



## Collaborative Approach to Life Science Financing

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## CORPORATE OVERVIEW

## SWK Holdings Overview

- SWK provides custom financing solutions for commercial-stage healthcare companies and royalty owners
- Deploys balance sheet capital into secured financing portfolio
  - Market capitalization at 5/15/18 was \$136mm, 64% of 3/31/18 stockholders equity of \$212mm
- SWK targets \$5mm to \$20mm financings, a market niche it believes is largely ignored by larger market participants and generates attractive full-cycle returns
- SWK targets unlevered, mid-teens return on capital
  - 3/31/18 portfolio effective yield: 14.6%\*
- Life science business launched in 2012; since inception of business strategy SWK has completed financings with 28 different parties deploying \$405mm of capital, including partner co-investments
- Financings with 19 parties at 5/15/18; 12 exits from inception through 5/15/18
- Business focus is secured financings and royalty monetizations, but will selectively consider equity-like opportunities
- Corporate goals:
  - Increase book value per share at a 10%+ CAGR
  - Be recognized as partner of choice for life science companies and inventors seeking \$20mm or less
  - Generate current income to utilize SWK's substantial NOL asset, \$376mm at 12/31/17
- Experienced and aligned management and Board

*\*Effective yield is the rate at which income is expected to be recognized pursuant to the Company's revenue recognition policies, if all payments are received pursuant to the terms of the finance receivable; excludes warrants*

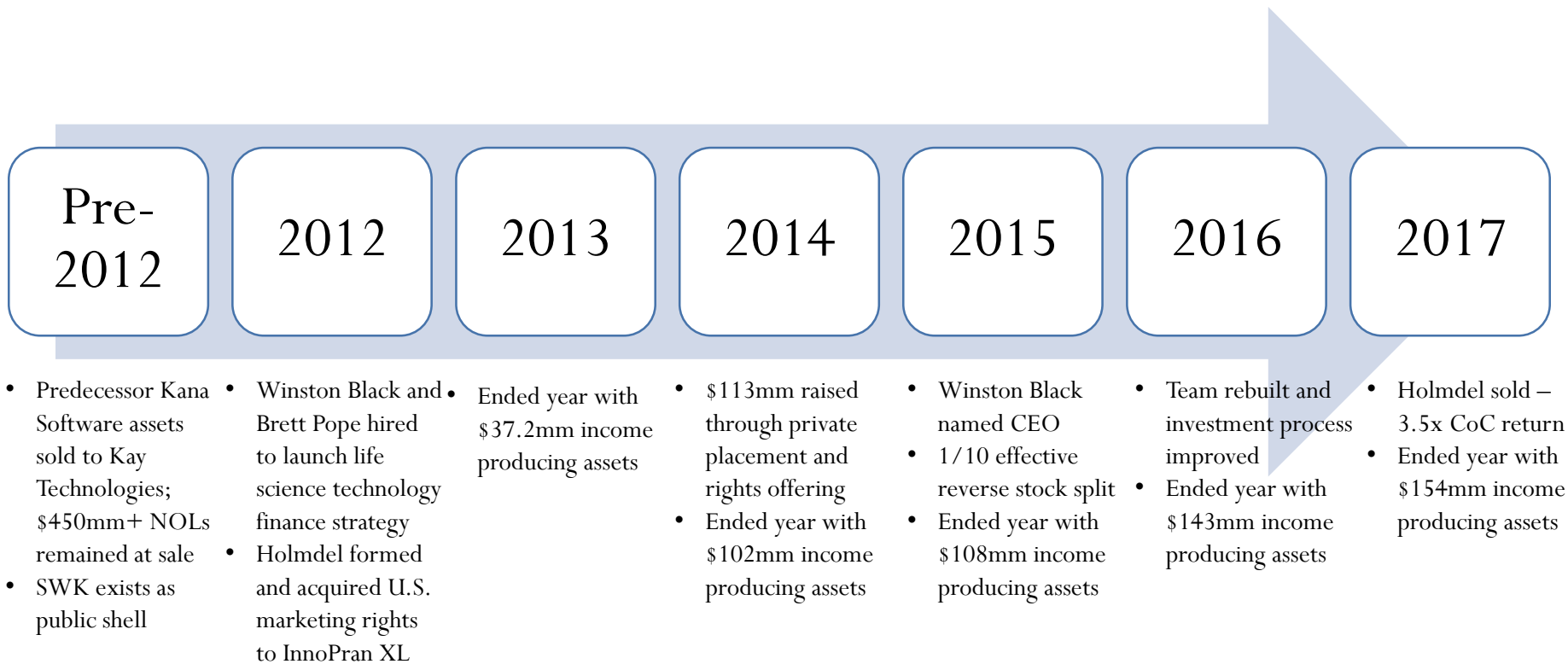
## Why Life Science Finance?

