2019. Each of the Employment Agreement and Non-Competition Agreement is hereby terminated effective the date hereof, and neither the Company nor the Consultant shall have any further obligations thereunder.

1. SCOPE OF WORK

- 1.1 Services.** The Consultant shall report to and take direction from the President/CEO of the Company. The Company has engaged Consultant to provide services in connection with the Company’s normal business operations for the sales, customer relationship management, delivery, software development and support of its data management business, the sale of its existing inventory of personal protective equipment (PPE) and new PPE sales opportunities that might become available. The Consultant shall provide full and complete weekly written reports to the President regarding his business activities, pipeline, deal status, etc., such reports to include such information as the President shall request. The Consultant shall generate a mutually agreed upon minimum amount of revenue per quarter in new annual recurring revenue.
- 1.2 Time and Availability.** Consultant shall work full time on behalf of the Company, devoting 100% of his business time to rendering consulting services to the Company. Consultant shall be available during normal Company business hours (Normal Company business hours: Monday through Friday 8:30 AM EST until 5:30 PM EST). Hours worked after normal Company business hours shall be at the Consultants discretion and will not be subject to overtime pay or an increase in the monthly consulting fee as designated in Exhibit A of this Agreement).
- 1.3 Reserved.**
- 1.4 Standard of Conduct.** In rendering consulting services under this Agreement, Consultant shall conform to high professional standards of work and business ethics. Consultant shall not use time, materials, or equipment of the Company without the prior written consent of the Company. In no event shall Consultant take any action or accept any assistance or engage in any activity that would result in any university, governmental body, research institute or other person, entity, or organization acquiring any rights of any nature in the results of work performed by or for the Company. Consultant shall comply strictly with all applicable laws in connection with rendering services to the Company hereunder.
- 1.5 Outside Services.** Consultant shall not use the service of any other person, entity, or organization in the performance of Consultant’s duties without the prior written consent of an officer of the Company. Should the Company consent to the use by Consultant of the services of any other person, entity, or organization, no information regarding the services to be performed under this Agreement shall be disclosed to that person, entity, or organization until such person, entity, or organization has executed an agreement to protect the confidentiality of the Company’s Confidential Information (as defined in Article 5) and the Company’s absolute and complete ownership of all right, title, and interest in the work performed under this Agreement.

2. INDEPENDENT CONTRACTOR

- 2.1 Independent Contractor.** Consultant is an independent contractor of Company is not a partner of, or in any other service relationship with, the Company. The manner in which Consultant’s services are rendered shall be within Consultant’s sole control and discretion. Consultant is not authorized to and shall not bind the Company to any contractual obligation. Consultant and shall at all times conduct himself in a professional and business-like manner.
- 2.2 Taxes.** Consultant shall be responsible for all taxes arising from compensation and other amounts paid under this Agreement and shall be responsible for all payroll taxes and fringe benefits of Consultant’s Consultants. Neither federal, nor state, nor local income tax, nor payroll tax of any kind, shall be withheld or paid by the Company on behalf of Consultant or his/her Consultants. Consultant understands that he/she is responsible to pay, according to law, Consultant’s taxes and Consultant shall, when requested by the Company, properly document to the Company that any and all federal and state taxes have been paid.

Consultant Initials: _____

- 2.3 Benefits.** Company will continue to pay for Consultant’s health benefits at the current levels for the term of this Agreement.

3. COMPENSATION FOR CONSULTING SERVICES

- 3.1 Compensation.** The Company shall during the term of this Agreement pay to Consultant \$295,000 per year for services rendered to the Company under this Agreement. The annual compensation shall be paid in twenty four payments on the fifteenth and last day of each month.
- 3.2 Commission.** The Company shall also pay to Consultant a commission in accordance with Exhibit A of this Agreement.
- 3.3 Reimbursement.** The Company agrees to reimburse Consultant for all actual reasonable and necessary out of pocket expenditures, which are directly related to the consulting services provided hereunder. These expenditures include, but are not limited to, expenses related to travel (i.e., tolls, airfare, hotel, , meals, parking, taxis, mileage, etc.), cellular telephone and postal expenditures. Expenses incurred by Consultant will be reimbursed by the Company within 30 days of Consultant’s written request for reimbursement. Written request for reimbursement shall include the Company provided expense form along with receipts for the requested reimbursement. Notwithstanding the foregoing, any expense in excess of \$250 must be pre-approved by a Company officer.

4. TERM AND TERMINATION

- 4.1 Term.** This Agreement shall be effective as of the Effective Date, and shall continue in full force and effect for twenty-four (24) consecutive months, unless sooner terminated in accordance herewith. The Company and Consultant may negotiate to extend the term of this Agreement and the terms and conditions under which the relationship shall continue, but neither party shall be obligated to do so.
- 4.2 Termination.** The Company may terminate this Agreement for “Cause,” as defined below, upon written notice to Consultant. Cause means: (1) Consultant has breached any provisions of this Agreement in any material respect; (2) Consultant has been found by a court to have committed fraud, misappropriation, or embezzlement in connection with the Company’s business; or (3) Consultant has been convicted of or pleads to commission of a crime. Either party may terminate this Agreement for any reason or no reason upon 60 day’s written notice to the other party. Articles 5,6,7, 8, 9 and 10 of this Agreement shall survive the termination of this Agreement.

4.3 **Responsibility upon Termination.** Any new equipment provided by the Company to the Consultant in connection with or furtherance of Consultant's services under this Agreement, other than the Consultants phone, including, but not limited to, computers, laptops, and personal management tools, shall, immediately upon the termination of this Agreement, be returned to the Company.

5. CONFIDENTIAL INFORMATION

5.1 **Obligation of Confidentiality.** In performing consulting services under this Agreement, Consultant may be exposed to and will be required to use certain "Confidential Information" (as hereinafter defined) of the Company. Consultant agrees that Consultant will not and Consultant's Consultants, agents, or representatives will not use, directly or indirectly, such Confidential Information for the benefit of any person, entity, or organization other than the Company, or disclose such Confidential Information without the written authorization of the President of the Company, either during or after the term of this Agreement, for as long as such information retains the characteristics of Confidential Information.

5.2 **Definition.** "Confidential Information" means information not generally known and proprietary to the Company or to a third party for whom the Company is performing work, including, without limitation, information concerning any patents or trade secrets, confidential or secret designs, processes, formulae, source codes, plans, devices or material, research and development, proprietary software, analysis, techniques, materials, or designs (whether or not patented or patentable), directly or indirectly useful in any aspect of the business of the Company, any vendor names, customer and supplier lists, databases, management systems and sales and marketing plans of the Company, any confidential secret development or research work of the Company, or any other confidential information or proprietary aspects of the business of the Company. All information which Consultant acquires or becomes acquainted with during the period of this Agreement, whether developed by Consultant or by others, which Consultant has a reasonable basis to believe to be Confidential Information, or which is treated by the Company as being Confidential Information, shall be presumed to be Confidential Information.



5.3 **Property of the Company.** Consultant agrees that all plans, manuals, and specific materials developed by the Consultant related to the software, content and database (the "Technology") on behalf of the Company in connection with services rendered under this Agreement, are and shall remain the exclusive property of the Company. Promptly upon the expiration or termination of this Agreement, or upon the request of the Company, Consultant shall return to the Company all documents and tangible items, including samples, provided to Consultant or created by Consultant for use in connection with services to be rendered hereunder, including, without limitation, all Confidential Information, together with all copies and abstracts thereof.

6. RIGHTS AND DATA

All drawings, models, designs, formulas, methods, documents, and tangible items prepared for and submitted to the Company by Consultant in connection with the software, content and database (the "Technology") services rendered under this Agreement shall belong exclusively to the Company and shall be deemed to be works made for hire (the "Deliverable Items"). To the extent that any of the Deliverable Items may not, by operation of law, be works made for hire, Consultant hereby assigns to the Company the ownership of copyright or mask work in the Deliverable Items, and the Company shall have the right to obtain and hold in its own name any trademark, copyright, or mask work registration, and any other registrations and similar protection which may be available in the Deliverable Items. Consultant agrees to give the Company or its designees all assistance reasonably required to perfect such rights.

Consultant agrees that the Company owns all proprietary rights, including copyright, trade secret, trademark and other proprietary rights, in and to the software, content and database (the "Technology") and any corrections, bug fixes, and upgrades to the Technology. The Technology and any custom enhancements which are new, novel and unique along with any data generated by Consultant and housed within Company Technology and infrastructure is the property of the Company.

7. CONFLICT OF INTEREST AND NON-SOLICITATION

7.1 **Conflict of Interest.** Consultant covenants and agrees not to consult or provide any services in any manner or capacity to a direct competitor of the Companies Technology during the duration of this Agreement and for a period of two (2) years thereafter, unless express written authorization to do so is provided by an authorized person within the Company. A direct competitor of the Company for purposes of this Agreement is defined as any individual, partnership, corporation, and/or other business entity that engages in the business of data or content management services.

