

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

FORM 10-Q

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

For the quarterly period ended September 30, 2022

or

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

For the transition period from _____ to _____

Commission File Number: 001-37899

SCWORX CORP.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

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

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

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

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

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

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

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

Large accelerated filer	<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 Exchange Act). Yes No

Number of shares of the registrant's common stock outstanding at November 14, 2022: 13,010,409

SCWorx Corp.
Form 10-Q

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Cautionary Statement Regarding Forward-Looking Statements

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

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

Forward-looking statements are only current predictions and are subject to known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from those anticipated by such statements. These factors include, among other things, the unknown risks and uncertainties that we believe could cause actual results to differ from these forward looking statements as set forth under the heading, “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all of the risks and uncertainties that could have an impact on the forward-looking statements, including without limitation, risks and uncertainties relating to our ability to:

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

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

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

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

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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SCWorx Corp.
Condensed Consolidated Balance Sheets

ASSETS	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Current assets:		
Cash	\$ 361,726	\$ 71,075
Accounts receivable - net	231,886	464,851
Inventory	-	156,600
Prepaid expenses and other assets	323,028	63,942
Total current assets	<u>916,640</u>	<u>756,468</u>
Fixed assets - net	-	-
Goodwill	8,366,467	8,366,467
Total assets	<u>\$ 9,283,107</u>	<u>\$ 9,122,935</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,651,912	\$ 1,432,710
Accounts payable and accrued liabilities - related party	153,838	153,838
Shareholder advance	100,000	100,000
Deferred revenue	298,500	472,750
Equity financing	125,000	125,000
Total current liabilities	<u>2,329,250</u>	<u>2,284,298</u>
Long-term liabilities:		
Loans payable	154,376	433,567
Total long-term liabilities	<u>154,376</u>	<u>433,567</u>
Total liabilities	<u>2,483,626</u>	<u>2,717,865</u>
Commitments and contingencies		
Stockholders' equity:		
Series A Convertible Preferred stock, \$0.001 par value; 900,000 shares authorized; 39,810 shares issued and outstanding	40	40
Common stock, \$0.001 par value; 45,000,000 shares authorized; 13,007,409 and 11,293,030 shares issued and outstanding, respectively	13,008	11,293
Additional paid-in capital	31,787,156	29,805,028
Subscriptions payable	600,000	600,000
Accumulated deficit	(25,600,723)	(24,011,291)
Total stockholders' equity	<u>6,799,481</u>	<u>6,405,070</u>
Total liabilities and stockholders' equity	<u>\$ 9,283,107</u>	<u>\$ 9,122,935</u>

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

SCWorx Corp.
Condensed Consolidated Statements of Operations
(Unaudited)

	For the Three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Revenue	\$ 986,949	\$ 1,138,124	\$ 3,010,322	\$ 3,382,205
Operating expenses:				
Cost of revenues	693,353	722,031	2,014,537	2,152,651
General and administrative	832,715	1,377,900	2,864,408	4,184,848
Total operating expenses	<u>1,526,068</u>	<u>2,099,931</u>	<u>4,878,945</u>	<u>6,337,499</u>
Loss from operations	(539,119)	(961,807)	(1,868,623)	(2,955,294)
Other income (expense)				
Gain on forgiveness of PPP loan	139,596	-	279,191	-
Total other income (expense)	<u>139,596</u>	<u>-</u>	<u>279,191</u>	<u>-</u>
Net loss before income taxes	(399,523)	(961,807)	(1,589,432)	(2,955,294)
Provision for (benefit from) income taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss	<u>\$ (399,523)</u>	<u>\$ (961,807)</u>	<u>\$ (1,589,432)</u>	<u>\$ (2,955,294)</u>
Net loss per share, basic and diluted	<u>\$ (0.03)</u>	<u>\$ (0.09)</u>	<u>\$ (0.14)</u>	<u>\$ (0.29)</u>
Weighted average common shares outstanding, basic and diluted	<u>12,069,412</u>	<u>10,654,635</u>	<u>11,616,820</u>	<u>10,267,543</u>

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

SCWorx Corp.
Condensed Consolidated Statements of Changes in Stockholders' Equity
(Unaudited)

Three months ended September 30, 2022	Preferred Stock		Common stock		Additional paid-in capital	Accumulated deficit	Accumulated deficit	Total
	Shares	\$	Shares	\$				
Balances, June 30, 2022	39,810	\$ 40	11,726,428	\$ 11,727	\$ 30,735,143	\$ 600,000	\$ (25,201,200)	\$ 6,145,710
Shares issued as settlement of accounts payable	-	-	90,804	91	66,783	-	-	66,874
Shares issued for common stock placement	-	-	1,153,845	1,154	723,896	-	-	725,050
Shares issued for vested restricted stock units	-	-	36,332	36	(36)	-	-	-
Stock based compensation	-	-	-	-	261,370	-	-	261,370
Net Loss	-	-	-	-	-	-	(399,523)	(399,523)
Ending balance, September 30, 2022	<u>39,810</u>	<u>\$ 40</u>	<u>13,007,409</u>	<u>\$ 13,008</u>	<u>\$ 31,787,156</u>	<u>\$ 600,000</u>	<u>\$ (25,600,723)</u>	<u>\$ 6,799,481</u>
Nine Months Ended September 30, 2022	Preferred Stock		Common stock		Additional paid-in capital	Subscriptions payable	Accumulated deficit	Total
	Shares	\$	Shares	\$				
Balances, December 31, 2021	39,810	\$ 40	11,293,030	\$ 11,293	\$ 29,805,028	\$ 600,000	\$ (24,011,291)	\$ 6,405,070
Shares issued as settlement of accounts payable	-	-	174,758	175	151,699	-	-	151,874
Shares issued for common stock placement	-	-	1,153,845	1,154	723,896	-	-	725,050
Shares issued for vested restricted stock units	-	-	107,998	108	(108)	-	-	-
Commitment shares issued in conjunction with capital raise	-	-	277,778	278	199,722	-	-	200,000
Stock based compensation	-	-	-	-	906,919	-	-	906,919
Net Loss	-	-	-	-	-	-	(1,589,432)	(1,589,432)
Ending balance, September 30, 2022	<u>39,810</u>	<u>\$ 40</u>	<u>13,007,409</u>	<u>\$ 13,008</u>	<u>\$ 31,787,156</u>	<u>\$ 600,000</u>	<u>\$ (25,600,723)</u>	<u>\$ 6,799,481</u>

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

SCWorx Corp.
Condensed Consolidated Statements of Changes in Stockholders' Equity
(Unaudited)

Three months ended September 30, 2021	Preferred Stock		Common stock		Additional paid-in capital	Subscriptions payable	Accumulated deficit	Total
	Shares	\$	Shares	\$				
Balances, June 30, 2021	64,872	\$ 65	10,389,522	\$ 10,390	\$ 27,533,303	\$ -	\$ (22,190,310)	\$ 5,353,448
Conversion of Series A Convertible Preferred Stock into common stock	(25,062)	(25)	65,953	66	(41)	-	-	-
Shares issued as settlement of accounts payable	-	-	73,497	73	191,005	-	-	191,078
Shares issued for common stock placement	-	-	298,883	299	524,701	-	-	525,000
Shares issued for vested restricted stock units	-	-	232,801	233	(233)	-	-	-
Stock based compensation	-	-	-	-	699,084	-	-	699,084
Net loss	-	-	-	-	-	-	(961,807)	(961,807)
Ending balance, September 30, 2021	<u>39,810</u>	<u>\$ 40</u>	<u>11,060,656</u>	<u>\$ 11,061</u>	<u>\$ 28,947,819</u>	<u>\$ -</u>	<u>\$ (23,152,117)</u>	<u>\$ 5,806,803</u>
Nine Months Ended September 30, 2021	Preferred Stock		Common stock		Additional paid-in capital	Subscriptions payable	Accumulated deficit	Total
	Shares	\$	Shares	\$				
Balances, December 31, 2020	84,872	\$ 85	9,895,600	\$ 9,896	\$ 25,920,858	\$ -	\$ (20,196,823)	\$ 5,734,016
Conversion of Series A Convertible Preferred Stock into common stock	(45,062)	(45)	138,322	119	(74)	-	-	-
Shares issued as settlement of accounts payable	-	-	170,254	170	323,465	-	-	323,635
Shares issued for common stock placement	-	-	298,883	299	524,701	-	-	525,000
Shares issued for vested restricted stock units	-	-	504,965	505	(505)	-	-	-
Shares issued for equity financing	-	-	52,632	72	249,928	-	-	250,000
Stock based compensation	-	-	-	-	1,929,446	-	-	1,929,446
Net loss	-	-	-	-	-	-	(2,955,294)	(2,955,294)
Ending balance, September 30, 2021	<u>39,810</u>	<u>\$ 40</u>	<u>11,060,656</u>	<u>\$ 11,061</u>	<u>\$ 28,947,819</u>	<u>\$ -</u>	<u>\$ (23,152,117)</u>	<u>\$ 5,806,803</u>

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

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

	For the nine months ended	
	2022	2021
Cash flows from operating activities:		
Net loss	\$ (1,589,432)	\$ (2,955,294)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	-	73,901
Change in inventory value	156,600	161,440
Gain on forgiveness of PPP loan	(279,191)	-
Stock-based compensation	906,919	1,929,446
Bad debt expense	78,125	125,625
Changes in operating assets and liabilities:		
Accounts receivable	154,840	265,106
Prepaid expenses and other assets	(59,086)	(6,312)
Inventory	-	475,000
Accounts payable and accrued liabilities	371,076	(241,840)
Deferred revenue	(174,250)	(566,500)
Net cash used in operating activities	(434,399)	(739,428)
Net cash used in investing activities	-	-
Cash flows from financing activities:		
Proceeds from common stock placement	725,050	525,000
Proceeds from notes payable	-	139,595
Proceeds from shareholder advance	-	100,000
Net cash provided by financing activities	725,050	764,595
Net (decrease) increase in cash	290,651	25,167
Cash, beginning of period	71,075	376,425
Cash, end of period	\$ 361,726	\$ 401,592
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Non-cash investing and financing activities:		
Shares issued for equity financing	\$ -	\$ 250,000
Commitment shares issued in conjunction with capital raise	\$ 200,000	\$ -
Shares issued for vested restricted stock units	\$ 108	\$ 505

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

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

Note 1. Description of Business

Nature of Business

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

Operations of the Business

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

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

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

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

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

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

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

Impact of the COVID-19 Pandemic

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

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

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

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

Regarding PPE and Test Kits, during the second quarter of 2020 the Company limited its role to acting as an intermediary between buyers and sellers with commission-based compensation.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

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

These interim unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information. They do not include all of the information and footnotes required by U.S. GAAP for complete consolidated financial statements. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited financial statements and notes thereto contained in its report on Form 10-K for the year ended December 31, 2021, filed with the SEC on March 31, 2022.

The unaudited condensed consolidated financial statements included herein are unaudited; however, they contain all normal recurring accruals and adjustments that, in the opinion of management, are necessary to present fairly the Company’s financial position at September 30, 2022, the results of its operations for the three and nine months ended September 30, 2022 and cash flows for nine months ended September 30, 2022. The results of operations for three and nine months ended September 30, 2022 are not necessarily indicative of the results to be expected for future quarters or the full year.

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. The Company had amounts in excess of the FDIC insured limit as of September 30, 2022 of \$111,726 and none as of December 31, 2021.

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 the Company 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 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.

Significant customers are those which represent more than 10% of the Company's revenue for each period presented, or the Company's accounts receivable balance as of each respective balance sheet date. For each significant customer, revenue as a percentage of total revenue and accounts receivable as a percentage of total net accounts receivable are as follows:

Customers	Revenue		Accounts Receivable	
	For the nine months ended		September 30,	
	September 30,		September 30,	
	2022	2021	2022	2021
Customer A	13%	8%	26%	4%
Customer B	10%	9%	14%	10%
Customer C	14%	5%	22%	2%
Customer D	-%	4%	-%	24%

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's allowance for doubtful accounts as of September 30, 2022 and December 31, 2021 was \$0 and \$421,736, respectively.

Inventory

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

During the year ended December 31, 2021, the Company recorded a write down on the fair value of its inventory of \$366,840. During the three months ended September 30, 2022, the Company wrote off the remaining value of this inventory as unsellable and is in the process of disposal. Inventory assets as of September 30, 2022 and December 31, 2021 consisted of the following:

	September 30, 2022	December 31, 2021
Inventory	\$ 523,440	\$ 523,440
Allowance for obsolescence	(523,440)	(366,840)
Net inventory value	\$ -	\$ 156,600

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.

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 three and nine months ended September 30, 2022 was zero. Depreciation expense for the three and nine months ended September 30, 2021 was \$1,353 and \$73,901, respectively.

Revenue Recognition

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

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

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

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

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

A contract will typically include Data Normalization, SaaS and Maintenance, which are distinct performance obligations and are accounted for separately. The transaction price is allocated to each separate performance obligation on a relative stand-alone selling price basis. Significant judgment 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 with Topic 606.

Brokered PPE sales

Brokered PPE sales 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.