- Achieve high current yield from investment in non-correlated assets
  - Invest in royalty, revenue, equity & debt interests from healthcare companies, research institutions and inventors
  - Structured debt: high coupon drives current yield and warrants provide equity upside; backed by collateral value and lender rights in downside scenario
  - Royalties: strong underlying existing cash flow profile without material exposure to corporate costs
- Access to capital is challenging for small/medium sized life science companies
  - Unlike larger private-lending verticals, few participants exist for sub-\$20mm life science financings
  - Traditional alternatives to primary equity and convertible debt typically highly dilutive and difficult to execute
- Life science products are highly portable among marketing organizations
  - Approved & marketed products and/or royalty streams are valuable collateral regardless of corporate cash burn
  - Small products often do not justify stand-alone sales force costs and can be highly accretive to larger companies
  - Once ingrained into therapeutic practice, many products continue to ‘sell’ themselves
- Revenues are predictable and have low correlation to economic growth and macro factors
  - Product launch curves are relatively stable with much supporting data from comparables
  - Given long approval times, competition is often identifiable up to a decade in advance
- Mitigate FDA & clinical trial risk by focusing on commercial opportunities
  - Diligence focuses on product necessity, intellectual property exclusivity, regulatory moat, competitive threats, reimbursement, and marketer ability and financial stability

## Experienced Team

- SWK's investment professionals have extensive experience financing life science companies
- CEO Winston Black has been active in life science structured finance asset class since 2007 when he helped manage a multi-billion dollar healthcare portfolio for a large investment firm and helped develop the royalty financing market
- CEO Winston Black has financed life science companies for more than a decade and has experience in operations, public markets investing, and restructurings
- Management has experience investing across the capital structure and understands various stakeholders' incentives
- The team has a broad network of clinical, financial, and legal experts
- Experienced financial, accounting, and legal team combining in-house resources with veteran outsourced providers
- SWK is 69% owned by Carlson Capital, a multi-billion dollar, Dallas-based asset manager
  - Two Carlson representatives are on SWK's Board of Directors
- SWK's Board of Directors provides wealth of investment, operational and corporate governance experience

## Corporate Milestones



## Value Creation Strategy

- Deploy balance sheet capital into secured financing portfolio
  - \$5mm to \$20mm loan and royalty market sports attractive, low-to-mid teens yields
  - SWK has established reputation as a go-to capital provider for this underserved market
  - Majority of financings structured with warrants or other upside features
- Evaluate and pursue product acquisition opportunities
  - Leverage SWK contacts, infrastructure, and lessons learned from Holmdel success
  - Potential to use greater percentage of NOLs
- Secure additional capital to boost ROE
  - SWK targets a 10%+ ROE
  - SWK currently has no leverage while similarly sized BDCs often sport 50% to 75% debt/equity leverage
  - SWK will selectively consider other forms of outside capital including asset management arrangements
- Selectively consider new capital deployment opportunities
  - SWK's core competency is life science finance but is willing to consider other capital deployment options that could utilize the company's substantial NOLs
- SWK believes this strategy can achieve a 10%+ book value per share CAGR



