Risk Factors Comparison 2024-03-20 to 2023-03-31 Form: 10-K

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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 ~~which~~ 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 ~~realizing~~ **realization** ~~on~~ **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 ~~the~~ 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 ~~decided~~ **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 ~~effecting~~ **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 ~~economic~~ **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. ~~Most recently~~ **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. ~~Royalties generally~~ **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 ~~has~~ **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 ~~many~~ **some** of our term loans to partner companies are priced using a spread over LIBOR. We ~~typically~~ **have** ~~use~~ **used** ~~the~~ 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 ~~LIBOR. and utilize the three- month LIBOR rate as~~ the reference rate. As of December 31, ~~2022~~ **2023** , approximately ~~64~~ **18** % of term loans with our partner companies utilized LIBOR, including a stated minimum of LIBOR, as a reference rate. ~~The~~ **On June 30, 2023, the** United Kingdom' s Financial Conduct Authority and the administrator of LIBOR **ceased** ~~have announced that~~ the publication of the most commonly used LIBOR settings ~~will cease to be published or cease to be representative after June 30, 2023~~ . 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 ~~LIBOR~~ **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 ~~LIBOR~~ **reference rate** - based floating interest rates with minimum ~~LIBOR~~ **reference rate** floors. The minimum ~~LIBOR~~ **reference rate** floor insulates partner companies from an increase in ~~LIBOR~~ **the reference rate** until the reference ~~LIBOR~~ rate reaches the minimum floor threshold ~~, typically one to two percent~~ . If ~~LIBOR~~ **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 ~~LIBOR~~ **reference** rate exposure, and as a result of an increase of ~~LIBOR~~ **reference rate** above the minimum floor threshold, they will experience an increase in the effective interest rate of their debt obligations to us. If ~~LIBOR~~ **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 ~~LIBOR~~ **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 ~~ever~~ **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, ~~2022~~ **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, ~~2022~~ **2023** , we had **Net Operating Loss ("** NOL **")** carryforwards for U. S. federal income tax purposes of $ ~~124~~ **87** . ~~5~~ **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** ~~the Company~~ 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** ~~the Company' s~~ common stock as of the ownership change by the applicable federal long- term tax- exempt rate, which was ~~2~~ **3** . ~~92~~ **33** percent for March ~~2023~~ **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 ~~2022~~ **2023** , including the appointment of a new Chief Executive Officer ~~and~~ **. In addition, following the resignation of our** Chief Financial Officer ~~. Additionally~~ **in February 2024** , ~~four~~ **our** ~~of our directors resigned following~~ **Chief Executive Officer has assumed** the ~~conclusion~~ **responsibilities** of **principal financial and accounting officer** ~~our special committee' s review of the non-~~ **on an interim basis, our former Chief Financial Officer has been engaged as a part** - **time consultant through the filing** ~~binding proposal received from funds managed by Carlson to acquire all~~ of our ~~shares not already owned by Carlson~~ **Quarterly Report on Form 10- Q for the quarter ended March 31** , **2024 and we have commenced** ~~and~~ - **an** ~~another director retired~~ **executive search for a new Chief Financial Officer** . Although we have endeavored to implement any management ~~and director~~ 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, ~~2022~~ **2023**, we had $ ~~6~~ **4**. ~~2~~ **5** million of cash and cash equivalents plus $ ~~32~~ **47**. ~~6~~ **7** million available to be borrowed under our **new** credit facility with ~~Cadence~~ **First Horizon** Bank. On ~~November 16~~ **June 28**, ~~2022~~ **2023**, **we** ~~the Company~~ entered into **a new Credit** ~~the Fifth Amendment to Loan and Security~~ Agreement (the " ~~Third Amendment~~ **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 ~~, N. A. as~~ **was** ~~a lender and~~ **terminated in connection with** the **establishment of** ~~administrative agent. Pursuant to~~ the **new Credit** ~~Fifth Amendment, the Loan and Security~~ Agreement **. On October 3** ~~dated as of June 29~~, ~~2018~~ **2023, we completed a registered underwritten public offering of $ 30. 0 million of our 9. 00 % Senior Notes due 2027** (**the** " **Notes** ~~Loan Agreement~~ ") ~~was amended to extend~~ **. On October 27, 2023, the underwriters exercised** ~~the~~ **their** ~~Loan Agreement Termination~~ **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** ~~Date~~ **rate** ~~to~~ **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,** ~~2025~~ **2023 . We received net proceeds after discounts** and ~~increase the Loan Agreement Commitment to~~ **commissions, but before expenses and fees, of approximately** $ ~~35~~ **31**. ~~0~~ **9** million **from the offering of the Notes** ~~. We have limited capital to execute our business strategy and have obtained debt financing to fund future growth and obtain funds which may be made available for investments~~. 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 ~~Capital Market (“ 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, ~~2022~~ **2023** , funds affiliated with Carlson owned in the aggregate ~~70~~ **73** . ~~8~~ **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 ~~, including Double Black Diamond Offshore Ltd. (“ Double Black ”)~~ , 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 ~~70~~ **73** . ~~8~~ **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