7.2 Non-Solicitation and Non-Compete.

In consideration of the engagement of the Consultant by the Company pursuant to this Consulting Agreement, and the continued receipt and access to confidential, proprietary, and trade secret information associated with the Consultant's position with the Company, the Consultant and the Company agree as follows:

7.2.a **Confidentiality.** Consultant understands and agrees that in the course of providing services to the Company, Consultant may acquire confidential and/or proprietary information concerning the Company's operations, its future plans and its methods of doing business. Consultant understands and agrees it would be extremely damaging to the Company if Consultant disclosed such information to a competitor or made such information available to any other person. Consultant understands and agrees that such information is divulged to Consultant in strict confidence and Consultant understands and agrees that Consultant 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 Consultant's engagement with the Company and the information that Consultant has received during the course of Consultant's engagement, Consultant also agrees that the Company would be irreparably harmed by any violation, or threatened violation of the agreements in this paragraph and that, therefore, the Company shall be entitled to an injunction prohibiting Consultant from any violation or threatened violation of such agreements.

7.2.b **Non-Competition and Non-Solicitation.** As it relates to the Technology the Consultant acknowledges and agrees that the nature of the Company's confidential, proprietary, and trade secret information to which the Consultant 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 Consultant further acknowledges and agrees that, even in complete good faith, it would be impossible for the Consultant to work in a similar capacity for a competitor of the Company's Technology without drawing upon and utilizing information gained during employment or consulting with the Company. Accordingly, at all times during the Consultant's engagement with the Company and for a period of two (2) years after termination, for any reason, of such engagement, the Consultant will not, directly or indirectly:

(1) Engage in any business or enterprise (whether as owner, partner, officer, director, employee, consultant, investor, lender or otherwise) that directly or indirectly competes with the Company's Technology business anywhere in the United States;

(2) Either alone or in association with others (i) solicit, or facilitate any organization with which the Consultant is associated in soliciting, any employee or consultant or subcontractor of the Company or any of its subsidiaries to leave the employ/engagement of the Company or any of its subsidiaries; (ii) solicit for employment or engagement, hire or engage as an independent contractor, or facilitate any organization with which the Consultant is associated in soliciting for engagement, 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 Consultant's employment/engagement by the Company or any of its subsidiaries (provided, that this clause (ii) shall not apply to any individual whose engagement with 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 Company or any of its 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; or

(3) create or attempt to create a technology in competition with any services provided by the Company.

7.2.c. Return of Property. Consultant 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 engagement, 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 Consultant prior to the Effective Date shall remain the property of the Consultant and any copies thereof obtained by or provided to the Company shall be returned or destroyed in a manner similar acceptable to the Consultant.

8. RIGHT TO INJUNCTIVE RELIEF

Consultant acknowledges that the terms of Articles 5, 6, and 7 of this Agreement are reasonably necessary to protect the legitimate interests of the Company, are reasonable in scope and duration, and are not unduly restrictive. Consultant further acknowledges that a breach of any of the terms of Articles 5, 6, or 7 of this Agreement will cause irreparable harm to the Company, and that a remedy at law for breach of the Agreement is inadequate, and that the Company shall therefore be entitled to seek any and all equitable relief, including, but not limited to, injunctive relief, and to any other remedy that may be available under any applicable law or agreement between the parties. Consultant acknowledges that an award of damages to the Company does not preclude a court from ordering injunctive relief. Both damages and injunctive relief shall be proper modes of relief and are not to be considered as alternative remedies. Consultant shall indemnify the Company from and against any loss liability or expense arising from Consultant's breach of this agreement.

9. AUDIT PROVISION

Consultant shall maintain full and complete business records and supporting documentation regarding all of Consultant's business activities under this Consulting Agreement, including prior to the date hereof, including without limitation financial and non-financial transactions (pending and completed) related to Consultant's services hereunder and transactions, sufficient to permit a complete and full audit thereof. Consultant shall provide Company, including its internal and external auditors, access at reasonable times and after reasonable notice to: (a) all documentation regarding any pending or completed transactions related directly or indirectly to Consultant's services pursuant to this Agreement and (b) all data and records directly or indirectly relating to Consultant's services pursuant to this Agreement. Consultant shall provide full cooperation to such auditors. Consultant shall respond promptly to any conclusions or recommendations and take any remedial steps recommended by the auditors. Any such audits shall be conducted during normal business hours and in a manner that, as much as reasonably possible, minimizes disruption to the business and operations of Consultant.

10. GENERAL PROVISIONS

10.1 Construction of Terms. 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.

10.2 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.

10.3 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.

10.4 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York. 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 New York (or, if appropriate, a federal court located within New York), and the Company and the Consultant each consent to the jurisdiction of such court.

10.5 Complete Agreement. This Agreement constitutes the complete agreement and sets forth the entire understanding and agreement of the parties as to the subject matter of this Agreement and supersedes all prior discussions and understandings in respect to the subject of this Agreement, whether written or oral.

10.6 Dispute Resolution. If there is any dispute or controversy between the parties arising out of or relating to this Agreement, the parties agree that such dispute or controversy will be arbitrated in accordance with proceedings under American Arbitration Association rules, and such arbitration will be the exclusive dispute resolution method under this Agreement. The decision and award determined by such arbitration will be final and binding upon both parties. All costs and expenses, including reasonable attorney's fees and expert's fees, of all parties incurred in any dispute that is determined and/or settled by arbitration pursuant to this Agreement will be borne by the party determined to be liable in respect of such dispute; provided, however, that if complete liability is not assessed against only one party, the parties will share the total costs in proportion to their respective amounts of liability so determined. Except where clearly prevented by the area in dispute, both parties agree to continue performing their respective obligations under this Agreement until the dispute is resolved.

10.7 Modification. No modification, termination, or attempted waiver of this Agreement, or any provision thereof, shall be valid unless in writing signed by the party against whom the same is sought to be enforced.

10.8 Successors and Assigns. This Agreement may not be assigned by either party without the prior written consent of the other party; provided, however, that the Agreement shall be assignable by the Company without Consultant's consent in the event the Company is acquired by or merged into another corporation or business entity. The benefits and obligations of this Agreement shall be binding upon and inure to the parties hereto, their successors and assigns.

10.9 No Conflict. Consultant warrants that Consultant has not previously assumed any obligations inconsistent with those undertaken by Consultant under this Agreement.

IN WITNESS WHEREOF, this Agreement is executed as of the date set forth above.

SCWorx ("Company")

Marc S. Schessel ("Consultant")

By : /s/ Tim Hannibal _____

By: /s/ Marc S. Schessel _____

Print: Tim Hannibal

Print: Marc S. Schessel



EXHIBIT A

Consultant will assist the Company in selling data management services along with new and existing PPE inventory. In addition to Section 3.1 of this Agreement, Consultant shall receive a percentage of the profit which the Company receives from the sale of PPE. The commission shall be based on payments as and when received by the Company. The Consultant shall not be entitled during any twelve month period to any commission payment unless and until the Commissions that would have otherwise been payable to Consultant hereunder during such period exceed \$295,000, at which point the Consultant shall be eligible for the commissions set forth below for the balance of the twelve month period. The \$295,000 threshold for payment of commissions hereunder shall be reset at the beginning of each twelve (12) month period hereunder. For the avoidance of doubt, if, during the first twelve month period hereunder, Consultant generates \$2 million of PPE profits with a commission rate of 25%, Consultant shall be entitled to a commission payment of \$205,000 (\$2 million X 25% = \$500,000, less \$295,000, equals \$205,000).

Subject to the foregoing, Consultant shall be entitled to the following commissions:

PPE*	Commission %
Current Inventory <i>(as of Effective Date)</i>	0% Commission
Deals began prior to the Effective Date	5% Commission
Deals Started on or After the Effective Date	25% Commission

*Includes all PPE and additional items such as test kits, sample kits, etc. sold or distributed through, or on which a commission is paid to, the Company or any of its subsidiaries.

Data Management Services Stock Options**

If Consultant is primarily responsible for generating new data management service revenue that yields at least \$25,000+ in new Monthly Recurring Revenue (MRR) per quarter for a minimum of twelve (12) quarters (36 months), then Consultant shall be entitled to a quarterly commission, payable in arrears, equal to 3% of the total MRR received by the Company in the subject quarter, payable at the option of the Company in (i) cash or (ii) fully vested stock options equal to the commission amount and valued using the Black Scholes valuation method (as reasonably determined by the company CFO), having an exercise price equal to the then fair market value of the Company's common stock (as determined under the Amended and Restated 2016 Equity Compensation Plan) and exercisable for a period of 5 years, with a cashless exercise provision, and otherwise in accordance with the Company's 216 Amended and Restated stock option plan..

**Includes Primrose Solutions and Cubenix products and services provided through SCWorx in which Consultant is directly involved.

SUBSCRIPTION AGREEMENT

September __, 2020

SCWorx Corp.

590 Madison Ave.

New York, NY 10022

Ladies and Gentlemen:

Frank Basile ("**Frank Basile**") hereby subscribes to the purchase of 36,842 shares of common stock ("**Common Stock**") at a purchase price of \$3.80 per share and warrants to purchase 46,053 shares of Common Stock at an exercise price of \$4.00 per share (the "**Warrants**") of SCWorx Corp., a Delaware corporation (the "**Company**"), for an aggregate purchase price of \$140,000 (the "**Offering**"). The Warrants shall expire in five years and have cashless exercise (net exercise) provisions for so long as the Warrants are not registered under the Securities Act of 1933, as amended (the "**Act**").