Remaining Performance Obligations

As of September 30, 2022 and December 31, 2021, the Company had \$298,500 and \$472,750, respectively, of remaining performance obligations recorded as deferred revenue. The Company expects to recognize the majority of revenue relating to the current performance obligations during the following 12 month period.

Costs to Obtain and Fulfill a Contract

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

Cost of Revenues

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 associated revenue was earned prior to the Company's unconditional right to receive a payment under a contract with a customer (unbilled revenue) and are derecognized when either it becomes a receivable or the cash is received. There were no contract assets as of September 30, 2022 and December 31, 2021.

Contract liabilities arise when customers remit contractual cash payments in advance of the Company satisfying its performance obligations under the contract and are derecognized when the revenue associated with the contract is recognized when the performance obligation is satisfied. Contract liabilities were \$298,500 and \$472,750 as of September 30, 2022 and December 31, 2021, respectively.

Income Taxes

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

Valuation allowances are provided if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. As of September 30, 2022 and December 31, 2021, the Company has evaluated available evidence and concluded that the Company may not realize all the benefits of its deferred tax assets; therefore, a valuation allowance has been established for its deferred tax assets.

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

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The Company continues to examine the impact that the tax changes in the CARES Act may have on its business but does not expect the impact to be material.

There was no income tax expense for three and nine months ended September 30, 2022 and 2021.

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 6, 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.

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 condensed consolidated financial statements.

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

In connection with the Class Action and derivative claims and investigations described in Note 5, 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, stock-based compensation, goodwill, and deferred income tax asset valuation allowances. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected. Actual results could differ materially from those estimates.

Recently Issued Accounting Pronouncements

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

Note 3. Loans Payable

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. In May 2022, the Company was granted an extension on the maturity date of this note until March 5, 2025. The loan was partially forgiven in the amount of \$139,569 in September 2022 with the balance remaining due.

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. This note was fully forgiven on March 12, 2022.

Note 4. Leases

Operating Leases

The Company's principal executive office in New York City is under a month-to-month arrangement.

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

As of September 30, 2022 and December 31, 2021, assets recorded under operating leases were \$0. Operating lease right of use assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The discount rate used to determine the commencement date present value of lease payment is the Company's incremental borrowing rate, which is the rate incurred to borrow on a collateralized basis over a similar term at an amount equal to the lease payments in a similar economic environment. Certain adjustments to the right-of-use asset may be required for items such as initial direct costs paid or incentives received.

For three and nine months ended September 30, 2022 and 2021, the components of lease expense were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Operating lease cost	\$ 434	\$ 1,167	\$ 921	\$ 17,697
Total lease cost	\$ 434	\$ 1,167	\$ 921	\$ 17,697

Other information related to leases was as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Cash paid for amounts included in the measurement of operating lease liabilities:				
Operating cash flows for operating leases	\$ 434	\$ -	\$ 921	\$ -
Weighted average remaining lease term (months) – operating leases	-	-	-	-
Weighted average discount rate– operating leases	N/A	N/A	N/A	N/A

As of September 30, 2022, the Company has no additional operating leases, other than that noted above, and no financing leases.

Note 5. 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.

Legal Proceedings

Settlement of Consolidated Securities Class Action

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

As previously disclosed, on February 11, 2022, the parties entered into a Stipulation of Settlement (subject to Court approval) to settle the Consolidated Class Action. The settlement resolves all claims asserted against SCWorx and the other named defendant without any admission, concession or finding of any fault, liability or wrongdoing by the Company or any defendant. Under the terms of this agreement, (i) the insurers for the Company and Marc Schessel (former CEO) will make a cash payment to the class plaintiffs (ii) the former CEO will transfer 100,000 shares of company common stock to the class plaintiffs, and (iii) the Company will issue \$600,000 worth of common stock to the class plaintiffs, in exchange for which all parties will be released from all claims related to the securities class action litigation. After giving effect to the share issuance by the Company, the Company believes that it will have satisfied the accrued retention liability of \$700,000. By order dated March 22, 2022, the Court granted preliminary approval of the class action. After a fairness hearing held on June 29, 2022, the Court approved the Stipulation of Settlement.

CorProminence d/b/a Core IR v. SCWorx
AAA Arbitration Case 01-22-0001-5709

As previously disclosed, on April 25, 2022, the Company received a Demand for Arbitration along with a Statement of Claim filed by Core IR with the American Arbitration Association seeking damages in the amount of approximately \$190,000.00 arising out of a marketing and consulting agreement. The Company filed its answer, affirmative defenses and counterclaims on May 16, 2022. By order of the arbitrator dated November 1, 2022, Core IR received permission to amend its Statement of Claim to increase its request for damages to \$257,545.63. The parties are currently engaged in discovery. Hearing dates have been scheduled for the week of March 20, 2023.

Hadrian Equities Partners, LLC et ano. v. SCWorx Corp.
Case No. 22-cv-07096 (JLR) (S.D.N.Y.)

On August 19, 2022, Hadrian Equities Partners, LLC and the Phillip W. Caprio, Jr. 2007 Irrevocable Trust filed a complaint in the United States District Court for the Southern District of New York alleging that SCWorx was dilatory and did not comply with its alleged contractual duties to remove the restrictions from Plaintiffs' converted AMMA stock to SCWorx stock until August 10 and August 11, 2020. Plaintiffs allege that as a result, they were unable to sell their SCWorx stock when SCWorx was trading at its highest price on April 13, 2020. The Complaint seeks \$500,000 in damages. To date, the Complaint has not been served. Upon review of the Complaint, SCWorx counsel provided Plaintiffs' counsel with a "safe harbor" Notice of Motion for sanctions pursuant to Fed. R. Civ. Pro. 11 and letter explaining that the material allegations in the Complaint are false inasmuch as the restrictions on Plaintiffs' SCWorx shares were removed on April 21, 2020— after months of waiting for Plaintiffs to supply the correct documents with accurate information so that outside counsel could provide an opinion and clear the stocks for trading. The "safe harbor" letter and Notice of Motion gave Plaintiffs 21 days to withdraw the Complaint. After asking for and receiving several extensions in addition to the 21 days, Plaintiffs have not withdrawn the Complaint and thus, a Motion for Sanctions was filed by SCWorx on November 4, 2022.

Other Investigations

As previously disclosed, on or about April 6, 2022, the Company reached a settlement in principle with the SEC Staff which, subject to a few changes, was subsequently approved by the Commission in which the Company agreed to resolve the SEC's investigation regarding the April 13, 2020 press release and related disclosures (related to Covid-19 rapid test kits) through the Company's payment of (a) a civil monetary penalty of \$125,000, payable in 4 equal installments over 12 months and (b) disgorgement of \$471,000 and prejudgment interest in the amount of \$32,761.56 which payment is to be deemed satisfied by the transfer by the Company, no later than 30 days after the entry of the Class Distribution Order in the class action entitled *Yannes v. SCWorx Corp.* of shares of SCWorx's common stock, valued at \$600,000 at the time of issuance to authorized claimants in the *Yannes* settlement, provided that the Class Distribution Order is entered within 365 days from the entry of the Final Judgment in the SEC action. In the event that the Company does not transfer shares of its common stock, valued at \$600,000 at the time of issuance to authorized claimants in the class action settlement within 365 days from the entry of a Final Judgment, the Company will be required to remit to the SEC the full amount of disgorgement within 395 days from entry of a Final Judgment. On May 31, 2022, the Commission filed a complaint against Marc Schessel and the Company in the United States District Court for the District of New Jersey alleging violations of Sections 17(a)(1), 17(a)(2), and 17(a)(3) of the Securities Act of 1933 (the "Securities Act"), Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), and Rules 10b-5(a), 10b-5(b), and 10b-5(c) thereunder relating to the April 13, 2020 press release and related disclosures we made in relation to the transaction involving COVID-19 test kits. At the same time, on May 31, 2022, the Commission filed a motion for approval of the Consent Judgment which contained the aforementioned fine, disgorgement requirement as well as an agreement by the Company to an injunction permanently restraining and enjoining the Company from violating Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rules 10b-5(a), (b), and (c) thereunder [17 C.F.R. § 240.10b-5(a), (b), (c)]; and Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)]. On June 2, 2022, the Court granted the motion, approved the settlement and entered a final judgment. SCWorx has thus far paid 2 of 4 installments on the monetary penalty of \$125,000.

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

Note 6. Stockholders' Equity

Authorized Shares

The Company has 45,000,000 Common shares and 900,000 Series A convertible preferred shares authorized with a par value of \$0.001 per share.

Common Stock

Issuance of Shares for Vested Restricted Stock Units

Between January 20, 2022 and August 9, 2022, the Company issued a total of 107,998 shares of common stock to holders of fully vested restricted stock units.

Issuance of Shares Pursuant to Settlement of Accounts Payable

On March 31, 2022, the Company issued 12,196 shares of common stock in full settlement of \$10,000 of accounts payable. The shares had a fair value of \$0.82 per share.

On August 11, 2022, the Company issued 69,444 shares of common stock in full settlement of \$50,000 of accounts payable. The shares had a fair value of \$0.72 per share.

On September 27, 2022, the Company issued 21,360 shares of common stock in full settlement of \$16,875 of accounts payable. The shares had a fair value of \$0.79 per share.

Issuance of Shares Pursuant to Legal Settlement

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

Issuance of Shares in conjunction with capital raise

On June 28, 2022, the Company issued 277,778 shares of common stock as commitment shares pursuant to a capital funding agreement. The shares had a fair value of \$200,000 or \$0.72 per share.

Between September 7, 2022 and September 12, 2022, the Company issued an aggregate 1,153,845 shares of common stock as commitment shares pursuant to a private placement agreement. The shares had a fair value of \$750,000 or \$0.65 per share. Company received aggregate net proceeds related to this placement of \$725,050.

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 September 30, 2022, \$415,000 worth of the shares and warrants have been issued. The remaining \$125,000 received by the Company is included in equity financing within current liabilities on the consolidated balance sheet.

Stock Incentive Plan

The number of shares of the Company's common stock that are issuable pursuant to warrant and stock option grants with time-based vesting as of and for the nine months ended September 30, 2022 were:

	Warrant Grants		Stock Option Grants		Restricted Stock Units
	Number of shares subject to warrants	Weighted-average exercise price per share	Number of shares subject to options	Weighted-average exercise price per share	Number of shares subject to restricted stock units
Balance at December 31, 2021	1,043,525	\$ 2.57	118,388	\$ 3.25	2,160,757
Granted	524,195	0.65	-	-	465,314
Exercised	-	-	-	-	(213,312)
Cancelled/Expired	-	-	-	-	-
Balance at September 30, 2022	1,567,720	\$ 1.49	118,388	\$ 3.25	2,412,759
Exercisable at September 30, 2022	1,567,720	\$ 1.49	118,388	\$ 3.25	2,108,884

The Company has classified the warrant as having Level 2 inputs, and has used the Black-Scholes option-pricing model to value the warrants.

The Company's outstanding warrants and options at September 30, 2022 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
\$0.65 - \$20.90	1,567,720	2.81	\$ 1.35	1,567,720	\$ 1.35	79,478

Options Outstanding				Options Exercisable		
Exercise Price Range	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	Intrinsic Value
\$2.64 - \$28.50	118,388	1.94	\$ 3.25	118,388	\$ 3.25	-

As of September 30, 2022 and December 31, 2021, the total unrecognized expense for unvested stock options and restricted stock awards was approximately \$551,000 and \$1.0 million, respectively, to be recognized over a twelve month to three year period from the original grant dates.

Stock-based compensation expense for three and nine months ended September 30, 2022 and 2021 was as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Stock-based compensation expense	\$ 261,370	\$ 699,084	\$ 906,919	\$ 1,929,446

Stock-based compensation expense categorized by the equity components for three and nine months ended September 30, 2022 and 2021 was as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Common stock	\$ 261,370	\$ 699,084	\$ 906,919	\$ 1,929,446
Total	\$ 261,370	\$ 699,084	\$ 906,919	\$ 1,929,446

Note 7. 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 three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Stock options	118,388	118,388	118,388	118,388
Warrants	1,567,720	1,050,104	1,567,720	1,050,104
Restricted stock units	2,412,759	2,318,339	2,412,759	2,318,339
Total common stock equivalents	4,098,867	3,486,831	4,098,867	3,486,831

Note 8. Related Party Transactions

At September 30, 2022 and December 31, 2021 Company had a payable due to an officer in the amount of \$153,838 for contract work performed prior to becoming an officer.

During September 2021, the Company's former CEO and shareholder advanced \$100,000 in cash to the Company for short term capital requirements. This amount is non-interest bearing and payable upon demand and included in Shareholder advance on the Company's consolidated balance sheet as of September 30, 2022 and December 31, 2021

Note 9. Subsequent Events

We have evaluated all events that occurred after the balance sheet date through the date when our financial statements were issued to determine if they must be reported. Management has determined that there were no additional reportable subsequent events to be disclosed.

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

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

Corporate Information

SCWorx, LLC (n/k/a SCW FL Corp.) ("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, our company and certain of our stockholders agreed to cancel 6,510 shares of common stock. In June 2018, we began to collect subscriptions for common stock. From June to November 2018, we 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 our company's current name, with SCW FL Corp. becoming our subsidiary. On March 16, 2020, in response to the COVID-19 pandemic, SCWorx established a wholly-owned subsidiary, Direct-Worx, LLC.

