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

FORM 10-K

(Mark One)
☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2023
OR
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Commission file number: 001-39184

SWK HOLDINGS

SWK HOLDINGS CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Delaware	77-0435679
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
5956 Sherry Lane, Suite 650 Dallas, TX	75225
(Address of Principal Executive Offices)	**(Zip Code)**

(972) 687-7250
(Registrant's Telephone Number, Including Area Code)

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, par value $0.001 per share	SWKH	The Nasdaq Stock Market LLC
9.00% Senior Notes due 2027	SWKHL	The Nasdaq Stock Market LLC

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

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

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

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

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

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated Filer ☒	Smaller reporting company ☒
	Emerging growth company ☐

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

Indicate by check mark whether the Registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the common equity held by non-affiliates of the Registrant on June 30, 2023 was $58,133,885 based on the June 30, 2023 closing price of the Registrants Common Stock on such date as reported on The Nasdaq Stock Market of $16.74 per share.

On March 14, 2024, the Registrant had outstanding approximately 12,497,109 shares of Common Stock, $0.001 par value per share.

DOCUMENTS INCORPORATED BY REFERENCE

DOCUMENT	PART OF FORM 10-K
Portions of Definitive Proxy Statement for the 2024 Annual Meeting of Shareholders to be filed no later than 120 days after the end of the Registrant's fiscal year ended December 31, 2023	PART III

SWK Holdings Corporation
Form 10-K

For the Fiscal Year Ended December 31, 2023

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PART I

Special Note Regarding Forward-Looking Statements.

In addition to historical information, this Annual Report on Form 10-K ("Annual Report") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. From time to time, we may also provide oral or written forward-looking statements in other materials we release to the public. Such forward-looking statements are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. The forward-looking statements are not historical facts but rather are based on current expectations, estimates and projections about our business and industry, and our beliefs and assumptions, and include, but are not limited to, statements under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations." Words such as "anticipate," "believe," "could," "estimate," "expects," "intend," "may," "plan," "should," "will" and variations of these words and similar expressions identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, many of which are beyond our control, are difficult to predict and could cause actual results to differ materially (both favorably and unfavorably) from those expressed or forecasted in the forward-looking statements.

These risks and uncertainties include, but are not limited to, those described in Item 1A, "Risk Factors," and elsewhere in this report. Forward-looking statements that were believed to be true at the time made may ultimately prove to be incorrect or false. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Trademarks, Trade Names and Service Marks

This Annual Report contains certain trademarks, which are protected under applicable intellectual property laws and are the Company's property. Solely for convenience, the Company's trademarks and trade names referred to in this Annual Report may appear without the ® or TM symbol, but such references are not intended to indicate, in any way, that the Company will not assert, to the fullest extent under applicable law, its rights to these trademarks and trade names. We own rights to trademarks and service marks that we believe are necessary to conduct our business as currently operated. In the United States, we own the Peptelligence and Ovarest trademarks. We also own trademarks in several foreign countries and may pursue registration of other trademarks.

ITEM 1. BUSINESS

Overview

SWK Holdings Corporation (the "Company," "we," or "us") was incorporated in July 1996 in California and reincorporated in Delaware in September 1999. In July 2012, we commenced a strategy of building a specialty finance and asset management business. In August 2019, we commenced a complementary strategy of building a pharmaceutical development, manufacturing and intellectual property licensing business. Our operations comprise two reportable segments: "Finance Receivables" and "Pharmaceutical Development." We evaluate and invest in a broad range of healthcare related companies and products with innovative intellectual property, including the biotechnology, medical device, medical diagnostics and related tools, animal health and pharmaceutical industries (collectively, "life science"). We allocate capital to each segment in order to generate income through the sales of life science products by third parties and related earned income sources. We are headquartered in Dallas, Texas.

Finance Receivables Segment

Our Finance Receivables segment strategy is to be a leading healthcare capital provider by offering customized financing solutions to a broad range of life science companies, institutions and inventors. This segment is primarily focused on monetizing cash flow streams derived from commercial-stage products and related intellectual property through royalty purchases and financings, as well as through the creation of synthetic revenue interests in commercialized products. Our business partners are primarily engaged in selling products that directly or indirectly treat diseases and/or improve the wellness of people or animals, or they receive royalties paid on the sales of such products. For example, our biotechnology and pharmaceutical business partners commercialize medicines that treat disease states, whereas our life science tools partners sell a wide variety of research instrumentation to help other companies conduct clinical research. We have deploy our assets to earn interest, fees, and other income pursuant to this strategy, and we continue to identify and review financing and similar opportunities on an ongoing basis with financial solutions that are tailored to the individual needs of our business partners. In addition, through our wholly-owned subsidiary, SWK Advisors LLC, we are able to provide non-discretionary investment advisory services to institutional clients in separately managed accounts to similarly invest in life science finance. SWK Advisors LLC is registered as an investment advisor with the Texas State Securities Board. We intend to fund transactions through our own working capital and our revolving credit facility, as well as by building our asset management business by raising additional third-party capital.

We fill an underserved niche in the sub-$50 million transaction size market. Since many of our competitors that provide non-traditional debt and/or royalty financings typically have greater financial resources than us, they prioritize transaction sizes above $50 million. As such, we believe we face less competition in transactions that are less than $50 million.

As of March 14, 2024, and since inception of the strategy, we and our partners have executed transactions with 55 different parties under our specialty finance strategy, funding an aggregate of approximately $779.4 million in various financial products across the life science sector. Our portfolio includes senior and subordinated debt backed by royalties and synthetic royalties paid by companies in the life science sector, and purchased royalties generated by sales of life science products and related intellectual property.

The objective of our Finance Receivables segment is to maximize our portfolio total return in the context of a prudent level of risk, and thus, increase our net income and book value by generating income from three sources:

1. primarily owning or financing through debt investments, royalties or revenue interests generated by the sales of life science products and related intellectual property;
2. receiving interest and other income by advancing capital in the form of secured debt to companies in the life science sector; and
3. to a lesser extent, realizing capital appreciation from equity-related investments in the life sciences sector.

In our portfolio we seek to achieve attractive risk-adjusted current yields and opportunities with the potential for equity-like returns with typical credit protections.

The majority of our finance receivables transactions are structured similarly to factoring transactions whereby we provide capital in exchange for an interest in an existing revenue stream. We primarily provide capital to companies following the commercialization of a product, although in certain situations we consider pre-approval financings as well. The existing revenue stream can take several forms, but is most commonly either a royalty derived from the sales of a life science product marketed by a third party, such as a royalty paid to an inventor on the sales of a medicine, or from the commercialization by partner company, such as a medical device company that directly sells its own products. Our structured debt investments may include warrants or other features, giving us the potential to realize enhanced returns. Capital that we provide directly to our partners is generally used for growth and general working capital purposes, as well as for acquisitions or recapitalizations in select cases. We generally fund the full amount of transactions up to $25 million through our working capital.

In circumstances where a transaction is greater than $25 million, we typically seek to syndicate amounts in excess of $25 million to both other investors and our investment advisory clients. We do not expect to earn investment advisory income in transactions where we partner with investors other than our investment advisory clients.

Although we have partnered with investment advisory clients in the past, we currently do not have any transactions in which we have partnered with investment advisory clients. We may seek to raise discretionary capital from similar investors in the future.

We source our investment opportunities through a combination of our senior management's proprietary relationships within the industry, outbound business development efforts and inbound inquiries from companies, institutions and inventors interested in learning about our capital financing alternatives. Our investment advisory clients generally do not originate investment opportunities for us.

Pharmaceutical Development Segment

During 2019, we commenced our Pharmaceutical Development segment with the acquisition of Enteris BioPharma, Inc. ("Enteris"). Enteris is a clinical development and manufacturing organization providing development services to pharmaceutical partners as well as innovative formulation solutions built around its proprietary oral drug delivery technologies, the Peptelligence® platform. We seek to generate income by providing customers pharmaceutical development, formulation and manufacturing services as well as licensing its internally developed intellectual property. With an effective date of January 1, 2024, we entered into an Option and Asset Purchase Agreement with AptarGroup, Inc. (“Aptar”) on March 14, 2024 which granted Aptar an exclusive option to acquire certain of Enteris’ assets related to its business of providing good manufacturing practice (GMP) manufacturing and clinical supply services through Phase 1 and 2 to third parties, subject to certain exclusions. Aptar must exercise the option by or before January 1, 2026.

Competition

In our Finance Receivables segment, we face competition in the pursuit of outside investors, investment management clients and opportunities to deploy our capital in attractive healthcare related companies. Our primary competitors provide financing to prospective companies and include non-bank financial institutions, federal or state chartered banks, venture debt funds, venture capital funds, private equity funds, pharmaceutical royalty and other investment funds, business development companies and investment banks. Many of these entities have greater financial and managerial resources than we have. Some of these competitors may also have a lower cost of capital and access to funding sources that are not available to us, which may create a competitive disadvantage for us. As a result, we tend not to compete on price, but instead focus on our industry experience, flexible financing options and speed to evaluate and complete a transaction. In addition, since many of our competitors that provide non-traditional debt and/or royalty financing have greater financial resources than us, they prioritize transaction sizes above $50 million. As such, we believe we face less competition in transactions that are less than $50 million.

In our Pharmaceutical Development segment, we face competition in providing clinical development and manufacturing services. We also face competition in introducing products that improve efficacy, safety, patients’ and clinicians’ ease of use and cost-effectiveness. The success of new product offerings will depend on many factors, including our ability to properly anticipate and satisfy customer needs, obtain regulatory approvals on a timely basis, develop and manufacture products in an economic and timely manner, obtain or maintain advantageous positions with respect to intellectual property, and differentiate products from competitors.

For additional information concerning the competitive risks we face, see Item 1A., *Risk Factors*.

Governmental Regulation

For additional information concerning the effect of existing or probable government regulation on our business, see Item 1A., *Risk Factors*.

Human Capital Resources

As of December 31, 2023, we had 23 employees, all of whom are full-time. None of our employees are represented by a labor union, and we consider our employee relations to be good.

Our human capital resources objectives include, as applicable, identifying, recruiting, retaining, incentivizing and integrating our existing and additional employees. The principal purposes of our equity incentive plans are to attract, retain and motivate selected employees, consultants and directors through the granting of stock-based compensation awards and cash-based performance bonus awards. We regularly evaluate our compensation programs and utilize industry benchmarking in an effort to ensure competitiveness compared to similar companies with which we compete for talent, as well as fair and equitable treatment across our workforce with respect to gender, race, and other personal characteristics.

We are an equal opportunity employer and we maintain policies that prohibit unlawful discrimination based on race, color, religion, gender, sexual orientation, gender identity/expression, national origin/ancestry, age, disability, marital and veteran status.

Additional Information

We file annual, quarterly and current reports, proxy statements and other information required by the Securities Exchange Act of 1934, as amended (the “Exchange Act’’), with the Securities and Exchange Commission (“SEC”). Our SEC filings are available to the public from the SEC’s internet site at http://www.sec.gov.

Our internet site is http://www.swkhold.com. We will make available free of charge through our website in the “Investor Relations - SEC Filings” section our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and Forms 3, 4 and 5 filed on behalf of directors and executive officers and any amendments to those reports filed or furnished pursuant to the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Also, posted on our website in the "Investor Relations - Corporate Governance" section are charters for our Audit Committee, Compensation Committee and Governance and Nominating Committee as well as our Code of Ethics and Insider Trading Policy governing our directors, officers and employees. Information on or accessible through our website is not a part of, and is not incorporated into, this Annual Report.

ITEM 1A. RISK FACTORS

An investment in our common stock involves significant risks. You should carefully consider the risks and uncertainties and the risk factors set forth in the documents and reports filed with the SEC and the risks described below before you make an investment decision regarding our common stock. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business operations.

Risks Related to Finance Receivables Segment

We may suffer losses on our principal invested in credit and royalty transactions.

Most of the assets of our Finance Receivables segment are, and are expected to continue to be, royalty streams or debt backed by royalty streams or revenue interests paid by small and middle-market life science businesses, which are highly speculative and involve a high degree of risk of credit loss. In addition, we own royalties or invest in debt backed by royalties or revenue interests that are derived by pharmaceutical and biologic products that are early in their commercial launch, face intense competition or are subject to other risks, which similarly involve a high degree of risk of principal loss. If the underlying products do not generate anticipated revenues, we may suffer a loss of our investment.

In addition, the small and middle-market companies that we target to advance debt are subject to a number of other significant risks, including:

- these companies may have limited financial resources and may be unable to meet their obligations under their financial instruments that we hold, which may be accompanied by a deterioration in the value of their assets or of any collateral with respect to any financial obligations and a reduction in the likelihood of our realization of any guarantees we may have obtained in connection with our investment;
- they may have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- they are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our partner company, and in turn, on us;
- they may have less predictable operating results, may from time to time be parties to litigation, may be engaged in changing businesses with products subject to a risk of obsolescence and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position;
- they operate in the life science industry, which is both highly competitive and subject to extensive regulatory oversight, and their products may be recalled or displaced by new products, or they may lose regulatory approval altogether;
- changes in laws and regulations, as well as their interpretations, may adversely affect their business, financial structure or prospects; and
- they may have difficulty accessing capital markets to meet future capital needs.

Under circumstances where a partner company does not achieve commercial success or achieves lower sales than we anticipate, and the partner company requires additional capital that other stakeholders are not willing or are otherwise unable to provide, we may determine it is in our best interest to advance additional capital to such partner company in order to preserve the partner company's collateral value and protect our investment. Any additional capital that we decide to advance would be subject to additional risk. We could lose all of any additional investment. The realization of any of these risks may materially impact our business, financial condition, results of operations, liquidity and cash flows.

We operate in a highly competitive market for investment opportunities.

A large number of entities compete with us to advance capital to the companies our Finance Receivables segment targets. We compete with non-bank financial institutions, federal or state chartered banks, venture debt funds, venture capital funds, private equity funds, pharmaceutical royalty and other investment funds, business development companies, and investment banks. Additionally, because competition for investment opportunities generally has increased among alternative investment vehicles, particularly those seeking yield investments, such as hedge funds, those entities have begun to invest in areas they have not traditionally invested in, including investments in royalties and debt backed by royalties, which may overlap with our business strategy. As a result of these new entrants, competition for investment opportunities in our target markets has intensified, which is a trend we expect to continue.

Many of our Finance Receivables segment's existing and potential competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more or deeper relationships with potential business partners than us. Furthermore, many of our competitors are not subject to the maintenance of an exception or exemption from regulation as an investment company, which may allow them more flexibility in advancing capital to companies we may also target, such as advancing debt capital that is not repaid by royalty streams or revenue interests. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of existing and increasing competition and our competitors' ability to provide a total financing package solution, inclusive of both debt and equity capital, we may not be able to take advantage of attractive business opportunities from time to time, and we can offer no assurance that we will be able to identify and make investments that are consistent with our business objectives.

In addition, we do not seek to compete primarily based on the cost of the capital that we provide, and we believe that some of our competitors provide capital at rates that are comparable to or lower than the rates we offer. We may lose business opportunities if we do not match our competitors' pricing, terms and structure. If we match our competitors' pricing, terms and structure, we may experience decreased net interest and royalty income and increased risk of credit loss.

Healthcare and life science industries are subject to extensive government regulation, litigation risk, reimbursement risk and certain other risks particular to those industries.

We have invested and plan to continue investing in cash flow streams produced by life science products that are subject to extensive regulation by the Food and Drug Administration ("FDA"), similar foreign regulatory authorities, and to a lesser extent, other federal and state agencies. If any of these products and the companies which manage such products fails to comply with applicable regulations, they could be subject to significant penalties and claims that could materially and adversely affect their sales levels and operations. Medical devices and drugs are subject to the expense, delay and uncertainty of the regulatory approval process in order to reach the market and, even if approved, these products may not be accepted in the marketplace. In addition, governmental budgetary constraints affecting the regulatory approval process, new laws, regulations or judicial interpretations of existing laws and regulations might adversely affect a partner company or product in this industry.

The products and services provided by pharmaceutical, medical device and diagnostics companies are generally subject to the ability to obtain and maintain adequate reimbursement from governmental and other third-party payors for such products and services. The commercial success of such products and services could be compromised if governmental or third-party payors do not provide coverage and reimbursement, breach, rescind or modify their contracts or reimbursement policies or delay payments for such products and services.

Companies in the life science industry may also have a limited number of suppliers of necessary components or a limited number of manufacturers for their products, and therefore face a risk of disruption to their manufacturing process if they are unable to find alternative suppliers when needed.

Any of these factors could materially and adversely affect the operations of a partner company, which in turn, would impair our ability to timely collect principal and interest payments owed to us or decrease our royalty-related income.

The pharmaceutical industry is subject to numerous risks, including competition, extensive government regulation, product liability, patent exclusivity and commercial difficulties.

Our assets include royalties and royalty-linked debt that are paid on sales of pharmaceutical products, which are subject to numerous risks. The successful and timely implementation of the business model of our specialty pharmaceutical and drug discovery partner companies depends on their ability to adapt to changing technologies and introduce new products. As competitors continue to introduce competitive products, the ability of our partner companies to continue effectively marketing their existing product portfolio, and to develop and acquire innovative products and technologies that improve efficacy, safety, patients' and clinicians' ease of use and cost-effectiveness is important to the success of such partner companies. The success of new product offerings will depend on many factors, including the ability to properly anticipate and satisfy customer needs, obtain regulatory approvals on a timely basis, develop and manufacture products in an economical and timely manner, obtain or maintain advantageous positions with respect to intellectual property, and differentiate products from competitors. Failure by our partner companies to successfully commercialize existing or planned products, or acquire other new products, could have a material adverse effect on our business, financial condition and results of operations. In addition, the ability of generic manufactures to invalidate a partner company's patents protecting its products or to invalidate the patents supporting products in which we receive royalty-related income could have a material adverse effect on our business.

Our business, financial condition, results of operations, liquidity and cash flows depend on the accuracy of our management's assumptions and estimates, and we could experience significant gains or losses if these assumptions and estimates differ significantly from actual results.

We make and rely on certain assumptions and estimates regarding many matters related to our businesses, including valuations, interest rates, investment returns, expenses, operating costs and tax liabilities. We also use these assumptions and estimates to make decisions crucial to our business operations. Similarly, our management teams make similar assumptions and estimates in planning and measuring the performance of our Finance Receivables segment. In addition, certain investments and other assets and liabilities of our Finance Receivables segment must be, or at our election are, measured at fair value, the determination of which involves the use of various assumptions and estimates and considerable judgment. The factors influencing these various assumptions and estimates cannot be calculated or predicted with certainty, and if our assumptions and estimates differ significantly from actual outcomes and results, our business, financial condition, results of operations, liquidity and cash flows may be materially and adversely affected.

We generally do not control our partner companies.

We generally only hold royalties, debt backed by royalties, and revenue interests that are issued by our partner companies. As such, we do not, and do not expect to, control any of our partner companies, even though we may have board representation or board observation rights, and the debt agreements may contain certain restrictive covenants that limit the business and operations of our partner companies. As a result, we are subject to the risk that a partner company may make business decisions with which we disagree, and the management of such company may take risks or otherwise act in ways that do not serve our interests. These business decisions or risks may lead to adverse business or financial consequences for our partner companies, which in turn could adversely affect the performance of our Finance Receivables segment.

If we make investments in unsecured debt backed by royalties or revenue interests, those investments might not generate sufficient cash flow to service our debt obligations.

We may make investments in unsecured debt backed by royalties or revenue interests. Unsecured investments may be subordinated to other obligations of the obligor. Unsecured investments often reflect a greater possibility that adverse changes in the financial condition of the obligor or general economic conditions (including, for example, a substantial period of rising interest rates, inflation or declining earnings) or both may impair the ability of the obligor to make payment of principal and interest. If we make an unsecured investment in a partner company, that partner company may be highly leveraged, and its relatively high debt-to-equity ratio may increase the risk that its operations might not generate sufficient cash to service its debt obligations. In such cases we would not have any collateral to help secure repayment of the obligations owed to us.

Adverse developments affecting the financial services industry, including events or concerns involving liquidity, defaults or non-performance by financial institutions or transactional counterparties, could adversely affect our business, financial condition or results of operations, or those of the companies in our portfolio, which in turn could adversely impact the performance of our Finance Receivables segment.

Events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. For instance, on March 10, 2023, Silicon Valley Bank ("SVB") was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver. Similarly, on March 12, 2023, Signature Bank and Silvergate Capital Corp. were each swept into receivership. Although we assess our banking and customer relationships as we believe necessary or appropriate, our access to funding sources and other credit arrangements in amounts adequate to finance or capitalize our current and projected future business operations could be significantly impaired by factors that affect us, the financial services industry or economy in general. These factors could include, among others, events such as liquidity constraints or failures, the ability to perform obligations under various types of financial, credit or liquidity agreements or arrangements, disruptions or instability in the financial services industry or financial markets, or concerns or negative expectations about the prospects for companies in the financial services industry.

In addition, investor concerns regarding the U.S. or international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult for us to acquire financing on acceptable terms or at all. Any decline in available funding or access to our cash and liquidity resources could, among other risks, adversely impact our ability to meet our operating expenses, financial obligations or fulfill our other obligations, result in breaches of our contractual obligations or result in violations of federal or state wage and hour laws. Any of these impacts, or any other impacts resulting from the factors described above or other related or similar factors not described above, could have material adverse impacts on our liquidity and our business, financial condition or results of operations.

Further, the performance of our Finance Receivables segment is substantially dependent upon the underlying performance of the companies in our portfolio, each of which is subject to the risks and factors discussed above. To the extent these companies are adversely impacted by developments in the financial services industry, the performance of our Finance Receivables segment would also be adversely impacted.

We may have limited access to information about privately-held royalty streams and companies in which we invest.

We invest primarily in privately-held royalties and debt backed by royalties or revenue interests issued by private companies. Generally, little public information exists about these royalty streams and private companies, and we are required to rely on the ability of our senior management to obtain adequate information to evaluate the potential returns from investing in these assets. If we are unable to uncover all material information about these assets, we may not make a fully informed investment decision, and we may lose money on our investment.

Prepayments of our debt investments by our partner companies could adversely impact our results of operations and reduce our return on equity.

We are subject to the risk that the debt we advance to our partner companies may be repaid prior to maturity. When this occurs, we will generally reinvest these proceeds in temporary investments, pending their future investment in new royalties or debt repaid by royalties or revenue interests issued by partner companies. These temporary investments will typically have substantially lower yields than the debt that was prepaid and we could experience significant delays in reinvesting these amounts. Any future asset may also have lower yields than the debt that was repaid. As a result, our results of operations could be materially adversely affected if one or more of our partner companies elect to prepay amounts owed to us. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our common stock.

We may not be able to complete transactions without co-investments from third parties.

We may co-invest with third parties through our registered investment advisory business or otherwise. In certain circumstances, we may not be able to fund transactions without the participation of such third parties. In the event that we are unable to find suitable third parties to co-invest with us or if such third party fails to close, we may not be able to invest in an otherwise attractive opportunity, which could materially impact our results of operations.

Our quarterly and annual operating results are subject to fluctuation as a result of the nature of our business, and if we fail to achieve our investment objective, the market price of our common stock may decline.

We could experience fluctuations in our quarterly and annual operating results due to a number of factors, some of which are beyond our control, including, but not limited to, the interest rate payable on the debt assets that we acquire, the default rate on such assets, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, changes in our partner composition, the degree to which we encounter competition in our markets, market volatility in our publicly traded securities and the securities of our partner companies, and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods. In addition, any of these factors could negatively impact our ability to achieve our business objectives, which may cause the market price of our common stock to decline.

Our investments in royalty-related transactions depend on third parties to market royalty-generating products.

Generally, royalties and the royalty-related income we expect to receive in the future will directly or indirectly depend upon the marketing efforts of third parties, particularly large pharmaceutical companies that license the right to manufacture and sell products from technology innovators in exchange for royalty payments from the licensees to the licensors, with whom we may transact. These licensees may be motivated to maximize income by allocating resources to other products, and in the future, may decide to focus less attention on the products that pay royalties in which we have an economic interest. In addition, there can be no assurance that any of the licensees have adequate resources and motivation to continue to produce, market and sell such products in which we have a royalty-related interest. Moreover, the license agreement creating the right to receive royalties may not have specific sales targets, and the licensee typically has exclusive or substantial discretion in determining its marketing plans and efforts. As a result, the licensee may not be restricted from abandoning a licensed product or from developing or selling a competitive product. In addition, in the event that a license expires or is terminated, we would be dependent upon the licensor of the license to find another marketing partner. There can be no assurance that another licensee could be found on favorable terms, or at all, or that the licensor will be able to assume marketing, sales and distribution responsibility for its own account. These factors may materially adversely affect any of our future royalty-related assets.

Aside from any limited audit rights relating to the activities of the licensees that we may have in certain circumstances, we do not have the rights or ability to manage the operations of the licensees. Poor management of operations by the licensees could adversely affect the sales of products in which we have a royalty interest, and the payment of royalty-related income to us. In addition, we have limited information on the licensees' operations. While we may be able to receive certain information relating to sales of the product in which we have a royalty-related interest through the exercise of the audit rights and review of royalty reports, we may not have the right to review or receive certain information relating to the marketed products, including the results of any studies conducted by the licensees or others or complaints from doctors or users of such products, that the licensees may have and that may impact sales levels. The market performance of such products, therefore, may be diminished by any number of factors relating to the licensees that are beyond our control.

Our Finance Receivables segment has a limited number of assets, which subjects our aggregate returns, and the value of our common stock, to a greater risk of significant loss if any of our debt securities declines in value or if any of our royalty investments substantially underperforms our expectations.

Our Finance Receivables segment's total investment in companies may be significant, individually or in the aggregate. A consequence of our limited number of assets in our Finance Receivables segment is that the aggregate returns we realize may be significantly adversely affected if one or more of our significant partner company investments perform poorly or if we need to write down the value of any one significant investment, which may be more severe than if we had made smaller investments in more companies. Our financial results could be materially adversely affected if these partner companies or any of our other significant partner companies encounter financial difficulty and fail to repay their obligations or to perform as expected.