The Company acknowledges and agrees that Frank Basile advanced \$140,000 on May 18, 2020, purchasing 36,842 shares of Common Stock and 46,053 Warrants.

The shares of Common Stock and Warrants are referred to herein as the "**Securities**." In connection with the purchase of the Securities, Frank Basile acknowledges, warrants and represents to and agrees with the Company as follows:

1. Frank Basile is acquiring the Securities for investment for his own account and without the intention of participating, directly or indirectly, in a distribution of the Securities, and not with a view to resale or any distribution of the Securities, or any portion thereof.
2. Frank Basile has knowledge and experience in financial and business matters and has consulted with his/her/its own professional representatives as he has considered appropriate to assist in evaluating the merits and risks of this investment. Frank Basile has had access to and an opportunity to question the officers of the Company, or persons acting on their behalf, with respect to material information about the Company, and, in connection with the evaluation of this investment, has, to the best of his knowledge, received all information and data with respect to the Company that Frank Basile has requested and which is necessary to enable Frank Basile to make an informed decision regarding the purchase of the Securities. Frank Basile is acquiring the Securities based solely upon his/her/its independent examination and judgment as to the prospects of the Company. Frank Basile is not relying on any representation in connection with the subscription contemplated hereby, except for those representations set forth herein.
3. Frank Basile represents and warrants that he has reviewed the Company's filings with the United States Securities and Exchange Commission (the "**SEC**") through the date hereof. Frank Basile has not in connection with making his investment decision with respect to the Securities, relied on any representation or warranty about the Company, except as set forth herein.

ACTIVE 52794513v1

4. The Securities were not offered to Frank Basile by means of publicly disseminated advertisements or sales literature.
5. Frank Basile acknowledges that an investment in the Securities is speculative and involves a high degree of risk and he may have to continue to bear the economic risk of the investment in the Securities for an indefinite period. An investment in the Company involves a high degree of risk.
6. Frank Basile understands that the Company has represented and the Company hereby covenants and agrees that the Company will use the proceeds arising from the purchase price of \$140,000 for the Securities, which has already been advanced to the Company, and it has agreed to use such funds, solely and exclusively for purchases of inventory and for resale to its network of hospital and other purchasers and for no other purposes and such proceeds shall not be used for any general, administrative or working capital purposes, nor for the payment of any Company legal fees or expenses (whether previously incurred or incurred in the future).
7. Frank Basile acknowledges that the Securities are being sold to him without registration under any state or federal law requiring the registration of securities for sale, and accordingly will constitute "restricted securities" as defined in Rule 144 of the U.S. Securities and Exchange Commission. Consequently, the transferability of the Securities is restricted by applicable United States Federal and state securities laws. The Securities will not be eligible for resale under Rule 144 until the expiration of six months after the applicable Closing Date, and upon payment of the exercise price under the Warrants, if exercised for cash. The Securities, when issued, will not be registered under the Securities act of 1933, as amended.
8. In consideration of the acceptance of this subscription, Frank Basile agrees that the Securities will not be offered for sale, sold or transferred by Frank Basile other than pursuant to (i) an exemption available under the Act; or (ii) a transaction that is otherwise in compliance with the Act; or (iii) an effective registration under the federal securities law or other jurisdiction applicable to the transaction, an exemption available under such laws, or a transaction that is otherwise in compliance with such laws.
9. Frank Basile understands that no U.S. federal or state agency has passed upon the offering of the Securities or has made any finding or determination as to the fairness of any investment in the Securities.
10. Frank Basile agrees not to disclose or use any information provided to Frank Basile by the Company or any of its agents in connection with the offering of the Securities, except for the purpose of evaluating an investment in the Securities.
11. **FRANK BASILE REPRESENTS AND WARRANTS TO THE COMPANY THAT FRANK BASILE IS AN "ACCREDITED INVESTOR," BECAUSE HE:**

INDIVIDUAL INVESTORS – PLEASE CHECK ALL THAT APPLY:

- A. ____ Is an Individual with income from all sources for each of the last two full calendar years in excess of (and whose reasonably expected income for this calendar year

will exceed) either of:

- (i) \$200,000 individual income; or
- (ii) \$300,000 joint income with spouse. Or,

B. _____ Is an Individual with a net worth* as of the date hereof (individually or jointly with your spouse), in excess of \$1,000,000.

*Exclude the value of your home and your home mortgage (if it is less than the value of your home) from net worth computation. If the amount of your home mortgage exceeds the value of your home, indicate such excess here: \$ _____

INSTITUTIONAL INVESTORS– PLEASE CHECK ALL THAT APPLY

- A. _____ CORPORATIONS OR PARTNERSHIPS: A Corporation, Partnership, or similar entity that has in excess of five million dollars (\$5,000,000.00) of assets and was not formed for the specific purpose of acquiring an Interest in this Private Placement.
- B. _____ ENTITY OWNED ENTIRELY BY ACCREDITED INVESTORS: A corporation, partnership, private investment company or similar entity each of whose equity owners is a natural person who is an accredited investor. (If this category is checked, please also check the additional category or categories under which each natural person qualifies as an accredited investor.)
- C. _____ REVOCABLE TRUST: A trust that is revocable by its grantors and each of whose grantors is an accredited investor. (If this category is checked, please also check the additional category or categories under which each grantor qualifies as an accredited investor.)
- D. _____ IRREVOCABLE TRUST: A trust (other than an ERISA plan) that (1) is not revocable by its grantors, (2) has in excess of Five Million Dollars (\$5,000,000.00) of assets, (3) was not formed for the specific purpose of acquiring an Interest, and (4) is directed by a person who has such knowledge and experience in financial and business matters that such a person is capable of evaluating the merits and risks of an investment in this Private Placement.
- E. _____ IRA or SIMILAR BENEFIT PLAN: An Individual Retirement Account (IRA), Keogh, or similar benefit plan that covers a natural person who is an accredited investor. (If this category is checked, please also check the additional category or categories under which the natural person covered by the IRA or plan qualifies as an accredited investor.)
- F. _____ PARTICIPANT-DIRECTED EMPLOYEE BENEFIT PLAN ACCOUNT: A participant-directed employee benefit plan investing at the direction of, and for the account of, a participant who is an accredited investor. (If this category is checked, please also check the additional category or categories under which the participant qualifies as an accredited investor).
- G. _____ OTHER ERISA PLAN: An employee benefit plan within the meaning of Title I of

the ERISA Act other than a participant-directed plan with total assets in excess of Five Million Dollars (\$5,000,000.00) or for which investment decisions (including the decision to purchase an Interest) are made by a bank, registered investment adviser, savings and loan association, or insurance company.

- H. _____ GOVERNMENT BENEFIT PLAN: A plan established and maintained by a state, municipality, or any agency of a state or municipality, for the benefit of its employees, with total assets in excess of Five Million Dollars (\$5,000,000.00).
- I. _____ NON-PROFIT ENTITY: An organization described in Section 501(c)(3) of the Internal Revenue Code, as amended, with total assets in excess of Five Million Dollars (\$5,000,000.00) (including endowment, annuity and life income funds), as shown by the organization's most recent audited financial statements.

OTHER INSTITUTIONAL INVESTOR (check one):

- J. _____ A bank, as defined in Section 3(a)(2) of the Securities Act (whether acting for its own account or in a fiduciary capacity); or
- _____ A savings and loan association or similar institution, as defined in Section 3(a)(5)(A) of the Securities Act (whether acting for its own account or in a fiduciary capacity); or
- _____ A broker-dealer registered under the Exchange Act of 1934; or
- _____ An insurance company, as defined in Section 2 (13) of the Securities Act of 1933;
- or
- _____ A "business development company", as defined in Section 2(a)(48) of the Investment Company Act; or
- _____ A small business investment company licensed under Section 301(c) or (d) of the Small Business Investment Act of 1958, as amended; or
- _____ A "private business development company" as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, as amended.

Additional Covenants and Agreements.

12. Frank Basile understands that the Company will rely upon his representations and agreements as set forth herein in connection with determining whether or not the sale of the Securities to him complies with applicable securities laws; and Frank Basile agrees to indemnify and hold harmless the Company and its officers, directors, employees and agents from and against any and all costs, liabilities and expenses (including attorneys' fees) arising out of or related in any way to any breach of any of his representations or warranties contained herein.

13. The Company represents and warrants to Frank Basile that its representations and warranties set forth on Exhibit A annexed hereto are and shall be true and correct in all material respects. Upon the Closing Date, Company shall provide Frank Basile an officer's certificate duly executed by the Chief Executive Officer and Chief Financial Officer of the Company attesting to the truth and accuracy as the Closing Date of the matters set forth on Exhibit A and such additional matters as the Frank Basile may reasonably request as a condition to the purchase of the Securities, unless waived by him.
14. The Company shall bear all costs and expenses associated with removal of legends on the Securities, including any opinion of counsel and transfer agent costs pursuant to Rule 144 under the Act.

[SIGNATURE PAGE FOLLOWS]

The parties hereto intending to be legally bound have executed this Subscription Agreement as of September __, 2020.