Our principal executive offices are located at 590 Madison Avenue, 21st Floor, New York, New York, 10022. Our telephone number is (844) 472-9679. The Company also had a lease in Greenwich, CT which expired in March 2020 and became a month to month tenancy until it was terminated in April 2021.

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

Our Business

SCWorx is a provider of data content and services related to the repair, normalization and interoperability of information for healthcare providers and 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 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;
- EMR management;
- CDM management;
- contract management;
- request for proposal automation;
- rebate management;
- Integration of acquired management;
- big data analytics modeling;
- data integration and warehousing; and
- ScanWorx.

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. Our focus is to assist healthcare providers with issues they have pertaining to data interoperability.

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

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

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

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

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

Impact of the COVID-19 Pandemic

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

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

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

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

Regarding PPE and Test Kits, during the second quarter of 2020 the Company limited its role to acting as an intermediary between buyers and sellers with commission based compensation.

Results of Operations – three months ended September 30, 2022

Our operating results for the three month period ended September 30, 2022 and 2021 are summarized as follows:

	Three Months Ended		Difference
	September 30, 2022	September 30, 2021	
Revenue	\$ 986,949	\$ 1,138,124	\$ (151,175)
Cost of revenues	693,353	722,031	(28,678)
General and administrative	832,715	1,377,900	(545,185)
Other (expense) income	139,596	-	139,596
Provision for income taxes	-	-	-
Net loss	<u>\$ (399,523)</u>	<u>\$ (961,807)</u>	<u>\$ 562,284</u>

Revenues

Revenue for the three months ended September 30, 2022 was \$986,949 as compared to \$1,138,124 for the three months ended September 30, 2021. This decrease was primarily due to normal fluctuations in our billing cycle. We expect near term revenues to remain relatively flat, unless and until we raise sufficient capital to fully implement our business plan.

Operating Expenses

Cost of revenues

Cost of revenues was \$693,353 for the three months ended September 30, 2022 compared to \$722,031 for the same period in 2021. The decrease was primarily the result of a reduction in salaries coupled with a decrease in cloud hosting expense.

General and administrative

General and administrative expenses decreased \$545,185 to \$832,715 for the three months ended September 30, 2022, as compared to \$1,377,900 in the same period of 2021. The decrease is primarily attributable to approximate decreases in stock-based compensation of \$438,000, legal and professional fees of \$47,000, bad debt reserve expense of \$20,000 partially offset by an increase in inventory write down expense of \$44,000. We expect general and administrative expenses to remain relatively flat during the rest of 2022, until we complete a capital raise, in which case we would expect expenses to grow as we ramp our sales force.

Other income

We had other income of \$139,596 during the three months ended September 30, 2022 related to the forgiveness of a PPP Loan under the CARES Act.

Net Loss

For the three months ended September 30, 2022, we incurred a net loss of \$399,523 compared to a net loss of \$961,807 for the same period in 2021.

Results of Operations – nine months ended September 30, 2022

Our operating results for the nine-month period ended September 30, 2022 and 2021 are summarized as follows:

	Nine months ended		Difference
	September 30, 2022	September 30, 2021	
Revenue	\$ 3,010,322	\$ 3,382,205	\$ (371,883)
Cost of revenues	2,014,537	2,152,651	(138,114)
General and administrative	2,864,408	4,184,848	(1,320,440)
Other income (expense)	279,191	-	279,191
Provision for income taxes	-	-	-
Net loss	<u>\$ (1,589,432)</u>	<u>\$ (2,955,294)</u>	<u>\$ 1,365,862</u>

Revenues

Revenue for the nine months ended September 30, 2022 was \$3,010,322 as compared to \$3,382,205 for the nine months ended September 30, 2021. This decrease was primarily due to normal fluctuations in our billing cycle. We expect near term revenues to remain relatively flat, unless and until we raise sufficient capital to fully implement our business plan.

Operating Expenses

Cost of revenues

Cost of revenues was \$2,014,537 for the nine months ended September 30, 2022 compared to \$2,152,651 for the same period in 2021. The decrease was primarily the result of a reduction in salaries coupled with a decrease in cloud hosting expense.

General and administrative

General and administrative expenses decreased \$1,320,440 to \$2,864,406 for the nine months ended September 30, 2022, as compared to \$4,184,848 in the same period of 2021. The decrease is primarily attributable to approximate decreases in stock-based compensation of \$1,023,000, legal and professional fees of \$128,000, accounting fees of \$106,000, bad debt reserve expense of \$48,000, partially offset by an increase in salaries and wage expense of \$36,000. We expect general and administrative expenses to remain relatively flat during the rest of 2022, until we complete a capital raise, in which case we would expect expenses to grow as we ramp our sales force.

Other income

We had other income of \$279,191 during the nine months ended September 30, 2022 related to the forgiveness of a PPP Loan under the CARES Act.

Net Loss

For the nine months ended September 30, 2022, we incurred a net loss of \$1,589,432 compared to a net loss of \$2,955,294 for the same period in 2021.

Liquidity and Capital Resources

Cash Flows

	Nine months ended September 30,	
	2022	2021
Net cash used in operating activities	\$ (434,399)	\$ (739,428)
Net cash used in investing activities	-	-
Net cash provided by financing activities	725,050	764,595
Change in cash	\$ 290,651	\$ 25,167

Operating Activities

Cash used in operating activities was approximately \$434,000 for the nine months ended September 30, 2022 (about \$48,000 per month), mainly related to the net loss of approximately \$1,589,000, a \$174,000 decrease in deferred revenue, a \$59,000 increase in prepaid expenses, and a \$279,000 gain on forgiveness of debt, partially offset by non-cash stock-based compensation of \$907,000, debt expense of \$78,000, an increase in accounts payable and accrued liabilities of \$371,000 and a decrease in accounts receivable of \$155,000.

Cash used in operating activities was approximately \$739,000 for the nine months ended September 30, 2021 (about \$82,000 per month), mainly related to the net loss of approximately \$2,955,000, and a \$566,000 decrease in deferred revenue, partially offset by non-cash stock-based compensation of \$1,929,000, bad debt expense of \$161,000, a decrease in accounts receivable of \$265,000, a decrease in inventory of \$475,000, an increase of accounts payable and accrued expense of \$292,000 and depreciation expense of \$74,000.

Investing Activities

The Company did not have any investing activities during the nine months ended September 30, 2022 and 2021.

Financing Activities

Cash provided by financing activities was \$725,050 for the nine months ended September 30, 2022. This consisted of net proceeds from a common stock placement.

Cash provided by financing activities was \$764,595 for the nine months ended September 30, 2021. This consisted of \$139,595 in proceeds from a loan payable, \$100,000 from an advance from the Company's former CEO and shareholder, and \$525,000 from a common stock placement.

Off-Balance Sheet Arrangements

As of September 30, 2022 and December 31, 2021, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management conducted an evaluation of the effectiveness of our "disclosure controls and procedures" ("Disclosure Controls"), as defined by Rules 13a-15(e) and 15d-15(e) of the Exchange Act, as of September 30, 2022, the end of the period covered by this Form 10-Q, as required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act. The Disclosure Controls evaluation was done under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, based on the 2013 framework and criteria established by the Committee of Sponsoring Organizations of the Treadway Commission. There are inherent limitations to the effectiveness of any system of Disclosure Controls. Accordingly, even effective Disclosure Controls can only provide reasonable assurance of achieving their control objectives. Based upon this evaluation, our President and Chief Financial Officer have 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 September 30, 2022, such that the Disclosure Controls did not ensure that the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting.

During the quarter ended September 30, 2022, there was no change in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

Settlement of Consolidated Securities Class Action

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

As previously disclosed, on February 11, 2022, the parties entered into a Stipulation of Settlement (subject to Court approval) to settle the Consolidated Class Action. The settlement resolves all claims asserted against SCWorx and the other named defendant without any admission, concession or finding of any fault, liability or wrongdoing by the Company or any defendant. Under the terms of this agreement, (i) the insurers for the Company and Marc Schessel (former CEO) will make a cash payment to the class plaintiffs (ii) the former CEO will transfer 100,000 shares of company common stock to the class plaintiffs, and (iii) the Company will issue \$600,000 worth of common stock to the class plaintiffs, in exchange for which all parties will be released from all claims related to the securities class action litigation. After giving effect to the share issuance by the Company, the Company believes that it will have satisfied the accrued retention liability of \$700,000. By order dated March 22, 2022, the Court granted preliminary approval of the class action. After a fairness hearing held on June 29, 2022, the Court approved the Stipulation of Settlement.

CorProminence d/b/a Core IR v. SCWorx
AAA Arbitration Case 01-22-0001-5709

As previously disclosed, on April 25, 2022, the Company received a Demand for Arbitration along with a Statement of Claim filed by Core IR with the American Arbitration Association seeking damages in the amount of approximately \$190,000.00 arising out of a marketing and consulting agreement. The Company filed its answer, affirmative defenses and counterclaims on May 16, 2022. By order of the arbitrator dated November 1, 2022, Core IR received permission to amend its Statement of Claim to increase its request for damages to \$257,545.63. The parties are currently engaged in discovery. Hearing dates have been scheduled for the week of March 20, 2023.

Hadrian Equities Partners, LLC et ano. v. SCWorx Corp.
Case No. 22-cv-07096 (JLR) (S.D.N.Y.)

On August 19, 2022, Hadrian Equities Partners, LLC and the Phillip W. Caprio, Jr. 2007 Irrevocable Trust filed a complaint in the United States District Court for the Southern District of New York alleging that SCWorx was dilatory and did not comply with its alleged contractual duties to remove the restrictions from Plaintiffs' converted AMMA stock to SCWorx stock until August 10 and August 11, 2020. Plaintiffs allege that as a result, they were unable to sell their SCWorx stock when SCWorx was trading at its highest price on April 13, 2020. The Complaint seeks \$500,000 in damages. To date, the Complaint has not been served. Upon review of the Complaint, SCWorx counsel provided Plaintiffs' counsel with a "safe harbor" Notice of Motion for sanctions pursuant to Fed. R. Civ. Pro. 11 and letter explaining that the material allegations in the Complaint are false inasmuch as the restrictions on Plaintiffs' SCWorx shares were removed on April 21, 2020— after months of waiting for Plaintiffs to supply the correct documents with accurate information so that outside counsel could provide an opinion and clear the stocks for trading. The "safe harbor" letter and Notice of Motion gave Plaintiffs 21 days to withdraw the Complaint. After asking for and receiving several extensions in addition to the 21 days, Plaintiffs have not withdrawn the Complaint and thus, a Motion for Sanctions was filed by SCWorx on November 4, 2022.

Other Investigations

As previously disclosed, on or about April 6, 2022, the Company reached a settlement in principle with the SEC Staff which, subject to a few changes, was subsequently approved by the Commission in which the Company agreed to resolve the SEC's investigation regarding the April 13, 2020 press release and related disclosures (related to Covid-19 rapid test kits) through the Company's payment of (a) a civil monetary penalty of \$125,000, payable in 4 equal instalments over 12 months and (b) disgorgement of \$471,000 and prejudgment interest in the amount of \$32,761.56 which payment is to be deemed satisfied by the transfer by the Company, no later than 30 days after the entry of the Class Distribution Order in the class action entitled *Yannes v. SCWorx Corp.* of shares of SCWorx's common stock, valued at \$600,000 at the time of issuance to authorized claimants in the *Yannes* settlement, provided that the Class Distribution Order is entered within 365 days from the entry of the Final Judgment in the SEC action. In the event that the Company does not transfer shares of its common stock, valued at \$600,000 at the time of issuance to authorized claimants in the class action settlement within 365 days from the entry of a Final Judgment, the Company will be required to remit to the SEC the full amount of disgorgement within 395 days from entry of a Final Judgment. On May 31, 2022, the Commission filed a complaint against Marc Schessel and the Company in the United States District Court for the District of New Jersey alleging violations of Sections 17(a)(1), 17(a)(2), and 17(a)(3) of the Securities Act of 1933 (the "Securities Act"), Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), and Rules 10b-5(a), 10b-5(b), and 10b-5(c) thereunder relating to the April 13, 2020 press release and related disclosures we made in relation to the transaction involving COVID-19 test kits. At the same time, on May 31, 2022, the Commission filed a motion for approval of the Consent Judgment which contained the aforementioned fine, disgorgement requirement as well as an agreement by the Company to an injunction permanently restraining and enjoining the Company from violating Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rules 10b-5(a), (b), and (c) thereunder [17 C.F.R § 240.10b-5(a), (b), (c)]; and Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)]. On June 2, 2022, the Court granted the motion, approved the settlement and entered a final judgment. SCWorx has thus far paid 2 of 4 installments on the monetary penalty of \$125,000.