Our allowance for credit losses may prove inadequate.

The quality of our debt receivables depends on the credit-worthiness of our borrowers and their ability to fulfill their obligations to us. We maintain an allowance for credit losses on specific finance receivables to provide for credit defaults and non-performance. The amount of our allowance reflects management's judgment of losses inherent in the portfolio. However, the economic environment is dynamic, and our portfolio credit quality could decline in the future.

Our allowance for credit losses may not keep pace with changes in the credit-worthiness of our partner companies or in collateral values. If the credit quality of our partner companies declines, if the risk profile of a market, industry, or group of partner companies changes significantly, or if the markets for finance receivables or other collateral deteriorates significantly, our allowance for credit losses may prove inadequate, which could have a material adverse effect on our business, results of operations, and financial condition.

The interest rates of some of our term loans to partner companies are priced using a spread over LIBOR.

We have used U.S. dollar London Interbank Offered Rate ("LIBOR") as a reference rate in term loans we extend to partner companies such that the interest due to us pursuant to a term loan extended to a partner company is calculated using LIBOR. Most of our term loan agreements with partner companies contain a stated minimum value for the reference rate. As of December 31, 2023, approximately 18% of term loans with our partner companies utilized LIBOR, including a stated minimum of LIBOR, as a reference rate.

On June 30, 2023, the United Kingdom's Financial Conduct Authority and the administrator of LIBOR ceased the publication of the most commonly used LIBOR settings. The publication of all other LIBOR settings ceased to be published as of December 31, 2021. The bank regulatory agencies indicated that entering into new contracts that use LIBOR as a reference rate after December 31, 2021, would create safety and soundness risks and that they would examine bank practices accordingly. The Adjustable Interest Rate (LIBOR) Act, enacted in March 2022, provides a statutory framework to replace U.S. dollar LIBOR with a benchmark rate based on the Secured Overnight Financing Rate ("SOFR") for contracts governed by U.S. law that have no or ineffective fallback, and in December 2022, the Federal Reserve Board adopted related implementing rules.

SOFR is observed and backward looking, which stands in contrast with LIBOR under the current methodology, which is an estimated forward-looking rate and relies, to some degree, on the expert judgment of submitting panel members. Given that SOFR is a secured rate backed by government securities, it is a rate that does not take into account bank credit risk (as is the case with LIBOR). SOFR is therefore likely to be lower than LIBOR and is less likely to correlate with the funding costs of financial institutions. While SOFR has been adopted in select product areas it has not achieved full implementation as an alternative reference rate. At this time, it is not possible to predict how markets will respond to alternative reference rates as markets continue to transition away from LIBOR. Furthermore, because of the complexity of the transition from LIBOR, at this time, it is not possible to predict what rate or rates may become accepted alternatives to LIBOR, or what the effect of any such changes in views or alternatives may be on the value of LIBOR-based securities and variable rate loans or other securities or financial arrangements.

The transition from LIBOR could create considerable costs and additional risk. We cannot predict whether or when LIBOR will actually cease to be available. If LIBOR ceases to exist, we may need to renegotiate the credit agreements with our partner companies that utilize LIBOR as a factor in determining the interest rate to replace LIBOR with the new standard that is established. Our term loans typically contain provisions to facilitate the transition to such new standard. If affected credit agreements with our partner companies are unable to be renegotiated, our investments may bear interest at a lower rate, subject to any contractual minimum LIBOR floors, which would decrease investment income and potentially the value of such investments. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market value for or value of any LIBOR-linked loans and other financial obligations or extensions of credit held by or due to us and could have a material adverse effect on our business, financial condition and results of operations. Due to the uncertainty of the replacement for LIBOR, the potential effect of any such event on our cost of capital and investment income cannot yet be determined.

A rise in the reference rates could have an adverse impact on the ability of our partner companies to service their debt obligations to us.

Many of our debt transactions contain reference rate-based floating interest rates with minimum reference rate floors. The minimum reference rate floor insulates partner companies from an increase in the reference rate until the reference rate reaches the minimum floor threshold. If the reference rate increases above the floor rate, the net effect will be an increase in the interest cost to the borrower. Most of our borrower partners do not hedge their reference rate exposure, and as a result of an increase of reference rate above the minimum floor threshold, they will experience an increase in the effective interest rate of their debt obligations to us. If the reference rate increases materially, the increased cost of debt service will similarly increase materially. If our partner companies are not adequately capitalized or are unable to generate sufficient income from operations, the increased debt burden caused by increased referenced rates could materially and adversely affect the operations of a partner company, which in turn, would impair our ability to timely collect principal and interest payments owed to us.

Fluctuations in the price of our publicly traded equity holdings and the price at which we sell such holdings may affect the price of our common stock.

Our Finance Receivables segment generally holds equity interests in companies that are publicly traded. Fluctuations in the market prices of our publicly traded equity holdings may affect the price of our common stock. Historically, the market prices of our publicly traded holdings have been highly volatile and subject to fluctuations unrelated or disproportionate to operating performance.

In addition, we may be unable to sell our holdings of public equities at then-quoted market prices. The trading volume and public float of the common stock of a publicly traded partner company may be small relative to our holdings. As a result, any significant open-market divestiture by us of our holdings in such a partner company, if possible at all, would likely have a material adverse effect on the market price of its common stock and on our proceeds from such a divestiture. Also, registration and other requirements under applicable securities laws and contractual restrictions also may adversely affect our ability to dispose of our partner company holdings on a timely basis.

Our financial condition and results of operations will depend on our ability to manage future growth of our Finance Receivables segment effectively.

Our ability to achieve our business objectives depends on our ability to grow, which depends, in turn, on our Finance Receivables segment's ability to continue to identify, analyze and invest in royalties and/or debt backed by royalties or revenue interests that meet our investment criteria. Accomplishing this result on a cost-effective basis is largely a function of our structuring of transactions and our access to financing on acceptable terms. As we continue to grow, we will need to continue to hire, train, supervise and manage new employees. Failure to manage our future growth effectively could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Pharmaceutical Development Segment

Enteris' licensees may not be successful in efforts to develop products for many years, if ever.

Enteris' success depends on its licensees' ability to commercialize their products that will generate revenues sufficient to sustain and grow Enteris' operations. Enteris has determined that it will not pursue clinical development of our product candidates. Enteris' potential licensee may never develop and commercialize any other peptide or small molecule product that helps us achieve profitability and growth. Even if Enteris' licensee is successful in developing such a product, it is likely that development of any product will take several years. Enteris' ability to achieve growth is dependent on a number of factors, including Enteris' licensees' ability to complete development efforts and obtain regulatory approval for additional product candidates.

Enteris' licensees may not be successful in their efforts to gain regulatory approval for any of their product candidates and, if approved, the approval may not be on a timely basis.

Even if Enteris' licensees are successful in their development efforts, they may not be able to obtain the necessary regulatory approval for their product candidates. The FDA must approve the commercial manufacture and sale of pharmaceutical products in the United States. Similar regulatory approvals are required for the sale of pharmaceutical products outside of the United States. None of Enteris' partners' products have been approved for sale in the United States, and they may never receive the approvals necessary for commercialization. Additional human testing must be conducted on our partners' product candidates before they can be approved for commercial sale and such testing requires the investment of significant resources. Any delay in receiving, or failure to receive, these approvals would adversely affect Enteris' ability to generate product revenues.

Current and future legislation may increase the difficulty and cost for Enteris or its partners to obtain marketing approval of and the commercialization of their product candidates. This could affect the timing as well as the amount of royalty income Enteris may earn as a result.

In the United States and some foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval for Enteris' or its partners' product candidates, restrict or regulate post-approval activities and affect our partners' ability to profitably sell their product candidates. Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for pharmaceutical products. We do not know whether additional legislative changes will be enacted, or whether FDA regulations, guidance or interpretations of the FDA, or comparable foreign authorities, will be changed, or what the impact of such changes on the marketing approvals of our partners' product candidates, if any, may be. In addition, increased scrutiny by the U.S. Congress of the FDA's approval process may significantly delay or prevent marketing approval, as well as subject our partners to more stringent product labeling and post-marketing testing and other requirements.

Enteris' technology or products could give rise to product liability claims.

While Enteris does not have a commercial product, Enteris' business exposes us to the risk of product liability claims from human testing and the manufacturing of pharmaceutical tablets currently used in clinical trials. The administration of drugs to humans, whether in clinical trials or commercially, can result in product liability claims, even if Enteris' or Enteris' partners' products are not actually at fault for causing an injury. Furthermore, Enteris' products may cause, or may appear to cause, adverse side effects or potentially dangerous drug interactions that we may not learn about or understand fully until the drug is actually manufactured and sold. Product liability claims can be expensive to defend and may result in large judgments against us. Even if a product liability claim is not successful, the adverse publicity, time and expense involved in defending such a claim may interfere with our business. We may not have sufficient resources to defend against or satisfy these claims. While we currently maintain product liability insurance coverage, the amount of coverage may not be sufficient to protect us against losses or may be unavailable in the future on acceptable terms, if at all.

Because Enteris is a biopharmaceutical company, its operations are subject to extensive government regulation.

Our research, development and production activities, as well as those of our collaborators and licensees, are subject to significant regulation by federal, state, local and foreign governmental authorities. The regulatory approval process for a pharmaceutical product requires substantial resources and may take many years. Our partners' inability to obtain approvals or delays in obtaining approvals would adversely affect our ability to manufacture products, and to receive revenue from milestone payments, product sales or royalties. Enteris' present and future business is, and will continue to be, subject to various other laws, rules and/or regulations applicable to us as a result of our domestic and international business.

The FDA and other regulatory agencies may inspect the Enteris production facility at any time to ensure compliance with current good manufacturing practice guidelines. These guidelines require that Enteris conduct its production operations in strict compliance with established rules for manufacturing and quality controls. Any of these agencies can suspend production operations and product sales if they find significant or repeated deviations from these guidelines. A suspension would likely cause Enteris to incur additional costs or delays in product development and manufacturing.

Enteris' success depends upon its ability to protect its intellectual property rights.

Enteris has filed applications for U.S. patents relating to proprietary formulation and manufacturing technology that Enteris has invented in the course of its research. Enteris' most important U.S. manufacturing and drug delivery patents are scheduled to expire from 2024 to 2036, although Enteris has applications pending that could extend that protection. As of December 31, 2023, multiple U.S. patents have been issued and other applications are pending. Enteris has also made patent application filings in selected foreign countries and multiple foreign patents have issued with other applications pending. Enteris faces the risk that any of its pending applications will not be issued as patents. In addition, Enteris' patents may be found to be invalid or unenforceable. Enteris' business also is subject to the risk that its issued patents will not provide Enteris with significant competitive advantages if, for example, a competitor were to independently develop or obtain similar or superior technologies. To the extent Enteris is unable to protect its patents and patent applications, or similar or superior technologies are developed, our investment in our technologies may not yield the benefits that we expect.

If Enteris encounters issues with its suppliers or if its licensees encounter issues with their contract manufacturers, Enteris may need to qualify alternative manufacturers or suppliers, which could impair Enteris' and its licensees' ability to sufficiently and timely manufacture and supply pharmaceutical products.

Enteris relies on third parties to supply the raw materials needed to manufacture its existing products, and expects to rely on third parties to supply raw materials for potential future products, including suppliers that are located in Asia. Enteris is undertaking efforts to validate alternate suppliers, but may be unsuccessful in these efforts. Current licensees of Enteris' technology generally rely, and future licensees are expected to rely, on third party suppliers and contract manufacturers to manufacture drug products that utilize Enteris' technology as well.

Any business interruptions resulting from geopolitical actions, including war and terrorism, adverse public health developments such as COVID-19, or natural disasters including earthquakes, typhoons, floods and fires, and Enteris' or its licensees' inability to identify and validate alternate suppliers and contract manufacturers, could further affect supply chains. Any reliance on suppliers may involve several risks, including a potential inability to obtain critical materials and reduced control over production costs, delivery schedules, reliability and quality.

Any unanticipated disruption caused by problems with suppliers could delay shipment of any of Enteris' or its licensees' drug candidates or drug products, which could increase Enteris' or its licensees' cost of goods sold or result in lost or decreased sales, royalties or milestone payments to Enteris.

Enteris' production facilities have been impacted by COVID-19 and global supply chain constraints, and any future impacts might adversely affect its operations and financial condition.

Enteris experienced a reduction in its productivity as well as delays in receiving some of its needed supplies as a direct result of COVID-19 and the impact it had on key vendors and the global supply chain. Enteris could experience similar delays in the future due to the impact of governmental restrictions and other impacts of COVID-19 on its vendors, and on the success of efforts to reduce constraints and delays in the global supply chain. Any further reductions or delays may result in business disruption and reduced revenues, any of which could materially affect our business, financial condition and results of operations.

We are continuously monitoring our own operations and intend to continue to take appropriate actions to mitigate the risks arising from the COVID-19 pandemic and global supply chain constraints, but there can be no assurances that we will be successful in doing so. We are taking precautions to protect the safety and well-being of Enteris' employees, including enhancing our standard operating procedures at Enteris to provide for additional cleaning and hygiene measures, social distancing, as well as following guidelines provided by the Centers for Disease Control and Prevention and the State of New Jersey. However, no assurance can be given that the steps being taken will be adequate or deemed to be appropriate. To the extent we are able to obtain information about and maintain communications with our customers, suppliers, vendors and other business partners, we will seek to minimize disruptions to our Pharmaceutical Development segment's supply chain, although we cannot provide assurances that we will be successful.

Risks Related to Our Business and Structure

Our ability to use NOL carryforwards to offset future taxable income for U.S. federal income tax purposes may be limited, and our future cash tax liability may increase.

As of December 31, 2023, we had Net Operating Loss ("NOL") carryforwards for U.S. federal income tax purposes of $87.7 million. The U.S. federal NOL carryforwards, if not offset against future income, will expire by 2037. We may recognize additional NOLs in the future. In order to utilize the NOLs, we must generate taxable income that can offset such carryforwards.

The Internal Revenue Service ("IRS") has not audited our tax returns for any of the years during the carryforward period. We cannot assure you that we would prevail if the IRS were to challenge the availability of the NOLs. If the IRS were successful in challenging our NOLs, all or some portion of the NOLs would not be available to offset any future consolidated income which would negatively impact our results of operations and cash flows.

Under Section 382 of the Internal Revenue Code (the "Code"), a corporation that undergoes an "ownership change" may be subject to limitations on its ability to utilize its pre-change NOL carryforward amounts to offset future taxable income. In general, an ownership change occurs if the aggregate stock ownership of certain stockholders (generally 5 percent stockholders, applying certain look-through and aggregation rules) increases by more than 50 percent over such stockholders' lowest percentage ownership during the testing period (generally three years). New issuances of our common stock, which is within our control, and purchases of our common stock in amounts greater than specified levels, which are beyond our control, could create an additional limitation on our ability to utilize our NOL carryforward amounts for tax purposes in the future. Limitations imposed on our ability to utilize NOL carryforward amounts could cause U.S. federal and state income taxes to be paid earlier than would be paid if such limitations were not in effect and could cause such NOL carryforward amounts to expire unused, in each case reducing or eliminating the expected benefit to us. Additionally, various states have similar limitations on the use of state NOLs following an ownership change.

If an ownership change occurs, the amount of the taxable income for any post-change year that may be offset by a pre-change loss is subject to an annual limitation that is cumulative to the extent it is not all utilized in a year. This limitation would be derived by multiplying the fair market value of our common stock as of the ownership change by the applicable federal long-term tax-exempt rate, which was 3.33 percent for March 2024. To the extent that a company has a net unrealized built-in gain at the time of an ownership change, which is realized or deemed recognized during the five-year period following the ownership change, there is an increase in the annual limitation for each of the first five-years that is cumulative to the extent it is not all utilized in a year.

If an ownership change should occur in the future, our ability to use NOLs to offset future taxable income will be subject to an annual limitation and will depend on the amount of taxable income we generate in future periods. There is no assurance that we will be able to fully utilize our NOLs and we could be required to record an additional valuation allowance related to the amount of the NOLs that may not be realized, which could impact our results of operations.

Changes in tax law may adversely affect us or our investors.

The rules dealing with U.S. federal, state and local income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. Changes to tax laws (which changes may have retroactive application) could adversely affect us or holders of our common stock. In recent years, many such changes have been made, and changes are likely to continue to occur in the future.

For example, on August 16, 2022, the U.S. government enacted the Inflation Reduction Act of 2022 (the "IRA"). The IRA contains a number of tax-related provisions, including a 15 percent minimum corporate income tax on certain large corporations as well as an excise tax on stock repurchases. It is unclear how the IRA will be implemented by the U.S. Department of the Treasury through regulation. We are still evaluating the impact of the IRA on our tax liability, which tax liability could also be affected by how the provisions of the IRA are implemented through such regulation. We will continue to evaluate the IRA's impact as further information becomes available.

It cannot be predicted whether, when, in what form or with what effective dates tax laws, regulations and rulings may be enacted, promulgated or issued, which could result in an increase in our or our shareholders' tax liability or require changes in the manner in which we operate in order to minimize or mitigate any adverse effects of changes in tax law.

From time to time, we engage in acquisitions, divestitures and joint ventures and may encounter difficulties in integrating and separating these businesses and therefore we may not realize the anticipated benefits.

We may seek growth opportunities through strategic acquisitions as well as evaluate our segments for potential divestitures to optimize our business footprint. The success of these transactions will depend on our ability to integrate or separate, as applicable, assets and personnel in these transactions and to cooperate with our strategic partners. We may encounter difficulties in integrating acquisitions with our operations as well as separating divested segments, and in managing strategic investments. Furthermore, we may not realize the degree, or timing, of benefits we anticipate when we first enter into a transaction. For example, with and effective date of January 1, 2024, we entered into an exclusive option and asset purchase agreement (the "Option") with Aptar which granted Aptar an exclusive option to acquire certain of Enteris' assets related to its business of providing contract manufacturing, formulation and development services. Aptar must exercise its Option by or before January 1, 2026. There is a possibility that Aptar may not exercise its Option in the anticipated timeframe or at all. Additionally, the existence of the Option may deter future potential opportunities to monetize certain Enteris assets. Any of the foregoing could adversely affect our business and results of operations.

We are dependent upon our key management personnel for our future success.

We depend on the diligence, skill and network of business contacts of our senior management and their access to the investment professionals and the information and deal flow generated by these investment professionals in the course of their investment and portfolio management activities. Our senior management team evaluates, negotiates, structures, closes, monitors and services our investments. Our success depends to a significant extent on the efforts, judgment, business relationships, personal reputations and continued service of our senior management team, and other key personnel. The loss of the services of any of our key personnel or damage to their personal reputation could have a material adverse effect on our business. Accordingly, our retention of our key personnel and our success in recruiting additional personnel is crucial to our success. If our key personnel were to join or form a competitor, our business could similarly suffer a material adverse effect. In addition, we have very few employees, so the loss of any employee could be disruptive to our business. We do not carry any "key man" insurance that would provide us with proceeds in the event of the death or disability of any of our key personnel. We may also not succeed in recruiting additional personnel because the market for qualified professionals is extremely competitive. Efforts to retain or attract key personnel may result in significant additional expenses, which could adversely affect our profitability.

Changes in our management may cause uncertainty in, or be disruptive to, our business. Certain of our directors and management team members have been with us in those capacities for only a short time.

Our success depends upon the continued services of executive officers and other key personnel, as well as their ability to effectively transition to their successors. We have experienced significant changes in our senior leadership in 2023, including the appointment of a new Chief Executive Officer. In addition, following the resignation of our Chief Financial Officer in February 2024, our Chief Executive Officer has assumed the responsibilities of principal financial and accounting officer on an interim basis, our former Chief Financial Officer has been engaged as a part-time consultant through the filing of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 and we have commenced an executive search for a new Chief Financial Officer. Although we have endeavored to implement any management transition in a non-disruptive manner, such transitions might impact our business, and give rise to uncertainty among our customers, investors, vendors, employees and others concerning our future direction and performance, which may materially and adversely affect our business, financial condition, results of operations and cash flows, and our ability to execute our business model.

In addition, because certain members of our management and Board have served in their respective capacities for only limited durations, we face the additional risks that these persons have limited familiarity with our past practices, our business and our industry and lack established track records in managing our business strategy.

Any future changes to the executive management team, including hires or departures, could cause further disruption to the business and have a negative impact on operating performance, while these operational areas are in transition. We can provide no assurance that we will be able to continue to find suitable successors to key roles as transitions occur or that any identified successor will be successfully integrated into its management team.

We also believe that our future success will depend in large part upon our ability to attract, motivate and retain highly skilled technical, management personnel at all levels of the organization. Due to labor shortages and inflationary wage pressure, there is intense competition for qualified talent, which combined with the salary, benefits and other costs required to employ the right personnel, may make it difficult to achieve our financial goals. Consequently, we may not be successful in attracting, motivating and retaining such personnel, and our failure to do so could have a negative effect on our business including our ability to successfully develop, introduce, and market our products which may adversely impact our operating results, or financial condition.

Because we are relying on the exemptions from corporate governance requirements as a result of being a "controlled company" within the meaning of the Nasdaq listing standards, you do not have the same protections afforded to stockholders of companies that are subject to such requirements.

Because Carlson controls a majority of our common stock, we are a "controlled company" within the meaning of the Nasdaq Capital Market ("Nasdaq") listing standards. Under these rules, a company of which more than 50 percent of the voting power is held by an individual, a group or another company is a "controlled company" and may elect not to comply with certain Nasdaq corporate governance requirements, including (1) the requirement that a majority of the board of directors consist of independent directors, (2) the requirement that we have a nominating and corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities, and (3) the requirement that the board have a compensation committee composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities. However, our Board of Directors is currently comprised of a majority of independent directors and we currently have a Nominating and Corporate Governance Committee and the majority of the members of such committee are independent directors. If we were to fully avail ourselves of the controlled company rules, you do not have the same protections afforded to stockholders of companies that are subject to all of the Nasdaq corporate governance requirements.

If we are unable to obtain additional debt or equity financing on commercially reasonable terms our business could be materially adversely affected.

As of December 31, 2023, we had $4.5 million of cash and cash equivalents plus $47.7 million available to be borrowed under our new credit facility with First Horizon Bank.

On June 28, 2023, we entered into a new Credit Agreement (the "Credit Agreement") by and among SWK Funding LLC, our wholly-owned subsidiary (together with the Company, the "Borrower"), the lenders party thereto ("Lenders"), and First Horizon Bank as a Lender and Agent (the "Agent"). The Credit Agreement provides for a revolving credit facility with an initial maximum principal amount of $45.0 million. The Credit Agreement provides that we may request one or more incremental increases in an aggregate amount not to exceed $80.0 million, subject to the consent of the Agent and each Lender, at any time prior to the termination of the revolving credit period on June 28, 2026 (the "Commitment Termination Date"). The revolving credit period will be followed by a one-year amortization period, with the final maturity date of the Credit Agreement occurring on June 28, 2027.

On October 10, 2023, we entered into a First Amendment to Credit Agreement pursuant to which Woodforest National Bank was added as a lender under the Credit Agreement for an aggregate commitment of $15.0 million, thereby increasing the aggregate commitments under the Credit Agreement from $45.0 million to $60.0 million.

Our prior credit agreement with Cadence Bank was terminated in connection with the establishment of the new Credit Agreement.

On October 3, 2023, we completed a registered underwritten public offering of $30.0 million of our 9.00% Senior Notes due 2027 (the "Notes"). On October 27, 2023, the underwriters exercised their option to purchase an additional $2.9 million in aggregate principal amount of the Notes. The Notes will mature on January 31, 2027, unless earlier redeemed, and will bear interest at a rate of 9.00 percent per annum, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year and at maturity, commencing on December 31, 2023. We received net proceeds after discounts and commissions, but before expenses and fees, of approximately $31.9 million from the offering of the Notes.

If we are unable to enter into new debt or equity financing arrangements on commercially reasonable terms, our liquidity may be reduced significantly, and as a result, our ability to implement and grow our business strategy could be materially impacted.

We may not be able to generate sufficient cash to service all of our debt, and may be forced to take other actions to satisfy our obligations under such indebtedness, which may not be successful.

Our ability to make scheduled payments on, or to refinance our obligations under, the Notes or future indebtedness, will depend on our financial and operating performance and that of our subsidiaries, which, in turn, will be subject to prevailing economic and competitive conditions and to financial and business factors, many of which may be beyond our control.

We may not maintain a level of cash flow from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on the Notes or future indebtedness. If our cash flow and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets, seek to obtain additional equity capital or restructure the Notes or future indebtedness. In the future, our cash flow and capital resources may not be sufficient for payments of interest on, and principal of, our debt, and such alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. We may not be able to refinance any of our indebtedness or obtain additional financing. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those sales, or if we do, at an opportune time, the proceeds that we realize may not be adequate to meet debt service obligations when due. Repayment of our indebtedness, to a certain degree, is also dependent on the generation of cash flows by our subsidiaries (none of which are currently guarantors) and their ability to make such cash available to us, by dividend, loan, debt repayment, or otherwise. Our subsidiaries may not be able to, or be permitted to, make distributions or other payments to enable us to make payments in respect of our indebtedness. Each of our subsidiaries is a distinct legal entity and, under certain circumstances, applicable U.S. and foreign legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. In the event that we do not receive distributions or other payments from our subsidiaries, we may be unable to make required payments on our indebtedness.

Our use of leverage may limit our operational flexibility and increase our overall risk, which may adversely affect our business and results of operations.

Although the use of leverage may create an opportunity for increased returns for us, it also results in additional risks and can magnify the effect of any losses and thus could negatively impact our business and results of operations and have important adverse consequences to our investments. Our current credit facility contains, and any future credit facility, if raised, would likely contain covenants that could restrict our operating flexibility, including covenants that, among others, could limit our ability to: (i) make distributions in certain circumstances, (ii) incur additional debt, and (iii) engage in certain transactions, which collectively may prevent us from entering into transactions which we may otherwise determine are beneficial to us, and which could negatively impact our business and results of operations. In addition, we expect we would need to secure such a credit facility through the pledging of substantially all of our assets, and if we are unable to generate sufficient cash flow to meet principal and interest payments on such indebtedness, we would be subject to risk that the lender seizes our assets through an acceleration of the credit facility that could require liquidation of pledged collateral at inopportune times or at prices that are not favorable to us and cause significant losses. If the lender seizes and liquidates pledged collateral, such collateral will likely be sold at distressed price levels. We will fail to realize the full value of such assets in a distressed sale.