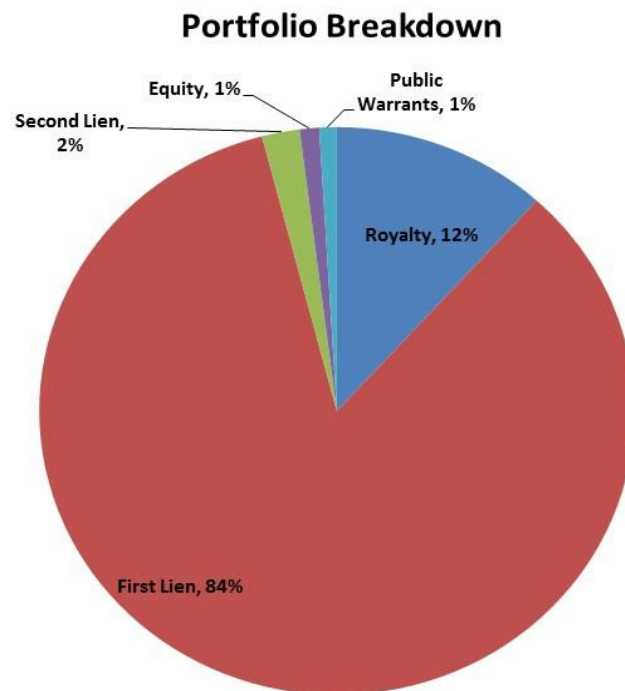
## Portfolio Overview: 3/31/18

### Portfolio Value

- GAAP Value: \$169.1mm
- Finance Receivables: \$165.8mm
- Marketable Securities: \$1.7mm
- Public Warrants: \$1.5mm\*