SUBSCRIBER

Frank Basile

By: 

Name: Frank Basile

Amount Subscribed	Number of common shares	Number of warrants
\$140,000	36,842	46,053

COMPANY ACCEPTANCE OF SUBSCRIPTION

SCWorx Corp.

By: 

~~Mark Schessel, Chief Executive Officer~~

Tim Hannibal, President & COO

SCHEDULE A

COMPANY INCOMING WIRE INFORMATION:

Bank of America

ABA: 026009593

Account number 139100925312

Account name Scworx

EXHIBIT A

REPRESENTATIONS AND WARRANTIES OF COMPANY

Representations and Warranties of the Company. The Company hereby makes the following representations and warranties to each Purchaser as of the date hereof and at each Closing Date:

Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and otherwise to carry out its obligations hereunder. The execution and delivery of this Agreement by the Company and the consummation by it of the transactions contemplated hereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, the Board of Directors or the Company's stockholders in connection herewith or therewith. This Agreement has been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

Issuance of the Securities. The Securities are duly authorized and, when issued and paid for in accordance with this Agreement and the Warrants, will be duly and validly issued, fully paid and nonassessable, free and clear of all liens imposed by the Company other than restrictions on transfer provided for under the Act. The Common Stock underlying the Warrants, when issued in accordance with the terms of this Agreement and the Warrants, will be validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for under the Act.

SEC Reports; Financial Statements. The Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) of the Exchange Act, for the two years preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the "SEC Reports"). As of their respective dates, the SEC Reports, taken as a whole with all amendments) complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed and taking into account amendments, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the SEC Reports comply in all material respects with

applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved ("GAAP"), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

SUBSCRIPTION AGREEMENT

September __, 2020

SCWorx Corp.

590 Madison Ave.

New York, NY 10022

Ladies and Gentlemen:

Ivy Equity Investors, LLC (“**Ivy Equity**”) hereby subscribes to the purchase of up to 256,579 shares of common stock (“**Common Stock**”) at a purchase price of \$3.80 per share and warrants to purchase 320,724 shares of Common Stock at an exercise price of \$4.00 per share (the “**Warrants**” and with the Common Stock, the “**Securities**”) of SCWorx Corp., a Delaware corporation (the “**Company**”), for an aggregate purchase price of \$975,000 (the “**Offering**”). The Offering shall be made to one or more subscribers approved by the Ivy Equity with one or more closings, as set forth below, upon the satisfaction by Company of the conditions set forth herein. The Warrants shall expire in five years and have cashless exercise (net exercise) provisions for so long as the Warrants are not registered under the Securities Act of 1933, as amended (the “**Act**”).

I. Initial Closing

On April 30, 2020 (the “**Initial Closing**” and the “**Initial Closing Date**”), the Ivy Equity advanced \$150,000, which Company and Ivy Equity agree shall be applied to the purchase of 39,474 shares of Common Stock and Warrants to purchase 49,343 shares of Common Stock. Ivy Equity and its Manager, Joe Gamberale, agree that that the sale of the Securities hereunder shall not be deemed to cause a reset of the exercise price of the warrants which are the subject of those certain waiver letters to the Company dated May 9, 2020 and delivered by Gamberale and Ivy Equity on or about the date hereof.

II. Second Closing

The Company acknowledges and agrees that the Ivy Equity subsequently advanced an additional \$100,000 to the Company, as well as reimbursement of \$25,000 of legal fees on May 26, 2020 (the “**Second Closing Date**”), which correspond to the purchase of 32,895 shares of the Company’s Common Stock and 41,118 Warrants, and which shall be effective as of the Second Closing Date.

The total issued to the Ivy Equity hereunder is 72,369 shares of Common Stock and 90,461 Warrants.

III. Subsequent Closings

The Company acknowledges and agrees that Ivy Equity or its designees may purchase up to 147,368 shares of Common Stock and 184,210 Warrants from time to time until the Termination Date (as defined below) in one or more closings (each a “**Closing**” and each such date, a “**Closing Date**”), upon notice from the Ivy Equity to the Company, and the execution of an amendment to this Agreement.

ACTIVE 52309766v5

In connection with the purchase of the Securities, the Ivy Equity acknowledges, warrants and represents to and agrees with the Company as follows:

1. The Ivy Equity is acquiring the Securities for investment for its own account and without the intention of participating, directly or indirectly, in a distribution of the Securities, and not with a view to resale or any distribution of the Securities, or any portion thereof.
2. Ivy Equity has knowledge and experience in financial and business matters and has consulted with its own professional representatives as he/she/it has considered appropriate to assist in evaluating the merits and risks of this investment. Ivy Equity has had access to and an opportunity to question the officers of the Company, or persons acting on their behalf, with respect to material information about the Company, and, in connection with the evaluation of this investment, has, to the best of his/her/its knowledge, received all information and data with respect to the Company that Ivy Equity has requested and which is necessary to enable Ivy Equity to make an informed decision regarding the purchase of the Securities. Ivy Equity is acquiring the Securities based solely upon his/her/its independent examination and judgment as to the prospects of the Company. Ivy Equity is not relying on any representation in connection with the subscription contemplated hereby, except for those representations set forth herein.
3. Ivy Equity represents and warrants that he/she/it has reviewed the Company's filings with the United States Securities and Exchange Commission (the "SEC") through the date hereof. Ivy Equity has not in connection with making its investment decision with respect to the Securities, relied on any representation or warranty about the Company, except as set forth herein.
4. The Securities were not offered to Ivy Equity by means of publicly disseminated advertisements or sales literature.
5. Ivy Equity acknowledges that an investment in the Securities is speculative and involves a high degree of risk and Ivy Equity may have to continue to bear the economic risk of the investment in the Securities for an indefinite period. An investment in the Company involves a high degree of risk.
6. Ivy Equity understands that the Company has represented and the Company hereby covenants and agrees that the Company will use the proceeds arising from the purchase price of \$515,000 for the Securities, which has already been advanced to the Company, and it has agreed to use such funds, solely and exclusively for purchases of inventory and for resale to its network of hospital and other purchasers and for no other purposes and such proceeds (other than \$150,000 from the Initial Closing that was expended on general working capital items, and not Company legal fees) shall not be used for any general, administrative or working capital purposes, nor for the payment of any Company legal fees or expenses (whether previously incurred or incurred in the future).
7. Ivy Equity acknowledges that the Securities are being sold to Ivy Equity without registration under any state or federal law requiring the registration of securities for sale, and accordingly will constitute "restricted securities" as defined in Rule 144 of the U.S. Securities and

Exchange Commission. Consequently, the transferability of the Securities is restricted by applicable United States Federal and state securities laws. The Securities will not be eligible for resale under Rule 144 until the expiration of six months after the applicable Closing Date, and upon payment of the exercise price under the Warrants, if exercised for cash. The Securities, when issued, will not be registered under the Securities act of 1933, as amended.

8. In consideration of the acceptance of this subscription, Ivy Equity agrees that the Securities will not be offered for sale, sold or transferred by Ivy Equity other than pursuant to (i) an effective registration under the Act, an exemption available under the Act or a transaction that is otherwise in compliance with the Act; and (ii) an effective registration under the securities law of any state or other jurisdiction applicable to the transaction, an exemption available under such laws, or a transaction that is otherwise in compliance with such laws.
9. Ivy Equity understands that no U.S. federal or state agency has passed upon the offering of the Securities or has made any finding or determination as to the fairness of any investment in the Securities.
10. Ivy Equity agrees not to disclose or use any information provided to Ivy Equity by the Company or any of its agents in connection with the offering of the Securities, except for the purpose of evaluating an investment in the Securities.
11. **IVY EQUITY REPRESENTS AND WARRANTS TO THE COMPANY THAT IT IS AN "ACCREDITED INVESTOR," BECAUSE IT:**

INDIVIDUAL INVESTORS – PLEASE CHECK ALL THAT APPLY:

A. Is an Individual with income from all sources for each of the last two full calendar years in excess of (and whose reasonably expected income for this calendar year will exceed) either of:

- (i) \$200,000 individual income; or
- (ii) \$300,000 joint income with spouse. Or,

B. Is an Individual with a net worth* as of the date hereof (individually or jointly with your spouse), in excess of \$1,000,000.

*Exclude the value of your home and your home mortgage (if it is less than the value of your home) from net worth computation. If the amount of your home mortgage exceeds the value of your home, indicate such excess here: \$ _____

INSTITUTIONAL INVESTORS– PLEASE CHECK ALL THAT APPLY

A. **CORPORATIONS OR PARTNERSHIPS:** A Corporation, Partnership, or similar entity that has in excess of five million dollars (\$5,000,000.00) of assets and was not formed for the specific purpose of acquiring an Interest in this Private Placement.

B. **ENTITY OWNED ENTIRELY BY ACCREDITED INVESTORS:** A

corporation, partnership, private investment company or similar entity each of whose equity owners is a natural person who is an accredited investor. (If this category is checked, please also check the additional category or categories under which each natural person qualifies as an accredited investor.)