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

Item 1A. Risk Factors

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

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Since the beginning of the nine month period ended September 30, 2022, we have not sold any equity securities that were not registered under the Securities Act of 1933 that were not previously reported in a current report on Form 8-K

Item 3. Default under Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits.**EXHIBIT INDEX**

Pursuant to the rules and regulations of the SEC, we have filed certain agreements as exhibits to this Quarterly Report on Form 10-Q. These agreements may contain representations and warranties by the parties. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (i) may have been qualified by disclosures made to such other party or parties, (ii) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments, which may not be fully reflected in our 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 our 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	Form of Securities Purchase Agreement dated September 9, 2022*
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Section 1350 Certification of the Chief Executive Officer*
32.2	Section 1350 Certification of the Chief Financial Officer*
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith

SIGNATURES

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

Date: November 14, 2022

SCWORX CORP.

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

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

Date: November 14, 2022

SCWORX CORP.

By: /s/ Christopher J. Kohler
Christopher J. Kohler
Chief Financial Officer
(Principal Financial Officer)

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (this "Agreement") is dated as of _____ the "Effective Date") by and among SCWorx Corp., a Delaware corporation, located at 590 Madison Ave, New York, NY 10022 (the "Company"), and each purchaser identified on the signature pages hereto (each, including its successors and assigns, a purchaser and collectively purchasers both defined interchangeably as either "Purchaser" or "Purchasers" in this document).

WHEREAS, the Company is seeking a capital investment for working capital purposes;

WHEREAS, the Purchaser desires to invest an aggregate of One Million Five Hundred Thousand Dollars (\$1,500,000.00) (the "Maximum Funding Amount") in the Company (the "Investment");

WHEREAS, on the terms and subject to the conditions set forth in this Agreement, at the Closing, the Company desires to issue and sell to Purchaser(s), and Purchaser(s) desires to purchase from the Company, an aggregate Two Million Three Hundred Seven Thousand Six Hundred Ninety Two (2,307,692) shares of the Company's common stock, par value \$0.001 per share (the "Common Stock"), at the Share Purchase Price (as defined herein);

WHEREAS, the Company and the Purchaser(s) are executing and delivering this Agreement in reliance exemption from securities registration afforded by Section 4(a)(2) of the Securities Act of 1933, as amended (the "1933 Act"), and Rule 506 of Regulation D ("Regulation D"), as promulgated by the United States Securities and Exchange Commission (the "SEC") under the 1933 Act.

NOW, THEREFORE, in consideration of the mutual benefits to be derived hereby, the representations, warranties, covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

**ARTICLE I.
DEFINITIONS**

1.1 Definitions. In addition to the terms defined elsewhere in this Agreement, the following terms have the meanings set forth in this Section 1.1:

"Action" means any action, appeal, petition, plea, charge, complaint, claim, suit, demand, litigation, arbitration, mediation, hearing, formal inquiry, or similar event, occurrence, or proceeding.

"Affiliate" means with respect to any specified Person, any other Person who, directly or indirectly, controls, is controlled by, or is under common control with such Person, including, without limitation, any general partner, managing member, officer, director or trustee of such Person, or any venture capital fund or registered investment company now or hereafter existing that is controlled by one or more general partners, managing members or investment advisers of, or shares the same management company or investment adviser with, such Person. For purposes of this definition, the term "control" (including, with correlative meaning, the terms "controlled by" or "under common control with") means direct or indirect ownership of fifty percent (50%) or more, including ownership by one or more trusts with substantially the same beneficial interests, of the voting and equity rights of such person, firm, trust, corporation, partnership or other entity or combination thereof, or the power to direct the management of such person, firm, trust, corporation, partnership or other entity or combination thereof.

“Board of Directors” means the board of directors of the Company.

“Business Day” means any day except (i) any Saturday, (ii) any Sunday, (iii) any day which is a federal legal holiday in the United States, (iv) any day which is an official holiday in the State of New York and (v) any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

“Closing” means the closing of the purchase and sale of the Shares pursuant to Section 2.1.

“Closing Date” means the Closing Date of the transaction.

“Common Stock” shall have the meaning set forth in the Recitals to this Agreement.

“Common Stock Equivalents” means any securities of the Company which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

“Company Subsidiaries” means Primrose Solutions LLC, CageTix LLC and Direct-Worx, LLC.

“Disclosure Schedules” means the Disclosure Schedules of the Company delivered concurrently herewith.

“DWAC” shall have the meaning assigned to such term in Section 5.33.

“DWAC Shares” means shares of Common Stock that are, after any required holding period, (i) issued in electronic form, (ii) freely tradable and transferable and without restriction on resale, (iii) eligible for deposit in at least one of the Purchaser’s brokerage accounts specified to the Company on or prior to the date of this Agreement and (iv) timely credited by the Company to the Purchaser’s or its designee’s specified Deposit/Withdrawal at Custodian (DWAC) account with DTC under its Fast Automated Securities Transfer (FAST) Program, or any similar program hereafter adopted by DTC performing substantially the same function.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“GAAP” means United States generally accepted accounting principles applied on a consistent basis during the periods involved.

“Intellectual Property Rights” shall have the meaning ascribed to such term in Section 3.1(m).

“Closing Date” means the Trading Day on which all of the Transaction Documents have been executed and delivered by the applicable parties thereto, and all conditions precedent to all of the conditions set forth in Section 2 hereof are satisfied or waived, as the case may be, or such other date as the parties may agree in connection with the purchase and sale of the Shares.

“Purchase Price” means \$.65 per Share

“Knowledge of the Company” or any similar expression or phrase qualifying any matter as to the knowledge of the Company shall mean the actual knowledge of all senior officers of the Company, including but not limited to the Chief Executive Officer of the Company as well as the Board of Directors of the Company.

“Liens” means a lien, charge, pledge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

“Material Adverse Effect” shall have the meaning ascribed to such term in Section 3.1, and shall include means a material adverse effect on the business, assets (including intangible assets), liabilities, financial condition, property, or results of operations of the Company.

“Person” means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

“Proceeding” means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened.

“Required Filings” shall have the meaning ascribed to such term in Section 3.1(e).

“Rule 144” means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Shares” means the Common Stock Shares.

“Subsidiary” means any Person the Company owns or controls, or in which the Company, directly or indirectly, owns a majority of the capital stock or similar interest.

“Trading Day” means a day on which the principal Trading Market is open for trading.

“Trading Market” means The Nasdaq Capital Market (or any nationally recognized successor thereto).

“Transaction Documents” means this Agreement, all exhibits and schedules thereto and hereto and any other documents or agreements executed in connection with the transactions contemplated hereunder.

**ARTICLE II.
PURCHASE AND SALE**

2.1 Purchase.

(a) Closing. On the Closing Date, the Purchaser shall purchase from the Company, and the Company shall issue and sell to Purchaser, free and clear of all liens, pledges, claims, and encumbrances of every kind, nature, and description, the Shares in exchange for the payment of the Purchase Price. Upon satisfaction or waiver of the conditions set forth in Section 3, the Closing shall occur via email or as the parties might otherwise agree. The term “Closing Date” means the Effective Date or such later date when all of the transaction documents required to be executed and delivered in connection with the Closing have been executed and delivered by the applicable parties thereto, and all conditions precedent to the Purchaser’s obligations to purchase the Shares, and the Company’s obligations to issue and deliver the Shares, have been satisfied or waived.

2.2 Closing Deliveries

(a) The Company shall deliver or cause to be delivered to the Purchaser the following at each closing:

- (i) the Shares, (within 5 days of each Closing Date);
- (ii) a good standing certificate issued by the Secretary of State of the State of Delaware;
- (iii) an officer’s certificate of the Company’s President or Chief Executive Officer;

(iv) resolutions of the board of directors of the Company approving the issuance of the Shares, as applicable and all transactions and agreements related to the Transaction Documents;

(b) The respective obligations of the Purchaser hereunder in connection with each Closing Date are subject to the following conditions being met:

(i) the accuracy in all material respects when made and on each Closing Date of the representations and warranties of the Company contained herein (unless such representations and warranties speak only as of a specific date, in which case they shall be accurate as of such date);

(ii) all obligations, covenants and agreements of the Company required to be performed at or prior to each Closing Date shall have been performed in all material respects;

(iii) the delivery by the Company of the items required to be delivered by it at or prior to Closing as set forth in Section 2.2(a) of this Agreement;

(iv) there shall have been no Material Adverse Effect with respect to the Company since the date hereof; and

(v) no statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction that prohibits the consummation of any of the transactions contemplated by this Agreement or any of the other Transaction Documents.

(c) On the Closing Date, the Purchaser shall deliver or cause to be delivered to the Company the following:

(i) an amount equal to the Closing Purchase Price, (net of purchaser closing costs including but not limited to Purchaser's legal fees as hereinafter set forth), by wire transfer of immediately available funds to the Wire Instructions attached as Exhibit A to this Agreement.

(ii) this Agreement duly executed by such Purchaser;

(iii) an Accredited Investor Questionnaire (in the form provided by the Company to the Purchaser), duly executed by the Purchaser; and

(iv) a Bad Actor Questionnaire (in the form provided by the Company in the form provided by the Company to the Purchaser), duly executed by the Purchaser.

Except as otherwise set forth in this Agreement, each party shall pay the fees and expenses of its own advisers, counsel, accountants, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement.

2.3 Initial Public Announcements and Required Filings. The Company shall, within the time period required under the Exchange Act, file with the Commission a Current Report on Form 8-K describing the material terms of the transactions contemplated by the Transaction Documents, including, without limitation, the issuance of the Shares to the Purchaser, and attaching as exhibits thereto a copy of this Agreement, and, if applicable, any press release issued by the Company disclosing the execution of this Agreement (including all exhibits thereto, the "Current Report"). The Company shall provide the Purchaser with a reasonable opportunity to comment on a draft of the Current Report prior to filing the Current Report with the Commission and shall give due consideration to all such comments. From and after the filing of the Current Report with the Commission, the Company shall have publicly disclosed all material, nonpublic information delivered to the Purchaser (or the Purchaser's representatives or agents) by the Company, or any of its officers, directors, employees, agents or representatives (if any) in connection with the transactions contemplated by the Transaction Documents. The Purchaser covenants that until such time as the transactions contemplated by this Agreement are publicly disclosed by the Company as described in this Section 2.3, the Purchaser shall maintain the confidentiality of all disclosures made to it in connection with the transactions contemplated by the Transaction Documents (including the existence and terms of the transactions), except that the Purchaser may disclose the terms of such transactions to its financial, accounting, legal and other advisors (provided that the Purchaser directs such Persons to maintain the confidentiality of such information). Not later than 15 calendar days following the Closing Date, the Company shall file a Form D with respect to the issuance and sale of the Shares in accordance with Regulation D and shall provide a copy thereof to the Purchaser promptly after such filing.

**ARTICLE III.
REPRESENTATIONS AND WARRANTIES**

The Company hereby represents and warrants to Purchaser that as of the Closing Date as follows:

3.1 Organization and Qualification. The Company is an entity duly incorporated or otherwise organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. The Company is not in violation or default of any of the provisions of its respective certificate or articles of incorporation, bylaws or other organizational or charter documents. The Company is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, could not have or reasonably be expected to result in: (i) a material adverse effect on the legality, validity or enforceability of any Transaction Document, (ii) a material adverse effect on the results of operations, assets, business or condition (financial or otherwise) of the Company taken as a whole, or (iii) a material adverse effect on the Company's ability to perform in any material respect on a timely basis its obligations under any Transaction Document (any of (i), (ii) or (iii), a "Material Adverse Effect"), and no Proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification.

3.1 Subsidiaries. Other than the Company Subsidiaries, the Company does not currently own or control, directly or indirectly, any interest in any other corporation, partnership, trust, joint venture, limited liability company, association, or other business entity. The Company is not a participant in any joint venture, partnership or similar arrangement.

3.3 Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and each of the other Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and each of the other Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby 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. This Agreement and each other Transaction Document to which it is a party 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.

3.3 No Conflicts. The execution and delivery of the Transaction Documents, the consummation of the transactions hereby contemplated, and the fulfillment of the terms hereof will not violate any provision of the articles of incorporation or bylaws of the Company nor will they result in the breach of any term or provision of, or constitute a default under, or conflict with, or cause the monetary acceleration of any obligation under, any agreement or other instrument of any description to which the Company is a party or by which the Company is bound, or any judgment, decree, order, or award of any court, governmental body, or arbitrator, or any applicable law, rule, or regulation unless caused by the breach of a representation or warranty by the Purchaser.

3.4 Filings, Consents and Approvals. The Company is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by the Company of the Transaction Documents, other than the filing of a Form D with the Commission and such filings (if any) as are required to be made under applicable state securities laws (collectively, the "Required Filings").

3.5 Issuance of Shares. The Shares, when issued, sold and delivered in accordance with the terms and for the consideration set forth in this Agreement, will be duly authorized, validly issued, fully paid and nonassessable and free of restrictions on transfer other than restrictions on transfer under the Transaction Documents, applicable state and federal securities laws, and liens or encumbrances created by or imposed by Purchaser.