### Metrics

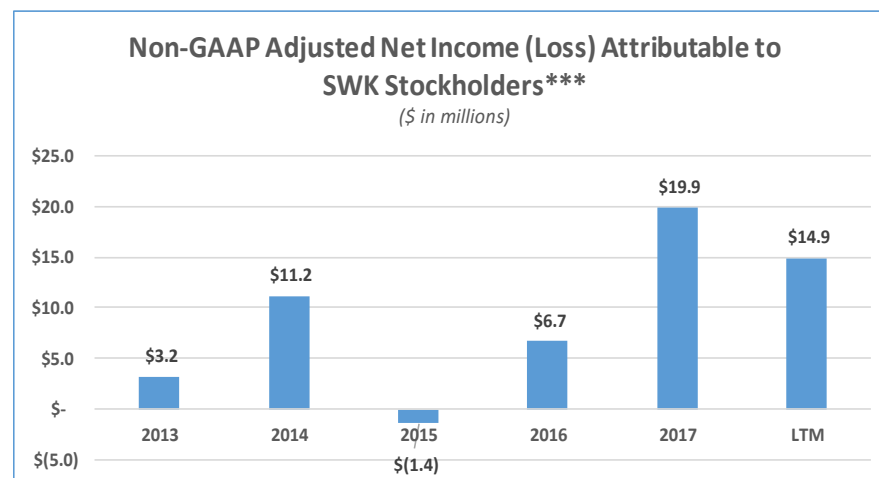
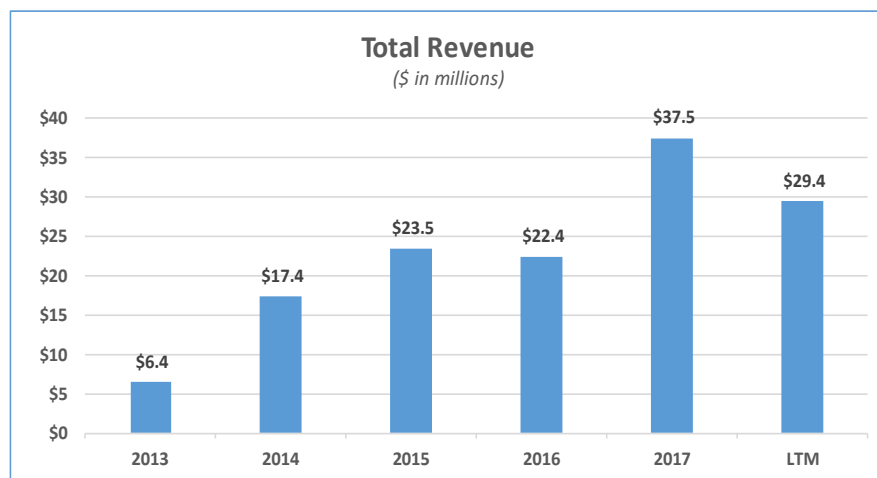
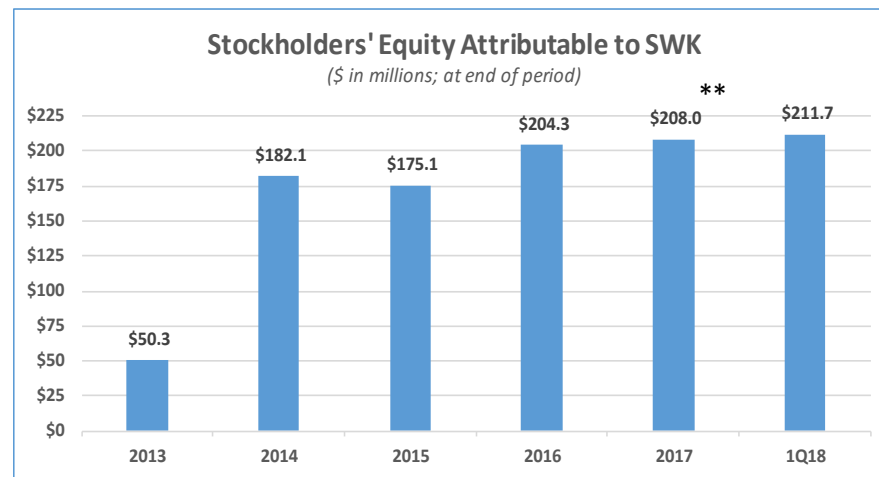
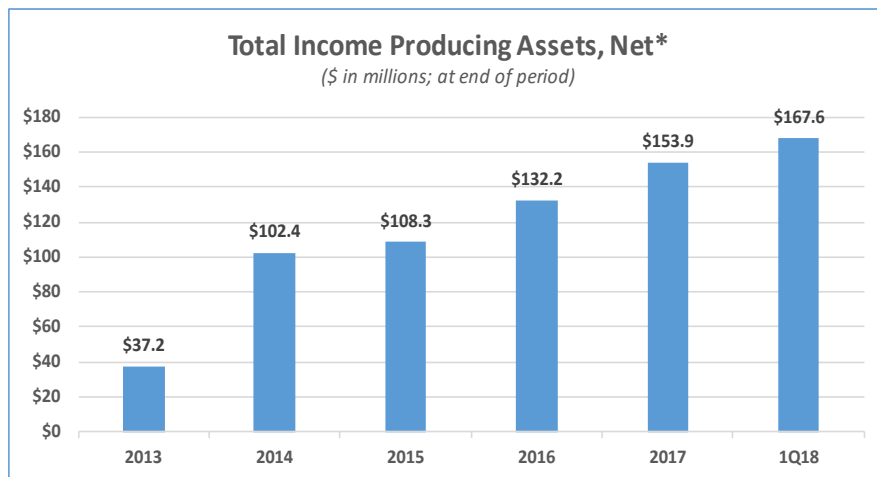
- Actively Financed Entities: 20\*\*
- Avg. GAAP Balance per Entity: \$8.5mm
- Total Unfunded Commitments: \$14.0mm
- Non-Accrual Balance: \$18.9mm