- C. _____REVOCABLE TRUST: A trust that is revocable by its grantors and each of whose grantors is an accredited investor. (If this category is checked, please also check the additional category or categories under which each grantor qualifies as an accredited investor.)
- D. _____IRREVOCABLE TRUST: A trust (other than an ERISA plan) that (1) is not revocable by its grantors, (2) has in excess of Five Million Dollars (\$5,000,000.00) of assets, (3) was not formed for the specific purpose of acquiring an Interest, and (4) is directed by a person who has such knowledge and experience in financial and business matters that such a person is capable of evaluating the merits and risks of an investment in this Private Placement.
- E. _____IRA or SIMILAR BENEFIT PLAN: An Individual Retirement Account (IRA), Keogh, or similar benefit plan that covers a natural person who is an accredited investor. (If this category is checked, please also check the additional category or categories under which the natural person covered by the IRA or plan qualifies as an accredited investor.)
- F. _____PARTICIPANT-DIRECTED EMPLOYEE BENEFIT PLAN ACCOUNT: A participant-directed employee benefit plan investing at the direction of, and for the account of, a participant who is an accredited investor. (If this category is checked, please also check the additional category or categories under which the participant qualifies as an accredited investor).
- G. _____OTHER ERISA PLAN: An employee benefit plan within the meaning of Title I of the ERISA Act other than a participant-directed plan with total assets in excess of Five Million Dollars (\$5,000,000.00) or for which investment decisions (including the decision to purchase an Interest) are made by a bank, registered investment adviser, savings and loan association, or insurance company.
- H. _____GOVERNMENT BENEFIT PLAN: A plan established and maintained by a state, municipality, or any agency of a state or municipality, for the benefit of its employees, with total assets in excess of Five Million Dollars (\$5,000,000.00).
- I. _____NON-PROFIT ENTITY: An organization described in Section 501(c)(3) of the Internal Revenue Code, as amended, with total assets in excess of Five Million Dollars (\$5,000,000.00) (including endowment, annuity and life income funds), as shown by the organization's most recent audited financial statements.

OTHER INSTITUTIONAL INVESTOR (check one):

- J. _____A bank, as defined in Section 3(a)(2) of the Securities Act (whether acting for its own account or in a fiduciary capacity); or

_____A savings and loan association or similar institution, as defined in Section 3(a)(5)(A) of the Securities Act (whether acting for its own account or in a fiduciary capacity); or

_____A broker-dealer registered under the Exchange Act of 1934; or

_____An insurance company, as defined in Section 2 (13) of the Securities Act of 1933;

or

_____A “business development company”, as defined in Section 2(a)(48) of the Investment Company Act; or

_____A small business investment company licensed under Section 301(c) or (d) of the Small Business Investment Act of 1958, as amended; or

_____A “private business development company” as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, as amended.

Additional Covenants and Agreements.

12. Ivy Equity understands that the Company will rely upon the representations and agreements of Ivy Equity set forth herein in connection with determining whether or not the sale of the Securities to Ivy Equity complies with applicable securities laws; and Ivy Equity agrees to indemnify and hold harmless the Company and its officers, directors, employees and agents from and against any and all costs, liabilities and expenses (including attorneys’ fees) arising out of or related in any way to any breach of any representation or warranty of Ivy Equity contained herein.
13. On each Closing Date (including the Initial Closing Date and any subsequent closing dates), the Company represents and warrants to Ivy Equity and its designees, as applicable, as investors in the Company’s Securities, that each of the Company representations and warranties set forth on **Exhibit A** annexed hereto are and shall be true and correct in all material respects. Ivy Equity shall have the irrevocable right and option to purchase the Securities at one or more Closings through and including January 18, 2021 (the “**Termination Date**”) at the election of Ivy Equity. At each such Closing Company shall provide Ivy Equity, or its designee, as applicable, an officer’s certificate duly executed by the Chief Executive Officer and Chief Financial Officer of the Company attesting to the truth and accuracy as of each Closing Date of the matters set forth on **Exhibit A** and such additional matters as the Ivy Equity may reasonably request as a condition to the purchase of the Securities, unless waived by the Ivy Equity.
14. Company agrees that prior to the Termination Date, the Company shall not enter into any agreement or understanding nor incur any indebtedness other than trade debt incurred in the ordinary course of business for financing the operations of the Company, or enter into any agreement for the issuance of variable rate securities, without the prior written consent of the Ivy Equity.

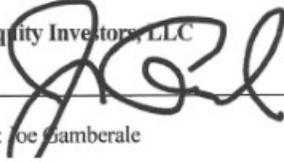
15. The Company shall bear all costs and expenses associated with removal of legends on the Securities, including any opinion of counsel and transfer agent costs pursuant to Rule 144 under the Act.

[SIGNATURE PAGE FOLLOWS]

The parties hereto intending to be legally bound have executed this Subscription Agreement as of September __, 2020.

SUBSCRIBER

Ivy Equity Investors, LLC

By:  _____

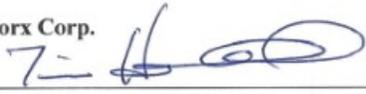
Name: Joe Gamberale

Title: Manager

Amount Subscribed	Number of common shares	Number of warrants
\$275,000	72,369	90,461

COMPANY ACCEPTANCE OF SUBSCRIPTION

SCWorx Corp.

By:  _____

~~Mark Schessel, Chief Executive Officer~~

Tim Hannibal, President & COO

SCHEDULE A

COMPANY INCOMING WIRE INFORMATION:

Bank of America

ABA: 026009593

Account number 139100925312

Account name Scworx

EXHIBIT A
REPRESENTATIONS AND WARRANTIES OF
COMPANY

Representations and Warranties of the Company. The Company hereby makes the following representations and warranties to each Purchaser as of the date hereof and at each Closing Date:

Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and otherwise to carry out its obligations hereunder. The execution and delivery of this Agreement by the Company and the consummation by it of the transactions contemplated hereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, the Board of Directors or the Company's stockholders in connection herewith or therewith. This Agreement has been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

Issuance of the Securities. The Securities are duly authorized and, when issued and paid for in accordance with this Agreement and the Warrants, will be duly and validly issued, fully paid and nonassessable, free and clear of all liens imposed by the Company other than restrictions on transfer provided for under the Act. The Common Stock underlying the Warrants, when issued in accordance with the terms of this Agreement and the Warrants, will be validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for under the Act.

SEC Reports; Financial Statements. The Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) of the Exchange Act, for the two years preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the "SEC Reports"). As of their respective dates, the SEC Reports, taken as a whole with all amendments) complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed and taking into account amendments, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the SEC Reports comply in all material respects with

applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved ("GAAP"), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

TERMS AND CONDITIONS OF PURCHASE

Number:

THESE TERMS AND CONDITIONS OF PURCHASE ("Terms & Conditions") are made and effective this 26th day of May, 2020, by and between SCWorx Corp., a Delaware Corporation ("**Purchaser**"), and USA Procurements, LLC, 1100 Poydras St, New Orleans, LA 70163 (hereinafter ("**Seller**")). Purchaser and Seller are sometimes hereinafter referred to individually as "Party" and collectively as the "Parties".

This Agreement for the purchase of level 4 blue medical gowns (double laminate, 35g weight), ("Products"), together with the Escrow Agreement, if required, by and between Seller, Purchaser and the Escrow Agent, constitute the entire and sole basis upon which Purchaser agrees to purchase Products from Seller, and are the exclusive understanding between Purchaser and Seller covering the Products (hereinafter collectively "the Contract"). Any additional or different terms and/or conditions proposed by Purchaser or Seller, whether by: (i) quotation; (ii) acknowledgment; (iii) invoice; (iv) separate written document; and/or (v) any other means, do not constitute part of the Contract. Any such additional or different terms shall be considered proposals to amend, which are not accepted, unless mutually agreed to in a writing signed by the Parties and/or Manufacturer as applicable. All prior general terms and conditions, contracts, representations, statements, negotiations, and undertakings, whether oral or written, are superseded hereby.

- **Price, Payment, and Requirement.**

Price. Seller will furnish the Products called for hereby in accordance with the specifications, quantities, prices and delivery stated herein. All prices are stated in U.S. Dollars. The line item prices listed herein include all applicable taxes that Seller is legally obligated to collect, except sales tax, which is separately shown where applicable. If Purchaser furnishes a valid tax exemption certificate to Seller, Seller shall neither remit sales or use tax nor charge Purchaser for sales or use tax to the extent permitted by the exemption certificate.

- **Purchase Price.**

The purchase price is \$3.00 per unit. Price may be subject to change for any future orders under this Agreement. Any future orders shall be pursuant to a Purchase Order which incorporates the terms of this Agreement.

Payment. Any payments hereunder shall be made to USA Procurement.

Payments: Purchaser agrees to an initial deposit of 30% of the purchase price \$135,000 within one business day of signing this agreement, subject to the terms specified in this Agreement. This deposit shall be applied to payment for the Products purchased hereunder. Payment in full for all Products which meet the inspection requirements of Paragraph 3 of this Agreement shall be released to Seller upon the Product clearing customs, FOB Adana airport. For clarity, if Purchaser is not satisfied with its inspection of a portion of the Products, Purchaser may reject those specific Products and accept the balance of the Product shipment.