3.6 Capitalization. The authorized capital of the Company consists, immediately prior to the Closing, of 45,000,000 shares of Common Stock, 11,737,760 shares of which are issued and outstanding immediately prior to the Closing. All of the outstanding shares of Common Stock have been duly authorized, are fully paid and nonassessable. The Company has reserved 5,000,000 shares of Common Stock for issuance (a) to officers, directors, employees and consultants of the Company pursuant to an equity incentive plan or arrangement to be adopted by the Company, or (b) to additional investors as determined by the Board. Other than as set forth in the Transaction Documents and as set forth in the Commission Documents, there are no outstanding options, warrants, rights (including conversion or preemptive rights and rights of first refusal or similar rights) or agreements, orally or in writing, to purchase or acquire from the Company any shares of Common Stock, or any securities convertible into or exchangeable for shares of Common Stock. At the Closing, Purchaser(s) will own an aggregate 16.4% of the Common Stock, on a fully-diluted basis.

3.7 Registration Rights. Except as set forth in the SEC Reports, the Company is not under any obligation to register under the Securities Act any of its currently outstanding securities or any securities issuable upon exercise or conversion of its currently outstanding securities. To the Company's knowledge, no stockholder of the Company has entered into any agreements with respect to the voting of capital shares of the Company.

3.8 Compliance. The Company is not: (i) in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or any Subsidiary under), the Company has not received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) in violation of any judgment, decree or order of any court, arbitrator or other governmental authority or (iii) has been in violation of any statute, rule, ordinance or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case as would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect.

3.9 SEC Reports; Financial Statements.

(a) Except as set forth in the Commission Documents, the Company has filed (giving effect to permissible extensions in accordance with Rule 12b-25 under the Exchange Act) all Commission Documents for the twelve (12) months preceding the date of this Agreement. No Subsidiary of the Company is required to file or furnish any report, schedule, registration, form, statement, information or other document with the Commission. As of its filing date (or, if amended or superseded by a filing prior to the Closing Date, as of the date of such amended or superseded filing), each Commission Document filed with or furnished to the Commission prior to the Closing Date (including, without limitation, the 2021 Form 10-K) complied in all material respects with the requirements of the Securities Act or the Exchange Act, as applicable, and other federal, state and local laws, rules and regulations applicable to it (or, if amended or superseded by a filing prior to the Closing Date, on the date of such amended or superseded filing).

(b) The consolidated financial statements of the Company included or incorporated by reference in the Commission Documents, together with the related notes and schedules, present fairly, in all material respects, the consolidated financial position of the Company and the consolidated Subsidiaries as of the dates indicated and the consolidated results of operations, cash flows and changes in stockholders' equity of the Company and the consolidated Subsidiaries for the periods specified (or, if amended or superseded by a filing prior to the Closing Date, as of the date of such amended or superseded filing) (subject, in the case of unaudited statements, to normal year-end audit adjustments which will not be material, either individually or in the aggregate) and have been prepared in compliance with the published requirements of the Securities Act and Exchange Act, as applicable, and in conformity with generally accepted accounting principles in the United States ("GAAP") applied on a consistent basis (except (i) for such adjustments to accounting standards and practices as are noted therein and (ii) in the case of unaudited interim statements, to the extent they may exclude footnotes or may be condensed or summary statements) during the periods involved. The pro forma financial statements or data included or incorporated by reference in the Commission Documents, if any, comply with the requirements of Regulation S-X of the Securities Act, including, without limitation, Article 11 thereof, and the assumptions used in the preparation of such pro forma financial statements and data are reasonable, the pro forma adjustments used therein are appropriate to give effect to the circumstances referred to therein and the pro forma adjustments have been properly applied to the historical amounts in the compilation of those statements and data. The other financial and statistical data with respect to the Company and the Subsidiaries contained or incorporated by reference in the Commission Documents, if any, are accurately and fairly presented and prepared on a basis consistent with the financial statements and books and records of the Company. There are no financial statements (historical or pro forma) that are required to be included or incorporated by reference in the Commission Documents that are not included or incorporated by reference as required. The Company and the Subsidiaries do not have any material liabilities or obligations, direct or contingent (including any off-balance sheet obligations or any "variable interest entities" as that term is used in Accounting Standards Codification Paragraph 810-10-25-20), not described in Commission Documents which are required to be described in the Commission Documents. All disclosures contained or incorporated by reference in the Commission Documents, if any, regarding "non-GAAP financial measures" (as such term is defined by the rules and regulations of the Commission) comply in all material respects with Regulation G of the Exchange Act and Item 10 of Regulation S-K under the Securities Act, to the extent applicable. The reserves, if any, established by the Company or the lack of reserves, if applicable, are reasonable based upon facts and circumstances known by the Company on the date hereof and there are no loss contingencies that are required to be accrued by the Statement of Financial Accounting Standard No. 5 of the Financial Accounting Standards Board which are not provided for by the Company in its financial statements or otherwise. The Company is not currently contemplating to amend or restate any of the financial statements (including, without limitation, any notes or any letter of the independent accountants of the Company with respect thereto) included or incorporated by reference in any of the Commission Documents, nor is the Company currently aware of facts or circumstances which would require the Company to amend or restate any such financial statements, in each case, in order for any of such financial statements to be in compliance with GAAP and the rules and regulations of the Commission. The Company has not been informed by its independent accountants that they recommend that the Company amend or restate any of the financial statements included or incorporated by reference in any of the Commission Documents or that there is any need for the Company to amend or restate any of such financial statements.

(c) Except as set forth in the Commission Documents, the Company maintains a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company is not aware of any material weaknesses in its internal control over financial reporting (other than as set forth in the Commission Documents). Except as set forth in the Commission Documents, since the date of the latest audited financial statements of the Company included in the 2021 Form 10-K, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Except as set forth in the Commission Documents, the Company has established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 and 15d-15) that comply with the requirements of the Exchange Act. The Company's certifying officers have evaluated the effectiveness of the Company's controls and procedures as of a date within 90 days prior to the filing date of the Form 10-K for the fiscal year most recently ended (such date, the "Evaluation Date"). The Company presented in its Form 10-K for the fiscal year most recently ended the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the most recent Evaluation Date and, except as set forth in such Form 10-K or any Commission Document filed with the Commission for a period subsequent to the period covered by such Form 10-K, the "disclosure controls and procedures" are effective.

(d) BF Borgers CPA PC, whose report on the consolidated balance sheets of the Company as of December 31, 2021 and 2020, the related statement of operations, stockholders' equity (deficit), and cash flows for the year then ended, and the related notes, is filed with the Commission as part of the 2021 Form 10-K, are and, during the periods covered by their report, were independent public accountants within the meaning of the Securities Act and the Public Company Accounting Oversight Board (United States). To the Company's Knowledge, BF Borgers CPA PC is not in violation of the auditor independence requirements of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") with respect to the Company.

(e) There is and has been no failure on the part of the Company or, to the Knowledge of the Company, any of the Company's directors or officers, in their capacities as such, to comply in all material respects with any applicable provisions of the Sarbanes-Oxley Act and the rules and regulations promulgated thereunder. Each of the principal executive officer and the principal financial officer of the Company (or each former principal executive officer of the Company and each former principal financial officer of the Company as applicable) has made all certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act with respect to all reports, schedules, forms, statements and other documents required to be filed by it or furnished by it to the Commission during the past 12 months. For purposes of the preceding sentence, "principal executive officer" and "principal financial officer" shall have the meanings given to such terms in the Exchange Act Rules 13a-15 and 15d-15.

3.9 Bad Actor Disqualification. None of the Company, any of its predecessors, any affiliated issuer, any director, executive officer, other officer of the Company participating in the Offering hereunder, or, to the Company's knowledge, any beneficial owner (as that term is defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "**Exchange**")) of 20% or more of the Company's outstanding voting equity securities, calculated on the basis of voting power, nor any promoter (as that term is defined in Rule 405 under the Securities Act) connected with the Company in any capacity at the time of sale (each, an "**Issuer Covered Person**" and, together, "**Issuer Covered Persons**") is subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act (a "**Disqualification Event**"), except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3). The Company has exercised reasonable care to determine whether any Issuer Covered Person is subject to a Disqualification Event.

3.10 Material Changes; Undisclosed Events, Liabilities or Developments. Since the date of the latest audited financial statements included within the SEC Reports, except as specifically disclosed in a subsequent SEC Report filed prior to the Effective Date, (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) the Company has not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company's financial statements pursuant to GAAP or disclosed in filings made with the Commission, (iii) the Company has not altered its method of accounting, (iv) the Company has not declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock and (v) the Company has not issued any equity securities to any officer, director or Affiliate, except pursuant to existing Company stock option plans. Except for confidential treatment requests described in the SEC Reports, the Company does not have pending before the Commission any request for confidential treatment of information. Except for the issuance of the Shares and Warrants contemplated by this Agreement, no event, liability, fact, circumstance, occurrence or development has occurred or exists or is reasonably expected to occur or exist with respect to the Company or its Subsidiaries or their respective business, properties, operations, assets or financial condition that would be required to be disclosed by the Company under applicable securities laws at the time this representation is made or deemed made that has not been publicly disclosed on or before the date that this representation is made.

3.11 Litigation. Except as set forth in the Commission Documents, (i) There is no action, suit, inquiry, notice of violation, proceeding or investigation pending or, to the knowledge of the Company, threatened against or affecting the Company, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an "Action"); (ii) neither the Company nor any Subsidiary, nor any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty and (iii) there has not been, and to the knowledge of the Company, there is not pending or contemplated, any investigation by the Commission involving the Company or any current or former director or officer of the Company, which, in any case of clauses (i), (ii) or (iii), (A) adversely affects or challenges the legality, validity or enforceability of any of the Transaction Documents or the Shares or (B) could, if there were an unfavorable decision, have or reasonably be expected to result in a Material Adverse Effect.

3.12 Indebtedness; Solvency. The Company's annual report on Form 10-K for the annual period ended December 31, 2021 sets forth, as of December 31, 2021, all outstanding secured and unsecured Indebtedness of the Company or any Subsidiary, or for which the Company or any Subsidiary has commitments through such date. For the purposes of this Agreement, "Indebtedness" shall mean (a) any liabilities for borrowed money or amounts owed in excess of \$100,000 (other than trade accounts payable incurred in the ordinary course of business), (b) all guaranties, endorsements, indemnities and other contingent obligations in respect of Indebtedness of others in excess of \$100,000, whether or not the same are or should be reflected in the Company's balance sheet (or the notes thereto), except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; and (c) the present value of any lease payments in excess of \$100,000 due under leases required to be capitalized in accordance with GAAP. There is no existing or continuing default or event of default in respect of any Indebtedness of the Company or any of its Subsidiaries. The Company has not taken any steps, and does not currently expect to take any steps, to seek protection pursuant to Title 11 of the United States Code or any similar federal or state bankruptcy law or law for the relief of debtors, nor does the Company have any Knowledge that its creditors intend to initiate involuntary bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings for relief under Title 11 of the United States Code or any other federal or state bankruptcy law or any law for the relief of debtors. The Company is financially solvent and is generally able to pay its debts as they become due.

3.13 Patents and Trademarks. The Company and its subsidiaries have, or have rights to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, trade secrets, inventions, copyrights, licenses and other intellectual property rights and similar rights necessary or material for use in connection with their respective businesses as described in the SEC Reports and which the failure to so have could reasonably be expected to have a Material Adverse Effect (collectively, the “Intellectual Property Rights”). Neither the Company nor any subsidiary has received a notice (written or otherwise) that any of the Intellectual Property Rights used by the Company or any Subsidiary violates or infringes upon the rights of any Person, except as could not have or reasonably be expected to not have a Material Adverse Effect. To the knowledge of the Company, all such Intellectual Property Rights are enforceable and there is no existing infringement by another Person of any of the Intellectual Property Rights. The Company and its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of all of their intellectual properties, except where the failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

3.14 Sarbanes-Oxley. The Company is in material compliance with all provisions of the Sarbanes-Oxley Act of 2002, to the extent applicable.

3.15 Transactions With Affiliates and Employees. Except as set forth in the SEC Reports, none of the officers or directors of the Company and, to the knowledge of the Company, none of the employees of the Company is presently a party to any transaction with the Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner, in each case in excess of \$120,000 other than for (i) payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of the Company and (iii) other employee benefits, including stock option agreements under any stock option plan of the Company.

3.16 Insurance. The Company, its directors and officers, and any subsidiary, are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which the Company and the Subsidiaries are engaged, including, but not limited to, directors and officers insurance coverage at least equal to the aggregate amount invested by Purchaser hereunder. Neither the Company, its directors and officers, nor any subsidiary has been notified that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without a significant increase in cost.

3.17 Title to Assets. The Company has good and marketable title in all personal property owned by them that is material to the business of the Company, in each case free and clear of all Liens, except for (i) Liens that do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and the Subsidiary and (ii) Liens for the payment of federal, state or other taxes, for which appropriate reserves have been made in accordance with GAAP and the payment of which is neither delinquent nor subject to penalties. The Company does not own any real property.

3.18 Permits. The Company has all franchises, permits, licenses and any similar authority necessary for the conduct of its business, the lack of which could reasonably be expected to have a Material Adverse Effect. The Company is not in default in any material respect under any of such franchises, permits, licenses or other similar authority.

