

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) June 29, 2022

SCWorx Corp.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-37899
(Commission File Number)

47-5412331
(IRS Employer
Identification No.)

590 Madison Avenue, 21st Floor, New York, New York 10022
(Address of principal executive offices) (Zip Code)

(844) 472-9679
Registrant's telephone number, including area code

Not Applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.001 per share	WORX	The Nasdaq Capital Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

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

Item 8.01. Other Events

Final Court Approval of Derivative Litigation

Background

As previously disclosed, on June 15, August 21, September 30, 2020 and April 8, 2022, a series of shareholder derivative cases were filed against us (as nominal defendant) and certain of our directors (Marc S. Schessel, Charles K. Miller, Steven Wallitt and Robert Christie (the “Director Defendants”)) in the United States District Court for the Southern District of New York, New York State Supreme Court and the Chancery Court in Delaware. Each of the lawsuits alleged that the Director Defendants named therein 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.

Settlement Agreement

On December 24, 2021, the Company and the Director Defendants entered into a binding agreement with the shareholder derivative plaintiffs to settle the derivative litigation (the “Settlement”). Under the terms of this agreement, (i) the insurers for the Director Defendants will make a cash payment to legal counsel for the shareholder derivative Plaintiffs to cover their legal fees and (ii) the Company will adopt certain corporate governance reforms, including adopting resolutions to address corporate transparency, further enhancing board independence, further enhancement of the CFO position, amendment of the audit committee charter, revisions to nominating committee and compensation committee charters and other similar enhancements, and addressing Company policies, within 60 days of court approval of the settlement, in exchange for which all parties will be released from all claims related to the derivative class action litigation. This agreement provides that the parties will negotiate in good faith to enter into a definitive settlement agreement within thirty days, which agreement will be subject to court approval. On February 15, 2022, the Company and the Director Defendants entered into a stipulation of settlement (subject to Court approval) with the shareholder derivative plaintiffs to settle the Consolidated Derivative Action as well as another derivative action,

Class Action Settlement Agreement

On December 20, 2021, the Company and Mr. Schessel entered into a binding agreement with the Plaintiff to settle the litigation. Under the terms of this agreement, (i) the insurers for the Company and Schessel will make a cash payment to the Plaintiff and (ii) the Company will issue \$600,000 worth of common stock to the class Plaintiffs, in exchange for which all parties will be released from all claims related to the securities class action litigation. This agreement provides that the parties will negotiate in good faith to enter into a definitive settlement agreement within thirty days, which agreement will be subject to court approval. Once the Company issues the \$600,000 worth of stock, the Company believes it will have satisfied its obligations with respect to the payment of the \$750,000 accrued retention liability applicable to its D&O insurance policy.

Final Court Approval

On June 29, 2022, the U.S. District Court for the Southern District of New York (the “Court”) gave final approval of the Settlement resolving three shareholder derivative lawsuits involving the Company. In accordance with the Court’s Order Approving Settlement, the Company is issuing this Form 8-K and making disclosure of the Settlement and related documents to its shareholders. The terms of the derivative settlement are described in the Settlement documents which are filed as Exhibits to this Current Reports on Form 8-K as filed with the SEC on April 8, 2022.

Final Court Approval of Class Action Litigation

Background

As previously disclosed, on April 29, May 27, June 23, 2020 and December 27, 2021, a series of securities class action cases were filed in the United States District Court for the Southern District of New York against us and our former CEO. All three lawsuits alleged that our company and our former CEO misled investors in connection with our April 13, 2020 press release with respect to the sale of COVID-19 rapid test kits. These three class actions were consolidated on September 18, 2020 and Daniel Yannes was designated lead plaintiff. A consolidated Amended Complaint was filed on October 19, 2020. The action was captioned Daniel Yannes, individually and on behalf of all others similarly situated, Plaintiff (“Plaintiff”) vs. SCWorx Corp. and Marc S. Schessel (“Schessel”), Defendants.

Settlement Agreement

On December 20, 2021, the Company and Mr. Schessel entered into a binding agreement with the Plaintiff to settle the litigation. Under the terms of this agreement, (i) the insurers for the Company and Schessel will make a cash payment to the Plaintiff and (ii) the Company will issue \$600,000 worth of common stock to the class Plaintiffs, in exchange for which all parties will be released from all claims related to the securities class action litigation. This agreement provides that the parties will negotiate in good faith to enter into a definitive settlement agreement within thirty days, which agreement will be subject to court approval. Once the Company issues the \$600,000 worth of stock, the Company believes it will have satisfied its obligations with respect to the payment of the \$750,000 accrued retention liability applicable to its D&O insurance policy.