Currency: All payments shall be made in U.S. dollars.

1.4 Requirement: The Seller agrees to sell to Purchaser and the Purchaser agrees to purchase from Seller, upon Purchaser's acceptance of bill of lading an aggregate of One hundred and fifty thousand (150,000) units of level 4 blue medical gowns (double laminate, 35g weight) as requested and available. The Product Specifications are as set forth on the Technical Data Sheet for the level 4 blue medical gowns (double laminate, 35g weight) as provided by the Seller.

- **Shipment and Delivery.**

2.1 Shipment. All Products to be prepared for shipment in a manner which: (i) follows good commercial practice; (ii) is acceptable by common carriers for shipment; and (iii) is adequate to ensure safe and timely arrival. Prior to shipment, Seller shall deliver Purchaser a bill of lading detailing the Products contained on each pallet, including manufacturer catalog number, product description, lot number(s) and quantity of product.

2.2 Shipping Terms. Shipping Incoterm shall be FOB Adana airport.

- **Inspection.**

Inspection. Purchaser must conduct any inspection of the Manufacturer's Product documentation and bill of lading within two business days of receipt. Purchaser shall also have the right to order its own surveyor (at its own expense) to ensure the quality and quantity of the Products, including conformity to specifications.

Seller Support. Seller will provide any necessary and reasonable assistance for Purchaser's inspections. Any delays caused by Seller shall extend the one business day time period within section 3.1

- **Invoicing.**

Invoicing. Seller will send invoices in accordance with the payment terms herein. Invoices will include: Product number(s), complete bill to address, description of Product(s), quantities by lot number, manufacturer catalog number, product description, unit prices and extended totals in U.S. dollars.

- **Cancellation and Termination.**

Termination for Cause. If: (i) Seller fails to make a timely delivery or perform a service in accordance with the Contract(ii) any proceeding is filed by or against Seller in bankruptcy or insolvency, or for appointment for the benefit of creditors; or (iii) Seller is otherwise in material breach of the Contract and fails to remedy such within one calendar day after receipt of written notice from Purchaser, then Purchaser may terminate the Contract by written notice to Seller.

6. **Ownership; Good Title; No Liens.** Seller warrants that at the time of delivery to Purchaser it will be the sole and exclusive owner of the Products at issue herein and that title to all Products will pass to Purchaser upon possession by Purchaser free and clear of all liens, claims, security interests or encumbrances, and that no materials, equipment or supplies incorporated into any Products sold to Purchaser, or any services performed for Purchaser, under any Order will have been acquired by Seller subject to a contract under which any interest therein or any encumbrance thereon is retained by Seller, or by any other entity, which will survive delivery to Purchaser.

- **Proprietary Information and Publicity.**

Confidentiality Obligation. Each Party will maintain confidential the contents of this Contract as well as any information (electronic and paper) it receives ("Receiving Party") from the other Party ("Disclosing Party") of a confidential or proprietary nature relating to the Products or business of such Disclosing Party, regardless of whether the confidential information is marked as proprietary or confidential.

Other NDAs. The terms and conditions of any Non-Disclosure Contract, or other confidentiality Contract, executed between the Parties are incorporated by reference as if fully set forth herein. In the event of any inconsistency between provisions of these Terms & Conditions and those of any executed confidentiality Contract, the provisions that are most protective of confidential information will take precedence.

Relief. The Parties agree that breach of this Section 7 will cause the non-breaching Party to suffer irreparable harm for which monetary damages are an inadequate remedy, and that equitable relief is appropriate (including preliminary and permanent injunctive relief in any court of competent jurisdiction).

- **Warranties.**

Warranty. Seller warrants that the Products meet the specifications set forth herein, and that they are fit for their intended purpose.

- **Intellectual Property.**

Indemnification Obligation. Seller warrants that to the best of its knowledge after reasonable investigation, the Products do not infringe any intellectual property rights, and it represents and covenants that it has disclosed in a writing attached to these Terms & Conditions pertinent to the disclosure, any limitation on this warranty. Seller shall defend, indemnify and hold Purchaser harmless from any and all costs, expenses (including reasonable attorneys' fees and costs), losses, damages and liabilities incurred due to Products actual or alleged infringement of any patent, copyright, trade secret, trademark, or other intellectual property rights arising out of the use or sale by Purchaser. Both Parties agree to notify each other promptly after receiving notice of alleged infringement and both Parties will be permitted to participate in the defense or settlement thereof.

3

- **General Indemnification.**

Indemnification Obligation. Each Party agrees to protect, defend, indemnify and hold harmless the other Party, its directors, officers, employees, agents, successors and assigns, from and against any and all claims, liabilities, demands, penalties, forfeitures, suits, judgments and the associated costs and expenses (including reasonable attorney's fees and costs, and expert fees and costs), which the other Party may hereafter incur, become responsible for or pay out as a result of (i) death or bodily injury to the other Party's employees, agents or representatives, (ii) any violation of governmental law, regulation, or order, (iii) the indemnifying Party's breach of any term or provision hereof; (iv) the indemnifying Party's act of willful misconduct in connection with its performance under the Contract; or (v) negligent acts, errors or omissions by the indemnifying Party, its employees, officers, agents, representatives, vendors, or subcontractors in connection with performance of the Contract.

- **Reserved.**

12. **Force Majeure.**

12.1 Neither Party will be liable for delay or failure in performance, in whole or in part, caused by the occurrence of any contingency that _cc;mld not have been prevented by the affected Party's (or its other contractors or subcontractors) exercise of reasonable diligence, and that is beyond its reasonable control, including but not limited to war, embargo, supply-chain interruption, national emergency, sanctions, governmental acts or inactions, military operations, blockade, requisition, trade restrictions, strikes, lockouts, labor shortages, quarantine, pandemic, insurrection, revolution, riot or other act of civil disobedience, act of a public enemy, fire, perils of the sea, piracy, terrorism, breakdown of transportation equipment, explosion, flood, storm, earthquake, or other act of God; provided, however, that: (i) when an actual or threatened event delays or is anticipated to delay the timely performance of obligations under the Contract, the affected Party will immediately, and in any event no later than five (5) calendar days, notify the other Party in writing of all relevant information and the anticipated date performance will be completed; and (ii) the other Party will have the right to terminate its obligation to proceed with the uncompleted portion of the Contract at no cost and without penalty, if the delay is more than thirty (30) calendar days.

13. **Miscellaneous.**

- 13.1 Assignment. Purchaser may assign its rights and/or obligations under these Terms & Conditions, provided that: (i) Purchaser is not in default or is otherwise unable to pay for the Products provided by Seller under this Contract, (ii) the form of assignment does not materially alter these Terms & Conditions, and (iii) the assignment is (a) to the Owner or Financing Party of the owner of the entity for which the Product is purchased, (b) to a subsidiary of Purchaser, or (c) in connection with a merger, reorganization or sale of Purchaser's assets, provided the assignee's business does not directly compete with Seller's. Seller may assign its rights and/or obligations under these Terms & Conditions with the prior written consent of Purchaser, which shall not be unreasonably withheld: (i) to a subsidiary of Seller; or (ii) in connection with a merger, reorganization or sale of Seller's assets, provided the assignee's business does not directly compete with Purchaser's. Any assignment permitted hereunder is subject to the written Contract of the assignee to be bound by the Contract.

- 13.2 Modification and Waiver. Any delay or failure by either Party to pursue any and all of its remedies upon a breach by the other, or to insist upon performance of any provision of the Contract, will not be construed as a waiver of a Party's rights under the Contract, or applicable state or federal law. No modification to these Terms & Conditions, nor any waiver of any rights, will be effective unless made in a signed writing, and the waiver of any breach or default will not constitute a waiver of any other right hereunder or any subsequent breach or default.

4

- 13.3 Independent Contractors. Purchaser and Seller are independent contractors, and their relationship is not one of principal and agent.
- 13.4 Notice. All notices and other communications required or permitted in connection with these Terms & Conditions will be in writing and will be sent to a Party at its address set forth herein by first class mail, postage prepaid, by facsimile transmission, by electronic mail, or by overnight courier.
- 13.5 Severability. If for any reason, any part of these Terms & Conditions is deemed invalid, illegal, or otherwise unenforceable, the remainder of the Terms & Conditions will remain in full force and effect.
- 13.6 Compliance with Laws. Purchaser and Seller agree to comply the U.S. Foreign Corrupt Practices Act, Bank Secrecy Act and other Anti Money Laundering legislation, collectively known as "Anti-Corruption Laws". Further, Purchaser and Seller agree to comply with all other laws applicable to Purchaser and Seller in relation to this Agreement.
- 13.7 Compliance with U.S. AML & PTF Regulations. Purchaser and Seller, individually represent, warrant and covenant that neither it, nor any of its affiliates (or any of their respective STRINGS's, partners or funding sources), is nor will become (i) a person designated by the U.S. Department of Treasury Office of Foreign Asset Control as a "specially designated. national or blocked person" or similar status, (ii) a person described in Section 1 of U. S. Executive Order 13224 issued on September 23, 2001.