The liquidity, market price and volume of our stock are volatile.

Our common stock is listed on the Nasdaq. The liquidity of our common stock may be adversely affected, and purchasers of our common stock may have difficulty selling our common stock, if our common stock does not continue to trade on Nasdaq or another national securities exchange. Nasdaq maintains certain minimum continued listing standards. If we are not able to continue to satisfy the continued listing standards, or qualify for an exemption to such standards, then we could be subject non-compliance status or de-listing.

As previously announced, in 2022, we received a letter from Nasdaq indicating that, as a result of the resignations of four of our directors, we were no longer in compliance with Nasdaq Listing Rules 5605(b)(1), 5605(c)(2), 5605(d)(2) and 5605(e)(1), which require the Board to be comprised of a majority of independent directors, that the audit committee consist of at least three independent members and the compensation committee consist of at least two independent members, and that director nominees be selected, or be recommended for the Board's selection, by a separate vote of a majority of independent directors or a committee comprised solely of independent directors. While we have successfully regained compliance, we can provide no assurance that we will continue to maintain compliance with such standards.

The trading price of our common stock could be subject to wide fluctuations in response to quarter-to-quarter variations in our operating results and other events or factors. In addition, the U.S. stock markets have from time to time experienced extreme price and volume fluctuations that have affected the market price for many companies and which often have been unrelated to the operating performance of these companies. These broad market fluctuations may adversely affect the market price of our securities.

Funds affiliated with Carlson can control or exert significant influence over our management and policies through their ownership of a large amount of our common stock.

As of December 31, 2023, funds affiliated with Carlson owned in the aggregate 73.0 percent of our combined issued and outstanding common stock and unvested restricted stock. Due to the large percentage of ownership by funds affiliated with Carlson, they have the ability to control or exert significant influence over our management and policies, such as the election of our directors, the appointment of new management and the approval of any other action requiring the approval of our stockholders, including any amendments to our certificate of incorporation, a sale of all or substantially all of our assets or a merger or other significant transaction. The investment objectives of Carlson and its affiliates may from time to time be different than or conflict with those of our other stockholders.

In addition, pursuant to the terms of a Stockholders' Agreement entered into on February 27, 2023 (as amended, the "Stockholders' Agreement"), funds affiliated with Carlson have the right to approve specific transactions, including the incurrence of indebtedness over specified amounts, the sale of assets over specified amounts, declaration of dividends, loans, capital contributions to or investments in any third party over specified amounts, changes in the size of the board of directors and repurchases of common stock.

If there are substantial sales of shares of our common stock, the price of our common stock could decline.

The price of our common stock could decline if there are substantial sales of our common stock, particularly sales by our directors, executive officers, employees, and significant stockholders including funds associated with Carlson. Funds associated with Carlson own an aggregate of 73.0 percent (9,093,766 common shares). Pursuant to the Stockholders' Agreement entered into on February 27, 2023, as amended, and a Registration Rights Agreement entered into on September 6, 2013, we filed a Registration Statement on Form S-3 with the SEC on February 3, 2020, which became effective on February 19, 2020, to register all of the common stock owned by funds associated with Carlson for sale freely in the public market from time to time.

The market price of our common stock could decline as a result of the sale of a substantial number of our shares of common stock in the public market or the perception in the market that the holders of a large number of shares intend to sell their shares.

We have adopted provisions in our certificate of incorporation and bylaws, and have entered into the Rights Agreement, which could delay or prevent an acquisition of the Company.

The board of directors has the authority to issue up to 5 million shares of preferred stock. Without any further vote or action on the part of the stockholders, the board of directors has the authority to determine the price, rights, preferences, privileges, and restrictions of the preferred stock. This preferred stock, if issued, might have preference over and harm the rights of the holders of common stock. Although the ability to issue this preferred stock provides us with flexibility in connection with possible acquisitions and other corporate purposes, it can also be used to make it more difficult for a third party to acquire a majority of our outstanding voting stock. We currently have no plans to issue preferred stock.

Additionally, the Rights Agreement is intended to protect our ability to utilize our NOL carryforwards and make it difficult for a third party to acquire a significant number of shares of our common stock.

Our certificate of incorporation and bylaws include provisions that may deter an unsolicited offer to purchase us. These provisions, coupled with the provisions of the Delaware General Corporation Law, may delay or impede a merger, tender offer or proxy contest. In addition, directors are only removable by the affirmative vote of holder of at least two-thirds of all classes of voting stock. These factors may further delay or prevent a change of control of the Company.

If we were deemed an investment company under the Investment Company Act of 1940, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

We have not been and do not intend to become registered as an "investment company" under the Investment Company Act of 1940, or the 1940 Act. We intend to conduct our business so as not to become regulated as an investment company under the 1940 Act.

Generally, a company will be determined to be an "investment company" if, absent an exclusion or exemption, it is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities or owns or proposes to acquire investment securities having a value exceeding 40 percent of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. We refer to this investment company definition test as the "40 percent test."

We do not hold ourselves out as being engaged primarily, or propose to engage primarily, in the business of investing, reinvesting or trading in securities and believe that we are not engaged primarily in the business of investing, reinvesting or trading in securities. We believe that, for purposes of the 1940 Act, we are engaged primarily, through one or more of our subsidiaries, in the business of purchasing or otherwise acquiring certain obligations that represent part or all of the sales price of merchandise. Our subsidiaries that are so engaged rely on Section 3(c)(5)(A) of the 1940 Act, which, as interpreted by the SEC staff, requires each such subsidiary to invest at least 55 percent of its assets in "notes, drafts, acceptances, open accounts receivable and other obligations representing part of all of the sales price of merchandise, insurance and services," which we refer to as the ICA Exception Qualifying Assets.

To ensure that we are not obligated to register as an investment company, we must not exceed the thresholds provided by the 40% test. For purposes of the 40 percent test, the term "investment securities" does not include U.S. government securities or securities issued by majority-owned subsidiaries that are not themselves investment companies and are not relying on Section 3(c)(1) or Section 3(c)(7) of the 1940 Act, such as majority-owned subsidiaries that rely on Section 3(c)(6), which, based on the SEC staff's interpretations, requires us to invest, either directly or through majority-owned subsidiaries, at least 55 percent of our assets in, as relevant here, businesses relying on Section 3(c)(5)(A). Therefore, the assets that we and our subsidiaries hold and acquire are limited by the provisions of the 1940 Act and the rules and regulations promulgated thereunder.

If the SEC or its staff in the future adopts a contrary interpretation to that provided in the no-action letter to the predecessor of Royalty Pharma plc or otherwise restricts the conclusions in the SEC staff's no-action letter such that royalty interests are no longer treated as ICA Exception Qualifying Assets for purposes of Section 3(c)(6), or the SEC or its staff in the future determines that the no-action letter does not apply to some or all types of royalty receivables relating to biopharmaceutical assets, our business will be materially and adversely affected. In particular, we would be required to register as an investment company. The requirements imposed by the 1940 Act, including limitations on our capital structure and our ability to transact business with affiliates could make it impractical for us to continue our business as currently conducted. Our ceasing to not be deemed an investment company or to qualify for an exemption from registration as an investment company could materially and adversely affect the value of our common stock. In addition, we could be subject to legal actions by regulatory authorities and others and could be forced to dissolve.

In complying with Section 3(c)(5)(A), one of our subsidiaries, SWK Funding LLC ("SWK Funding"), relies on an interpretation that royalty interests that entitle an issuer to collect royalty receivables that are directly based on the sales price of specific biopharmaceutical products that use intellectual property covered by specific license agreements are ICA Exception Qualifying Assets under Section 3(c)(5)(A). This interpretation was promulgated by the SEC staff in a no-action letter issued to the predecessor of Royalty Pharma plc on August 13, 2010.

Our failure to deal appropriately with conflicts of interest could damage our reputation and adversely affect our businesses.

We increasingly confront potential conflicts of interest relating to our business, our investment or financing activities and our partner companies. Conflicts of interest may arise from the fact that (i) we provide investment management services to more than one partner company, (ii) the partner companies we work with often have one or more overlapping investment or financing strategies, and (iii) we could choose to allocate an investment to more than one partner company or to ourselves. Also, the investment or financing strategies employed by us for current and future partner companies, or on our own behalf, could conflict with each other, and may adversely affect the prices and availability of other securities or instruments held by, or potentially considered for, one or more partner companies.

We currently operate without information barriers in our Finance Receivables segment that some other investment management firms implement to separate business units and/or to separate persons who make investment decisions from others who might possess material non-public information that could influence such decisions. Our executive officers, investment professionals or other employees may acquire confidential or material non-public information and, as a result, we may be restricted from initiating transactions in certain securities. Notwithstanding the maintenance of restricted securities lists and other internal controls, it is possible that the internal controls relating to the management of material non-public information could fail and result in us buying or selling a security while, at least constructively, in possession of material non-public information. Inadvertent trading on material non-public information could have adverse effects on our reputation, result in the imposition of regulatory or financial sanctions and, as a consequence, negatively impact our ability to provide our investment management services to our partner companies.

Appropriately dealing with conflicts of interest is complex and difficult and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential or actual conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest could have a material adverse effect on our reputation which would materially adversely affect our business and results of operations.

Cybersecurity incidents and other disruptions to our information technology systems, or the information systems of third parties whom we do business with, may compromise our information and expose us to liability that could adversely impact our financial condition, business operations, and reputation.

Our business operations rely upon information technology systems for data processing, storage, and reporting. Our information technology systems, along with those of the third parties whom we rely on, are potentially vulnerable to a variety of evolving cybersecurity threats that may expose our data to unauthorized persons or otherwise compromise its integrity. These threats may include, but are not limited to, social-engineering attacks (including phishing attacks), business email compromise, online and offline fraud, malicious code (such as viruses and worms), malware (including as a result of advanced persistent threat intrusions), employee misconduct, denial-of-service attacks, access attacks (such as credential stuffing), ransomware attacks, supply-chain attacks, and software bugs as well as cybersecurity failures resulting from human error, catastrophic events (such as fires, floods, hurricanes and tornadoes), loss of data or other information technology assets, and technological errors. We expend resources trying to protect against cybersecurity threats to our information technology systems. Additionally, certain data privacy and security laws, as well as industry best practice standards, may require us to implement and maintain additional cybersecurity measures.

Cybersecurity threat actors and their techniques change frequently, are often sophisticated in nature, and may not be detected until after a cybersecurity incident has occurred. While we have implemented cybersecurity measures designed to protect our information technology systems as well as the confidential and sensitive data in our possession, there can be no assurance that these measures will be adequate to detect, prevent, or adequately address any cybersecurity incident or data breach that we may face. Additionally, the third-parties with whom we do business may be sources or targets of cybersecurity attacks or other technological risks. While we engage in actions to reduce our exposure to third-party risks, we cannot control the cybersecurity plans and systems put in place by these third parties and ongoing threats may result in unauthorized access, loss, exposure or destruction or misuse of data, or other cybersecurity incidents, with increased costs and other consequences, including those described above.

If we, or a third party upon whom we rely, experience a cybersecurity incident or are perceived to have experienced a cybersecurity incident, we may experience adverse consequences. These consequences may affect our business strategy, results of operations, or financial condition and can include: government enforcement actions (for example, investigations, fines, penalties, audits, and inspections); additional reporting requirements and/or oversight; restrictions on processing sensitive data (including personal data); litigation (including class claims); indemnification obligations; negative publicity; reputational harm; monetary fund diversions; interruptions in our operations (including availability of data); financial loss; and other similar harms. To the extent that any disruption or cybersecurity incident were to result in a loss of, or damage to, a counterparties' data or applications, or inappropriate disclosure or misuse of confidential or proprietary information, our partners' operations may be harmed, and the development and commercialization of their products, development-stage product candidates, and technologies could be delayed. Further, our insurance coverage may not be adequate or sufficient in type or amount to protect us from or to mitigate liabilities arising out of our privacy and security practices.

Risks Associated with Investments in the Health Care and Life Sciences Industries

Public health epidemics, pandemics or outbreaks, including COVID-19, could adversely affect our and our partner companies' businesses.

Public health epidemics, pandemics or outbreaks, and the resulting business or economic disruptions resulting therefrom, could adversely impact our and our partner companies' businesses as well as our ability to raise capital. The impact of COVID-19 has been and will likely continue to be extensive in many aspects of society, which has resulted in and will likely continue to result in significant disruptions to the global economy, as well as businesses and capital markets around the world.

The extent to which COVID-19 impacts our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the pandemic, new information that may emerge concerning the severity of COVID-19 and public and private actions to contain COVID-19 or treat its impact. COVID-19 has and will likely continue to result in social, economic and labor instability in the countries in which we or our partner companies operate.

COVID-19 has impacted, and may continue to impact, the ability of our borrowers and the marketers of products upon which we derive our royalty income to raise capital in order to fund and conduct their operations during the pandemic. In certain situations, disruptions to our partner companies, including as a result of global supply chain disruptions, has impaired their ability to fulfill their obligations to us and resulted in defaults in obligations to us. As a result, we have entered into amendments with certain of our borrowers in order to cure defaults. Continuing impacts of the pandemic and supply chain disruptions could continue to increase the risk of delinquencies, defaults, declining collateral values associated with our existing loans, and impairments or losses on our loans. Any such impairment could increase our credit risk and adversely affect the assets and results of operations of our Finance Receivables segment.

Any abrupt and substantial change in economic conditions also may decrease the value of collateral securing some of our loans and the value of our equity investments. Any sustained disruption in the capital markets from the COVID-19 pandemic could negatively impact our and our partner companies' ability to raise capital.

Economic recessions or downturns could impair the ability of our partner companies to repay loans, which, in turn, could increase our non- performing assets, decrease the value of our assets, reduce our volume of new loans and have a material adverse effect on our results of operations.

General economic conditions may affect our activities and the operation and value of the assets of our Finance Receivables segment. Economic slowdowns or recessions may result in a decrease of institutional equity investment, which would limit our lending opportunities. Furthermore, many of our partner companies are susceptible to economic or industry centric slowdowns or recessions and may be unable to repay our debt investments during these periods. Therefore, our non-performing assets are likely to increase, and the value of our portfolio is likely to decrease, during these periods. Adverse economic conditions may also decrease the value of collateral securing some of our debt investments and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a material decrease in revenues, net income and assets. Unfavorable economic conditions could also increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us.

A partner company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize the partner company's ability to meet its obligations under the loans that we hold. We may incur expenses to the extent necessary to recover our investment upon default or to negotiate new terms with a defaulting partner company. These events could harm our financial condition and operating results.

A period of market disruption may have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, unfavorable economic conditions, including rising interest rates, may also increase our funding costs, limit our access to capital markets or negatively impact our ability to obtain financing, particularly from the debt markets.

Some of our partner companies may be unable to protect their proprietary rights and may infringe on the proprietary rights of others.

Our partner companies assert various forms of intellectual property protection. Intellectual property may constitute an important part of partner company assets and competitive strengths, particularly for royalty monetization transactions. Federal law, most typically copyright, patent, trademark and trade secret laws, generally protects intellectual property rights. Although we expect that our partner companies will take reasonable efforts to protect the rights to their intellectual property, third parties may develop similar intellectual property independently or attempt to abandon intellectual property licenses if it is determined such intellectual property from a partner company is no longer needed. Moreover, the complexity of international trade secret, copyright, trademark and patent law, coupled with the limited resources of our partner companies and the demands of quick delivery of products and services to market, create a risk that partner company efforts to prevent misappropriation of their technology will prove inadequate.

Some of our partner companies also license intellectual property from third parties and it is possible that they could become subject to infringement actions based upon their use of the intellectual property licensed from those third parties. Our partner companies generally obtain representations as to the origin and ownership of such licensed intellectual property. However, this may not adequately protect them. Any claims against our partner companies' proprietary rights, with or without merit, could subject the companies to costly litigation and divert their technical and management personnel from other business concerns. If our partner companies incur costly litigation and their personnel are not effectively deployed, the expenses and losses incurred by our partner companies will increase and their profits, if any, will decrease.

Third parties have and may assert infringement or other intellectual property claims against our partner companies based on their patents or other intellectual property rights. Although we are not aware that any of our partner companies' products might infringe any third party's patents, they may have to pay substantial damages, possibly including treble damages, if it is ultimately determined that they do. They may have to obtain a license to sell their products if it is determined that their products infringe on another person's intellectual property. Our partner companies might be prohibited from selling their products before they obtain a license, which, if available at all, may require them to pay substantial royalties. Even if infringement claims against our partner companies are without merit, defending these types of lawsuits takes significant time, is expensive and may divert management attention from other business concerns.

Future legislation, and/or regulations and policies adopted by the FDA or other U.S. or foreign regulatory authorities may increase the time and cost required by some of our partner companies to conduct and complete clinical trials for the product candidates that they develop, and there is no assurance that these companies will obtain regulatory approval to market and commercialize their products in the U.S. and in foreign countries.

The FDA and other foreign and U.S. regulatory authorities have established regulations, guidelines and policies to govern the drug development and approval process which affect some of our partner companies. Any change in regulatory requirements due to the adoption by the FDA and/or foreign or other U.S. regulatory authorities of new legislation, regulations, or policies may require some of our partner companies to amend existing clinical trial protocols or add new clinical trials to comply with these changes. Such amendments to existing protocols and/or clinical trial applications or the need for new ones, may significantly impact the cost, timing and completion of the clinical trials.

In addition, increased scrutiny by the U.S. Congress of the FDA's and other authorities approval processes may significantly delay or prevent regulatory approval, as well as impose more stringent product labeling and post-marketing testing and other requirements. Foreign regulatory authorities may also increase their scrutiny of approval processes resulting in similar delays. Increased scrutiny and approval processes may limit the ability of our partner companies to market and commercialize their products in the U.S. and in foreign countries.

The development of products by life science companies requires significant research and development, clinical trials and regulatory approvals.

The development of products by life science companies requires significant research and development, clinical trials and regulatory approvals. In addition, similar activities and costs may be required to support products that have already been commercialized. The results of product development efforts may be affected by a number of factors, including the ability to innovate, develop and manufacture new products, complete clinical trials, obtain regulatory approvals and reimbursement in the U.S. and abroad, or gain and maintain market approval of products. In addition, regulatory review processes by U.S. and foreign agencies may extend longer than anticipated as a result of decreased funding and tighter fiscal budgets. Further, patents attained by others can preclude or delay the commercialization of a product. There can be no assurance that any products now in development will achieve technological feasibility, obtain regulatory approval, or gain market acceptance. Failure can occur at any point in the development process, including after significant funds have been invested. Products may fail to reach the market or may have only limited commercial success because of efficacy or safety concerns, failure to achieve positive clinical outcomes, inability to obtain necessary regulatory approvals, failure to achieve market adoption, limited scope of approved uses, excessive costs to manufacture, the failure to establish or maintain intellectual property rights, or the infringement of intellectual property rights of others. Failure by our partner companies to successfully commercialize pipeline products in which we have an economic interest could have a material adverse effect on our business, financial condition and results of operations.

Changes in healthcare laws and other regulations applicable to some of our partner companies' businesses may constrain their ability to offer their products and services.

Changes in healthcare or other laws and regulations applicable to the businesses of some of our partner companies may occur that could increase their compliance and other costs of doing business, require significant systems enhancements, or render their products or services less profitable or obsolete, any of which could have a material adverse effect on their results of operations. There has also been an increased political and regulatory focus on healthcare laws in recent years, and new legislation could have a material effect on the business and operations of some of our partner companies.

We also anticipate that Congress, state legislatures, and third-party payors may continue to review and assess alternative healthcare delivery and payment systems and may in the future propose and adopt legislation or policy changes or implementations effecting additional fundamental changes in the healthcare delivery system. We cannot assure you as to the ultimate content, timing, or effect of changes, nor is it possible at this time to estimate the impact of any such potential legislation on certain of our partner companies, our business model, prospects, financial condition or results of operations.

The potential inability of our partner companies' and counterparties to charge desired prices with respect to prescription drugs could impact their revenues and in turn their ability to repay us or the magnitude of their royalty payments to us.

Our partner companies, as well as the value of our pharmaceutical royalties, are subject to risks associated with the pricing for prescription drugs. It is uncertain whether pharmaceutical products will continue to utilize established prescription drug pricing methods, or whether other pricing benchmarks will be adopted for establishing prices within the industry. Legislation may lead to changes in the pricing for Medicare and Medicaid programs. Regulators have conducted investigations into the use of prescription drug pricing methods for federal program payment, and whether such methods have inflated drug expenditures by the Medicare and Medicaid programs. Federal and state proposals have sought to change the basis for calculating payment of certain drugs by the Medicare and Medicaid programs. We cannot predict the ultimate content, timing or effect of any such legislation or executive action or the impact of potential legislation or executive action on us. Any changes to the method for calculating prescription drug costs may reduce the revenues of our partner companies operating in the pharmaceutical industry, which could in turn impair their ability to timely make any principal and interest payments owed to us. Additionally, any such changes to pharmaceutical product reimbursement similarly could reduce the revenues of the pharmaceutical products from which we receive royalties.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Cyber Risk Management and Strategy

We rely on information technology in our operations, and any material failures, inadequacies, interruptions, security failures, social engineering attacks or cyber-attacks could harm our business. To help manage these risks, we engage and rely on external experts and an information technology managed services provider. Our managed services provider's information security analysts and IT security specialists offer us advice on technology, infrastructure, management, and productivity in relation to our information technology capabilities.

To address risks from cybersecurity threats, we have implemented and maintain cybersecurity policies and procedures, including an incident response plan, and our managed services provider implements a number of cybersecurity technologies and controls, including but not limited to, vulnerability scans and patch management tools. Our current approach to managing cybersecurity risks is informed by periodic risk assessments conducted by our managed services provider that incorporates elements of a recognized industry framework and evaluates our cyber risk management controls. We have implemented a process for senior management to review assessments performed and determine the appropriate treatment of identified risks.

We have also developed a cybersecurity risk management process for our third-party vendors. This process aims to assess the cybersecurity maturity of vendors who have access to our data or systems through an evaluation of the vendor's cybersecurity risk profile. We, like other companies in our industry, face a number of cybersecurity risks in connection with our business. We have not identified any cybersecurity incidents or threats that have materially affected us or are reasonably likely to materially affect us, including our business strategy, results of operations, or financial condition; however, like other companies in our industry, we and our third-party vendors have from time to time experienced threats that could affect our information or systems. For more information about the cybersecurity risks we face, see Item 1A "Risk Factors."

Governance Related to Cybersecurity Risks

We engage a managed services provider as discussed above, which includes services to assist us with the identification, monitoring, and management of cybersecurity risks. Our managed services provider reports periodically to our management team, including our Chief Executive Officer ("CEO"). The CEO briefs the Board on information regarding cybersecurity matters at least quarterly.

Our risk manager, along with the CEO, oversee our policies with respect to risk assessment and risk management, including with respect to cybersecurity risks. The Audit Committee of our Board was recently tasked with oversight of the management of risks related to cybersecurity. The Audit Committee administers its risk oversight function by receiving reports from members of senior management, including the risk manager and CEO, on areas of identified material risk to the Company.

ITEM 2. PROPERTIES

Our corporate headquarters and the location of our Finance Receivables segment are in Dallas, Texas, where we lease two office spaces totaling approximately 6,850 square feet of space. The Pharmaceutical Development segment's headquarters is located in Boonton, New Jersey, where Enteris leases approximately 32,000 square feet of space. We believe these facilities are adequate for our business requirements.

ITEM 3. LEGAL PROCEEDINGS

We are involved in, or have been involved in, arbitrations or various other legal proceedings that arise from the normal course of our business. We cannot predict the timing or outcome of these claims and other proceedings. The ultimate outcome of any litigation is uncertain, and either unfavorable or favorable outcomes could have a material negative impact on our results of operations, balance sheets and cash flows due to defense costs, and divert management resources. Currently, we are not involved in any arbitration and/or other legal proceeding that we expect to have a material effect on our business, financial condition, results of operations and cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

Since January 22, 2020, our common stock has been listed on the Nasdaq Capital Market, under the symbol "SWKH."

Holders of Record

There were approximately 88 stockholders of record of our common stock as of February 27, 2024. The actual number of stockholders is greater than this number of record holders and includes stockholders who are beneficial owners but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Dividend Policy

To date, we have not paid any cash dividends on our capital stock. We intend to retain our cash and do not anticipate paying any cash dividends in the foreseeable future.

Recent Sales of Unregistered Equity Securities

None.

Issuer Purchases of Equity Securities

On May 31, 2022, the Board authorized a share repurchase program under which the Company was previously authorized to repurchase up to $10.0 million of the Company's outstanding shares of common stock from time to time until May 15, 2023, through a Rule 10b5-1 trading plan in compliance with all applicable laws and regulations, including Rule 10b-18 of the Exchange Act (the "Prior Repurchase Program"). The purchase period for the Prior Repurchase Program was July 1, 2022 through May 15, 2023.

On May 16, 2023, the Company announced that the Board had authorized the Company to repurchase up to $10.0 million of the Company's outstanding shares of common stock from time-to-time until May 16, 2024, through a trading plan established in compliance with Rule 10b5-1 and Rule 10b-18 of the Exchange Act (the "New Repurchase Program"). The actual timing, number and value of shares repurchased under the New Repurchase Program will depend on several factors, including the constraints specified in the Rule 10b5-1 trading plan, price, and general market conditions. There is no guarantee as to the exact number of shares that will be repurchased under the New Repurchase Program. Our Board may also suspend or discontinue the New Repurchase Program at any time, in its sole discretion. The purchase period for the New Repurchase Program is May 16, 2023 through May 16, 2024.