Final Court Approval

On June 29, 2022, the U.S. District Court for the Southern District of New York (the “Court”) gave final approval of the Settlement resolving the class action litigation involving the Company. In accordance with the Court’s Order Approving Settlement, the Company is issuing this Form 8-K and making disclosure of the Settlement and related documents to its shareholders.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits:

Exhibit No.	Description
10.1	Stipulation of Settlement (incorporated by reference to Exhibit 1.01 to the Company’s 8-K filed with the SEC on April 8, 2022)
99.1	Press Release dated July 6, 2022
104	Cover Page Interactive Data File (formatted as Inline XBRL).

SIGNATURE

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

SCWorx Corp.

Dated: July 6, 2022

By: /s/ Timothy A. Hannibal
Timothy A. Hannibal
President and Chief Executive Officer



July 6, 2022

SCWorx Announces Final Approval of Previously Disclosed Securities Class Action and Derivative Action Lawsuits

July 5, 2022 New York, NY, (GLOBE NEWSWIRE) -- SCWorx Corp. (Nasdaq: WORX) today announced that it has received final court approval to settle both the securities class action and derivative action lawsuits which were commenced in 2020.

The class action was consolidated under the caption *Yannes v. SCWorx Corp.* (1:20-cv-03349). The settlement resolves all claims asserted against SCWorx and the other named defendant without any admission of liability or wrongdoing by the Company or any defendant. Under the terms of the class action agreement, (i) the insurers for the Company and Marc Schessel (former CEO) will make a cash payment to the class plaintiffs and (ii) the Company will issue \$600,000 worth of common stock to the class Plaintiffs, in exchange for which all parties will be released from all claims related to the securities class action litigation.

In addition, the Company and the Director Defendants (Marc Schessel, Steven Wallitt, Charles Miller and Robert Christie) entered into a settlement with the shareholder derivative plaintiffs to settle the derivative litigation in which SCWorx was a nominal defendant. Under the terms of this agreement, (i) the insurers for the Director Defendants will make a cash payment to legal counsel for the shareholder derivative Plaintiffs to cover their legal fees and (ii) the Company will adopt certain corporate governance reforms, including adopting resolutions to address corporate transparency, further enhancing board independence, further enhancement of the CFO position, amendment of the audit committee charters, revisions to nominating committee and compensation committee charter and other similar enhancements, and addressing company policies, within 60 days of court approval of the settlement. In exchange for which all parties will be released from all claims related to the derivative class action litigation. Some of these enhancements have already been achieved.

"This settlement represents the progress we have made as a company," said SCWorx President and Chief Executive Officer Tim Hannibal. "With the support of our Board and the dedicated employees of SCWorx, the Company put another issue from the past behind us."

"Over the past two years, SCWorx has successfully negotiated a number of significant legal obstacles resulting from a press release in April 2020," said Hannibal. "The final court approval of the class and derivative settlements -- together with our final agreement with the Securities and Exchange Commission in 2022 -- will put the legal issues relating to press release behind us and allow us to move forward. We look forward to continuing to deliver our SaaS service offerings to help hospitals solve the challenges they experience within their supply chain."

About SCWorx Corp.

SCWorx has created an advanced attributed virtualized item data warehouse utilizing machine learning and artificial intelligence to offer a suite of software-as-a-service-based solutions for healthcare providers. The value proposition for customers revolves around the full integration of all solution modules with the company's data platform for cost savings, operational efficiency and accurate benchmarking and reporting. The solution modules include Virtual Item Master, data cleanse and normalization, contract management and request for pricing (RFP) module, automated rebate management module, data interoperability (EMR, MMIS, finance) module, Automated Item Add Portal, Virtual General Ledger, and the data analytics module. SCWorx creates a single source for information for the healthcare provider's data governance and analytics requirements.

Forward-Looking Statements

This press release contains "forward-looking statements" that involve substantial risks and uncertainties for purposes of the safe harbor provided by the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this press release regarding strategy, future operations, future contract renewals and terminations, future financial position, prospects, plans and objectives of management are forward-looking statements. You can identify many (but not all) such forward-looking statements by looking for words such as "assumes," "approximates," "believes," "expects," "anticipates," "estimates," "projects," "seeks," "intends," "plans," "could," "would," "may" or other similar expressions. You should not place undue reliance on these forward-looking statements. Such statements are based on management's current expectations and involve risks and uncertainties. Actual results and performance could differ materially from those projected in the forward-looking statements as a result of many factors, including, without limitation, economic disruptions affecting our customers, unexpected contract terminations, securing future contracts and orders, future product sourcing, supply disruptions, containing costs, the ability to project future cash utilization and reserves needed for contingent future liabilities and business operations, the availability of sufficient resources of the company to meet its business objectives and operational requirements and other important factors that are detailed in filings with the Securities and Exchange Commission made from time to time by SCWorx, including its Annual Report on Form 10-K for the year ended December 31, 2021, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K. Matters described in forward-looking statements may also be affected by other known and unknown risks, trends, uncertainties and factors, many of which are beyond the Company's ability to control or predict. SCWorx undertakes no obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

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Source: SCWorx Corp.

Released July 6, 2022