(iii) a person otherwise identified by a government or legal authority as a person with whom Purchaser or Seller is prohibited from transacting business; (iv) directly or indirectly owned or controlled by the government of any country that is subject to an embargo by the United States government ; or (v) a person acting on behalf of a government of any country that is subject to an embargo by the United States government. Purchaser and Seller agree to notify the other in writing immediately upon the occurrence of any event which would render the foregoing representations and warranties contained in this Section incorrect.

13.8 Non-Ineligibility

Purchaser and Seller, independently represent and warrant that it is not currently excluded, debarred, suspended or otherwise ineligible to participate by any federal department or in any federal department programs or in any federal procurement or no procurement programs ("Ineligible Person"), and that Purchaser or Seller is not using an Ineligible Person individual and will not use an Ineligible Person in the future, in any capacity, in connection with the performance of the services hereunder. For the avoidance of doubt, Purchaser and Seller independently represent and warrant that neither it nor any of its principals is excluded, debarred or suspended from any federal health care program, including, but not limited to, Medicare and Medicaid.

13.9 Access to Books and Records

During the Term of this Agreement and for a period of four (4) years after the termination hereof: Seller shall grant access to the following documents to the Secretary of the U.S. Department of Health and Human Services ("Secretary"), the U.S. Comptroller General and their authorized rep representatives.: this Agreement. and all books, documents and records necessary to verify the nature and costs of Products/services prov ide d hereunder. If Seller carries out the duties of this Agreement through a subcontract worth \$10-thousand USD or more over a twelve (12) month period with a related organization. th.is subcontract shall also contain a clause permitting access by the Secretary, Comptroller-General and their authorized representatives to the related organization's books. documents and records.

13.10 Choice of Law and Jurisdiction

This Agreement and any and all related documents and matters arising out of, or relating to it shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to conflict of laws principles.

13.11 Venue.

The parties hereto irrevocably and unconditionally consent to the jurisdiction of the United States District Court of the Southern District of New York, otherwise , the parties hereto submit to the jurisdiction of any court of competent jurisdiction in the Courts of New York.

3.12 Attorney's Fees:

If any legal action is commenced or necessary to enforce or interrupt the terms of this Agreement, the prevailing Party shall be entitled to reasonable attorney's fees, costs, and necessary disbursements in addition to any other relief to which that party may be entitled.

13.13 Equal Opportunity.

Seller and Purchaser each complies with the Equal Opportunity Clauses set forth in 41 CFR parts 60-1.4(a), and the employee notice found at 29 CFR Part 471, Appendix A to Subpart A, which, if applicable, are incorporated by reference herein. In addition, Seller and Purchaser shall each abide by the requirements of 41 CFR 60.300.S(a) and 60.741.S(a). These regulations prohibit discrimination against qualified individuals on the basis of protected veteran status or disability, and require affirmative action by covered prime contractors and subcontractors to employ and advance in employment qualified protected veterans and individuals with disabilities.

The undersigned have caused these Terms & Conditions to be signed by duly authorized officers or representatives of the Party on whose behalf they are signing for and agree to bind their respective Party hereto.

Seller
USA Procurement

Purchaser
SCWorxCorp.

By: _____

By: _____

SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release ("Settlement Agreement") is entered into this 12th day of March, 2021 between SCWorx Corp. ("SCWorx") on the one hand, and USA Procurements, LLC ("USAP") on the other hand. SCWorx and USAP are collectively referred to herein as the "Parties."

WHEREAS, on May 26, 2020, SCWorx and USAP entered into a Purchase Agreement ("the Contract") pursuant to which, among other things, USAP agreed to sell and SCWorx agreed to purchase 150,000 gowns at a price of \$3.00 per gown.

WHEREAS, pursuant to the Contract, on May 27, 2020, SCWorx wired the deposit to USAP consisting of 30% of the purchase price, or \$135,000.00, which deposit was to be applied to the Contract purchase price.

WHEREAS, on June 25, 2020, pursuant to Invoice "III/39," SCWorx wired the sum of \$374,000.00 to USAP.

WHEREAS, on July 24, 2020, SCWorx wired the sum of \$30,000.00 to USAP.

WHEREAS, SCWorx has made total payment of \$539,000.00 to USAP.

WHEREAS, to date, SCWorx has only received and USAP has only delivered 3,000 gowns under the Contract; and

WHEREAS, disputes have arisen between the Parties regarding their respective obligations under the Contract; and

WHEREAS, the Parties now wish to resolve fully and finally any and all disputes, claims, complaints, grievances, charges, actions, petitions, and/or demands between them related to the Contract;

NOW THEREFORE, in consideration of the promises and mutual covenants herein contained which the Parties mutually agree constitute good, adequate, and sufficient consideration herefor, the Parties agree as follows for the purpose of being legally bound hereto in all respects:

1. CONSIDERATION

(A). Within three (3) business days after the execution by SCWorx of this Settlement Agreement, USAP shall make available for delivery to SCWorx 87,000 level 4 blue medical gowns (double laminate, 35g weight), which gowns shall comply with the specifications required by the Contract and be packaged in compliance with the packaging example annexed as Ex. A, including such packaging indicating that the gowns are FDA approved as well as enclosing the spec sheet reflected in Ex. A, and be in good and saleable condition. SCWorx shall arrange for the shipping of the gowns and agrees to pay for the reasonable cost of shipping the gowns, including securing reasonable insurance for the shipment.

(B). Within three (3) business days after execution by USAP of this Settlement Agreement, SCWorx agrees to deposit Twenty-Thousand Dollars and No Cents (\$20,000.00) into a third-party escrow account (the "Escrowed Payment") which Escrowed Payment will be released upon satisfactory inspection by SCWorx or its designee of the gowns described in paragraph 1(A).

- (i) No later than four (4) business days after USAP's execution of this Settlement Agreement, the gowns will be picked up for transport at the warehouse by SCWorx's designee.
- (ii) Within nine (9) business days after SCWorx's designee picks up the gowns at the warehouse, SCWorx shall complete its inspection of the gowns. The nine (9) business days accounts for four (4) business days of transport time and five (5) business days of inspection time.
- (iii) If, upon inspection, the gowns are in satisfactory condition and in compliance with Paragraph 1(A) of this Settlement Agreement, SCWorx shall, within two (2) business days of the completion of the satisfactory inspection, notify the escrowee to release the Escrowed Payment to USAP.

2. WARRANTIES, REPRESENTATIONS AND COVENANTS OF USAP

A. USAP warrants and represents and agrees as follows:

- (a) USAP will cause to be delivered the gowns as described in Paragraph 1(A) of the Contract in commercially good and saleable condition.
- (b) The Release set forth in Section 3(B) hereof shall not be in effect unless and until the gowns have been delivered to the warehouse all in accordance with the requirements of Section 1(A) of this Settlement Agreement.

B. SCWorx warrants and represents and agrees as follows:

- (a) SCWorx shall complete its inspection of the gowns, as contemplated by Section 1(B) hereof, within five (5) business days of delivery of the gowns.
- (b) The Release set forth in Section 3(A) hereof shall not be in effect unless and until SCWorx notifies the escrowee to release the Escrowed Payment to USAP.

3. MUTUAL RELEASES

(A). *Release by USAP.* In consideration of the above, USAP, including its parents, affiliates, members, subsidiaries, managers, officers, directors, partners, shareholders, employees, agents and attorneys, subject to satisfaction of the condition set forth in Section 2(B)(b) hereof, hereby release and forever discharge SCWorx and its subsidiaries, officers, directors, partners, members, shareholders, employees, agents and attorneys from all actions, causes of action, suits, debts, covenants, contracts, agreements, promises, trespasses, damages, payments, judgments, claims and demands whatsoever, known or unknown, which USAP ever had, now has or hereafter may have for, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this Settlement Agreement regarding the Contract. Nothing in this release shall affect any claims that may arise after the execution of this Settlement Agreement and concerning events, facts or actions post-dating the execution of this Settlement Agreement or which fall outside the scope of this Settlement Agreement.

(B). *Release by SCWorx*. In consideration of the above, SCWorx, including its parents, affiliates, members, subsidiaries, officers, directors, partners, shareholders, employees, agents and attorneys, subject to satisfaction of the condition set forth in Section 2(A)(b) hereof, hereby release and forever discharge USAP and its subsidiaries, managers, officers, directors, partners, shareholders, members, employees, agents and attorneys from all actions, causes of action, suits, debts, covenants, contracts, agreements, promises, trespasses, damages, payments, judgments, claims and demands whatsoever, known or unknown, which SCWorx ever had, now has or hereafter may have for, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this Settlement Agreement regarding the Contract. Nothing in this release shall affect any claims that may arise after the execution of this Settlement Agreement and concerning events, facts or actions post-dating the execution of this Settlement Agreement or which fall outside the scope of this Settlement Agreement.

(C). Nothing in this Section shall prevent the enforcement of the provisions of this Settlement Agreement.

4. CONFIDENTIALITY

(A). The Parties and their respective counsel agree to maintain in the strictest confidence and not disclose to the public, media, or any third parties (except upon order of a court or governmental body, or as required by law or for reporting to their auditors, investors or similarly interested parties) the contents and terms of this Settlement Agreement. Notwithstanding the foregoing, the Parties are permitted to state to third parties, following due inquiry, including media sources, that they have amicably resolved their dispute.