The table below summarizes information about our purchases of common stock during the three months ending December 31, 2023 *(in thousands, except per share data):*

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plan
October 1, 2023 - October 31, 2023	7,104	$ 15.75	7,104	$ 4,694
November 1, 2023 - November 30, 2023......	1,283	16.10	1,283	4,673
December 1, 2023 - December 31, 2023	5,846	17.37	5,846	4,571
	14,233	$ 16.45	14,233	

As of December 31, 2023, the Company has repurchased an aggregate of 113,639 shares under the Prior Repurchase Program and an aggregate of 326,088 shares under the New Repurchase Program at a total cost of $7.5 million, or $16.97 per share. As of December 31, 2023, the maximum dollar value of shares that may yet be purchased under the New Repurchase Program was approximately $4.6 million shares of common stock. No shares are available for repurchase under the Prior Repurchase Program, which expired on May 15, 2023.

ITEM 6. RESERVED

Not Applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our financial statements and the related notes included elsewhere in this Annual Report. Statements below regarding future events or performance are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Our actual results could be quite different from those expressed or implied by the forward-looking statements. Factors that could affect results are discussed more fully under the sections entitled "Risk Factors," and "Special Note Regarding Forward-Looking Statements" as revised and supplemented by those risks described from time to time in other reports which we file with the SEC. Although forward-looking statements help to provide complete information about us, readers should keep in mind that forward-looking statements may not be reliable. Readers are cautioned not to place undue reliance on the forward-looking statements. We undertake no duty to update any forward-looking statements made herein after the date of this Annual Report.

Overview

We have organized our operations into two segments: Finance Receivables and Pharmaceutical Development. These segments reflect the way we evaluate our business performance and manage our operations. Please refer to Part I, Item 1, *Business* and Part II, Item 8, *Financial Statements*, Notes 1 and 11 of the notes to the consolidated financial statements for further information regarding segment information.

With an effective date of January 1, 2024, we entered into an exclusive option and asset purchase agreement with Aptar on March 14, 2024 which granted Aptar an exclusive option to acquire certain of Enteris' assets related to its business of providing good manufacturing practice (GMP) manufacturing and clinical supply services through Phase 1 and 2 to third parties, subject to certain exclusions. Aptar must exercise the option by or before January 1, 2026. Please refer to Part II, Item 8, *Financial Statements*, Note 13 of the notes to the consolidated financial statements for further information regarding the Option and Asset Purchase Agreement with Aptar.

Finance Receivables Portfolio Overview

The tables below provide an overview of our outstanding transactions as of, and for the year ended, December 31, 2023 *(in thousands, except rate, share and per share data):*

Royalty Purchases	Licensed Technology	Footnote	Funded Amount	GAAP Balance	Revenue (Loss) Recognized
Besivance®	Ophthalmic antibiotic	(1)	$ 6,000	$ —	$ 23
Best ABT, Inc.	Oncology diagnosis	(2), (3)	5,784	2,587	—
Coflex®/Kybella®	Spinal stenosis/submental fullness		4,350	3,212	(270)
Cambia®	NSAID migraine treatment	(4)	8,500	—	100
Duo Royalty	Japanese Women's health/cystic fibrosis		15,488	13,588	2,701
Flowonix Medical, Inc.	Drug delivery device	(3), (5)	10,433	10,433	—
Forfivo XL®	Depressive disorder treatment		6,000	1,340	1,053
Ideal Implant, Inc.	Aesthetics	(3), (6)	3,834	3,834	—
Iluvien®	Diabetic macular edema		16,501	14,650	2,041
Immune Globulin Portfolio	Immune Globulin Therapeutics		14,100	14,197	—
Veru, Inc.	Women's health		10,000	3,419	526

Term Loans	Type	Footnote	Maturity Date	Principal	GAAP Balance	Rate	Revenue (Loss) Recognized
4Web, Inc.	First lien		12/31/24	$ 29,411	$ 31,807	12.8%	$ 4,769
AOTI, Inc.	First lien		03/21/27	12,000	12,104	11.0%	1,989
Acer Therapeutics, Inc.	First lien	(7)	03/04/24	—	—	12.0%	1,560
Elutia, Inc.	First lien		08/10/27	23,045	24,285	12.0%	3,992
BIOLASE, Inc.	First lien		05/31/25	13,135	14,015	11.3%	2,263
Biotricity, Inc.	First lien		12/21/26	12,364	12,493	14.5%	2,286
CDMO Manufacturer	First lien		09/13/27	5,000	5,026	13.3%	234
Epica International, Inc.	First lien		07/23/24	9,750	10,485	9.5%	1,863
eTon Pharmaceuticals, Inc.	First lien		11/13/24	5,460	5,696	10.0%	972
Exeevo, Inc.	First lien		07/01/27	6,952	6,924	15.0%	960
Journey Medical Corporation	First lien		12/27/27	15,000	14,802	12.8%	24
MedMinder Systems, Inc.	First lien		08/18/27	20,000	20,107	12.9%	2,849
MolecuLight, Inc.	First lien		12/29/26	10,000	10,227	12.8%	1,867
Nicoya Lifesciences, Inc.	First lien		11/30/26	6,000	5,971	12.8%	221
NeoLight, LLC	First lien		02/17/27	5,000	5,016	13.5%	720
Shield Therapeutics, Plc	First lien		09/28/28	20,000	19,325	14.3%	799
SKNV	First lien		05/15/27	13,497	13,734	10.4%	2,055
Trio Healthcare Ltd.	First lien	(3)	07/01/26	9,152	9,128	12.5%	749

Marketable Investments	Number of Shares	Footnote	Funded Amount	GAAP Balance	Change in Fair Value	Active Investment as of 12/31/23
Secured Royalty Financing (Marketable Investment)	N/A	(2), (3)	$ 3,000	$ 48	$ —	Yes
Epica International, Inc.	25,000		N/A	—	—	Yes
Sincerus Pharmaceuticals, Inc.	26,575		N/A	—	—	Yes

Warrants to Purchase Stock	Number of Shares	Footnote	Exercise Price per Share	GAAP Balance	Change in Fair Value
4Web, Inc.	TBD		$ —	$ —	$ —
AOTI, Inc.	92,490		—	—	—
Acer Therapeutics, Inc.	150,000		2.46	—	(185)
Acer Therapeutics, Inc.	100,000		1.51	—	(132)
Acer Therapeutics, Inc.	250,000		2.39	—	(259)
Acer Therapeutics, Inc.	500,000		1.00	—	24
Acerus Pharmaceuticals Corporation	—		—	—	(5)
Aziyo Biologics, Inc.	157,895		6.65	283	(232)
Aziyo Biologics, Inc.	30,075		6.65	54	(45)
BIOLASE, Inc.	22,039		9.80	—	(4)
Biotricity, Inc.	57,536		6.26	3	(7)
CDMO Manufacturer	211,442		1.42	—	—
CeloNova BioSciences, Inc.	TBD		—	—	—
DxTerity Diagnostics, Inc.	2,019,231		—	—	—
Epica International, Inc.	TBD		—	—	—
eTon Pharmaceuticals, Inc.	51,239		5.86	97	53
eTon Pharmaceuticals, Inc.	18,141		6.62	37	20
Exeevo, Inc.	930		—	—	—
EyePoint Pharmaceuticals, Inc.	40,910		11.00	711	690
EyePoint Pharmaceuticals, Inc.	7,773		19.30	125	123
Shield Warrant	8,910,540		—	449	(96)
MedMinder Systems, Inc.	57,859		—	—	—
MolecuLight, Inc.	TBD		—	—	—

	Assets	Revenue Recognized
Total gross finance receivables	$ 288,405	$ 36,346
Total marketable investments	48	—
Fair value of warrant assets	1,759	—
Total gross assets/revenues	$ 290,212	$ 36,346

(1) US royalty was paid off during the year ended December 31, 2021. SWK continues to receive insignificant royalties on international sales.
(2) Investment considered partially impaired.
(3) Investment on non-accrual.
(4) Investment was paid off during the year ended December 31, 2023.
(5) Flowonix Medical assets were sold to Algorithm Sciences, Inc. during the year ended December 31, 2023. In exchange for releasing its lien, the Flowonix estate received $2.5M cash and is expected to receive royalties on sales of two products. The finance receivable is now classified as a royalty.
(6) In July 2023, Ideal Implant assets were sold to an aesthetics company, which is expected to pay SWK a mid-single digit, capped royalty on implant sales beginning in 2024.
(7) Loan was sold to a third party during the year ended December 31, 2023.

Unless otherwise specified, our senior secured debt assets generally are repaid by a revenue interest that is charged on a company's quarterly net sales and royalties.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The preparation of financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, stock-based compensation, impairment of finance receivables and long-lived assets, impairment of goodwill and identifiable intangible assets, valuation of warrants and investments, contingent consideration, income taxes and contingencies and litigation, among others. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The accounting estimates and assumptions discussed in this section are those that we consider to be the most critical to an understanding of our consolidated financial statements because they inherently involve significant judgments and uncertainties. For a discussion of our significant accounting policies, refer to Note 1 of the notes to the consolidated financial statements in Part II, Item 8, *Financial Statements and Supplementary Data*.

Allowance for Credit Losses

The allowance for credit losses is reviewed for adequacy based on portfolio collateral values and credit quality indicators, including non-performing assets, evaluation of portfolio diversification and concentration as well as economic conditions to determine the need for a qualitative adjustment. We review our finance receivables periodically to determine the probability of loss, and record charge-offs after considering such factors as delinquencies, the financial condition of obligors, the value of underlying collateral, as well as third-party credit enhancements such as guarantees.

The process of determining the level of the allowance for credit losses requires a high degree of judgment. Others given the same information could reach different reasonable conclusions.

Finance Receivables

Finance receivables are measured based upon the difference between the recorded investment in each receivable and either the present value of the expected future cash flows discounted at each receivable's effective interest rate (the receivable's contractual interest rate adjusted for any deferred fees, costs, discount or premium at the date of origination or acquisition) or if a receivable is collateral dependent, the collateral's fair value. When impairment is determined to be probable, the measurement will be based on the fair value of the collateral. The determination of impairment involves management's judgment and the use of market and third party estimates regarding collateral values. Valuations of impaired receivables and corresponding impairment affect the level of the reserve for credit losses.

Revenue Recognition

Finance Receivables Segment

Our Finance Receivables segment records interest income on an accrual basis based on the effective interest rate method to the extent that we expect to collect such amounts. Incentive fees, if any, are recognized when earned at the end of the relevant performance period, pursuant to the underlying contract. Other administrative service revenues are recognized when contractual obligations are fulfilled or as services are provided.

Pharmaceutical Development Segment

Our Pharmaceutical Development segment enters into collaboration and licensing agreements with strategic partners, under which it may exclusively license rights to research, develop, manufacture and commercialize its product candidates to third parties. The terms of these arrangements typically include payment to us of one or more of the following: non-refundable, upfront license fees; reimbursement of certain costs; customer option exercise fees; development, regulatory and commercial milestone payments; and royalties on net sales of licensed products.

In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its agreements, we perform the following steps: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation. As part of the accounting for these arrangements, the Company must use its judgment to determine: (a) the number of performance obligations based on the determination under step (ii) above; (b) the transaction price under step (iii) above; (c) the stand-alone selling price for each performance obligation identified in the contract for the allocation of transaction price in step (iv) above; and d) the contract term and pattern of satisfaction of the performance obligations under step (v) above. Management uses judgment to determine whether milestones or other variable consideration, except for royalties, should be included in the transaction price as described further below. The transaction price is allocated to each performance obligation on a relative stand-alone selling price basis, for which the Company recognizes revenue as or when the performance obligations under the contract are satisfied.

Amounts received prior to satisfying the revenue recognition criteria are recorded as deferred revenue in our consolidated balance sheets. Amounts expected to be recognized as revenue within the 12 months following the balance sheet date are classified as current deferred revenue. Amounts not expected to be recognized as revenue within the 12 months following the balance sheet date are classified as deferred revenue, net of current portion.

Fair Value of Financial Instruments

The fair value of our financial instruments reflects the amounts that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

Our financial instruments not required to be adjusted to fair value on a recurring basis consist principally of cash, cash equivalents, and accounts and finance receivables, accounts payable, and accrued expenses. We believe the carrying amount of cash and accounts and finance receivable, accounts payable and accrued expenses approximate fair value due to their relatively short maturities.

Income Taxes

The recognition of certain net deferred tax assets of our reporting entities are dependent upon, but not limited to, the future profitability of the reporting entity, when the underlying temporary differences will reverse, and tax planning strategies. Further, management's judgment regarding the use of estimates and projections is required in assessing our ability to realize the deferred tax assets relating to NOL carryforwards, as most of these assets are subject to limited carryforward periods.

We will continue to assess the need for a valuation allowance on the deferred tax assets by evaluating both positive and negative evidence that may exist at each reporting date. Any adjustments to the deferred tax asset valuation allowance is recorded in the statement of operations in the period it is determined an adjustment is required.

Please refer to Note 12 of the notes to the consolidated financial statements in Part II, Item 8, *Financial Statements and Supplementary Data*.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, refer to Note 1 of the notes to the consolidated financial statements in Part II, Item 8, *Financial Statements and Supplementary Data*.

Results of Operations

This section of this Annual Report generally discusses 2023 and 2022 items and year-to-year comparisons between 2023 and 2022. Discussion of 2021 items and year-to-year comparisons between 2022 and 2021 that are not included in this Annual Report can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

Comparison of the Years Ended December 31, 2023 and 2022

The following table summarizes the results of our operations for the years ended December 31, 2023 and 2022:

(in millions)	For the Year Ended December 31,		
	2023	**2022**	**Change**
Revenues	$ 37.8	$ 41.5	$ (3.7)
Allowance for credit losses	1.9	3.5	(1.6)
Interest expense	1.8	0.3	1.5
Impairment of goodwill	8.4	—	8.4
Pharmaceutical manufacturing, research and development expense	3.4	7.0	(3.6)
Increase (decrease) in fair value of acquisition-related contingent consideration	(6.3)	5.2	(11.5)
Depreciation and amortization expense	2.6	2.6	—
General and administrative expense	11.2	13.0	(1.8)
Other (expense) income, net	—	(0.5)	0.5
Income tax expense	(1.3)	(4.0)	2.7
Net income	15.9	13.5	2.4

Revenues

We generated revenues of $37.8 million and $41.5 million for the years ended December 31, 2023 and 2022, respectively. The $3.7 million decrease in revenue for the year ended December 31, 2023, consisted mainly of a $4.3 million decrease in Pharmaceutical Development segment revenue and a $0.9 million increase in Finance Receivables segment revenue. The decrease in Pharmaceutical Development segment revenue was primarily due to $5.0 million of milestone revenue related to Enteris' license agreement ("License Agreement") with Cara Therapeutics, Inc. ("Cara") received during the year ended December 31, 2022, and no similar milestone revenue was recognized during year end December 31, 2023. The $0.9 million increase in Finance Receivables segment revenue was primarily due to $9.0 million increase in interest and fees earned due to funding new and existing loans and a $3.8 million increase in interest earned on our finance receivables due to an overall increase in reference rates. The increase was partially offset by a net $1.2 million decrease in royalty revenue when compared to the same period of the previous year and an $10.5 million decrease in interest, royalties and fees earned on finance receivables that were paid off in 2022.

Allowance for Credit Losses

Our allowance for credit losses is established through charges or credits to income in the form of the provision in order to bring our allowance for credit losses for loans and unfunded commitments to a level deemed appropriate by management. We recognized Allowance for credit loss expense of $1.9 million and $3.5 million during the years ended December 31, 2023 and 2022, respectively (please refer to Part II, Item 8, Financial Statements and Supplementary Data, Note 3 of the notes to the consolidated financial statements for further information on the allowance for credit losses).

Interest Expense

Interest expense consists of interest accrued on our revolving line of credit, 9.00% Senior Notes due 2027 ("Notes"), unused line of credit and maintenance fees, as well as amortization of debt issuance costs. Interest expense increased to $1.8 million for the year ended December 31, 2023 from $0.3 million for the year ended December 31, 2022. This increase in interest expense was mainly due to issuing approximately $32.9 million of Notes in an underwritten public offering in October of 2023. Additionally, during the year ended December 31, 2023 there was acceleration of debt issuance costs related to the Prior Credit Agreement with Cadence Bank, as well as interest expense incurred on both the Prior Credit Agreement and the new Credit Agreement with First Horizon Bank. See Note 6 for further information on the Notes, new Credit Agreement, and Prior Credit Agreement.

Impairment of Goodwill

We recognized a $8.4 million impairment charge during the year ended December 31, 2023. As part of the Company's annual goodwill impairment analysis, the Company elected to bypass the qualitative goodwill impairment assessment and proceed directly with a quantitative assessment. The goodwill impairment test concluded that the fair value of the Company's Pharmaceutical Development reporting unit did not exceed the carrying amount and the Company recognized an impairment charge of $8.4 million and reduced the goodwill balance to $0. Refer to Note 2 for further information.

Pharmaceutical Manufacturing, Research and Development Expense

Pharmaceutical manufacturing, research and development expense decreased from $7.0 million for the year ended December 31, 2022 to $3.4 million for the year ended December 31, 2023. The $3.6 million decrease was primarily due to a reduction in headcount, as well as a reduction in research and development and clinical trial expenditures.

Change in Fair Value of Contingent Consideration

We recognized a $6.3 million gain from the change in fair value of acquisition-related contingent consideration during the year ended December 31, 2023 and recognized a $5.2 million loss in 2022. The contingent consideration is the earnout related to the 2019 acquisition of Enteris and sharing of certain milestone and royalties due to Enteris pursuant to the License Agreement with Cara for oral formulation rights to Enteris' Peptelligence® technology to develop and commercialize Oral KORSUVA™ in any indication worldwide, excluding South Korea and Japan (please refer to Part II, Item 8, Financial Statements and Supplementary Data, Note 7 of the notes to the consolidated financial statements for further information on contingent consideration). The carrying amount of the liability may fluctuate significantly, and actual amounts paid may be materially different from the estimated value of the liability.

Depreciation and Amortization

Depreciation and amortization expense for the year ended December 31, 2023 and 2022 was $2.6 million. Amortization expense is aligned with the expected future cash flows of the intangible assets.

General and Administrative

General and administrative expenses consist primarily of compensation, including stock-based compensation and related costs for management, staff and Board; legal and audit expenses; and corporate governance expenses. General and administrative expenses decreased to $11.2 million for the year ended December 31, 2023 from $13.0 million for the year ended December 31, 2022. The $1.8 million decrease was primarily driven by a one-time severance payment of $1.1 million paid to the former CEO during the three months ended September 30, 2022; a $0.8 million decrease in one-time professional fees and other expense related to corporate strategic planning; and a net $0.5 million decrease in Pharmaceutical Development segment operational expenses due to a reduction in headcount and business development expense. The decrease was partially offset by a $0.6 million increase in salaries and wages for the Finance Receivables segment due to additional headcount and annual pay increases.

Other (Expense) Income, Net

Other expense, net for the year ended December 31, 2023 was approximately $36.9 thousand which consisted of a realized loss of $0.8 million from the write off of warrants and a net aggregate fair market value loss of approximately $54.4 thousand on our warrant derivatives. This was offset by a $0.8 million gain from the remeasurement of foreign currency transactions into our functional currency.

Other income, net for the year ended December 31, 2022 reflected a net aggregate fair market value gain of $0.4 million on our warrant derivatives and a net fair value loss $0.5 million on the change in fair value of our Bioventus and Harrow common stock. Additionally, a realized loss $0.2 million was reflected on the sale of our Bioventus and Harrow common stock, in addition to a $0.2 million loss from the remeasurement of foreign currency transactions into our functional currency, net of changes in fair value of the foreign currency forward contract.

Income Tax (Benefit) Expense

During the years ended December 31, 2023 and 2022, we recognized income tax benefit of $1.3 million and $4.0 million, respectively. The $2.7 million decrease in income tax benefit is mainly the result of releasing the valuation allowance against deferred tax assets.

As of December 31, 2023 and 2022, our cumulative gross deferred tax assets were $28.4 million and $33.1 million, respectively. Based on historical and expected future operating performance, we concluded that it was more likely than not that we will not be able to realize the full benefit of the U.S. federal and state deferred tax assets in the future. The valuation allowance against deferred tax assets was $0 and $6.7 million as of December 31, 2023 and 2022, respectively. As of December 31, 2023, we believe it is more likely than not that we will realize approximately $28.3 million of benefit from the U.S. federal and state deferred tax assets in the future.

As of December 31, 2023, we had NOLs for federal income tax purposes of $87.7 million. The federal NOL carryforwards, if not offset against future income, will expire by 2037. Approximately $6.9 million of the $87.7 million can be carried forward indefinitely. We also had federal research credit carryforwards of $3.0 million. The federal research credits begin to expire in 2023 and will fully expire by 2042.

Liquidity and Capital Resources

As of December 31, 2023, we had $5.2 million in cash, cash equivalents and restricted cash, compared to $6.2 million as of December 31, 2022. The primary driver of the $0.9 million decrease in our cash balance was $55.8 million of interest, fees, principal and royalty payments received on our finance receivables, a $9.9 million net increase on our credit facility, a $0.9 million increase in Enteris revenue receipts, and $33.0 million cash received from the issuance of Senior Notes. The increase in cash and cash equivalents was offset by $74.1 million of investment funding, net of deferred fees and origination expenses; payroll, accounts payable and credit facility closing costs of $18.4 million; and $6.3 million to repurchase shares of the Company's common stock in the open market.

We entered into a new $45.0 million revolving credit facility in June 2023 with First Horizon Bank. The Credit Agreement provides for one or more incremental increases not to exceed $80.0 million, subject to the consent of the Agent and each Lender, at any time prior to the Commitment Termination Date. On October 10, 2023, the Company entered into a First Amendment to Credit Agreement pursuant to which Woodforest National Bank was added as a lender under the Credit Agreement for an aggregate commitment of $15.0 million, thereby increasing the aggregate commitments under the Credit Agreement from $45.0 million to $60.0 million. As of December 31, 2023, $12.4 million was outstanding under the new Credit Agreement, and $47.7 million was available for borrowing.

Our Prior Credit Agreement with Cadence Bank was terminated in connection with the establishment of the new Credit Agreement (please refer to Part II, Item 8, Financial Statements and Supplementary Data, Note 6 of the notes to the consolidated financial statements for further information regarding the Credit Agreement with First Horizon Bank).

On October 3, 2023, the Company completed a registered underwritten public offering of $30.0 million of the Notes. On October 27, 2023, the underwriters exercised their option to purchase an additional approximately $3.0 million in aggregate principal amount of the Notes. The Notes will mature on January 31, 2027, unless earlier redeemed, and will bear interest at a rate of 9.00 percent per annum, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year and at maturity, commencing on December 31, 2023. The Company received net proceeds after discounts, commissions, expenses and fees, of approximately $30.6 million.

Primary Driver of Cash Flow

Our ability to generate cash in the future depends primarily upon our success in implementing our Finance Receivable segment business model of generating income by providing capital to a broad range of life science companies, institutions and inventors, as well as the success of our Pharmaceutical Development segment. We generate income primarily from four sources:

1. Primarily owning or financing through debt investments, royalties generated by the sales of life science products and related intellectual property;

2. Receiving interest and other income by advancing capital in the form of secured debt to companies in the life science sector;

3. Pharmaceutical development, manufacturing, and licensing activities; and

4. To a lesser extent, realizing capital appreciation from equity-related investments in the life science sector.

As of December 31, 2023, our finance receivables portfolio contains $274.5 million of net finance receivables and $48,000 of marketable investments. We expect these assets to generate positive cash flows in 2024. We continuously monitor the short and long-term financial position of our finance receivables portfolio. In addition, the majority of our finance receivables portfolio are debt instruments that carry floating interest rates. Changes in interest rates, including the levels of the underlying reference rates may affect the interest income for debt instruments with floating rates. We believe we are well positioned to benefit should market interest rates rise in the future.

We continue to evaluate multiple attractive opportunities that, if consummated, we believe would similarly generate additional income. Since the timing of any investment is difficult to predict, our Finance Receivables segment may not be able to generate positive cash flow above what our existing assets are expected to produce in 2023. We do not assume any near-term repayments from borrowers, and as a result, no assurances can be given that actual results would not differ materially from the statement above.

Off-Balance Sheet Arrangements

In the normal course of operations, we engage in a variety of financial transactions that, in accordance with GAAP, are not recorded in our consolidated financial statements. These transactions involve, to varying degrees, elements of credit, interest rate, and liquidity risk. Such transactions are used primarily to manage partner companies' requests for funding and take the form of loan commitments and lines of credit.

The contractual amounts of commitments to extend credit represent the amounts of potential accounting loss should the contract be fully drawn upon, the partner company defaults, and the value of any existing collateral becomes worthless. We use the same credit policies in making commitments and conditional obligations as we do for on-balance sheet instruments.

As of December 31, 2023, we had $5.0 million of unfunded commitments. Please refer to Part II, Item 8, *Financial Statements*, Note 7 of the notes to the consolidated financial statements for further information regarding the Company's commitments and contingencies.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

During the year ended December 31, 2023, our cash and cash equivalents were deposited in accounts at well capitalized financial institutions. The fair value of our cash and cash equivalents at December 31, 2023, approximated its carrying value.

Investment and Interest Rate Risk

We are subject to financial market risks, including changes in interest rates. Interest rate risk is defined as the sensitivity of our current and future earnings to interest rate volatility, variability of spread relationships, the difference in re-pricing intervals between our assets and liabilities and the effect that interest rates may have on our cash flow.

As we seek to provide capital to a broad range of life science companies, institutions and investors with the majority of our finance receivables portfolio paying interest based on floating interest rates, our net investment income is dependent, in part, upon the difference between the rate at which we earn on our cash and cash equivalents and the rate at which we lend those funds to third parties. As a result, we are subject to risks relating to changes in market interest rates. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations by providing capital at variable interest rates. We do not currently engage in any interest rate hedging activities. We constantly monitor our portfolio and position our portfolio to respond appropriately to a reduction in credit rating of any of our investments.