3.19 Use of Proceeds. The Company intends to use the proceeds of sale of the Shares to fund growth of the Company in order to achieve positive cash flow within the next [12] months and none of the proceeds from this Agreement shall be used to pay any existing or past Indebtedness of the Company, provided however that the Company may use up to \$100,000 in aggregate to pay Indebtedness, or any settlement payment, judgment or costs associated with any litigation claim.

3.20 Listing and Maintenance Requirements. The Common Stock is registered pursuant to Section 12(b) or 12(g) of the Exchange Act, and the Company has taken no action designed to, or that to its knowledge is likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act nor has the Company received any notification that the Commission is contemplating terminating such registration. Except as set forth in the SEC Reports, the Company has not, in the 12 months preceding the Effective Date, received notice from any Trading Market on which the Common Stock is or has been listed or quoted to the effect that the Company is not in compliance with the listing or maintenance requirements of such Trading Market. Except as disclosed in the SEC Reports, the Company is in compliance in all material respects with all such listing and maintenance requirements.

3.21 Disclosure. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents and the Company's periodic filings with the SEC filed prior to the signing of this Agreement, the Company confirms that neither it nor any other Person acting on its behalf has provided the Purchaser or its agents or counsel with any information that it believes constitutes or might constitute material, non-public information. The Company understands and confirms that the Purchaser will rely on the foregoing representation in effecting transactions in securities of the Company. The Company acknowledges and agrees that the Purchaser does not make or has not made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth herein.

3.22 Regulation M Compliance. The Company has not, and to its knowledge no one acting on its behalf has, (i) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Shares, (ii) sold, bid for, purchased, or, paid any compensation for soliciting purchases of, any of the Shares, or (iii) paid or agreed to pay to any Person any compensation for soliciting another to purchase any other securities of the Company.

3.23 Foreign Corrupt Practices. Neither the Company nor to the Knowledge of the Company, any agent or other person acting on behalf of the Company, has (i) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company (or made by any person acting on its behalf of which the Company is aware) which is in violation of law, or (iv) violated in any material respect any provision of the Foreign Corrupt Practices Act of 1977, as amended.

3.24 No Integrated Offering. None of the Company or, to the Company's knowledge, any of its affiliates, nor any Person acting on its behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would require registration of the issuance of any of the Shares under the 1933 Act, whether through integration with prior offerings or otherwise, or cause this offering of the Shares to require approval of shareholders of the Company (other than any required approval of holders of a majority of the outstanding common stock of the Company received before the Closing) under any applicable shareholder approval provisions. None of the Company, nor its affiliates nor any Person acting on their behalf will take any action or steps that would require registration of the issuance of any of the Shares under the 1933 Act or cause the offering of any of the Shares to be integrated with other offerings of securities of the Company.

3.25 Exemption from Registration. Subject to, and in reliance on, the representations, warranties and covenants made herein by the Purchaser, the offer and sale of the Shares in accordance with the terms and conditions of this Agreement is exempt from the registration requirements of the Shares Act pursuant to Section 4(a)(2) and Rule 506(b) of Regulation D.

3.26 Manipulation of Price. Neither the Company nor any of its officers, directors or Affiliates has, and, to the Knowledge of the Company, no Person acting on their behalf has, (i) taken, directly or indirectly, any action designed or intended to cause or to result in the stabilization or manipulation of the price of any security of the Company, or which caused or resulted in, or which would in the future reasonably be expected to cause or result in, the stabilization or manipulation of the price of any security of the Company, in each case to facilitate the sale or resale of any of the Securities, (ii) sold, bid for, purchased, or paid any compensation for soliciting purchases of, any of the Securities, or (iii) paid or agreed to pay to any Person any compensation for soliciting another to purchase any other securities of the Company. Neither the Company nor any of its officers, directors or Affiliates will during the term of this Agreement, and, to the Knowledge of the Company, no Person acting on their behalf will during the term of this Agreement, take any of the actions referred to in the immediately preceding sentence

3.27 Securities Act. The Company has complied and shall comply with all applicable federal and state securities laws in connection with the offer, issuance and sale of the Securities hereunder, including, without limitation, the applicable requirements of the Securities Act. The Company is not, and has not previously been at any time, an issuer identified in, or subject to, Rule 144(i).

3.28 Listing and Maintenance Requirements; DTC Eligibility. As of the Closing Date, the Common Stock is registered pursuant to Section 12(b) of the Exchange Act, and the Company has taken no action designed to, or which to its Knowledge is likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act, nor has the Company received any notification that the Commission is contemplating terminating such registration. Except as disclosed in the Commission Documents, the Company is not in violation of any of the rules, regulations or requirements of the Trading Market and has no knowledge of any facts or circumstances that could reasonably lead to delisting or suspension of the Common Stock by the Trading Market in the foreseeable future. During the two years prior to the date hereof, (i) the Common Stock has been listed or designated for quotation on the Trading Market, (ii) trading in the Common Stock has not been suspended by the Commission or the Trading Market and (iii) the Company has received no communication, written or oral, from the Commission or the Trading Market regarding the suspension or delisting of the Common Stock from the Trading Market, except in all cases as disclosed in the Commission Documents. The Common Stock is eligible for participation in the DTC book entry system and has shares on deposit at DTC for transferred electronically to third parties via DTC through its Deposit/Withdrawal at Custodian (“DWAC”) delivery system. The Company has not received notice from DTC to the effect that a suspension of, or restriction on, accepting additional deposits of the Common Stock, electronic trading or book-entry services by DTC with respect to the Common Stock is being imposed or is contemplated.

3.29 Application of Takeover Protections. There is no control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under the Company’s Charter or the laws of its state of incorporation that is or could become applicable to the Purchaser as a result of the Purchaser and the Company fulfilling their respective obligations or exercising their respective rights under the Transaction Documents (as applicable), including, without limitation, as a result of the Company’s issuance of the Securities and the Purchaser’s ownership of the Shares.

3.30 No Unlawful Payments. Neither the Company nor any of its Subsidiaries nor any director or officer, nor, to the Knowledge of the Company, any employee, agent, representative or Affiliate of the Company, has taken within the past five years any action in furtherance of an offer, payment, promise to pay, or authorization or approval of the payment or giving of money, property, gifts or anything else of value, directly or indirectly, to any “government official” (including any officer or employee of a government or government-owned or controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office) to influence official action or secure an improper advantage (to the extent acting on behalf of or providing services to the Company); and the Company and its Subsidiaries have conducted their businesses within the past five years in compliance with the U.S. Foreign Corrupt Practices Act of 1977, as amended (the “FCPA”), any applicable law or regulation implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed December 17, 1997, the U.K. Bribery Act 2010 and other applicable anti-corruption, anti-money laundering and anti-bribery laws, and have instituted and maintain policies and procedures designed to promote and achieve compliance with such laws and with the representation and warranty contained herein.

3.31 Money Laundering Laws. The operations of the Company are and have been conducted at all times within the past five years in material compliance with all applicable financial recordkeeping and reporting requirements, including those of the Currency and Foreign Transactions Reporting Act of 1970, as amended, and the applicable anti-money laundering statutes, including but not limited to, applicable federal, state, international, foreign or other laws, regulations or government guidance regarding anti-money laundering, including, without limitation, Title 18 U.S. Code section 1956 and 1957, the Patriot Act, the Bank Secrecy Act, and international anti-money laundering principles or procedures by an intergovernmental group or organization, such as the Financial Action Task Force on Money Laundering, of which the United States is a member and with which designation the United States representative to the group or organization continues to concur, all as amended, and any Executive order, directive, or regulation pursuant to the authority of any of the foregoing, or any orders or licenses issued thereunder, of jurisdictions where the Company conducts business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the “Money Laundering Laws”), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company with respect to the Money Laundering Laws is pending or, to the best knowledge of the Company, threatened.

3.32 OFAC. Neither the Company nor any of its Subsidiaries, nor any director, officer, or employee thereof, nor, to the Company’s Knowledge, any agent, affiliate or representative of the Company, is a Person that is, or is owned or controlled by a Person that is (i) the subject of any sanctions administered or enforced by the U.S. Department of Treasury’s Office of Foreign Assets Control, the United Nations Security Council, the European Union, Her Majesty’s Treasury, or other relevant sanctions authority (collectively, “Sanctions”), nor (ii) located, organized or resident in a country or territory that is the subject of Sanctions (including, without limitation, Crimea, Cuba, Iran, North Korea, Sudan and Syria). Neither the Company nor any of its Subsidiaries will, directly or indirectly, use the proceeds from the sale of Shares under this Agreement, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other Person (a) to fund or facilitate any activities or business of or with any Person or in any country or territory that, at the time of such funding or facilitation, is the subject of Sanctions, or (b) in any other manner that will result in a violation of Sanctions by any Person (including any Person participating in the offering, whether as underwriter, advisor, investor or otherwise). For the past five years, neither the Company nor any of its Subsidiaries have knowingly engaged in, or are now knowingly engaged in, any dealings or transactions with any Person, or in any country or territory, that at the time of the dealing or transaction is or was the subject of Sanctions.

3.33 U.S. Real Property Holding Corporation. Neither the Company nor any of its Subsidiaries is, or has ever been, and so long as any of the Securities are held by the Purchaser, shall become a U.S. real property holding corporation within the meaning of Section 897 of the Code.

3.34 Bank Holding Company Act. Neither the Company nor any of its Subsidiaries or affiliates is subject to the Bank Holding Company Act of 1956, as amended (the “BHCA”) and to regulation by the Board of Governors of the Federal Reserve System (the “Federal Reserve”). Neither the Company nor any of its Subsidiaries or affiliates owns or controls, directly or indirectly, five percent (5%) or more of the outstanding shares of any class of voting securities or twenty-five percent or more of the total equity of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve. Neither the Company nor any of its Subsidiaries or affiliates exercises a controlling influence over the management or policies of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve.

3.35 IT Systems. (i)(x) To the Knowledge of Company, there has been no security breach or other compromise of any of the Company's or its Subsidiaries' information technology and computer systems, networks, hardware, software, data (including the data of their respective customers, employees, suppliers, vendors and any third party data maintained by or on behalf of them), equipment or technology (collectively, "*IT Systems and Data*") and (y) the Company has not been notified of, and has no knowledge of any event or condition that would reasonably be expected to result in, any security breach or other compromise to the IT Systems and Data, except as would not, in the case of this clause (i), individually or in the aggregate, have a Material Adverse Effect; (ii) the Company is presently in material compliance with all applicable laws or statutes and all judgments, orders, rules and regulations of any court or arbitrator or governmental or regulatory authority, internal policies and contractual obligations relating to the privacy and security of IT Systems and Data and to the protection of such IT Systems and Data from unauthorized use, access, misappropriation or modification, except as would not, in the case of this clause (ii), individually or in the aggregate, have a Material Adverse Effect; and (iii) the Company has implemented backup and disaster recovery technology consistent with industry standards and practices.

3.36 Compliance With Data Privacy Laws. The Company and the Subsidiaries are, and at all prior times were, in material compliance with all applicable state and federal data privacy and security laws and regulations, including without limitation the Health Insurance Portability and Accountability Act of 1996, and the European Union General Data Protection Regulation (EU 2016/679) (collectively, the "Privacy Laws"). To ensure compliance with the Privacy Laws, the Company has in place, complies with, and takes appropriate steps to ensure compliance in all material respects with its policies and procedures relating to data privacy and security and the collection, storage, use, processing, disclosure, handling, and analysis of personal data and confidential data (the "Policies"). The Company has at all times made all disclosures to users or customers required by applicable laws and regulatory rules or requirements, and none of such disclosures made or contained in any of its Policies have been inaccurate or in violation of any applicable laws and regulatory rules or requirements in any material respect. The Company further certifies that neither it nor any Subsidiary: (i) has received notice of any actual or potential liability under or relating to, or actual or potential violation of, any of the Privacy Laws, and the Company has no Knowledge of any event or condition that would reasonably be expected to result in any such notice; (ii) is currently conducting or paying for, in whole or in part, any investigation, remediation, or other corrective action pursuant to any Privacy Law; or (iii) is a party to any order, decree, or agreement that imposes any obligation or liability under any Privacy Law.

3.37 Stock Option Plans. Each stock option granted by the Company was granted (i) in accordance with the terms of the applicable stock option plan of the Company and (ii) with an exercise price at least equal to the fair market value of the Common Stock on the date such stock option would be considered granted under GAAP and applicable law. No stock option granted under the Company's stock option plan has been backdated. The Company has not knowingly granted, and there is no and has been no policy or practice of the Company to knowingly grant, stock options prior to, or otherwise knowingly coordinate the grant of stock options with, the release or other public announcement of material information regarding the Company or its Subsidiaries or their financial results or prospects.

3.38 Acknowledgement Regarding Purchaser's Acquisition of Shares. The Company acknowledges and agrees that the Purchaser is acting solely in the capacity of an arm's-length purchaser with respect to this Agreement and the transactions contemplated by the Transaction Documents. The Company further acknowledges that the Purchaser is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to this Agreement and the transactions contemplated by the Transaction Documents, and any advice given by the Purchaser or any of its representatives or agents in connection therewith is merely incidental to the Purchaser's acquisition of the Shares. The Company further represents to the Purchaser that the Company's decision to enter into the Transaction Documents to which it is a party has been based solely on the independent evaluation of the transactions contemplated thereby by the Company and its representatives. The Company acknowledges and agrees that the Purchaser has not made and does not make any representations or warranties with respect to the transactions contemplated by the Transaction Documents other than those specifically set forth in Article IV.