(B). In the event that any of the Parties receives a subpoena or court order that would require the production of this Settlement Agreement or information governed by this confidentiality provision, such Party shall provide each of the other Parties as reasonable as possible, and to the extent permitted by law, notice of such subpoena or court order prior to the production or disclosure of any such information sufficient to provide the other Parties adequate opportunity to prevent disclosure or production of such information and the Party receiving the subpoena or court order agrees to provide any reasonable assistance necessary to secure the protection and non-disclosure of such information.

5. NO ADMISSION OF LIABILITY

The Parties understand and acknowledge that this Settlement Agreement constitutes a compromise and settlement of actual or potential disputed claims regarding the Contract and the performance thereunder. No action taken by the Parties hereto, or any of them, either previously or in connection with this Settlement Agreement shall be deemed or construed to be: (a) an admission of the truth or falsity of any claims made or potential claims against the Parties; or (b) an acknowledgement or admission by any Party of any fault or liability whatsoever to any other Party, or to any third party.

6. NON-DISPARAGEMENT

The Parties agree that from this time forward each Party will refrain from making to a third party any defamatory, derogatory, or disparaging statements about the other, or any person or entity associated with or representing the other.

7. REPRESENTATION BY COUNSEL

The Parties hereby acknowledges that each of them has had the opportunity to or has been represented by counsel of his or its choosing in connection with the execution and delivery of this Settlement Agreement, that each of the Parties and their counsel has reviewed this Settlement Agreement prior to execution.

8. ENTIRE AGREEMENT

The written pages making up this Settlement Agreement represent the entire agreement and understanding between the Parties concerning the subject matter of this Settlement Agreement and supersedes any and all prior agreements or understandings, unless otherwise set forth herein. No materials outside the body of this Settlement Agreement, either written or oral, shall constitute a part of the terms or conditions of this Settlement Agreement, except where otherwise stated herein.

9. SEVERABILITY

In the event that any provision or section of this Settlement Agreement is held illegal, invalid, or unenforceable, this Settlement Agreement shall continue in full force and effect without said provision, section or portion thereof and the Settlement Agreement shall remain otherwise unaffected.

10. APPLICABLE LAW

This Settlement Agreement shall be construed and interpreted in accordance with the laws of the State of New York. Any disputes or litigation arising out of this Settlement Agreement shall be governed by New York law and any action commenced by either of the parties shall be commenced in the courts of the State of New York, County of New York, or, if applicable, the United States District Court for the Southern District of New York and the parties hereby irrevocably submit to the personal jurisdiction of any such courts.

11. WARRANTY OF NON-ASSIGNMENT

The Parties represent and warrant that each has not assigned, pledged, or otherwise in any manner whatsoever, sold or transferred the rights to any dispute regarding the Contract.

12. ALTERATION BY WRITTEN AGREEMENT ONLY

This Settlement Agreement may not be altered or amended, except by written agreement between all the Parties.

13. BINDING EFFECT

This Settlement Agreement shall be binding on, and shall be enforceable against, and shall inure to the benefit of the Parties to this Settlement Agreement and their respective past and present managers, officers, directors, affiliates, member firms, subsidiaries, parents, successors, shareholders, members, partners, general partners, limited partners, principals, participating principals, managing members or other agents, management personnel, attorneys, servants, employees, representatives of any other kind (and

any officers, directors, members or shareholders of any of the foregoing which are not natural persons), spouses, estates, executors, estate administrators, heirs, and assigns.

14. WAIVER AND AMENDMENT

No provision of or rights under this Settlement Agreement may be waived or modified unless in writing and signed by the Party whose rights are thereby waived or modified. Waiver of any one provision herein shall not be deemed to be a waiver of any other provision herein (whether similar or not), nor shall such waiver constitute a continuing waiver unless otherwise expressly so provided.

15. TERMINATION OF ANY FURTHER OBLIGATIONS UNDER THE CONTRACT

In consideration of the covenants and agreements set forth in this Settlement Agreement, the Parties hereby agree that upon the performance of the obligations set forth herein, the Contract is terminated and neither party shall have any further rights or obligations under the Contract. In the event the gowns are not in compliance with Paragraph 1(A) of this Settlement Agreement, this Settlement Agreement shall be deemed null and void .

16. FURTHER ASSURANCES

(A). Each Party shall cooperate fully in the execution and delivery of this Settlement Agreement and shall take, or cause to be taken, such further action as may be reasonably necessary or appropriate to effectuate or facilitate the terms of this Settlement Agreement, including the execution and delivery of any further documents that may be necessary or appropriate for that purpose. Each Party further agrees to take no action, directly or indirectly, to avoid or circumvent, in whole or in part, the terms of this Settlement Agreement.

17. NOTICE.

Any notices required or permitted to be given hereunder shall be given in writing and shall be delivered (a) by electronic mail and (b) by commercial overnight courier that guarantees next day delivery and such notices shall be addressed as follows:

If to SCWorx:

Mr. Tim Hannibal

Email: thannibal@scworx.com

with a copy to:

Carole R. Bernstein, Esq.
Law Offices of Carole R. Bernstein
41 Maple Avenue North
Westport, Connecticut 06880
cbernsteinesq@gmail.com

If to USAP:

Mr. Gabriel Leoni
USA Procurements, LLC
1100 Poydras Street
New Orleans, LA 70163
Email: Gl@gabrielleoni.com

With a copy to:

Brian L. Bank, Esq.
Rivkin Radler LLP
926 RXR Plaza
Uniondale, New York 11556
brian.bank@rivkin.com

or to such other address as either party may from time to time specify in writing to the other party.

18. COSTS

The Parties acknowledge that each is to bear its own costs, fees, and expenses, including attorneys' fees, incurred in connection with the disputes regarding the Contract, except as set forth in Paragraph 19 of this Settlement Agreement.

19. RIGHT TO ATTORNEY'S FEES IN CASE OF BREACH

In the event of any litigation arising out of or concerning a breach of this Settlement Agreement, the prevailing Party shall be entitled to an award against the nonprevailing party of its reasonable attorney's fees and costs.

20. HEADINGS

The various headings of this Settlement Agreement are inserted for convenience only and shall not affect the interpretation of this Settlement Agreement.

21. COUNTERPARTS AND TRANSMISSION OF SIGNATURES

This Settlement Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Original signatures transmitted by electronic mail or facsimile shall be deemed to be original signatures. No Party shall be bound hereby unless and until all other Parties have executed this Settlement Agreement.

22. AUTHORIZED SIGNATURE

Each individual signing this Settlement Agreement in a representative capacity acknowledges and represents that he is duly authorized to execute this Settlement Agreement in such capacity in the name of, and on behalf of, the designated corporation, partnership, limited liability company, trust or other entity.

23. JOINT PREPARATION

This Settlement Agreement shall be deemed to have been prepared jointly by the parties hereto, and any uncertainty or ambiguity existing herein shall not be interpreted against any party by reason of its drafting of this Settlement Agreement, but shall be interpreted according to the application of the general rules of interpretation for arm's length agreements.

IN WITNESS WHEREOF, the Parties hereto have caused this Settlement Agreement to be duly executed as of the date indicated on the first page of this Settlement Agreement.

SCWorx Corp.

USA Procurements LLC

By: _____
Name: Tim Hannibal
Title: President

By: _____
Name: Gabriel Leoni
Title: Chief Executive Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation in this Annual Report (Form 10-K) of our report dated June 12, 2020 (which includes an explanatory paragraph relating to SCWorx Corp.'s ability to continue as a going concern), on our audit of the consolidated financial statements of SCWorx Corp. as of and for the year ended December 31, 2019 which appears in this Annual Report (Form 10-K).

/s/ WithumSmith+Brown, PC

East Brunswick, New Jersey
May 19, 2021

CERTIFICATION

I, Timothy A. Hannibal, certify that:

1. I have reviewed this Annual Report on Form 10-K of SCWorx Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods present in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over 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. 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 19, 2021

By: /s/ Timothy A. Hannibal
Timothy A. Hannibal
President and Chief Operating Officer
(Principal Executive Officer)

CERTIFICATION

I, Christopher J. Kohler, certify that:

1. I have reviewed this Annual Report on Form 10-K of SCWorx Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods present in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over 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. 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 19, 2021

By: /s/Christopher J. Kohler
Christopher J. Kohler
Chief Financial Officer
(Principal Financial Officer)

Section 1350 CERTIFICATION

In connection with this Annual Report of SCWorx Corp. (the "Company") on Form 10-K for the year ended December 31, 2020, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Timothy A. Hannibal, President and Chief Operating Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 19, 2021

By: /s/Timothy A. Hannibal
Timothy A. Hannibal
President and Chief Operating Officer
(Principal Executive Officer)
Timothy A. Hannibal

Section 1350 CERTIFICATION

In connection with this Annual Report of SCWorx Corp. (the "Company") on Form 10-K for the year ended December 31, 2020, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher J. Kohler, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 19, 2021

By: /s/Christopher J. Kohler
Christopher J. Kohler
Chief Financial Officer
(Principal Financial Officer)