We entered into a revolving credit facility. As we borrow funds to make additional investments, our income will depend, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, we are subject to risks relating to changes in market interest rates. In periods of rising interest rates when we have debt outstanding, our cost of funds would increase, which could reduce our income, especially to the extent we continue to hold fixed rate investments. We generally seek to mitigate this risk by pricing our debt investments with floating interest rates to maintain the spread of our portfolio over the cost of leverage. If deemed prudent, we may use interest rate risk management techniques in an effort to minimize our exposure to interest rate fluctuations, which we have not done. Adverse developments resulting from changes in interest rates or hedging transactions could have a materially adverse effect on our business, financial condition and results of operations. Accordingly, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our investment income, net of borrowing expenses.

Inflation

Certain of our partner companies may be impacted by inflation. If such partner companies are unable to pass any increases in their costs along to their customers, it could adversely affect their results and impact their ability to pay interest and principal on our loans. In addition, any projected future decreases in our partner companies' operating results due to inflation could adversely impact the fair value of those investments. Any decreases in the fair value of our investments could result in future unrealized losses and therefore reduce carrying value of our net assets.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

SWK HOLDINGS CORPORATION

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Report Of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of
SWK Holdings Corporation

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of SWK Holdings Corporation and its subsidiaries (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of income, stockholders' equity, and cash flows, for each of the two years in the period ended December 31, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2023 and 2022, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of Finance Receivables

As described in Note 3 to the consolidated financial statements, the Company's consolidated finance receivables balance was $274.5 million as of December 31, 2023, which is net of the allowance for credit losses of $13.9 million. The Company generated $36.3 million of finance receivable interest income, including fees during the year ended December 31, 2023. The Company's finance receivables are stated at amortized cost, net of unamortized origination fees, if any. Interest income on the finance receivables is recorded on an accrual basis based on the effective interest rate method to the extent that the Company expects to collect such amounts. The Company evaluates the collectibility of both interest and principal for each finance receivable to determine whether it is impaired. A finance receivable is considered to be impaired when, based on current information and events, the Company determines it is probable that it will be unable to collect amounts due according to existing contractual terms. When a loan is considered to be impaired, the amount of loss is calculated by comparing the carrying value of the finance receivable to the value determined by discounting the expected future cash flows. If actual cash flows were to be substantially lower than estimated, there could be a significant adverse impact on the carrying value of the finance receivables and results of operations.

The principal considerations for our determination that performing procedures relating to valuation of the finance receivables is a critical audit matter are its overall impact on the consolidated financial statements, including the realization of the Company's deferred tax assets, and the significant amount of judgement by management in developing the assumptions of the expected future cash flows, which in turn led to significant auditor judgement, subjectivity, and effort in performing audit procedures and evaluating audit evidence relating to the expected future cash flows. Additionally, for certain finance receivables, there may be limited historical data with which to evaluate the expected future cash flows.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others, (i) evaluating management's process and valuation method for developing the estimate of expected cash flows of its finance receivables and potential credit losses; (ii) testing the completeness and accuracy of the underlying data used in the estimate; and (iii) evaluating management's assumptions used to estimate future cash flows. Evaluating management's assumptions used to estimate future cash flows for reasonableness involved (i) considering historical cash flows from the Company's finance receivable portfolio; (ii) comparing prior period estimates to actual results of the same period; (iii) publicly available information which supports or is to the contrary of the estimated future cash flows and; (iv) determining whether the estimated cash flows used were consistent with evidence obtained in other areas of the audit.

Quantitative Goodwill Impairment Assessment - Enteris Reporting Unit

As described in Note 2 to the consolidated financial statements, the net book value of the Company's goodwill asset is solely related to the Company's acquisition of Enteris BioPharma, Inc. (Enteris) in 2019. During the year ended December 31, 2023, the Company recognized goodwill impairment expense of $8.4 million.

Management tests goodwill for impairment annually during the fourth fiscal quarter as well as whenever events or changes in circumstances indicate that the carrying value may not be recoverable. To determine the fair value of the reporting unit, management utilized the results derived from an income valuation approach. The income approach is estimated through a probability-adjusted discounted cash flow analysis. This valuation technique requires management to make significant estimates and assumptions related to discount rates and forecasts of revenues and earnings.

The principal consideration for our determination that performing procedures relating to the quantitative goodwill impairment assessment for the Enteris reporting unit is a critical audit matter is the significant judgment by management when determining the fair value of the reporting unit, which in turn led to significant auditor judgment, subjectivity and effort in performing procedures and evaluating management's significant assumptions related to forecasts of revenues, earnings and discount rates, as these assumptions may have a significant effect on the Company's assessment of the carrying value of the goodwill of the reporting unit.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others, (i) testing management's process for developing the fair value estimate of the reporting unit; (ii) evaluating the appropriateness of management's valuation model; (iii) testing the completeness and accuracy of underlying data used in the valuation model; (iv) evaluating the significant assumptions used by management related to the projected revenues, earnings, and margins, and the discount rate, and (v) underlying analysis detailing business strategies and plans, including internal communications to management and the Board of Directors. Evaluating management's assumptions related to projected revenues, earnings and margins involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the reporting unit, (ii) evaluating management's process and valuation method for developing the estimate of expected cash flows; (iii) the consistency with external market data, and (iv) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's valuation approach and the discount rate.

Valuation of Contingent Consideration Payable

As described in Note 7 and Note 9 to the consolidated financial statements, the Company recorded contingent consideration related to the August 2019 acquisition of Enteris and sharing of certain milestone and royalties due to Enteris under a license agreement. The Company evaluates the fair value of contingent consideration payable at each reporting date. During the year ended December 31, 2023, the Company recognized a remeasurement gain of $6.3 million for contingent consideration payable.

To determine the fair value of contingent consideration payable, management utilized the results derived from an income valuation approach, whereby management estimates probability-adjusted discounted cash flows. This valuation technique requires management to make significant estimates and assumptions related discount rates and forecasts of probability-adjusted cash flows.

The principal consideration for our determination that performing procedures relating to contingent consideration payable is a critical audit matter is the significant judgment by management when determining the fair value of contingent consideration payable, which in turn led to significant auditor judgment, subjectivity and effort in performing procedures and evaluating management's significant assumptions related to forecasts of probability-adjusted cash flows from the license agreement and discount rates, as these assumptions may have a significant effect on the Company's assessment of the fair value of contingent consideration payable. Additionally, the valuation of contingent consideration payable is inherently interrelated to the Company's goodwill impairment assessment for the Enteris reporting unit.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others, (i) testing management's process for developing the fair value estimate; (ii) evaluating the appropriateness of management's valuation model; (iii) testing the completeness and accuracy of underlying data used in the valuation model; and (iv) evaluating the significant assumptions used by management related to the projected cash flows and the discount rate. Evaluating management's assumptions related to projected cash flows involved evaluating whether the assumptions used by management were reasonable considering (i) evaluating management's process and valuation method for developing the estimate of expected cash flows, (ii) consistency with external market data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's valuation approach and the discount rate.

/s/ BPM LLP

We have served as the Company's auditor since 2006.

San Francisco, California
March 20, 2024

SWK HOLDINGS CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	Year Ended December 31, 2023	Year Ended December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 4,503	$ 6,156
Restricted cash	733	—
Interest and accounts receivable, net	4,729	3,094
Other current assets	1,904	1,114
Total current assets	11,869	10,364
Finance receivables, net	274,504	236,555
Collateral on foreign currency forward contract	2,750	2,750
Marketable investments	48	76
Deferred tax assets, net	28,290	24,480
Warrant assets	1,759	1,220
Goodwill	—	8,404
Intangible assets, net	6,487	8,190
Property and equipment, net	5,438	5,840
Other non-current assets	3,109	1,742
Total assets	$ 334,254	$ 299,621
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 3,944	$ 3,902
Revolving credit facility	—	2,445
Total current liabilities	3,944	6,347
Contingent consideration payable	4,900	11,200
Unsecured senior notes, net	30,781	—
Revolving credit facility	12,350	—
Other non-current liabilities	1,964	2,145
Total liabilities	53,939	19,692
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred Stock, $0.001 par value; 5,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.001 par value; 250,000,000 shares authorized; 12,497,770 and 12,843,157 shares issued and outstanding at December 31, 2023 and 2022, respectively	12	12
Additional paid-in capital	4,425,104	4,430,922
Accumulated deficit	(4,144,801)	(4,151,005)
Total stockholders' equity	280,315	279,929
Total liabilities and stockholders' equity	$ 334,254	$ 299,621

See accompanying notes to the consolidated financial statements.

SWK HOLDINGS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	Year Ended December 31,	
	2023	2022
Revenues:		
Finance receivable interest income, including fees	$ 36,346	$ 35,461
Pharmaceutical development	1,202	5,485
Other	212	538
Total revenues	37,760	41,484
Costs and expenses:		
Allowance for credit losses	1,912	3,491
Impairment of goodwill	8,404	—
Interest expense	1,849	340
Pharmaceutical manufacturing, research and development expense	3,436	6,952
General and administrative	11,232	12,964
Change in fair value of acquisition-related contingent consideration	(6,300)	5,170
Depreciation and amortization expense	2,577	2,599
Income from operations	14,650	9,968
Other income (expense), net		
Unrealized net (loss) gain on warrants	(55)	417
Unrealized net loss on equity securities	—	(528)
Realized loss from sale of investments	(799)	(151)
Foreign currency transaction gain (loss)	817	(215)
Income before income tax benefit	14,613	9,491
Income tax benefit	(1,274)	(4,000)
Net income	$ 15,887	$ 13,491
Net income per share		
Basic	$ 1.26	$ 1.05
Diluted	$ 1.25	$ 1.05
Weighted average shares outstanding		
Basic	12,653	12,835
Diluted	12,696	12,880

See accompanying notes to the consolidated financial statements.

SWK HOLDINGS CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share data)

	Common Stock		Additional	Accumulated	Total Stockholders'
	Shares	Amount	Paid-In Capital	Deficit	Equity
Balances at December 31, 2021	12,836,133	$ 13	$ 4,431,719	$ (4,164,496)	$ 267,236
Stock-based compensation	—	—	500	—	500
Issuance of common stock upon vesting of restricted stock	54,666	—	—	—	—
Forfeiture of unvested restricted stock	(6,815)	—	—	—	—
Net settlement for employee taxes on restricted stock and options	—	—	(160)	—	(160)
Stock options exercised, net	23,074	—	—	—	—
Repurchases of common stock in the open market	(63,901)	(1)	(1,137)	—	(1,138)
Net income	—	—	—	13,491	13,491
Balances at December 31, 2022	12,843,157	12	4,430,922	(4,151,005)	279,929
Stock-based compensation	—	—	509	—	509
Issuance of common stock upon vesting of restricted stock	29,978	—	—	—	—
Effect of adoption of ASU 2016-13	—	—	—	(9,683)	(9,683)
Stock options exercised, net	461	—	—	—	—
Repurchases of common stock in the open market	(375,826)	—	(6,327)	—	(6,327)
Net income	—	—	—	15,887	15,887
Balances at December 31, 2023	12,497,770	$ 12	$ 4,425,104	$ (4,144,801)	$ 280,315

See accompanying notes to the consolidated financial statements.

SWK HOLDINGS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31, 2023	Year Ended December 31, 2022
Cash flows from operating activities:		
Net income	$ 15,887	$ 13,491
Adjustments to reconcile net income to net cash provided by operating activities:		
Allowance for credit losses	1,912	3,491
Amortization of debt issuance costs	493	69
Impairment of goodwill	8,404	—
Right-of-use asset amortization	333	229
Deferred income taxes	(1,286)	(3,941)
Change in fair value of warrants	55	(417)
Change in fair value of equity securities	—	528
Realized loss from write down of warrant assets	799	—
Foreign currency transaction (gain) loss	(1,876)	754
Loss on sale of marketable securities	—	151
Change in fair value of acquisition-related contingent consideration	(6,300)	5,170
Loan discount and fee accretion	(3,827)	(2,204)
Interest paid-in-kind	(1,826)	(5,995)
Stock-based compensation	509	500
Depreciation and amortization expense	2,577	2,599
Changes in operating assets and liabilities:		
Interest and accounts receivable	(1,635)	(1,291)
Derivative assets and liabilities, net	1,059	(539)
Collateral on forward currency exchange contract	—	(2,750)
Other assets	(787)	(44)
Accounts payable and other liabilities	396	(1,599)
Net cash provided by operating activities	14,887	8,202
Cash flows from investing activities:		
Proceeds from sale of investment and finance receivables	13,942	4,151
Investment in finance receivables	(74,125)	(93,118)
Repayment of finance receivables	11,703	45,673
Corporate debt securities principal payments	28	43
Purchases of property and equipment	(496)	(297)
Net cash used in investing activities	(48,948)	(43,548)
Cash flows from financing activities:		
Net settlement for employee taxes on restricted stock and options	—	(160)
Payments for financing costs	(3,407)	—
Repurchases of common stock, including fees and expenses	(6,327)	(1,138)
Proceeds from senior unsecured notes	32,969	—
Net proceeds from revolving credit facilities	9,905	2,437
Payment of acquisition-related contingent consideration	—	(2,500)
Net cash provided by (used in) financing activities	33,140	(1,361)
Net decrease in cash, cash equivalents and restricted cash	(920)	(36,707)
Cash, cash equivalents and restricted cash, beginning of period	6,156	42,863
Cash, cash equivalents and restricted cash, end of period	$ 5,236	$ 6,156
Supplemental noncash flow activity:		
Warrants received in connection with finance receivables	$ 1,364	$ 1,180
Cash paid for interest	$ 1,351	$ 268
Fair value of common stock received upon exercise of warrant	$ —	$ 3,667

See accompanying notes to the consolidated financial statements.

SWK HOLDINGS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. SWK Holdings Corporation and Summary of Significant Accounting Policies

Nature of Operations

SWK Holdings Corporation (the "Company") was incorporated in July 1996 in California and reincorporated in Delaware in September 1999. In July 2012, the Company commenced its strategy of building a specialty finance and asset management business. In August 2019, the Company commenced a complementary strategy of building a pharmaceutical development, manufacturing and intellectual property licensing business. The Company's operations comprise two reportable segments: "Finance Receivables" and "Pharmaceutical Development." The Company allocates capital to each segment in order to generate income through the sales of life science products by third parties. The Company is headquartered in Dallas, Texas.

The Company has net operating loss carryforwards ("NOLs") and believes that the ability to utilize these NOLs is an important and substantial asset.

As of March 14, 2024, the Company and its partners have executed transactions with 55 different parties under its specialty finance strategy, funding an aggregate $779.4 million in various financial products across the life science sector. The Company's portfolio includes senior and subordinated debt backed by royalties and synthetic royalties paid by companies in the life science sector, and purchased royalties generated by sales of life science products and related intellectual property.

During 2019, the Company commenced its Pharmaceutical Development segment with the acquisition of Enteris BioPharma, Inc. ("Enteris"). Enteris is a clinical development and manufacturing organization providing development services to pharmaceutical partners as well as innovative formulation solutions built around its proprietary oral drug delivery technologies, the Peptelligence® platform.

Basis of Presentation and Principles of Consolidation

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The consolidated financial statements include the accounts of all subsidiaries and affiliates in which the Company holds a controlling financial interest as of the financial statement date. Normally a controlling financial interest reflects ownership of a majority of the voting interests. The Company consolidates a variable interest entity ("VIE") when it possesses both the power to direct the activities of the VIE that most significantly impact its economic performance and the Company is either obligated to absorb the losses that could potentially be significant to the VIE or the Company holds the right to receive benefits from the VIE that could potentially be significant to the VIE, after elimination of intercompany accounts and transactions.

The Company owns interests in various partnerships and limited liability companies, or LLCs. The Company consolidates its investments in these partnerships or LLCs, where the Company, as the general partner or managing member, exercises effective control, even though the Company's ownership may be less than 50 percent, the related governing agreements provide the Company with broad powers, and the other parties do not participate in the management of the entities and do not effectively have the ability to remove the Company. The Company has reviewed each of the underlying agreements to determine if it has effective control. If circumstances change and it is determined this control does not exist, any such investment would be recorded using the equity method of accounting. Although this would change individual line items within the Company's consolidated financial statements, it would have no effect on its operations and/or total stockholders' equity attributable to the Company.

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions are required in the determination of revenue recognition; stock-based compensation; valuation of accounts receivable; impairment of finance receivables; long-lived assets; property and equipment; intangible assets; goodwill; valuation of warrants and other investments; contingent consideration; income taxes; and contingencies and litigation, among others. Some of these judgments can be subjective and complex, and consequently, actual results may differ from these estimates. The Company's estimates often are based on complex judgments, probabilities and assumptions that it believes to be reasonable but that are inherently uncertain and unpredictable. For any given individual estimate or assumption made by the Company, there may also be other estimates or assumptions that are reasonable.

The Company regularly evaluates its estimates and assumptions using historical experience and other factors, including the economic environment. As future events and their effects cannot be determined with precision, the Company's estimates and assumptions may prove to be incomplete or inaccurate, or unanticipated events and circumstances may occur that might cause changes to those estimates and assumptions. Market conditions, such as illiquid credit markets, health crises such as the COVID-19 global pandemic, volatile equity markets, and economic downturns, can increase the uncertainty already inherent in the Company's estimates and assumptions. The Company adjusts its estimates and assumptions when facts and circumstances indicate the need for change. Those changes generally will be reflected in our consolidated financial statements on a prospective basis unless they are required to be treated retrospectively under the relevant accounting standard. It is possible that other professionals, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts.

Segment Information

The Company earns revenues from its two U.S.-based business segments: its specialty finance and asset management business offering customized financing solutions to a broad range of life-sciences companies, and its business offering clinical development and manufacturing services to pharmaceutical partners as well as innovative formulation solutions built around its proprietary oral drug delivery technologies, the Peptelligence® platform.

Goodwill and Intangible Assets

The Company's methodology for allocating the purchase price of an acquisition is based on established valuation techniques that reflect the consideration of a number of factors, including a valuation performed by a third-party appraiser. Goodwill is measured as the excess of the cost of an acquired business over the fair value assigned to identifiable assets acquired and liabilities assumed. Goodwill is considered impaired when the estimated fair value of the reporting unit that was allocated the goodwill is less than its carrying value. If the estimated fair value of such reporting unit is less than its carrying value, goodwill impairment is recognized based on that difference, not to exceed the carrying amount of goodwill. A reporting unit is an operating segment or a component of an operating segment provided that the component constitutes a business for which discrete financial information is available and management regularly reviews the operating results of that component. Goodwill arising from the Enteris acquisition has been allocated to the Pharmaceutical Development segment.

Finite-lived intangible assets are amortized over their estimated useful life, which is the period over which the assets are expected to contribute directly or indirectly to the future cash flows of the Company. Goodwill and indefinite-lived intangible assets are not amortized, but instead, are subject to annual impairment testing. We review goodwill and indefinite-lived intangible assets for impairment annually during the fourth quarter and continually assess whether a triggering event has occurred to determine whether the carrying value exceeds the implied fair value. For the year ended December 31, 2023, the Company identified indicators of impairment for identifiable finite-lived intangible assets due to the lowering of financial expectations for the License Agreement. The Company performed a Step 2 recoverability test in accordance with Accounting Standards Codification ("ASC") 350, Property, Plant and Equipment and determined that the sum of undiscounted future cash flows exceeded the carrying value. As such, no further analysis was performed and no impairment was recognized on identifiable finite-live intangible assets. For the year ended December 31 2022, the Company determined there were no indicators of impairment relating to identifiable finite-lived intangible assets.

The identification and measurement of goodwill impairment involves the estimation of the fair value of the reporting unit. We have the option to assess impairment through a qualitative assessment, which includes factors such as general economic conditions, negative developments in equity and credit markets, adverse changes in the markets in which a reporting unit operates, increases in input costs that have a negative effect on earnings and cash flows, or a trend of negative or declining cash flows over multiple periods, among others. When a potential impairment is indicated, we perform quantitative testing by comparing the estimated fair value of the reporting unit to the carrying value of the reported net assets. We also have the unconditional option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the quantitative goodwill impairment test. Under our quantitative testing, fair value is generally based on the income approach using a calculation of discounted cash flows, based on the most recent financial projections for the reporting unit. The revenue growth rates included in the financial projections are our best estimates based on current and forecasted market conditions, and the profit margin assumptions are projected by the reporting unit based on current cost structure and, when applicable, anticipated net cost reductions.

During the year ended December 31, 2023, as a result of decreasing the financial expectations for the License Agreement, the Company elected to bypass the qualitative goodwill impairment assessment and proceed directly with a quantitative assessment. The goodwill impairment test concluded that the fair value of the Company's Pharmaceutical Development reporting unit did not exceed the carrying amount and the Company recognized an impairment charge of $8.4 million for the year ended December 31, 2023, and reduced the goodwill balance to $0 as of December 31, 2023. Refer to Note 2 for further information.

Inventory

Inventories are stated at the lower of cost or net realizable value, valued at specifically identified cost which approximates the first-in, first-out method. The components of inventory include raw materials of $0.6 million as of both December 31, 2023 and 2022 and are reflected in current assets in the consolidated balance sheets.

Property and Equipment, Net

Property and equipment are recorded at cost less accumulated depreciation and amortization. Expenditures for major additions and improvements are capitalized, while minor replacements, maintenance, and repairs are charged to expense as incurred. In addition, we capitalize interest on borrowings during the active construction period of capital projects. Capitalized interest is added to the cost of the assets and depreciated over the estimated useful lives of the assets. Leased property meeting certain criteria is capitalized and the present value of the related lease payments is recorded as a liability and included in current liabilities.

Depreciation is recorded over the estimated useful lives of the assets involved using the straight-line method. Leasehold improvements and capitalized lease assets are amortized to depreciation expense over the estimated useful life of the asset or the respective lease term used in determining lease classification, whichever is shorter. The range of estimated useful lives is as follows:

Asset	Estimated Useful Life
Leasehold improvements	Lesser of lease term or useful life
Furniture, fixtures and equipment	3 to 15 years

Deferred Revenue and Deferred Costs

Deferred revenue includes amounts that have been billed per the contractual terms but have not been recognized as revenue. The Company classifies as current the portion of deferred revenue that is expected to be recognized within one year from the balance sheet date. Deferred revenue was $9,000 and $33,000 as of December 31, 2023 and 2022, respectively, and is included in accounts payable and accrued liabilities in the consolidated balance sheets.

Research and Development

Research and development expenses include the costs associated with internal research and development and research and development conducted for the Company by third parties. These costs primarily consist of salaries, pre-clinical and clinical trials, outside consultants, and supplies. All research and development costs discussed above are expensed as incurred. Third-party expenses reimbursed under research and development contracts, which are not refundable, are recorded as a reduction to pharmaceutical manufacturing research and development expense in the consolidated statements of income.

Finance Receivables

The Company extends credit to customers through a variety of financing arrangements, including revenue interest term loans. The amounts outstanding on loans are referred to as finance receivables and are included in finance receivables in the consolidated balance sheets. It is the Company's expectation that the loans originated will be held for the foreseeable future or until maturity. In certain situations, for example to manage concentrations and/or credit risk, some or all of certain exposures may be sold. Loans for which the Company has the intent and ability to hold for the foreseeable future or until maturity are classified as held for investment ("HFI"). If the Company no longer has the intent or ability to hold loans for the foreseeable future, then the loans are transferred to held for sale ("HFS"). Loans entered into with the intent to resell are classified as HFS.

If it is determined that a loan should be transferred from HFI to HFS, then the balance is transferred at the lower of cost or fair value. At the time of transfer, a write-down of the loan is recorded as an impairment when the carrying amount exceeds fair value and the difference relates to credit quality. Otherwise the write-down is recorded as a reduction in finance receivable interest income, and any credit loss reserve is reversed. Once classified as HFS, the amount by which the carrying value exceeds fair value is recorded as a valuation allowance and is reflected as a reduction to finance receivable interest income.

If it is determined that a loan should be transferred from HFS to HFI, the loan is transferred at the lower of cost or fair value on the transfer date, which coincides with the date of change in management's intent. The difference between the carrying value of the loan and the fair value, if lower, is reflected as a loan discount at the transfer date, which reduces its carrying value. Subsequent to the transfer, the discount is accreted into earnings as an increase to finance revenue interest income over the life of the loan using the effective interest method.

The Company accounts for its finance receivables at amortized cost, net of unamortized origination fees, if any. Related fees and costs are recorded net of any amounts reimbursed, and interest is accreted or accrued to interest revenue using the effective interest method. When and if supplemental payments are received from these long-term receivables, an adjustment to the estimated effective interest rate is affected prospectively.

The Company evaluates the collectibility of both interest and principal for each loan to determine whether it is impaired. A loan is considered to be impaired when, based on current information and events, the Company determines it is probable that it will be unable to collect amounts due according to the existing contractual terms. When a loan is considered to be impaired, the amount of loss is calculated by comparing the carrying value of the financial asset to the value determined by discounting the expected future cash flows at the loan's effective interest rate or to the estimated fair value of the underlying collateral, less costs to sell, if the loan is collateralized and the Company expects repayment to be provided solely by the collateral. Impairment assessments require significant judgments and are based on significant assumptions related to the borrower's credit risk, financial performance, expected sales, and estimated fair value of the collateral.

Allowance for Credit Losses on Finance Receivables

The allowance for credit losses is intended to provide for credit losses inherent in the finance receivables portfolio and is periodically reviewed for adequacy considering credit quality indicators, including expected and historical losses and levels of and trends in past due loans, non-performing assets and impaired loans, collateral values and economic conditions. The allowance for credit losses is determined based on specific allowances for loans that are impaired, based upon the value of underlying collateral or projected cash flows. Changes to the allowance for credit losses are recorded in the provision for loan credit losses in the consolidated statements of income.

The Company adopted Accounting Standards Update 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), as amended, on January 1, 2023 using the modified retrospective approach method. See Recent Accounting Pronouncements section below and Note 3 for further information.

Marketable Investments

The Company's marketable investment portfolio includes debt securities as of December 31, 2023. The debt security is classified as an available-for-sale security, which is reported at fair value with unrealized gains or losses recorded in statements of other comprehensive income, net of applicable income taxes. In any case where fair value might fall below amortized cost, the Company would consider whether that security is other-than temporarily impaired using all available information about the collectibility of the security. The Company would not consider that an other-than temporary impairment for a debt security has occurred if (1) the Company does not intend to sell the debt security, (2) it is not more likely than not that the Company will be required to sell the debt security before recovery of its amortized cost basis and (3) the present value of estimated cash flows will fully cover the amortized cost of the security. The Company would consider that an other-than-temporary impairment has occurred if any of the above mentioned three conditions are not met.