ARTICLE IV. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER.

Purchaser hereby acknowledges that the Company will rely on the accuracy and completeness of the following representations and warranties and hereby represents and warrants to the Company as of the Closing Date:

4.1 Organization; Authority. Purchaser is either an individual or an entity duly incorporated or formed, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation with full right, corporate, partnership, limited liability company or similar power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of the Transaction Documents and performance by Purchaser of the transactions contemplated by the Transaction Documents have been duly authorized by all necessary corporate, partnership, limited liability company or similar action, as applicable, on the part of Purchaser. Each Transaction Document to which it is a party has been duly executed by Purchaser, and when delivered by Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of Purchaser, enforceable against it 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.

4.2 No Conflicts(a). The execution, delivery and performance by the Purchaser of this Agreement and the other Transaction Documents to which it is a party and the consummation by it of the transactions contemplated hereby and thereby do not and will not (i) conflict with or violate any provision of the Purchaser's certificate or articles of incorporation, bylaws or other organizational or charter documents (as applicable), (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of the Purchaser or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument or other understanding to which the Purchaser is a party or by which any property or asset of the Purchaser is bound or affected, or (iii) subject to the Required Filings, conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Purchaser is subject (including federal and state securities laws and regulations), or by which any property or asset of Purchaser is bound or affected; except in the case of each of clauses (ii) and (iii), for such that do not materially adversely affect the ability of such Purchaser to consummate the transactions contemplated hereby.

4.3 Purchase Entirely for Own Account. This Agreement is made with the Purchaser in reliance upon the Purchaser's representation to the Company, which by the Purchaser's execution of this Agreement, the Purchaser hereby confirms, that the Shares to be acquired by the Purchaser will be acquired for investment for the Purchaser's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that the Purchaser has no present intention of selling, granting any participation in, or otherwise distributing the same. By executing this Agreement, the Purchaser further represents that the Purchaser does not presently have any contract, undertaking, agreement or arrangement with any Person to sell, transfer or grant participations to such Person or to any third Person, with respect to any of the Shares. The Purchaser has not been formed for the specific purpose of acquiring the Shares.

4.4 Restricted Securities. The Purchaser understands that the Shares (including the components thereof) have not been registered under the Securities Act, by reason of a specific exemption from the registration provisions of the Securities Act which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of the Purchaser's representations as expressed herein. The Purchaser understands that the Shares (including the components thereof) are "restricted securities" under applicable U.S. federal and state securities laws and that, pursuant to these laws, the Purchaser must hold the Shares (including the components thereof) indefinitely unless they are registered with the Securities and Exchange Commission and qualified by state authorities, or an exemption from such registration and qualification requirements is available. The Purchaser acknowledges that if an exemption from registration or qualification is available, it may be conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Shares (including the components thereof), and on requirements relating to the Company which are outside of the Purchaser's control, and which the Company is under no obligation and may not be able to satisfy.

4.6 Purchaser Status. At the time Purchaser was offered the Securities, it was, and as of the date hereof it is an "accredited investor" as defined in Rule 501 under the Securities Act. Such Purchaser is not required to be registered as a broker-dealer under Section 15 of the Exchange Act. The Purchaser has completed or caused to be completed and delivered to the Company the Accredited Investor Certification set forth as Exhibit A hereto, which certification (as completed by the Purchaser) is true, correct and complete in all material respects.

4.7 Foreign Investors. If the Purchaser is not a United States person (as defined by Section 7701(a)(30) of the Code), the Purchaser hereby represents that it has satisfied itself as to the full observance of the laws of its jurisdiction in connection with any invitation to subscribe for the Shares or any use of this Agreement, including (i) the legal requirements within its jurisdiction for the purchase of the Shares, (ii) any foreign exchange restrictions applicable to such purchase, (iii) any governmental or other consents that may need to be obtained, and (iv) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale, or transfer of the Shares (including the components thereof). The Purchaser's subscription and payment for and continued beneficial ownership of the Shares (including the components thereof) will not violate any applicable securities or other laws of the Purchaser's jurisdiction.

4.8 Experience of Purchaser. Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Securities, and has so evaluated the merits and risks of such investment. Purchaser is able to bear the economic risk of an investment in the Securities and, at the present time, is able to afford a complete loss of such investment.

4.9 Solicitation. Purchaser is not purchasing the Shares as a result of any advertisement, article, notice or other communication regarding the Shares published in any newspaper, magazine or similar media, broadcast over television or radio, disseminated over the Internet or presented at any seminar or, to its knowledge, any other general solicitation or general advertisement.

4.9 No Current Registration. Purchaser understands that the Shares have not been and will not be registered under the Securities Act, except as otherwise set forth herein in connection with the securities laws of any other jurisdiction prior to acquisition of the Shares by Purchaser, and the Shares must be held indefinitely without any transfer, sale, or other disposition unless the Shares are subsequently registered under the Securities Act, and the securities laws of any other applicable jurisdictions or, in the opinion of counsel for the Company, registration is not required under the Securities Act or such laws as the result of an available exemption.

4.10 Residence. If the Purchaser is an individual, then the Purchaser resides in the state or province identified in the address of the Purchaser set forth on such Purchaser's signature page; if the Purchaser is a partnership, corporation, limited liability company or other entity, then the office or offices of the Purchaser in which its principal place of business is identified in the address or addresses of the Purchaser set forth on such Purchaser's signature page,

4.11 Reliance Upon Information. Purchaser understands that the Shares are being offered and /sold in reliance on specific exemptions from the registration requirements of federal and state securities laws and that the Company is relying upon the truth and accuracy of the representations, warranties, agreements, acknowledgments and understandings set forth herein in order to determine the suitability of Purchaser to acquire the Shares.

**ARTICLE V.
OTHER AGREEMENTS OF THE PARTIES**

5.1 Further Assurances. The Company and Purchaser shall execute and deliver all such other instruments and take all such other action as either party may reasonably request from time to time in order to effectuate the transactions provided for herein.

5.2 Securities Compliance. The Company shall notify the Commission and the Trading Market, if and as applicable, in accordance with their respective rules and regulations, of the transactions contemplated by the Transaction Documents, and shall take all necessary action, undertake all proceedings and obtain all registrations, permits, consents and approvals for the legal and valid issuance of the Securities to the Purchaser in accordance with the terms of the Transaction Documents, as applicable.

5.3 Reservation of Common Stock. The Company has available and the Company shall reserve and keep available at all times, free of preemptive and other similar rights of stockholders, the requisite aggregate number of authorized but unissued shares of Common Stock to enable the Company to timely effect (i) the issuance and delivery of all Shares to be issued and delivered to the Purchaser hereunder. Without limiting the generality of the foregoing, (a) as of the date of this Agreement, the Company has available for issuance, out of its authorized and unissued Common Stock, 28,262,240 shares of Common Stock solely for the purpose of issuing the Shares under this Agreement to be issued and delivered to the Purchaser.

5.4 Registration and Listing. The Company shall use its commercially reasonable efforts to cause the Common Stock to continue to be registered as a class of securities under Sections 12(g) of the Exchange Act, and to comply with its reporting and filing obligations under the Exchange Act, and shall not take any action or file any document (whether or not permitted by the Securities Act or the Exchange Act) to terminate or suspend such registration or to terminate or suspend its reporting and filing obligations under the Exchange Act or Securities Act, except as permitted herein. The Company shall use its commercially reasonable efforts to continue the listing and trading of its Common Stock. The Company shall not take any action which could be reasonably expected to result in the delisting or suspension of the Common Stock on the Trading Market. If the Company receives any final and non-appealable notice that the listing or quotation of the Common Stock on the Trading Market shall be terminated on a date certain, the Company shall promptly (and in any case within 24 hours) notify the Purchaser of such fact in writing and shall use its commercially reasonable efforts to cause the Common Stock to be listed or quoted on another Eligible Market. The Company shall take all action necessary to ensure that its Common Stock (i) can be transferred electronically as DWAC Shares and (ii) is eligible for deposit in at least one of the Purchasers' brokerage accounts specified to the Company on or prior to the date of this Agreement

5.5 Compliance with Laws.

(i) The Company (a) shall comply, and cause each Subsidiary (if any) to comply, with all laws, rules, regulations and orders applicable to the business and operations of the Company and its Subsidiaries, except as would not have a Material Adverse Effect and (b) with applicable provisions of the Securities Act and the Exchange Act, including Regulation M thereunder, applicable state securities or "Blue Sky" laws, and applicable listing rules of the Trading Market or Eligible Market, except as would not, individually or in the aggregate, prohibit or otherwise interfere with the ability of the Company to enter into and perform its obligations under this Agreement in any material respect or for Purchaser to conduct resales of Securities under the Registration Statement in any material respect. Without limiting the foregoing, neither the Company, nor to the Knowledge of the Company, any of their respective directors, officers, agents, employees or any other Persons acting on their behalf shall, in connection with the operation of the Company's businesses, (1) use any corporate funds for unlawful contributions, payments, gifts or entertainment or to make any unlawful expenditures relating to political activity to government officials, candidates or members of political parties or organizations, (2) pay, accept or receive any unlawful contributions, payments, expenditures or gifts, or (3) violate or operate in noncompliance with any export restrictions, anti-boycott regulations, embargo regulations or other applicable domestic or foreign laws and regulations, including, without limitation, the FCPA and the Money Laundering Laws.

(ii) The Purchaser shall comply with all laws, rules, regulations and orders applicable to the performance by it of its obligations under this Agreement and its investment in the Securities, except as would not, individually or in the aggregate, prohibit or otherwise interfere with the ability of the Purchaser to enter into and perform its obligations under this Agreement in any material respect. Without limiting the foregoing, the Purchaser shall comply with all applicable provisions of the Securities Act and the Exchange Act, including Regulation M thereunder, and all applicable state securities or “Blue Sky” laws.

5.6 Transfer Restrictions.

The Shares may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of Securities other than pursuant to an effective registration statement or Rule 144, to the Company or to an Affiliate of a Purchaser or in connection with a pledge, the Company may require the transferor thereof to provide to the Company an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Securities under the Securities Act. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of this Agreement and shall have the rights and obligations of a Purchaser under this Agreement.

The Purchasers agree to the imprinting, so long as is required by this Section 5.6, of a legend on only the Shares in the following form (with the bracketed text inserted or excluded, as applicable):

THE SHARES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND ARE ‘RESTRICTED SECURITIES’ AS DEFINED BY RULE 144 UNDER THAT ACT. THE SHARES MAY NOT BE SOLD, TRANSFERRED, PLEDGED, OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT REGISTERING THE SHARES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR, IN LIEU THEREOF, AN OPINION OF COUNSEL FOR THIS COMPANY TO THE EFFECT THAT REGISTRATION IS NOT REQUIRED UNDER THAT ACT. WITHOUT LIMITING THE FOREGOING, THE SHARES MAY NOT BE TRANSFERRED, SOLD, OR OTHERWISE DISPOSED OF WITHOUT AN OPINION OF COUNSEL FOR THIS COMPANY THAT SUCH TRANSFER, SALE, OR OTHER DISPOSITION DOES NOT VIOLATE THE SECURITIES LAWS OF ANY OTHER APPLICABLE JURISDICTION OR ANY RULES OR REGULATIONS THEREUNDER.

5.7 Future Company Offering. The Company hereby grants Purchaser a right of first refusal with respect to any offering of Shares in the future until two (2) years from the date hereof, on the same terms and conditions to be offered or contemplated to be offered to any other purchaser, and shall deliver to Purchaser a written notice of such proposed offering. Upon receipt of the written notice, Purchaser shall have 15 days to provide written notice to exercise its right of first refusal, and thereafter, Purchaser and the Company shall use commercially reasonable efforts to close no later than 15 days after Purchaser’s acceptance. Purchaser may waive its right in writing at any time. The Purchaser’s right of first refusal under this section exempts any Shares sold under the Company’s pre-existing stock purchases agreement with Tumim Stone Capital LLC dated June 28, 2022. After termination of this right or any expiration of the notice period, the Company shall be free to sell to any other purchaser or purchasers without restriction pursuant to this Section 5.7.

5.8 Legal Opinions. On or after the 6-month anniversary after the Closing, the Company shall cause its counsel to promptly issue appropriate legal opinions, as and if requested by Purchaser authorizing the public sale of the Shares, such legal opinion to be delivered to the Company's Transfer Agent no later than 5 business days from the time the Purchaser requests such legal opinion, provided that Purchaser delivers a standard seller representation letter in such form reasonably necessary at the request of Company counsel with respect to the ownership and transfer of such Shares. In the event the foregoing legal opinion is not delivered to Purchaser and the Company's Transfer Agent within such 7 days after receipt of Purchaser's representation letter in connection with the Shares for which the legal opinion is requested, this failure would constitute a material default of this Agreement. Accordingly, due to the fact that damages to Purchaser are not readily ascertainable the parties agree that the Company would immediately pay to the Purchaser the sum of \$2,500 per day for each calendar day in which the opinion letter is not provided from the Shares.