For a debt security for which an other-than-temporary impairment is considered to have occurred, the Company would recognize the entire difference between the amortized cost and the fair value in earnings if the Company intends to sell the debt security or it is more likely than not that the Company will be able to sell the debt security before recovery of its amortized cost basis. If the Company does not intend to sell the debt security and it is not more likely than not that the Company will be required to sell the debt security before recovery of its amortized cost basis, the Company would separate the difference between the amortized cost and the fair value of the debt security into the credit loss component and the non-credit loss component. The credit loss component would be recognized in earnings and the non-credit loss component would be recognized in other comprehensive income, net of applicable income taxes.

Foreign Currency Transactions

The Company uses the U.S. dollar as its functional currency. Monetary assets and liabilities and transactions denominated in currencies other than an entity's functional currency are remeasured into its functional currency using current exchange rates, whereas nonmonetary assets and liabilities are remeasured using historical exchange rates. The Company recognizes gains and losses from such remeasurements within other income (expense), net in the consolidated statements of income in the period of occurrence.

Other Receivables

As of December 31, 2023, the Company had collateral receivable of $2.8 million with the counterparties on its foreign currency exchange contract and is recorded as collateral on foreign currency forward contract in the consolidated balance sheets.

Derivatives

All derivatives held by the Company are recognized in the consolidated balance sheets at fair value. Changes in fair value for derivatives that do not meet the criteria for hedge accounting, or for which the Company has not elected hedge accounting are recorded in the consolidated statements of income. If a derivative is recorded using hedge accounting, then depending on its nature, changes in its fair value will be either offset against change in the fair value of hedged assets or liabilities through the consolidated statements of income or recorded in other comprehensive income.

The Company had no derivatives designated as hedges as of December 31, 2023 and 2022. The Company holds warrants issued to the Company in conjunction with term loan investments discussed in Note 3. These warrants meet the definition of a derivative and are included in warrant assets in the consolidated balance sheets. The Company also uses a foreign currency forward contract to manage the impact of fluctuations in foreign currency denominated cash flows expected to be received from one of its royalty finance receivables denominated in a foreign currency. The foreign currency forward contract discussed in Note 9 is not designated as a hedging instrument, and changes in fair value are recognized in earnings.

Revenue Recognition

Finance Receivables Segment

The Company's Finance Receivables segment records interest income on an accrual basis based on the effective interest rate method to the extent that it expects to collect such amounts. The Company recognizes investment management fees when clients invest in our recommended transactions as earned over the period the services are rendered. Incentive fees, if any, are recognized when earned at the end of the relevant performance period, pursuant to the underlying contract. The Company did not recognize any management or incentive fees in 2023 or 2022. Other service revenues are recognized when contractual obligations are fulfilled or as services are provided.

Pharmaceutical Development Segment

The Company's Pharmaceutical Development segment enters into collaboration and licensing agreements with strategic partners, under which it may exclusively license rights to research, develop, manufacture and commercialize its product candidates to third parties. The terms of these arrangements typically include payment to the Company of one or more of the following: non-refundable, upfront license fees; reimbursement of certain costs; customer option exercise fees; development, regulatory and commercial milestone payments; and royalties on net sales of licensed products.

In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its agreements, the Company performs the following steps: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation. As part of the accounting for these arrangements, the Company must use its judgment to determine: (a) the number of performance obligations based on the determination under step (ii) above; (b) the transaction price under step (iii) above; (c) the stand-alone selling price for each performance obligation identified in the contract for the allocation of transaction price in step (iv) above; and (d) the contract term and pattern of satisfaction of the performance obligations under step (v) above. The Company uses judgment to determine whether milestones or other variable consideration, except for royalties, should be included in the transaction price as described further below. The transaction price is allocated to each performance obligation on a relative stand-alone selling price basis, for which the Company recognizes revenue as or when the performance obligations under the contract are satisfied.

Amounts received prior to satisfying the revenue recognition criteria are recorded as deferred revenue in the Company's consolidated balance sheets. Amounts expected to be recognized as revenue within the 12 months following the balance sheet date are classified as current deferred revenue. Amounts not expected to be recognized as revenue within the 12 months following the balance sheet date are classified as deferred revenue, net of current portion. Deferred revenue as of December 31, 2023 and 2022 was $9,000 and $33,000, respectively, and is classified as current deferred revenue and is included in accounts payable and accrued liabilities in the consolidated balance sheets.

The Company evaluates collaboration agreements with respect to the Financial Accounting Standards Board ("FASB") ASC Topic 808, Collaborative Arrangements, considering the nature and contractual terms of the arrangement and the nature of its business operations to determine the classification of the transactions. When the Company is an active participant in the activity and exposed to significant risks and rewards dependent on the commercial success of the collaboration, it will record its transactions on a gross basis in the consolidated financial statements and describe the rights and obligations under the collaborative arrangement in the notes to the consolidated financial statements.

Exclusive Licenses

If the license to the Company's intellectual property is determined to be distinct from the other promises or performance obligations identified in the arrangement, the Company recognizes revenue from non-refundable, upfront fees allocated to the license when the license is transferred to the customer and the customer is able to use and benefit from the license. In assessing whether a promise or performance obligation is distinct from the other promises, the Company considers factors such as the research, manufacturing and commercialization capabilities of the collaboration partner; the retention of any key rights by the Company; and the availability of the associated expertise in the general marketplace. In addition, the Company considers whether the collaboration partner can benefit from a promise for its intended purpose without the receipt of the remaining promises, whether the value of the promise is dependent on the unsatisfied promise, whether there are other vendors that could provide the remaining promise, and whether it is separately identifiable from the remaining promise. For licenses that are combined with other promises, the Company exercises judgment to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time and, if over time, the appropriate method of measuring progress for purposes of recognizing revenue. The Company evaluates the measure of progress each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition. The measure of progress, and thereby periods over which revenue should be recognized, are subject to estimates by management and may change over the course of the research and development and licensing agreement. Such a change could have a material impact on the amount of revenue the Company records in future periods.

Customer Options

If an arrangement is determined to contain customer options that allow the customer to acquire additional goods or services, the goods and services underlying the customer options are not considered to be performance obligations at the outset of the arrangement, as they are contingent upon option exercise. The Company evaluates the customer options for material rights, or options to acquire additional goods or services for free or at a discount. If the customer options are determined to represent a material right, the material right is recognized as a separate performance obligation at the outset of the arrangement. The Company allocates the transaction price to material rights based on the relative standalone selling price, which is determined based on the identified discount and the probability that the customer will exercise the option. Amounts allocated to a material right are not recognized as revenue until, at the earliest, the option is exercised.

Research and Development Services

The promises under the Company's collaboration agreements may include research and development services to be performed by the Company on behalf of the partner. Payments or reimbursements resulting from the Company's research and development efforts are recognized as the services are performed and presented on a gross basis because the Company is the principal for such efforts. Reimbursements from and payments to the partner that are the result of a collaborative relationship with the partner, instead of a customer relationship, such as co-development activities, are recorded as a reduction to research and development expense.

Milestone Payments

At the inception of each arrangement that includes development milestone payments, the Company evaluates whether the milestones are considered probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the control of the Company or the licensee, such as regulatory approvals, are not considered probable of being achieved until those approvals are received. The

Company evaluates factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve the particular milestone in making this assessment. There is considerable judgment involved in determining whether it is probable that a significant revenue reversal would not occur. At the end of each subsequent reporting period, the Company reevaluates the probability of achievement of all milestones subject to constraint and, if necessary, adjusts its estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenues and earnings in the period of adjustment.

Royalties

For arrangements that include sales-based royalties, including milestone payments based on a level of sales, and the license is deemed to be the predominant item to which the royalties relate, the Company recognizes revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied). To date, the Company has not recognized any royalty revenue resulting from any of its licensing arrangements.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity date of three months or less at the date of purchase to be cash equivalents. There were no such investments at December 31, 2023 or 2022, as all of our cash was held in checking, savings and brokerage accounts. As of December 31, 2023, cash was deposited in financial institutions and consisted of immediately available fund balances. The Company maintains its cash deposits with well-known and stable financial institutions but balances may exceed stated federally insured limits.

Restricted Cash

Restricted cash as of December 31, 2023 is composed of a holdback amount associated with one of the Company's finance receivables.

Interest and Accounts Receivable

The Company records interest receivable on an accrual basis and recognizes it as earned in accordance with the contractual terms of the loan agreement, to the extent that such amounts are expected to be collected. When management does not expect that principal, interest, and other obligations due will be collected in full, the Company will generally place the loan on nonaccrual status and cease recognizing interest income on that loan until all principal and interest due has been paid or the Company believes the partner company has demonstrated the ability to repay the Company's current and future contractual obligations. Any uncollected interest related to prior periods is reversed from income in the period that collection of the interest receivable is determined to be doubtful. However, the Company may make exceptions to this policy if the investment has sufficient collateral value and is in the process of collection. The Company did not recognize any provision for interest receivable credit losses in 2023 and 2022.

Accounts receivable for management fees are recorded at the aggregate unpaid amount less any allowance for doubtful accounts. The Company determines an account receivable's delinquency status based on its contractual terms. Interest is not charged on outstanding balances. Accounts are written-off only when all methods of recovery have been exhausted. As of December 31, 2023 and 2022, the allowance for doubtful accounts was zero.

Certain Risks and Concentrations

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, interest and accounts receivable, finance receivables and marketable investments. The Company invests its excess cash with major U.S. banks and financial institutions. The Company has not experienced any losses on its cash and cash equivalents.

Finance Receivables Segment

The Company performs ongoing credit evaluations of its partner companies and generally requires collateral. For the year ended December 31, 2023, three of our business partners accounted for 35 percent of our interest and accounts receivable. For the year ended December 31, 2022, two of our business partners accounted for 31 percent of our interest and accounts receivable.

Pharmaceutical Development Segment

For the years ended December 31, 2023 and 2022, Cara accounted for approximately 23 percent and 87 percent, respectively, of Pharmaceutical Development segment revenues.

The Company does not expect its current or future credit risk exposures to have a significant impact on its operations. However, there can be no assurance that its business will not experience any adverse impact from credit risk in the future.

Stock-based Compensation

All employee and director stock-based compensation is measured at the grant date, based on the estimated fair value of the award, and is recognized as an expense over the requisite service period. Stock-based compensation expense is reduced for estimated future forfeitures. These estimates are revised in future periods if actual forfeitures differ from the estimates. Changes in forfeiture estimates impact compensation expense in the period in which the change in estimate occurs.

For restricted stock, the Company recognizes compensation expense in accordance with the fair value of the Company's stock as determined on the grant date, amortized over the applicable service period. When vesting of awards is based wholly or in part upon the future performance of the stock price, such terms result in adjustments to the grant date fair value of the award and the derivation of a service period. If service is provided over the derived service period, the adjusted fair value of the awards will be recognized as compensation expense, regardless of whether or not the awards vest.

Fair Value of Financial Instruments

The recorded values of cash and restricted cash, accounts and finance receivables, accounts payable, and accrued expenses approximate the fair values due to the short-term nature of the instruments. The recorded values of our foreign currency forwards are fair value based on observable inputs other than quoted prices.

Income Taxes

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is recorded to reduce deferred tax assets to an amount where realization is more likely than not.

If the Company ultimately determines that the payment of such a liability is not necessary, then the Company reverses the liability and recognizes a tax benefit during the period in which the determination is made that the liability is no longer necessary. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as a component of income tax benefit in the statements of income.

Comprehensive Income

The consolidated statements of comprehensive income have been omitted, as net income equals comprehensive income for the years ended December 31, 2023 and 2022.

Net Income per Share

Basic net income per share is computed using the weighted-average number of outstanding shares of common stock. Diluted net income per share is computed using the weighted-average number of outstanding shares of common stock, and when dilutive, shares of common stock issuable upon exercise of options and warrants deemed outstanding using the treasury stock method.

The following table shows the computation of basic and diluted earnings per share for the following (in thousands, except per share amounts):

	Year Ended December 31, 2023	Year Ended December 31, 2022
Numerator:		
Net income	$ 15,887	$ 13,491
Denominator:		
Weighted-average shares outstanding	12,653	12,835
Effect of dilutive securities	43	45
Weighted-average diluted shares	12,696	12,880
Basic net income per share	$ 1.26	$ 1.05
Diluted net income per share	$ 1.25	$ 1.05

As of December 31, 2023 and 2022, outstanding options to purchase shares of common stock and outstanding shares of restricted stock in an aggregate of approximately 122,000 and 248,000, respectively, have been excluded from the calculation of diluted net income per share, as such securities were anti-dilutive.

Recent Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848)," which provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. ASU 2020-04 provides optional expedients and exceptions for applying GAAP to transactions affected by reference rate reform if certain criteria are met. These transactions include: (i) contract modifications, (ii) hedging relationships, and (iii) sales or transfers of debt securities classified as held-to-maturity. ASU 2020-04 was effective upon issuance, and the provisions generally can be applied prospectively as of January 1, 2020 through December 31, 2024. The Company has identified existing loans that reference LIBOR and is in the process of evaluating alternatives in each situation. The Company expects that it will elect to apply some of the expedients and exceptions provided in ASU 2020-04 and does not believe the adoption of this standard will have a material impact on the Company's consolidated financial statements.

The Company adopted ASU 2016-13, as amended, on January 1, 2023 using the modified retrospective approach method. ASU 2016-13 replaced the incurred loss impairment methodology with a methodology that reflects a current expected credit loss ("CECL"). ASU 2016-13 impacted all of the Company's investments held at amortized cost. At December 31, 2022, the Company's allowance for credit losses of $11.8 million was the accumulation of allowance for credit losses ("ACL") applied to specific finance receivables, representing management's prior estimates of potential future losses on such finance receivables. As part of the Company's adoption of ASU 2016-13, management reviewed its prior estimates of finance receivable-specific ACL and chose to apply the full $11.8 million ACL under legacy GAAP to the finance receivables such allowance applied. Under the new CECL model, the net GAAP balances of such finance receivables are presented net of previously reported ACL and are included in the Company's estimated ACL for its Royalty Purchases portfolio segment.

Upon adoption of ASC 2016-13 on January 1, 2023, the Company's transition adjustment included $11.8 million of ACL on finance receivables, which is presented as a reduction to finance receivables, and a $0.4 million ACL on unfunded loan commitments, which is recorded within other non-current liabilities. The Company recorded a net decrease of $9.7 million to accumulated deficit as of January 1, 2023 for the cumulative effect of adopting ASU 2016-13, which reflects the transition adjustments noted above, net of the applicable deferred tax assets of $2.5 million. Results for reporting periods beginning after January 1, 2023 are presented under ASU 2016-13, while prior period amounts continue to be reported in accordance with previously applicable accounting standards. The Company elected not to measure an allowance for credit losses for accrued interest receivable and instead elected to reverse interest income on finance receivables when placed on nonaccrual status, or earlier if the Company believes the collection of interest is doubtful. The Company has concluded that this policy results in the timely reversal of uncollectible interest. Please refer to Note 3 for more information on how the Company determines its allowance for credit losses on finance receivables.

In March 2022, the FASB issued ASU 2022-02, "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures," which removes the accounting guidance for Troubled Debt Restructurings ("TDR") and requires entities to evaluate whether a modification provided to a borrower results in a new loan or continuation of an existing loan. The amendment enhances existing disclosures and requires new disclosures for receivables when there has been a modification in contractual cash flows due to a borrower experiencing financial difficulties. Additionally, the amendments require public business entities to disclose gross charge-off information by year of origination in the vintage disclosures. The Company adopted ASU 2022-02 on January 1, 2023 and incorporated the required disclosures into Note 3, Finance Receivables, Net.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which requires public entities to disclose information about their reportable segments' significant expenses on an interim and annual basis. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. Public entities are required to adopt the changes retrospectively, recasting each prior-period disclosure for which a comparative income statement is presented in the period of adoption. The Company is currently evaluating the impact of adopting this ASU on the Company's consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." The standard is intended to provide greater transparency in various income tax components that affect the rate reconciliation based on the applicable taxing jurisdictions, as well as the qualitative and quantitative aspects of those components. The ASU is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of this accounting standard update on its consolidated financial statements and related disclosures.

Note 2. Goodwill and Intangible Assets

Goodwill

The net book value of goodwill was solely related to the Enteris acquisition in 2019. The Company reviews goodwill for impairment on an annual basis or whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. During the year ended December 31, 2023 the Company decreased its financial expectations for the License Agreement and elected to bypass the qualitative goodwill impairment assessment and proceed directly with a quantitative assessment. The goodwill impairment test concluded that the fair value of the Company's Pharmaceutical Development reporting unit did not exceed the carrying amount and the Company recorded an impairment charge of $8.4 million and reduced the goodwill balance to $0. An income valuation approach was used to estimate the fair value of the Enteris reporting unit which was estimated through a probability-adjusted discounted cash flow analysis. During the prior year ended December 31, 2022 the carrying amount of goodwill did not change.

Intangible Assets

As of December 31, 2023 and 2022, the gross book value, accumulated amortization, net book value and estimated useful life of acquired intangible assets were as follows (in thousands, except estimated useful life data):

	As of December 31, 2023			
	Gross Book Value	Accumulated Amortization	Net Book Value	Estimated Useful Life
License Agreement[1]	$ 29,400	$ 23,167	$ 6,233	10
Trade names and trademarks	210	92	118	10
Customer relationships	240	104	136	10
Total intangible assets	$ 29,850	$ 23,363	$ 6,487	

	As of December 31, 2022			
	Gross Book Value	Accumulated Amortization	Net Book Value	Estimated Useful Life
License Agreement[1]	$ 29,400	$ 21,509	$ 7,891	10
Trade names and trademarks	210	71	139	10
Customer relationships	240	80	160	10
Total intangible assets	$ 29,850	$ 21,660	$ 8,190	

(1) Prior to our acquisition of Enteris, Enteris entered into the License Agreement with Cara, for oral formulation rights to Enteris' Peptelligence® technology to develop and commercialize Oral KORSUVA™ in any indication worldwide, excluding South Korea and Japan. Cara is obligated to pay Enteris certain development, regulatory and tiered commercial milestone payments, as well as low single-digit royalties based on net sales in the licensed territory.

Amortization expense was $1.7 million and $1.8 million for the years ended December 31, 2023 and 2022, respectively, and was recognized in the consolidated statements of net income. Based on amounts recorded at December 31, 2023, the Company will recognize acquired intangible asset amortization as follows (in thousands):

2024	$ 1,546
2025	1,076
2026	1,076
2027	1,076
2028	1,036
2029 and thereafter	677
Total	$ 6,487

Note 3. Finance Receivables

Finance receivables are reported at their determined principal balances net of any unearned income, cumulative charge-offs and unamortized deferred fees and costs. Unearned income and deferred fees and costs are amortized to interest income based on all cash flows expected using the effective interest method.

The carrying values of finance receivables are as follows (in thousands):

	December 31,	
	2023	2022
Term loans	$ 221,145	$ 188,836
Royalty purchases	67,260	59,565
Total before allowance for credit losses	288,405	248,401
Allowance for credit losses	(13,901)	(11,846)
Total carrying value	$ 274,504	$ 236,555

Allowance for Credit Losses

The ACL is management's estimate of the amount of expected credit losses over the life of the loan portfolio, or the amount of amortized cost basis not expected to be collected, at the balance sheet date. This estimate encompasses information about historical events, current conditions and reasonable and supportable economic forecasts. Determining the amount of the ACL is complex and requires extensive judgment by management about matters that are inherently uncertain. Given the current level of economic uncertainty, the complexity of the ACL estimate and level of management judgment required, we believe it is possible that the ACL estimate could change, potentially materially, in future periods. Changes in the ACL may result from changes in current economic conditions, our economic forecast, and circumstances not currently known to us that may impact the financial condition and operations of our borrowers, among other factors.

Expected credit losses are estimated on a collective basis for groups of loans that share similar risk characteristics. For finance receivables that do not share similar risk characteristics with other finance receivables, expected credit losses are estimated on an individual basis. Expected credit losses are estimated over the contractual terms of the finance receivables, adjusted for expected prepayments and unfunded commitments, generally excluding extensions and modifications. The loan portfolio segment is defined as the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. As part of the Company's quarterly assessment of the allowance, the finance receivables portfolio included two portfolio segments: Term Loans and Royalty Purchases.

The implementation of ASU 2016-13 also impacted the Company's ACL on unfunded loan commitments, as the ACL now represents expected credit losses over the contractual life of commitments not identified as unconditionally cancellable by the Company. The reserve for unfunded commitments is estimated using the same reserve or coverage rates calculated on collectively evaluated loans following the application of a funding rate to the amount of the unfunded commitment. The funding rate represents management's estimate of the amount of the current unfunded commitment that will be funded over the remaining contractual life of the commitment and is based on historical data. On January 1, 2023, the

Company recorded an adjustment for unfunded commitments of $0.4 million for the adoption of ASU 2016-13. As of December 31, 2023, the $0.2 million liability for credit losses on off-balance-sheet credit exposures is included in other non-current liabilities. Please refer to Note 7 for further information on the Company's unfunded commitments.

The following table details the changes in the allowance for credit losses by portfolio segment for the respective periods (in thousands):

	December 31, 2023			December 31, 2022		
	Term Loans	Royalties	Total	Term Loans	Royalties	Total
Allowance at beginning of period, prior to adoption of ASU 2016-13	$ —	$ 11,846	$ 11,846	$ —	$ 8,388	$ 8,388
Write offs[1]	—	(11,846)	(11,846)	—	—	—
Recoveries	—	—	—	—	33	33
Effect of adoption of ASU 2016-13	8,900	2,886	11,786	—	—	—
Allowance for credit losses	831	1,284	2,115	—	—	—
Allowance at end of period[2]	$ 9,731	$ 4,170	$ 13,901	$ —	$ 8,355	$ 8,355

(1) Reversal of finance receivable-specific ACL recognized in prior periods. No impact to consolidated statement of income for the year ended December 31, 2023. Please refer to Note 1 for further details.

(2) The allowance at end of period as of December 31, 2022 excludes the Company's $3.5 million allowance on its cost method investment.

Non-Accrual Finance Receivables

The Company originates finance receivables to companies primarily in the life sciences sector. This concentration of credit exposes the Company to a higher degree of risk associated with this sector.

On a quarterly basis, the Company evaluates the carrying value of its finance receivables. Recognition of income is suspended, and the finance receivable is placed on non-accrual status when management determines that collection of future income is not probable. This evaluation is generally based on delinquency information, an assessment of the borrower's financial condition and the adequacy of collateral, if any. The Company would generally place term loans on nonaccrual status when the full and timely collection of interest or principal becomes uncertain and they are 90 days past due for interest or principal, unless the term loan is both well-secured and in the process of collection. When placed on nonaccrual, the Company would reverse any accrued unpaid interest receivable against interest income and amortization of any net deferred fees is suspended. Generally, the Company would return a term loan to accrual status when all delinquent interest and principal become current under the terms of the credit agreement and collectibility of remaining principal and interest is no longer doubtful.

The following table presents nonaccrual and performing finance receivables by portfolio segment, net of credit loss allowance (in thousands):

	December 31, 2023			December 31, 2022		
	Nonaccrual	Performing	Total	Nonaccrual	Performing	Total
Term loans	$ 9,128	$ 212,017	$ 221,145	$ 11,304	$ 177,532	$ 188,836
Royalty purchases	16,854	50,406	67,260	6,736	52,829	59,565
Total before allowance for credit losses	$ 25,982	$ 262,423	$ 288,405	$ 18,040	$ 230,361	$ 248,401
Allowance for credit losses	$ (1,447)	$ (12,454)	$ (13,901)	$ (10,091)	$ (1,755)	$ (11,846)
Total carrying value	$ 24,535	$ 249,969	$ 274,504	$ 7,949	$ 228,606	$ 236,555

As of December 31, 2023, the Company had four finance receivables in nonaccrual status: (1) the term loan to Trio Healthcare Ltd. ("Trio"), with a carrying value of $9.1 million; (2) the Flowonix Medical, Inc. ("Flowonix") royalty, with a carrying value of $10.4 million (see *Loan Modifications Made to Borrowers Experiencing Financial Difficulty* below for further details); (3) the Best ABT, Inc. ("Best") royalty, with a carrying value of $2.6 million; and (4) the Ideal Implant, Inc. ("Ideal") royalty, with a carrying value of $3.8 million. Although in nonaccrual status, none of the finance receivables were considered impaired as of December 31, 2023. The Company collected $2.4 million and $1.1 million on its nonaccrual finance receivables during the year ended December 31, 2023 and December 31, 2022, respectively.

Loan Modifications Made to Borrowers Experiencing Financial Difficulty

Effective January 1, 2023, the Company adopted the provisions of ASU 2022-02, which eliminated the accounting for TDRs while expanding loan modification and vintage disclosure requirements. The update specifically required additional disclosures on loan modifications to borrowers experiencing financial difficulties that involved an interest rate reduction, other-than-insignificant payment delay, a term extension, principal forgiveness or a combination thereof.

During the year ended December 31, 2023, the Company made one significant modification to a borrower experiencing financial difficulty involving an other-than-insignificant payment delay and a term extension/modification. Flowonix's assets were sold to Algorithm Sciences, Inc. ("Algorithm") during the year ended December 31, 2023, and in exchange for releasing its lien, the Company received $1.5 million of cash at close, bringing the carrying value from $11.9 million as of June 30, 2023 to $10.4 million as of December 31, 2023. The Company expects to receive royalties on the net sales of two products beginning in late 2024.

Although in nonaccrual status, the Flowonix royalty was not considered impaired as of December 31, 2023 and is considered in the $4.2 million Royalty allowance for credit losses as of December 31, 2023. On an ongoing basis, the Company monitors the performance of modified loans to their restructured terms.