**ARTICLE VI.
POST CLOSING COVENANTS OF THE PARTIES**

6.1 Indemnification

(a) Purchaser's Losses. Company shall indemnify and hold harmless Purchaser and its directors, officers, employees, shareholders, representatives, agents and attorneys from, against and in respect of any and all Purchaser's Losses (as defined below) suffered, sustained, incurred or required to be paid by any of them by reason of (i) a breach of any representation, warranty or covenant made by the Company in or pursuant to this Agreement (including, without limitation, the representations and warranties contained in any certificate delivered pursuant hereto) or in any other Transaction Document executed in connection with the transactions contemplated hereby; and (ii) any failure by the Company to observe or perform its covenants and agreements set forth in this Agreement or in any other Transaction Document executed in connection with the transactions contemplated hereby. "Purchaser's Losses" shall mean all damages (including, without limitation, amounts paid in settlement with the Company's consent, which consent may not be unreasonably withheld), losses, obligations, liabilities, claims, deficiencies, costs and expenses (including, without limitation, reasonable attorneys' fees), penalties, fines, interest and monetary sanctions, including, without limitation, reasonable attorneys' fees and costs incurred to comply with injunctions and other court and agency orders, and other costs and expenses incident to any suit, action, investigation, claim or proceeding or to establish or enforce the rights of Purchaser or such other persons to indemnification hereunder.

(b) Company's Losses. Purchaser agrees to indemnify and hold harmless the Company and its representatives, officers, directors, shareholders, agents and attorneys from, against and in respect of any and all Company Losses (as defined below) suffered, sustained, incurred or required to be paid by any of them by reason of (i) a breach of any representation, covenant or warranty made by Purchaser in or pursuant to this Agreement (including, without limitation, the representations and warranties contained in any certificate delivered pursuant hereto) or in any other Transaction Document executed in connection with the transactions contemplated hereby or (ii) any failure by Purchaser to observe or perform its covenants and agreements set forth in this Agreement or any other agreement or document executed by it in connection with the transactions contemplated hereby. "Company Losses" shall mean all damages (including, without limitation, amounts paid in settlement with the consent of Purchaser, which consent may not be reasonably withheld), losses, obligations, liabilities, claims, deficiencies, costs and expenses (including, without limitation, reasonable attorneys' fees), penalties, fines, interest and monetary sanctions, including, without limitation, reasonable attorneys' fees and costs incurred to comply with injunctions and other court and Agency orders, and other costs and expenses incident to any suit, action, investigation, claim and/or proceeding or to establish or enforce the right of Seller or such other persons to indemnification hereunder.

(c) Limitation on Liability. Notwithstanding any other provisions contained in this Agreement or any other related transaction documentation to the contrary, in no event shall the Purchaser's or the Company's or their parent, affiliates, subsidiaries, shareholders, members, permitted transferees (as defined in the Shareholder's Agreement), managers, directors, officers or other related parties (collectively, "Related Parties") liability to one another and to their agents and attorneys, beneficiaries, heirs, successors and agents for all damages (including, without limitation, amounts paid in settlement with the consent of the other Party, which consent may not be reasonably withheld), losses, obligations, liabilities, claims, deficiencies, costs and expenses (including, without limitation, reasonable attorneys' fees), penalties, fines, interest and monetary sanctions, including, without limitation, reasonable attorneys' fees and costs incurred to comply with injunctions and other court and agency orders, and other costs and expenses incident to any suit, action, investigation, claim and/or proceedings or the compensation for any other related or unrelated liabilities to either Party or their Related Parties for any and all claims which the Party has, had or may have against the other Parties and/or the Related Parties including, without limitation, any liability pursuant to the indemnification obligations set forth in this Section 5 (collectively, "Claims") exceed in the aggregate the Investment tendered by the Purchaser to Company through the date of the Claim.

(d) Notice of Loss. Except to the extent set forth in the next sentence, a party to the Agreement will not have any liability under the indemnity provisions of this Agreement with respect to a particular matter unless a notice setting forth in reasonable detail the breach or other matter which is asserted has been given to the Indemnifying Party (as defined below) and, in addition, if such matter arises out of a suit, action, investigation, proceeding or claim, such notice is given promptly. Notwithstanding the preceding sentence, failure of the Indemnified Party to give notice hereunder shall not release the Indemnifying Party from its obligations under this Section 5, except to the extent the Indemnifying Party is actually prejudiced by such failure to give notice. With respect to Purchaser's Losses, the Company shall be the Indemnifying Party and Purchaser and its representatives, agents and attorneys shall be the Indemnified Party. With respect to Company Losses, Purchaser shall be the Indemnifying Party and Company and its representatives, agents and attorneys shall be the Indemnified Party.

(e) Right to Defend. Upon receipt of notice of any suit, action, investigation, claim or proceeding for which indemnification might be claimed by an Indemnified Party, the Indemnifying Party shall be entitled to defend, contest or otherwise protect against any such suit, action, investigation, claim or proceeding at its own cost and expense, and the Indemnified Party must cooperate in any such defense or other action. The Indemnified Party shall have the right, but not the obligation, to participate at its own expense in defense thereof by counsel of its own choosing, but the Indemnifying Party shall be entitled to control the defense unless the Indemnified Party has relieved the Indemnifying Party from liability with respect to the particular matter or the Indemnifying Party fails to assume defense of the matter. In the event the Indemnifying Party shall fail to defend, contest or otherwise protect in a timely manner against any such suit, action, investigation, claim or proceeding, the Indemnified Party shall have the right, but not the obligation, thereafter to defend, contest or otherwise protect against the same and make any compromise or settlement thereof and recover the entire cost thereof from the Indemnifying Party including, without limitation, reasonable attorneys' fees, disbursements and all amounts paid as a result of such suit, action, investigation, claim or proceeding or the compromise or settlement thereof, provided, however, that the Indemnified Party must send a written notice to the Indemnifying Party of any such proposed settlement or compromise, which settlement or compromise the Indemnifying Party may reject, in its reasonable judgment, within thirty (30) days of receipt of such notice. The Indemnified Party shall have the right to effect a settlement or compromise over the objection of the Indemnifying Party; provided, that if the Indemnifying Party is contesting such claim in good faith. If the Indemnifying Party undertakes the defense of such matters, the Indemnified Party shall not, so long as the Indemnifying Party does not abandon the defense thereof, be entitled to recover from the Indemnifying Party any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof other than the reasonable costs of investigation undertaken by the Indemnified Party with the prior written consent of the Indemnifying Party.

6.2 Form D; Blue Sky Filings. The Company agrees to timely file a Form D with respect to the Shares as required under Regulation D and to provide a copy thereof, promptly upon request of any Purchaser. The Company shall take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for, or to qualify the Shares for, sale to the Purchasers at the Closing under applicable securities or "Blue Sky" laws of the states of the United States, and shall provide evidence of such actions promptly upon request of Purchaser.

6.4 Conference Calls. The Company shall conduct regular conference calls (no less than quarterly) with investors and potential investors as to the status of the Company's business and operations, and shall conduct an initial conference call no later than 90 days after the date hereof.

**ARTICLE VII.
MISCELLANEOUS**

7.1 Fees and Expenses. The Company shall pay the fees and expenses of its advisers, counsel, accountants and other experts as well as all fees and expenses of the Purchaser, incident to the negotiation, preparation, execution, delivery and performance of this Agreement. Notwithstanding the foregoing, the Company agrees to pay Greenberg Traurig, P.A. its legal fees to represent the Purchaser or Purchasers in an amount equal to \$25,000. The Company shall pay all Transfer Agent fees (including, without limitation, any fees required for same-day processing of any instruction letter delivered by the Company and any conversion or exercise notice delivered by a Purchaser), stamp taxes and other taxes and duties levied in connection with the delivery of any Shares to the Purchasers.

7.2 Entire Agreement. The Transaction Documents, together with the exhibits and schedules thereto, contain the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

7.3 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (a) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto at or prior to 5:30 p.m. (local time, based on the location of the recipient) on a Trading Day, (b) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (local time, based on the location of the recipient) on any Trading Day, (c) the second (2nd) Trading Day following the date of mailing, if sent for overnight delivery via U.S. nationally recognized overnight courier service or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications to each Purchaser shall be as set forth on the signature pages attached hereto. The address for such notices and communications to the Company is as set forth in the Preamble.

7.4 Amendments; Waivers. No provision of this Agreement may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an amendment, by the Company and the Purchasers holding at least a majority in interest of the Shares then outstanding, or, in the case of a waiver, by the party against whom enforcement of any such waived provision is sought. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right.

7.5 Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

7.6 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The Purchaser may not assign this Agreement or any rights or obligations hereunder without the prior written consent of the Company; provided, however, that the Company shall be permitted to assign this Agreement to any Person that acquires the Company or its business (whether by merger, stock purchase or the acquisition of all or substantially all of the Company's assets). Purchaser may assign any or all of its rights under this Agreement to any Person to whom such Purchaser assigns or transfers any Shares in accordance with the terms of this Agreement and the other Transaction Documents, provided that such transferee agrees in writing to be bound, with respect to the transferred Shares, by the provisions of the Transaction Documents that apply to the "Purchasers."

7.7 No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person

7.8 Governing Law. All questions concerning the construction, validity, enforcement and interpretation of the Transaction Documents shall be governed by and construed and enforced in accordance with the internal laws of the State of Delaware, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and any other Transaction Documents (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the State of Delaware. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the State of Delaware for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any action, suit or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. If either party shall commence an action or proceeding to enforce any provisions of the Transaction Documents, then, the prevailing party in such action, suit or proceeding shall be reimbursed by the other party for its reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such action or proceeding.

7.9 Survival. The representations and warranties contained herein shall survive each Closing for a period of twelve (12) months.

7.10 Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to each other party, it being understood that the parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

7.11 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

7.12 Replacement of Share Certificates. If any certificate or instrument evidencing any Shares is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation thereof (in the case of mutilation), or in lieu of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction. The applicant for a new certificate or instrument under such circumstances shall also pay any reasonable third-party costs (including customary indemnity) associated with the issuance of such replacement Shares.

7.13 Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, each of the Purchasers and the Company will be entitled to specific performance under the Transaction Documents. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations contained in the Transaction Documents and hereby agree to waive and not to assert in any action for specific performance of any such obligation the defense that a remedy at law would be adequate.

7.14 Liquidated Damages. The Company's obligations to pay any partial liquidated damages or other amounts owing under the Transaction Documents is a continuing obligation of the Company and shall not terminate until all unpaid partial liquidated damages and other amounts have been paid notwithstanding the fact that the instrument or security pursuant to which such partial liquidated damages or other amounts are due and payable shall have been canceled.

7.15 Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

7.16 Construction. The parties agree that each of them and/or their respective counsel have reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of the Transaction Documents or any amendments thereto. In addition, each and every reference to share prices and shares of Common Stock in any Transaction Document shall be subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Common Stock that occur after the date of this Agreement.

7.17 WAIVER OF JURY TRIAL. IN ANY ACTION, SUIT, OR PROCEEDING IN ANY JURISDICTION BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY, THE PARTIES EACH KNOWINGLY AND INTENTIONALLY, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND EXPRESSLY WAIVES FOREVER TRIAL BY JURY.

(Signature Pages Follow)

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

of Shares Subscribed For:

Subscription Amount (\$.65 for each Share):

Purchaser:

Full Legal Name of Purchaser (Please print)

Signature of (or on behalf of) Purchaser

Name:

Title:

Address of Purchaser

Telephone No. of Purchaser

Social Security or Taxpayer Identification Number of Purchaser

Co-Purchaser:

Full Legal Name of Co- Purchaser (if applicable)

Signature of or on behalf of Co- Purchaser (if applicable)

Address of Co- Purchaser (if applicable)

Telephone No. of Co- Purchaser (if applicable)

Social Security or Taxpayer Identification Number of Co- Purchaser (if applicable)

DWAC DELIVERY INSTRUCTIONS:

Brokerage Firm: _____

DTC #: _____

Of Shares Transferring: _____

Symbol: WORX

Account Name: _____

Account Number: _____

Accepted by the Company:

SCWorx Corp., a Delaware corporation.

By: _____

Name: Tim Hannibal

Title: CEO and President

DISCLOSURE SCHEDULES

Schedule 3.1(f)(i) Capitalization

Schedule 3.1(f)(ii) Outstanding Options and Warrants

CERTIFICATION

I, Timothy A. Hannibal, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SCWorx Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods present in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financing reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2022

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 Quarterly Report on Form 10-Q of SCWorx Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods present in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financing reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2022

By: /s/ Christopher J. Kohler
Christopher J. Kohler
Chief Financial Officer
(Principal Financial Officer)

Section 1350 CERTIFICATION

In connection with this Quarterly Report of SCWorx Corp. (the "Company") on Form 10-Q for the quarter ended September 30, 2022, 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: November 14, 2022

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 Quarterly Report of SCWorx Corp. (the "Company") on Form 10-Q for the quarter ended September 30, 2022, 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: November 14, 2022

By: /s/ Christopher J. Kohler
Christopher J. Kohler
Chief Financial Officer
(Principal Financial Officer)