Credit Quality of Finance Receivables

The Company evaluates all finance receivables on a quarterly basis and assigns a risk rating based upon management's assessment of the borrower's likelihood of repayment. The assessment is subjective and based on multiple factors, including but not limited to, financial strength of borrowers and operating results of the underlying business. The credit risk analysis and rating assignment is performed quarterly in conjunction with the Company's assessment of its allowance for credit losses. The Company uses the following definitions for its risk ratings for Term Loans:

1: Borrower performing well below Company expectations, and the borrower's ability to raise sufficient capital to operate its business or repay debt is highly in question. Finance receivables rated a 1 are on non-accrual and are at an elevated risk for principal impairment.

2: Borrower performing below plan, and the loan-to-value is generally worse than at the time of underwriting. Borrower has limited access to additional capital to operate its business. Finance receivables rated a 2 might be placed on non-accrual. While there is a potential for future principal impairment, we may refrain from placing borrower on non-accrual due to enterprise value coverage, continued receipt of interest payments, and/or anticipate a near-term capital raise.

3: Borrower performing in-line-to-modestly-below Company expectations, and loan-to-value is similar to slightly worse than at the time of underwriting. Borrower has demonstrated access to capital markets.

4: Borrower performing in line-to-modestly above Company expectations and loan-to-value similar or modestly better than underwriting case. Borrower has demonstrated access to capital markets.

5: Borrower performing in excess of Company expectations, and loan-to-value is better than at time of origination.

The Company uses an internal credit rating system which rates each Royalty on a color scale of Green to Red, with Green typically indicative of a Royalty that is exceeding base underwritten case and Red reflective of underperformance relative to plan.

The following table summarizes the carrying value of Finance Receivables by origination year, grouped by risk rating as of December 31, 2023 (in thousands):

	December 31, 2023						
	2023	2022	2021	2020	2019	Prior	Total
Term Loans							
5	$ —	$ —	$ 13,734	$ —	$ 5,696	$ —	$ 19,430
4	25,799	32,211	—	—	—	10,485	68,495
3	24,341	24,285	10,227	—	31,807	—	90,660
2	—	6,924	12,493	—	—	14,015	33,432
1	—	—	9,128	—	—	—	9,128
Subtotal - Term Loans	$ 50,140	$ 63,420	$ 45,582	$ —	$ 37,503	$ 24,500	$ 221,145
Royalties							
Green	$ 27,785	$ —	$ —	$ 14,650	$ —	$ 1,340	$ 43,775
Yellow	—	—	—	3,212	—	3,419	6,631
Red	—	—	3,834	10,433	—	2,587	16,854
Subtotal - Royalty Purchases	$ 27,785	$ —	$ 3,834	$ 28,295	$ —	$ 7,346	$ 67,260
Total Finance Receivables, gross	$ 77,925	$ 63,420	$ 49,416	$ 28,295	$ 37,503	$ 31,846	$ 288,405

Note 4. Property and Equipment, Net

Property and equipment, net consisted of the following as of December 31, 2023 and 2022 (in thousands):

	December 31, 2023	December 31, 2022
Production equipment and other	$ 4,079	$ 3,895
Furniture and fixtures	198	59
Leasehold improvements	3,645	3,656
Capitalized software	192	87
Total	8,114	7,697
Less accumulated depreciation and amortization	(2,676)	(1,857)
Property and equipment, net	$ 5,438	$ 5,840

Depreciation and amortization expense on property and equipment was $0.8 million for both the years ended December 31, 2023 and 2022, respectively.

Note 5. Marketable Investments

Investments in corporate debt securities as of December 31, 2023 and 2022 consist of the following (in thousands):

	Year Ended December 31,	
	2023	2022
Corporate debt securities	$ 48	$ 76
Total marketable investments	$ 48	$ 76

The amortized cost basis amounts, gross unrealized holding gains, gross unrealized holding losses and fair values of available-for-sale debt securities as of December 31, 2023 and 2022, are as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2023	$ 48	$ —	$ —	$ 48
December 31, 2022	$ 76	$ —	$ —	$ 76

The following table presents realized and unrealized gains and losses on equity securities as prescribed by ASC 321, Investments - Equity Securities during the year ended December 31, 2023 and 2022 (in thousands):

	December 31, 2023	December 31, 2022
Unrealized net loss on equity securities reflected in the Consolidated Statements of Income	$ —	$ (528)
Fair value of common stock received upon exercise of warrant to purchase stock	—	3,667
Realized net loss on write-off of warrant assets and sale/tender of equity securities reflected in the Consolidated Statements of Income	(799)	(151)

Equity Securities

There was no equity securities activity during the year ended December 31, 2023. During the year ended December 31, 2022, the Company exercised its right to purchase Harrow Health, Inc. ("Harrow") common stock. Upon exercise, the Company received 306,347 shares of Harrow common stock with a fair value of $3.7 million, or $11.97 per share. During the year ended December 31, 2022, the Company sold its shares of Harrow and Bioventus common stock and received proceeds of $3.7 million and $0.5 million, respectively.

Note 6. Debt

Revolving Credit Facility

On June 28, 2023, the Company entered into a new Credit Agreement (the "Credit Agreement") by and among SWK Funding LLC, the Company's wholly-owned subsidiary (together with the Company, the "Borrower"), the lenders party thereto ("Lenders"), and First Horizon Bank as a Lender and Agent (the "Agent"). The Credit Agreement provides for a revolving credit facility with an initial maximum principal amount of $45.0 million. The Credit Agreement provides that the Company may request one or more incremental increases in an aggregate amount not to exceed $80.0 million, subject to the consent of the Agent and each Lender, at any time prior to the termination of the revolving credit period on June 28, 2026 (the "Commitment Termination Date"). The revolving credit period will be followed by a one-year amortization period, with the final maturity date of the Credit Agreement occurring on June 28, 2027.

The outstanding principal balance of the Credit Agreement will bear interest at a rate per annum equal to the sum of (i) Term SOFR (as defined in the Credit Agreement) plus (ii) 3.75 percent at all times prior to the Commitment Termination Date. The outstanding principal balance of the Revolving Credit Facility will bear interest at a rate per annum equal to the sum of (i) Term SOFR (as defined in the Credit Agreement) plus (ii) 4.25 percent at all times on and after the Commitment Termination Date. Under the terms of the Credit Agreement, all accrued and unpaid interest shall be due and payable, in arrears, on the first business day of each calendar month.

The Credit Agreement contains customary affirmative and negative covenants, in addition to financial covenants specifying that, as of the end of each calendar month, (i) the consolidated leverage ratio of Borrower will not exceed 1.00 to 1.00, (ii) the consolidated interest coverage ratio of Borrower will not be less than 4.00 to 1.00, (iii) the cash collection rate in relation to Borrower's portfolio of loan assets will not be less than 4.5 percent, for such calendar month, (iv) the net charge-off percentage in relation to Borrower's portfolio of loan assets will not exceed 3 percent for such calendar month, and (v) the weighted average risk rating in relation to Borrower portfolio of loan assets will not be less than 3.00. In addition, the Credit Agreement provides that at no time shall the Company permit its consolidated tangible net worth to be less than $145.0 million, or its Liquidity (as defined in the Credit Agreement) to be less than $5.0 million. The Credit Agreement also contains events of default customary for such financings, the occurrence of which would permit the Agent and Lenders to accelerate the aggregate principal amount due thereunder. As of December 31, 2023 the Company was in compliance with all covenants.

The Credit Agreement refinances the Company's Loan and Security Agreement dated as of June 29, 2018 (the "Prior Credit Agreement"), as amended, between the Company and Cadence Bank, N.A. ("Cadence Bank"), as the lender and administrative agent, which was due to expire on September 30, 2025. The Prior Credit Agreement was terminated by the Company, effective as of June 28, 2023.

On October 10, 2023, the Company entered into a First Amendment to Credit Agreement pursuant to which Woodforest National Bank was added as a lender under the Credit Agreement for an aggregate commitment of $15.0 million, thereby increasing the aggregate commitments under the Credit Agreement from $45.0 million to $60.0 million.

As of December 31, 2023, $12.4 million was outstanding under the new Credit Agreement, and approximately $2.4 million was outstanding under the Prior Credit Agreement as of December 31, 2022. During the year December 31, 2023 and 2022, the Company recognized $1.0 million and $0.3 million, respectively, of interest expense relating to the old and new Credit Agreements.

Senior Notes Due 2027

On October 3, 2023, the Company issued a $30.0 million aggregate principal amount of 9 percent Senior Notes due 2027 ("2027 Senior Notes" or "Notes") in a registered underwritten public offering. On October 27, 2023, the underwriter exercised in full, its over-allotment option by purchasing an additional approximately $3.0 million aggregate principal amount of the 2027 Senior Notes. The interest rates are fixed at 9% per annum and are payable quarterly in arrears on March 31, June 30, September 30, and December 31 of each year, commencing on December 31, 2023, and until maturity. The Notes will mature on January 31, 2027. The total net proceeds from the debt offering, after deducting initial purchase discounts and debt issuance costs, were approximately $30.6 million. The Company intends to use the net proceeds from the Offering for general corporate purposes, including funding future acquisitions and investments, repaying indebtedness, making capital expenditures, and funding working capital.

The following table summarizes the outstanding balance of the Notes, net of debt issuance costs, as of December 31 (in thousands):

	2023	2022
2027 Senior Notes	32,969	—
Debt issuance costs	(2,188)	—
Total Long-term debt, net	30,781	—

The Company's future principal obligations for the notes were as follows as of December 31 (in thousands):

	2023	2022
2024	—	—
2025	—	—
2026	—	—
2027	32,969	—
Total Long-term debt, net	32,969	—

The Company may redeem the Notes for cash in whole or in part at any time (i) on or after September 30, 2025 (the "First Call Date") and prior to September 30, 2026, at a price equal to the sum of 102% of their principal amount, and (ii) on or after September 30, 2026 at a price equal to the sum of 100% of their principal amount, plus (in each case noted above) accrued and unpaid interest to, but excluding, the date of redemption. At any time prior to the First Call Date, the Company may, at its option, redeem the Notes for cash, in whole at any time or in part from time to time at a redemption price equal to (i) 100% of the principal amount of Notes redeemed, plus (ii) a Make-Whole Amount (as defined in the Indenture), plus (iii) accrued and unpaid interest, if any, to, but excluding, the date of redemption. On and after any redemption date, interest will cease to accrue on the redeemed Notes. Additionally, upon the occurrence of a Triggering Event (as defined in the Indenture), holders of the Notes will have the right to require the Company to make an offer to repurchase all or any portion of their Notes for cash at a purchase price equal to 100% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the date of purchase.

The Notes are senior unsecured obligations of the Company and rank equal in right of payment with the Company's existing and future senior unsecured indebtedness.

The Company evaluated the 2027 Senior Notes for derivatives pursuant to ASC 815, Derivatives and Hedging, and identified an embedded derivative that required bifurcation as the feature is not clearly and closely related to the host instrument. The embedded derivative was a default provision, which could require additional interest payments. The Company determined that the fair value of the embedded derivative was immaterial as of December 31, 2023.

Note 7. Commitments and Contingencies

Lease Obligations

Topic 842, *Leases,* establishes a right-of-use ("ROU") model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than twelve months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. The Company's leases consist of operating leases for office space. The Company determines if an arrangement is a lease at inception. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease right-of-use assets are recognized at commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

All the Company's material leases are operating leases. ROU assets related to operating leases are included on the balance sheet in the other non-current assets caption and operating lease cost is recognized over the lease term on a straight-line basis and is classified within general and administrative cost on the income statement. In March of 2023, the Company entered into a new lease for additional office space in Dallas, Texas. The Company's corporate office spaces in Dallas, Texas total approximately 6,850 square feet consisting of the two office locations. Total rent expense recognized was $0.2 million for the year ended December 31, 2023 and $0.1 million for the year ended December 31, 2022. The respective office leases expire in August 2028 and August 2025.

The Enteris headquarters is located in Boonton, New Jersey, where Enteris leases approximately 32,000 square feet of space. Total rent expense recognized under the lease was $0.3 million for both the years ended December 31, 2023 and 2022. The office lease expires in December 2024 with an option to renew for an additional five years.

Cash paid for amounts included in the measurement of operating lease liabilities was $0.4 million and $0.3 million for the years ended December 31, 2023 and 2022 and right-of-use assets obtained in exchange for new operating lease obligations was $0.6 million and $0.

The components of lease cost is as follows (in thousands):

	December 31, 2023	December 31, 2022
Operating lease cost	$ 472	$ 336
Variable lease cost	49	2
Total lease cost	$ 521	$ 338

Supplemental balance sheet information related to operating leases is as follows (in thousands):

	December 31, 2023	December 31, 2022
Operating lease right-of-use assets	$ 2,085	$ 1,692
Operating lease liabilities, current	367	235
Operating lease liabilities, non-current	1,863	1,509
Total operating lease liabilities	$ 2,230	$ 1,744

	December 31, 2023	December 31, 2022
Weighted-average remaining lease term (years)	5.3	6.6
Weighted-average discount rate	6.3%	5.9%

Future minimum rent on the Company's operating leases is as follows (in thousands):

2024	510
2025	504
2026	460
2027	465
2028	405
Thereafter	272
Total future lease payments	$ 2,616

Contingent Consideration

The Company recorded contingent consideration related to the 2019 acquisition of Enteris and sharing of certain milestone and royalties due to Enteris pursuant to the License Agreement. Contingent consideration is remeasured to fair value at each reporting date until the contingency is resolved, with changes in the estimated fair value recognized in earnings. The estimated fair value of contingent consideration as of December 31, 2023 and 2022 was $4.9 million and $11.2 million, respectively. The company recognized $6.3 million of remeasurement gain on the change in the estimated fair value of its contingent consideration during year ended December 31, 2023. See Note 9 for further information regarding the Company's contingent consideration.

Unfunded Commitments

As of December 31, 2023, the Company's unfunded commitments were as follows (in thousands):

Journey Medical Corporation	$ 5,000
Total unfunded commitments	$ 5,000

Per the terms of the royalty purchase or credit agreements, unfunded commitments are contingent upon reaching an established revenue threshold or other performance metrics on or before a specified date or period of time, and in the case of loan transactions, are subject to being advanced as long as an event of default does not exist.

On January 1, 2023, the Company adopted ASU 2016-13, which replaced the incurred loss methodology with an expected loss model known as the CECL model. See Note 3 for information regarding the Company's allowance for credit losses related to its unfunded commitments.

Litigation

The Company is involved in, or has been involved in, arbitrations or various other legal proceedings that arise from the normal course of its business. The ultimate outcome of any litigation is uncertain, and either unfavorable or favorable outcomes could have a material impact on the Company's results of operations, balance sheets and cash flows due to defense costs, and divert management resources. The Company cannot predict the timing or outcome of these claims and other proceedings. As of December 31, 2023, the Company is not involved in any arbitration and/or other legal proceeding that it expects to have a material effect on its business, financial condition, results of operations and cash flows.

Indemnification

As permitted by 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 in such capacity, or in other capacities at the Company's request. The term of the indemnification period is for the officer's or director's lifetime. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a director and officer insurance policy that limits its exposure and enables the Company to recover a portion of any such amounts. As a result of the Company's insurance policy coverage, the Company believes the estimated fair value of these indemnification agreements is insignificant. Accordingly, the Company had no liabilities recorded for these agreements as of December 31, 2023 and 2022.

Note 8. Stockholders' Equity

Common Stock

The total number of shares of common stock, \$0.001 par value, that the Company is authorized to issue is 250,000,000.

Issuer Purchases of Equity Securities

On May 31, 2022, the Board authorized a share repurchase program under which the Company was previously authorized to repurchase up to \$10.0 million of the Company's outstanding shares of common stock from time to time until May 15, 2023, through a Rule 10b5-1 trading plan in compliance with all applicable laws and regulations, including Rule 10b-18 of the Exchange Act (the "Prior Repurchase Program"). The purchase period for the Prior Repurchase Program was July 1, 2022 through May 15, 2023.

On May 16, 2023, the Company announced that the Board had authorized the Company to repurchase up to \$10.0 million of the Company's outstanding shares of common stock from time-to-time until May 16, 2024, through a trading plan established in compliance with Rule 10b5-1 and Rule 10b-18 of the Exchange Act (the "New Repurchase Program"). The actual timing, number and value of shares repurchased under the New Repurchase Program will depend on several factors, including the constraints specified in the Rule 10b5-1 trading plan, price, and general market conditions. There is no guarantee as to the exact number of shares that will be repurchased under the New Repurchase Program. Our Board may also suspend or discontinue the New Repurchase Program at any time, in its sole discretion. The purchase period for the New Repurchase Program is May 16, 2023 through May 16, 2024.

As of December 31, 2023, the Company has repurchased 326,088 shares under the new share repurchase program at a total cost of \$5.4 million, or \$16.65 per share. As of December 31, 2023, the maximum number of shares that may yet be purchased under the plan was approximately \$4.6 million, or 289,297 shares of common stock.

Preferred Stock

The Company's Board may, without further action by the stockholders, issue one or more series of preferred stock and fix the rights and preferences of those shares, including the dividend rights, dividend rates, conversion rights, exchange rights, voting rights, terms of redemption, redemption price or prices, liquidation preferences, the number of shares constituting any series and the designation of such series. As of December 31, 2023, no shares of preferred stock have been issued.

Stock Compensation Plans

The Company's 2010 Stock Incentive Plan (the "2010 Stock Incentive Plan") provides for options, restricted stock, and other customary forms of equity to be granted to the Company's directors, officers, employees, and independent contractors. All forms of equity incentive compensation are granted at the discretion of the Board and have a term not greater than 10 years from the date of grant.

The calculation of the fair values of our stock-based compensation plans requires estimates that require management's judgments. Under ASC 718, *Compensation - Stock Compensation*, the fair value of each stock option is estimated on the grant date using the Black-Scholes option-pricing model. The valuation models require assumptions and estimates to determine expected volatility, expected life and expected risk-free interest rates. The expected volatility was determined using historical volatility of our stock based on the contractual life of the award. The risk-free interest rate assumption was based on the yield on zero-coupon U.S. Treasury strips at the award grant date. There were no options granted in the fiscal years ended December 31, 2023 and 2022.

The following table summarizes activities under the 2010 Stock Incentive Plan for the indicated periods:

	Options Outstanding			
	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Balances, December 31, 2021	287,500	$ 10.75	5.7	$ 1,746
Options canceled and retired	(72,500)	14.50		
Options exercised	(125,000)	12.98		
Options granted	—	—		
Balances, December 31, 2022	90,000	10.88	6.3	364
Options canceled and retired	(22,039)	16.29		
Options exercised, net	(461)	16.29		
Options granted	—	—		
Balances, December 31, 2023	67,500	12.70	5.0	326
Options vested and exercisable and expected to be vested and exercisable at December 31, 2023	67,500	$ 12.70	5.0	$ 326
Options vested and exercisable at December 31, 2023	63,750	$ 12.49	5.0	$ 321

At December 31, 2023, there were approximately 741,274 shares reserved for issuance under the 2010 Stock Incentive Plan, and the Company had $2,325 of total unrecognized stock option expense for time-based awards, net of estimated forfeitures, which will be recognized over the weighted-average remaining period of 0.03 years.

The following table summarizes significant ranges of outstanding and exercisable options as of December 31, 2023:

Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life (in years)	Weighted-Average Exercise Price per Share	Number Exercisable	Weighted-Average Exercise Price per Share
$ 9.61	15,000	2.5	$ 9.61	15,000	$ 9.61
12.50	18,750	5.4	12.50	18,750	12.50
12.50	18,750	5.4	12.50	18,750	12.50
16.29	15,000	6.3	16.29	11,250	16.29
Total	67,500	4.9	$ 12.70	63,750	$ 12.49

Employee stock-based compensation expense recognized for time-vesting options for the years ended December 31, 2023 and 2022, uses the Black-Scholes option pricing model for estimating the fair value of options granted under the Company's equity incentive plans. Risk-free interest rates for the options were taken from the Daily Federal Yield Curve Rates on the grant dates for the expected life of the options as published by the Federal Reserve. The expected volatility was based upon historical data and other relevant factors such as the Company's changes in historical volatility and its capital structure, in addition to mean reversion. Employee stock-based compensation expense recognized for market performance-vesting options uses a binomial lattice model for estimating the fair value of options granted under the Company's equity incentive plan.

In calculating the expected life of stock options, the Company determines the amount of time from grant date to exercise date for exercised options and adjusts this number for the expected time to exercise for unexercised options. The expected time to exercise for unexercised options is calculated from grant as the midpoint between the expiration date of the option and the later of the measurement date or the vesting date. In developing the expected life assumption, all amounts of time are weighted by the number of underlying options.

During the year ended December 31, 2022, the Company's Board approved the modification of the previous Chief Executive Officer's ("CEO's") stock options with respect to 100,000 Shares with an exercise price of $13.70 per share pursuant to an award agreement dated August 18, 2014. The Company and the previous CEO agreed that (i) 50 percent of the 2014 award has already vested due to the satisfaction of time-based vesting conditions set forth in the 2014 award agreement, and a cashless exercise of the 2012 award was facilitated by net settlement of exercise price and taxes. The remaining 50 percent of the 2014 award that had not vested as of December 31, 2021 was forfeited as of the date on which the previous CEO separated from the Company, or September 30, 2022.

During the year ended December 31, 2023, 25,944 restricted shares were granted and 15,989 restricted shares vested. During the year ended December 31, 2022, 41,427 restricted shares were granted and 4,696 restricted shares vested. As of December 31, 2023 and 2022, there were 97,283 and 71,339 shares of restricted stock outstanding, respectively.

In September 2022, the Board approved a change in the compensation plan for non-employee directors such that each non-employee director shall receive a cash retainer of $55,000, payable quarterly in arrears. The Board will also receive an annual equity retainer of $55,000 in restricted shares of the Company's common stock, subject to a one-year cliff vesting period. In addition, each member of (i) the Audit Committee shall receive an additional quarterly fee of $10,000, with the Audit Committee Chair receiving $15,000; (ii) the Compensation Committee shall receive an additional quarterly fee of $6,000, with the Compensation Committee Chair receiving $8,000; and (iii) the Governance Committee shall receive an additional quarterly fee of $6,000, with the Governance Committee Chair receiving $8,000. Each non-employee director has the option to elect to receive up to 100 percent of the annual cash retainer in shares of the Company's common stock.

During the years ended December 31, 2023 and 2022, the Board approved compensation for Board services by granting 9,897 and 13,168 shares, respectively, of common stock as compensation for the non-employee directors. The Board also received 9,151 restricted shares as compensation for the non-employee directors during the year ended December 31, 2022. The Company recorded $0.3 million in Board stock-based compensation expense during both the years ended December 31, 2023 and 2022. The Company recorded aggregate stock-based compensation expense, including the quarterly and annual Board grants, of $0.5 million and $0.5 million during the years ended December 31, 2023 and 2022, respectively.

Note 9. Fair Value Measurements

The Company measures and reports certain financial and non-financial assets and liabilities on a fair value basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). GAAP specifies a three-level hierarchy that is used when measuring and disclosing fair value. The fair value hierarchy gives the highest priority to quoted prices available in active markets (i.e., observable inputs) and the lowest priority to data lacking transparency (i.e., unobservable inputs). An instrument's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. The following is a description of the three hierarchy levels.

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. Active markets are considered to be those in which transactions for the assets or liabilities occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability. This category includes quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in inactive markets.

Level 3: Unobservable inputs are not corroborated by market data. This category is comprised of financial and non-financial assets and liabilities whose fair value is estimated based on internally developed models or methodologies using significant inputs that are generally less readily observable from objective sources.

Transfers into or out of any hierarchy level are recognized at the end of the reporting period in which the transfers occurred. There were no transfers between any levels during the years ended December 31, 2023 and 2022.

The following information is provided to help readers gain an understanding of the relationship between amounts reported in the accompanying consolidated financial statements and the related market or fair value. The disclosures include financial instruments and derivative financial instruments, other than investment in affiliates.

Following are descriptions of the valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models and significant assumptions utilized.

Cash and cash equivalents

The carrying amounts reported in the balance sheet for cash, cash equivalents, and restricted cash approximate those assets' fair values.

Securities available for sale

Certain common equity securities are reported at fair value utilizing Level 1 inputs (exchange quoted prices).

Finance Receivables

The fair values of finance receivables are estimated using discounted cash flow analyses, using market rates at the balance sheet date that reflect the credit and interest rate-risk inherent in the finance receivables. Projected future cash flows are calculated based upon contractual maturity or call dates, projected repayments and prepayments of principal. These receivables are classified as Level 3. Finance receivables are not measured at fair value on a recurring basis, but estimates of fair value are reflected below.

Contingent Consideration

The Company recorded contingent consideration related to the August 2019 acquisition of Enteris and sharing of certain milestone and royalties due to Enteris pursuant to the License Agreement.

The fair value measurements of the contingent consideration obligations and the related intangible assets arising from business combinations are classified as Level 3 estimates under the fair value hierarchy, as these items have been valued using unobservable inputs. These inputs include: (a) the estimated amount and timing of projected cash flows; (b) the probability of the achievement of the factors on which the contingency is based; and (c) the risk-adjusted discount rate used to present value the probability-weighted cash flows. Changes in fair value of this obligation are recorded as income or expense within operating income in our consolidated statements of income. Significant increases or decreases in any of those inputs in isolation could result in a significantly lower or higher fair value measurement.

As of December 31, 2023 and 2022, the acquisition-related contingent consideration was $4.9 million and $11.2 million, respectively. During the year ended December 31, 2023 and 2022, the Company recorded a $6.3 million gain and a $5.2 million loss, respectively, for the change in the estimated fair value of contingent consideration. The Company made no payments during the year ended December 31, 2023 and made a $2.5 million payment against the contingent consideration liability during the years ended December 31, 2022.

Marketable Investments

If active market prices are available, fair value measurement is based on quoted active market prices and, accordingly, these securities would be classified as Level 1. If active market prices are not available, fair value measurement is based on observable inputs other than quoted prices included within Level 1, such as prices for similar assets or broker quotes utilizing observable inputs, and accordingly these securities would be classified as Level 2. If market prices are not available and there are no observable inputs, then fair value would be estimated by using valuation models including discounted cash flow methodologies, commonly used option-pricing models and broker quotes. Such securities would be classified as Level 3, if the valuation models and broker quotes are based on inputs that are unobservable in the market. If fair value is based on broker quotes, the Company checks the validity of received prices based on comparison to prices of other similar assets and market data such as relevant bench mark indices. Available-for-sale securities are measured at fair value on a recurring basis, while securities with no readily available fair market value are not, but estimates of fair value are reflected below.

Derivative Instruments

For exchange-traded derivatives, fair value is based on quoted market prices, and accordingly, would be classified as Level 1. For non-exchange traded derivatives, fair value is based on option pricing models and are classified as Level 3.

The Company uses a foreign currency forward contract to manage the impact of fluctuations in foreign currency denominated cash flows expected to be received from one of its royalty finance receivables denominated in a foreign currency. The foreign currency forward contract is not designated as a hedging instrument, and changes in fair value are recognized in earnings. The foreign currency forward was recorded in other non-current assets and other non-current liabilities in the consolidated balance sheets as of December 31, 2023 and December 31, 2022, respectively. The Company recognized a $1.7 million gain due to changes in fair value related to its foreign currency forward contract during the year ended December 31, 2023.

The following table presents financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2023 (in thousands):

	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Warrant assets	$ 1,759	$ —	$ —	$ 1,759
Marketable investments	48	—	—	48
Foreign Currency Forward Contract	974	—	—	974
Financial liabilities:				
Contingent consideration payable	$ 4,900	$ —	$ —	$ 4,900

The following table presents financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2022 (in thousands):

	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Warrant assets	$ 1,220	$ —	$ —	$ 1,220
Marketable investments	76	—	—	76
Financial liabilities:				
Contingent consideration payable	$ 11,200	$ —	$ —	$ 11,200
Derivative liability - foreign currency forward	$ 754	$ —	$ —	$ 754

The contingent consideration payable is valued using a discounted cash flow approach and includes a significant unobservable input which is the discount rate. As of the year ended December 31, 2023 and 2022 the discount rate was 14.5% and 14.0%, respectively. During the year ended December 31, 2023 there was a change in the range of outcomes as a result of royalty and milestone cash flow projections being decreased for the License Agreement.

The changes on the value of the warrant assets during the years ended December 31, 2023 and 2022 were as follows (in thousands):

Fair Value - December 31, 2021	$ 3,419
Issuance	1,180
Exercised	(3,796)
Change in fair value	417
Fair Value - December 31, 2022	1,220
Issuance	1,364
Cancelled	(770)
Change in fair value	(55)
Fair Value - December 31, 2023	$ 1,759

The Company holds warrants issued to the Company in conjunction with certain term loan investments. These warrants meet the definition of a derivative and are included in the consolidated balance sheets. The fair values for warrants outstanding, for companies that have a readily determinable value, are measured using the Black-Scholes option pricing model. The following range of assumptions were used in the models to determine fair value:

	December 31, 2023	December 31, 2022
Dividend rate	—	—
Risk-free rate	3.8% to 4.8%	4.0% to 4.3%
Expected life (years)	1.2 to 5.8	2.0 to 6.9
Expected volatility	75.3% to 154.3%	54.8% to 139.4%

The warrant assets are valued using a market approach and include significant unobservable inputs such as risk-free rate, expected life, and expected volatility. For the year ended December 31, 2023 the risk-free rate range was 3.8%-4.8%, weighted average of 4.3%, and median of 3.8%. For the year ended December 31, 2022 the risk-free rate range was 4.0%-4.3%, weighted average of 4.0%, and median of 4.0%. For the year ended December 31, 2023 the expected life range was 1.2-5.8 years, weighted average of 3.4 years, and median of 4.4 years. For the year ended December 31, 2022 the expected life range was 2.0-6.9 years, weighted average of 6.2 years, and median of 5.4 years. For the year ended December 31, 2023 the expected volatility range was 75.4%-154.3%, weighted average of 124.6%, and median of 134.4%. For the year ended December 31, 2022 the expected volatility range was 54.8%-139.4%, weighted average of 93.8%, and median of 94.1%.

As of December 31, 2023, the Company had one royalty, Best, that was deemed to be impaired based on reductions in carrying value in prior periods. As of December 31, 2022, the Company had two royalties, Best and Cambia®, that were deemed to be impaired based on reductions in carrying values in prior periods. The following table presents these royalties measured at amortized cost using the effective interest method, which approximates fair value, on a nonrecurring basis as of December 31, 2023 and 2022 (in thousands):

	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2023	$ 2,587	$ —	$ —	$ 2,587
December 31, 2022	$ 3,545	$ —	$ —	$ 3,545

There were no liabilities measured at fair value on a nonrecurring basis as of December 31, 2023 or 2022.

The following information is provided to help readers gain an understanding of the relationship between amounts reported in the accompanying consolidated financial statements and the related market or fair value. The disclosures include financial instruments and derivative financial instruments.

The following table presents the fair value of financial assets and liabilities as of year ended December 31, 2023 (in thousands):

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Finance receivables	$ 274,504	$ 274,504	$ —	$ —	$ 274,504
Marketable investments	48	48	—	—	48
Warrant assets	1,759	1,759	—	—	1,759
Foreign Currency Forward Contract	974	974	—	—	974
Financial liabilities					
Contingent consideration payable	$ 4,900	$ 4,900	$ —	$ —	$ 4,900

The following table presents the fair value of financial assets and liabilities as of the year ended December 31, 2022 (in thousands):

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Finance receivables	$ 236,555	$ 236,555	$ —	$ —	$ 236,555
Marketable investments	76	76	—	—	76
Warrant assets	1,220	1,220	—	—	1,220
Financial liabilities					
Contingent consideration payable	$ 11,200	$ 11,200	$ —	$ —	$ 11,200
Derivative liability - foreign currency forward	754	754	—	—	754

Note 10. Revenue Recognition

The Company's Pharmaceutical Development segment recognizes revenues received from contracts with its customers by revenue source, as we believe it best depicts the nature, amount, timing and uncertainty of our revenue and cash flow. The Company's Finance Receivables segment does not have any revenues received from contracts with customers.

The following table provides the contract revenue recognized by revenue source for the years ended December 31, 2023 and 2022 (in thousands):

	December 31, 2023	December 31, 2022
Pharmaceutical Development Segment		
License Agreement	$ 273	$ 5,255
Pharmaceutical development and other	931	753
Total contract revenue	$ 1,204	$ 6,008

The Company's contract liabilities represent advance consideration received from customers and are recognized as revenue when the related performance obligation is satisfied.

The Company's contract liabilities are presented as deferred revenues and are included in accounts payable and accrued liabilities in the consolidated balance sheets (in thousands):

	December 31, 2023	December 31, 2022
Pharmaceutical Development Segment		
Deferred revenue	$ 9	$ 33
Total contract liabilities	$ 9	$ 33

During the year ended December 31, 2023, the Company recognized $24.0 thousand of 2022 deferred revenue from satisfaction of performance obligations. Please refer to Notes 1 and 2 for further details on the Company's deferred revenue and License Agreement, respectively. The Company did not have any contract assets nor did it have any contract liabilities related to the License Agreement as of December 31, 2023 or 2022.

Note 11. Segment Information

Selected financial and descriptive information is required to be provided about reportable operating segments, considering a "management approach" concept as the basis for identifying reportable segments. The management approach is based on the way that management organizes the segments within the Company for making operating decisions, allocating resources, and assessing performance. Consequently, the segments are evident from the structure of the Company's internal organization, focusing on financial information that the Company's CEO uses to make decisions about the Company's operating matters.

As described in Note 1, *SWK Holdings Corporation and Summary of Significant Accounting Policies,* the Company has determined it has two reportable segments: Finance Receivables and Pharmaceutical Development, and each are individually managed and provide separate services. Revenues by segment represent revenues earned on the services offered within each segment. The Company does not report assets by reportable segment, nor does the Company report results by geographic region, as these metrics are not used by the Company's chief executive officer in assessing performance or allocating resources to the segments.

Segment performance is evaluated based on several factors, including income (loss) from continuing operations before income taxes. Management uses this measure of profit (loss) to evaluate segment performance because the Company believes this measure is indicative of performance trends and the overall earnings potential of each segment. The Company does not report assets by reportable segment, as this metric is not used by the Company's CEO in assessing performance or allocating resources to the segments.

The following tables present financial information for the Company's reportable segments for the periods indicated (in thousands):

Year Ended December 31, 2023	Finance Receivables	Pharmaceutical Development and Other	Holding Company and Other	Consolidated
Revenue	$ 36,346	$ 1,202	$ —	$ 37,548
Other revenue	204	2	6	212
Allowance for credit losses	1,912	—	—	1,912
Interest expense	982	3	864	1,849
Change in fair value of contingent consideration	—	(6,300)		(6,300)
Impairment of goodwill	—	8,404	—	8,404
Manufacturing, research and development	—	3,436	—	3,436
Depreciation and amortization expense	—	2,525	52	2,577
General and administrative	527	2,874	7,830	11,232
Other expense, net	(13)	(24)	—	(37)
Income tax benefit	—	—	(1,274)	(1,274)
Net income (loss)	$ 33,117	$ (9,763)	$ (7,467)	$ 15,887

Year Ended December 31, 2022	Finance Receivables	Pharmaceutical Development and Other	Holding Company and Other	Consolidated
Revenue	$ 35,461	$ 5,485	$ —	$ 40,946
Other revenue	10	523	5	538
Allowance for credit losses and impairment expense	3,491	—	—	3,491
Interest expense	340	—	—	340
Manufacturing, research and development	—	6,952	—	6,952
Change in fair value of contingent consideration	—	5,170	—	5,170
Depreciation and amortization expense	—	2,593	6	2,599
General and administrative	333	3,617	9,014	12,964
Other expense, net	(477)	—	—	(477)
Income tax benefit	—	—	(4,000)	(4,000)
Net income (loss)	$ 30,829	$ (12,324)	$ (5,014)	$ 13,491

Included in Holdings Company and Other are the expenses of the parent holding company and certain other enterprise-wide overhead costs, which have been included for purposes of reconciling to the consolidated amounts.

Note 12. Income Taxes

The components of income before income tax benefit are as follows (in thousands):

	December 31, 2023	December 31, 2022
U.S.	$ 14,613	$ 9,491

During the years ended December 31, 2023 or 2022, the Company's benefit from income taxes was as follows (in thousands):

	December 31, 2023	December 31, 2022
Current (benefit) expense		
State	$ 13	$ (59)
Deferred (benefit)		
Federal	(1,233)	(3,922)
State	(54)	(19)
Total income tax (benefit) expense	$ (1,274)	$ (4,000)

The components of the income tax benefit are as follows(in thousands):

	December 31, 2023	December 31, 2022
Federal tax provision at statutory rate	$ 3,070	$ 2,035
Change in valuation allowance	(6,697)	(9,587)
State taxes, net of federal income tax benefit	(52)	(97)
Impairment of goodwill	1,765	—
Mark-to-market adjustments	(50)	(88)
Tax credits	(167)	(403)
Contingent consideration revaluation	(1,323)	1,044
Other	116	191
Write off of expired deferred tax assets	2,064	2,905
Total income tax benefit	$ (1,274)	$ (4,000)

The Company records deferred tax assets if the realization of such assets is more likely than not to occur in accordance with accounting standards that address income taxes. Significant management judgment is required in determining whether a valuation allowance against the Company's deferred tax assets is required. The Company has considered all available evidence, both positive and negative, such as historical levels of income and predictability of future forecasts of taxable income from existing investments, in determining whether a valuation allowance is required. The Company is also required to forecast future taxable income in accordance with accounting standards that address income taxes to assess the appropriateness of a valuation allowance, which further requires the exercise of significant management judgment. The Company focuses on forecasting future taxable income for the investment portfolio that exists as of the balance sheet date. Specifically, the Company evaluated the following criteria when considering a valuation allowance:

- the history of tax net operating losses in recent years;
- predictability of operating results;
- profitability for a sustained period of time; and
- level of profitability on a quarterly basis.

As of December 31, 2023, the Company had cumulative net income before tax for the three years then ended. Based on its historical operating performance, the Company had previously concluded that it was more likely than not that the Company would not be able to realize the full benefit of the U.S. federal and state deferred tax assets in the future. However, at December 31, 2023 the Company has concluded that it is more likely than not that the Company will be able to realize approximately $28.3 million benefit of the U.S. federal and state deferred tax assets in the future.

The Company will continue to assess the need for a valuation allowance on the deferred tax assets by evaluating both positive and negative evidence that may exist on a quarterly basis. Any adjustment to the deferred tax asset valuation allowance would be recorded in the consolidated statements of income for the period that the adjustment is determined to be required. The valuation allowance against deferred tax assets was $0 and $6.7 million as of December 31, 2023 and 2022, respectively.

Deferred tax assets consist of the following (in thousands):

	December 31, 2023	December 31, 2022
Deferred tax assets:		
Credit carryforward	$ 2,973	$ 2,947
Effect of adoption of ASU 2016-13	2,967	—
Stock based compensation	153	143
Other	2,438	3,846
Net operating losses	19,891	26,158
Gross deferred tax assets	$ 28,422	$ 33,094
Deferred tax liabilities:		
Intangible assets other than goodwill	586	(1,288)
Other	(718)	(629)
Valuation allowance	—	(6,697)
Net deferred tax assets	$ 28,290	$ 24,480

The Tax Reform Act of 1986 limits the use of NOLs and tax credit carryforwards in certain situations where stock ownership changes occur. In the event the Company has had a change in ownership, the future utilization of the Company's net operating loss and tax credit carryforwards could be limited.

As of December 31, 2023, the Company had NOL carryforwards for federal income tax purposes of approximately $87.7 million. The federal NOL carryforwards, if not offset against future income, will expire by 2037. Approximately $6.9 million can be carried forward indefinitely.

The Company also had federal research carryforwards of $3.0 million. The federal research credits began to expire in 2023 and will fully expire by 2042.

The Company records liabilities, where appropriate, for all uncertain income tax positions and recognizes potential accrued interest and penalties related to unrecognized tax benefits within income tax expense. As of December 31, 2023 and 2022, the Company had approximately $0.6 million and $0.7 million, respectively, of unrecognized tax benefit, none of which would impact the effective tax rate if recognized. The Company does not expect the unrecognized tax benefits to change materially over the next twelve months. There are no tax positions for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within twelve months of December 31, 2023.

The Company is subject to taxation in the U.S. and various state jurisdictions. The Company is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ending December 31, 1999 through December 31, 2023 due to carryforward of unutilized net operating losses and research and development credits. The Company does not anticipate significant changes to its uncertain tax positions through December 31, 2023.

Note 13. Subsequent Events

With an effective date of January 1, 2024, Enteris, a wholly owned subsidiary of SWK Holdings Corporation, entered into an exclusive option and asset purchase agreement with Aptar on March 14, 2024 which granted Aptar an exclusive option to acquire certain of Enteris' tangible assets related to its business of providing good manufacturing practice (GMP) manufacturing and clinical supply services through Phase 1 and 2 to third parties. Aptar must exercise the option by or before January 1, 2026.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to the Chief Executive Officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this report, our management, under the supervision and with the participation of the Chief Executive Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer has concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Management's Report on Internal Control over Financial Reporting

Our management, under the supervision of the Chief Executive Officer, is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes those policies and procedures which (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, (iii) provide reasonable assurance that receipts and expenditures are being made only in accordance with appropriate authorization of management and the board of directors, and (iv) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

In connection with the preparation of this report, our management, under the supervision and with the participation of the Chief Executive Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting as of the end of the period covered by this report based on the criteria established in *Internal Control—Integrated Framework* issued in 2013, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). As a result of that evaluation, management concluded that as of December 31, 2023, our internal control over financial reporting was effective based on the criteria set forth in the COSO framework.

This Annual Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management's report in this Annual Report.

Inherent Limitations over Internal Controls

Our system of controls is designed to provide reasonable, not absolute, assurance regarding the reliability and integrity of accounting and financial reporting. Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and fraud. A control system, no matter how well-designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. These inherent limitations include the following:

- Judgments in decision-making can be faulty, and control and process breakdowns can occur because of simple errors or mistakes;
- Controls can be circumvented by individuals, acting alone or in collusion with each other, or by management override;

- The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions;

- Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures; and

- The design of a control system must reflect the fact that resources are constrained, and the benefits of controls must be considered relative to their costs.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

Changes in Internal Control over Financial Reporting

There have been no changes during the Company's fiscal year ended December 31, 2023 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not Applicable.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable.

PART III

We have omitted from Part III the information that will appear in our Definitive Proxy Statement for our 2024 Annual Meeting of Stockholders (the “2024 Proxy Statement”), which we intend to file within 120 days after the end of our fiscal year pursuant to Regulation 14A.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Our Board has adopted a Code of Ethics and Conduct that applies to our principal executive officer, principal financial officer and principal accounting officer, as well as to the members of our Board and our other officers and employees. This Code of Ethics and Conduct is available on our website at www.swkhold.com. We intend to satisfy the amendment and waiver disclosure requirements under applicable securities regulations by posting any amendments of, or waivers to, the Code of Ethics and Conduct on our website.

The information under the principal headings “ELECTION OF DIRECTORS,” “SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE,” and “CODE OF ETHICS AND CONDUCT”, the information regarding executive officers of the Company under the subheading “Executive Officers”, and the information regarding the Audit Committee under the subheading “Board Meetings and Committees” under the principal heading “CORPORATE GOVERNANCE,” in the Company’s 2024 Proxy Statement is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information under the principal headings “DIRECTOR COMPENSATION,” “COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION”, “EXECUTIVE COMPENSATION,” and “RELATED INFORMATION” in the Company’s 2024 Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information under the principal headings “EQUITY COMPENSATION PLAN INFORMATION” and “OWNERSHIP OF EQUITY SECURITIES OF THE COMPANY” in the Company’s 2024 Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information under the principal heading “TRANSACTION WITH RELATED PERSONS” in the Company’s 2024 Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Our independent public accounting firm is BPM LLP, San Francisco, CA, USA, PCAOB Auditor Firm ID 207.

The information under the subheadings “Audit Fees and All Other Fees” and “Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors” below the principal heading “AUDIT FEES” in the Company’s 2024 Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

1. Financial Statements:

2. Exhibits: See attached Exhibit Index.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 20, 2024.

SWK Holdings Corporation

By: /s/ Joe D. Staggs
Joe D. Staggs
Chief Executive Officer
(Principal Executive Officer, Principal Financial and Accounting Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS that each individual whose signature appears below constitutes and appoints Joe D. Staggs, his or her true and lawful attorney-in-fact and agent, with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated below as of March 20, 2024.

By: /s/ Joe D. Staggs
Joe D. Staggs
Chief Executive Officer
(Principal Executive Officer, Principal Financial and Accounting Officer)

By: /s/ Jerry Albright
Jerry Albright
Director

By: /s/ Laurie M. Dotter
Laurie M. Dotter
Director

By: /s/ Robert K. Hatcher
Robert K. Hatcher
Director

By: /s/ Marcus E. Pennington
Marcus E. Pennington
Director

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Form	Exhibit	Filing Date	Filed Herewith
3.01	Third Amended and Restated Certificate of Incorporation, dated as of August 12, 2022.	8-K	3.1	08/15/22	
3.02	Amended and Restated Bylaws, dated as of August 12, 2022.	8-K	3.02	08/15/22	
4.01	Form of Specimen Common Stock Certificate	S-1/A	4.01	09/21/99	
4.02	Description of Securities Registered Under Section 12 of the Exchange Act	10-K	4.02	03/31/23	
4.03	Indenture dated as of October 3, 2023, between the Company and Wilmington Trust, National Association, as trustee.	8-K	4.1	10/03/23	
4.04	First Supplemental Indenture dated as of October 3, 2023, between the Company and Wilmington Trust, National Association, as trustee	8-K	4.2	10/03/23	
4.05	Form of 9.00% Senior Notes due 2027 (included as Exhibit A to 4.04 above)	8-K	4.2.1	45202	
10.01	2010 Equity Incentive Plan, as amended.*	DEF 14A	Appendix A	10/25/19	
10.02	SWK Holdings Corporation 2010 Equity Incentive Plan Form of Restricted Stock Award Agreement.*	10-Q	10.2	11/09/10	
10.03	Registration Rights Agreement, dated as of September 6, 2013, among Double Black Diamond, L.P., Double Black Diamond Offshore Ltd., Black Diamond Offshore, Ltd. and the Company	8-K	10.4	09/09/13	
10.04	Employment Agreement, dated January 28, 2019, between the Company and Winston L. Black III.*	8-K	10.1	01/30/19	
10.05	Royalty Agreement, dated April 2, 2013, among SWK Funding LLC, Bess Royalty, L.P. and InSite Vision Incorporated.**#	S-1/A	10.1	04/01/14	
10.06	Stockholders' Agreement, dated August 18, 2014, among Double Black Diamond Offshore Ltd., Black Diamond Offshore Ltd. and SWK Holdings Corporation	8-K	10.2	08/19/14	
10.07	Amendment No. 1 to the Stockholders' Agreement dated June 28, 2022	8-K	10.1	06/29/22	
10.08	Amendment No. 2 to the Stockholders' Agreement dated February 27, 2023	10-K	10.1	3/31/23	
10.09	Royalty Agreement dated December 13, 2016, among SWK Funding LLC and Opiant Pharmaceuticals, Inc.	10-K	10.16	03/29/18	

Exhibit Number	Exhibit Description	Form	Exhibit	Filing Date	Filed Herewith
10.10	Loan and Security Agreement between SWK Holdings Corporation and SWK Funding LLC as Borrowers and Certain Financial Institutions as Lenders and State Bank and Trust Company as Agent dated June 29, 2018	8-K	10.1	07/02/18	
10.11	First Amendment to Loan and Security Agreement dated August 26, 2019 by and among SWK Holdings Corporation and Cadence Bank, N.A.	10-K	10.1	03/31/23	
10.12	Second Amendment to Loan and Security Agreement dated June 29, 2021 by and among SWK Holdings Corporation and Cadence Bank, N.A.	8-K	10.1	06/29/21	
10.13	Third Amendment to Loan and Security Agreement dated September 27, 2021 by and among SWK Holdings Corporation and Cadence Bank, N.A.	8-K	10.1	10/01/21	
10.14	Fourth Amendment to Loan and Security Agreement, dated September 26, 2022, by and among SWK Holdings Corporation, SWK Funding LLC and Cadence Bank, N.A.	8-K	10.1	09/28/22	
10.15	Fifth Amendment to Loan and Security Agreement between SWK Holdings Corporation and SWK Funding LLC as Borrowers, and Cadence Bank, a Mississippi bank and successor by merger to Cadence Bank, N.A., a	8-K	10.1	11/22/22	
10.16	Letter Agreement, dated June 30, 2022, by and between the Company and Winston L. Black III	8-K	10.1	07/08/22	
10.17	Separation and Release Agreement, dated August 31, 2022, by and between the Company and Winston L. Black III.	10-Q	10.2	11/09/22	
10.18	Employment Agreement, dated January 2, 2023 between SWK Holdings Corporation and Jody Staggs	8-K	10.1	01/03/23	
10.19	Credit Agreement, dated June 28, 2023 by and among SWK Holdings Corporation, SWK Funding LLC, the Lenders party thereto and First Horizon Bank as a Lender and Agent	8-K	10.1	06/30/23	
10.20	First Amendment to Credit Agreement dated October 10, 2023 by and among the Company, SWK Funding LLC, the financial institutions party thereto and First Horizon Bank as a Lender and Agent	8-K	10.1	10/13/23	
10.21	Second Amendment to Credit Agreement dated December [13], 2023 by and among the Company, SWK Funding LLC, the financial institutions party thereto and First Horizon Bank as a Lender and Agent~†				X
21.01	Subsidiaries				X
23.01	Consent of Independent Registered Public Accounting Firm - BPM LLP				X

Exhibit Number	Exhibit Description	Form	Exhibit	Filing Date	Filed Herewith
24.01	Power of Attorney (included on signature page of this Annual Report on Form 10-K).				X
31.01	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.01	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**				X
97.01	SWK Holdings Corporation Compensation Recovery				X
101.INS+	XBRL Instance Document				
101.SCH+	XBRL Taxonomy Extension Schema Document				
101.CAL+	XBRL Taxonomy Extension Calculation Linkbase				
101.DEF+	XBRL Taxonomy Extension Definition Linkbase				
101.LAB+	XBRL Taxonomy Extension Labels Linkbase				
101.PRE+	XBRL Taxonomy Extension Presentation Linkbase				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				

* Management contracts and compensatory plans and arrangements required to be filed as exhibits pursuant to Item 15(b) of this report.

** These certifications accompany SWK's Annual Report on Form 10-K; they are not deemed "filed" with the SEC and are not to be incorporated by reference in any filing of SWK under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any filings, except to the extent that SWK specifically incorporates it by reference.

Confidential treatment is requested for certain confidential portions of these exhibit pursuant to Rule 24b-2 under the Exchange Act. In accordance with Rule 24b-2, these confidential portions have been omitted from these exhibits and filed separately with the Securities and Exchange Commission

\+ Certain portions of the exhibit have been omitted pursuant to Regulation S-K Item 601(b) because it is both (i) not material to investors and (ii) likely to cause competitive harm to the Company if publicly disclosed.

~ Certain schedules and exhibits to the Agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the Securities and Exchange Commission upon request.

EXHIBIT 31.01

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joe D. Staggs, Principal Executive Officer and Principal Financial Officer of the registrant, certify that:

1. I have reviewed this Annual Report on Form 10-K of SWK Holdings Corporation;

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 presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 20, 2024

/s/ Joe D. Staggs
Joe D. Staggs
Chief Executive Officer
(Principal Executive Officer, Principal Financial and Accounting Officer)

EXHIBIT 32.01

**CERTIFICATION PURSUANT TO
AND 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of SWK Holdings Corporation (the "Registrant") on Form 10-K for the annual period ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joe D. Staggs, Principal Executive Officer and Principal Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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 Registrant.

Date: March 20, 2024

/s/ Joe D. Staggs
Joe D. Staggs
Chief Executive Officer
(Principal Executive Officer, Principal Financial and Accounting Officer)