\*Private warrants carried at zero cost

\*\*One financed entity was repaid on May 1, 2018

# SWK Key Statistics

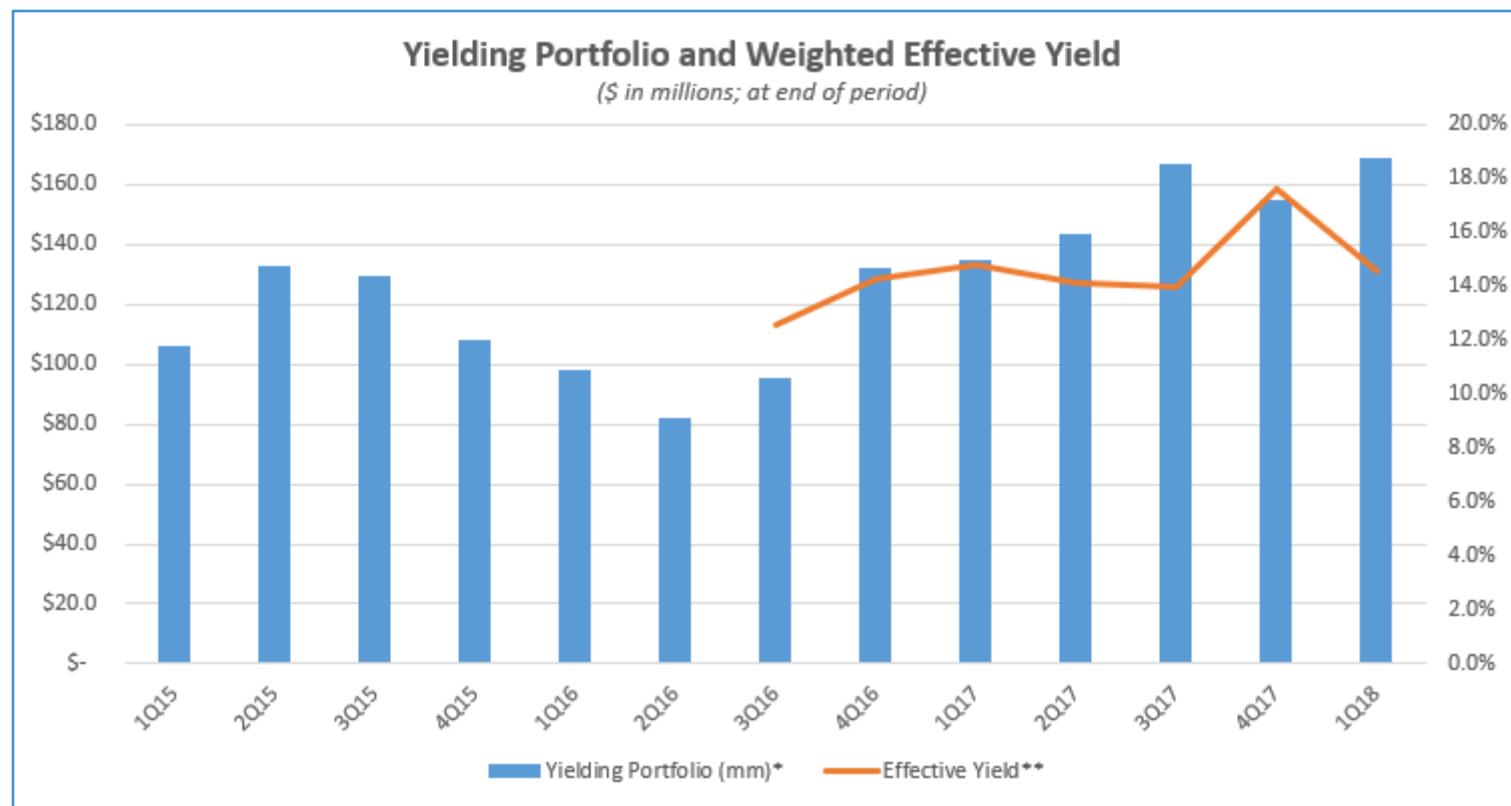


\* Defined as finance receivables, marketable investments and investment in unconsolidated entity less non-controlling interests

\*\* During 2017 SWK incurred a \$15.7mm provision for income taxes to reduce the carrying value of the deferred tax asset to account for a reduction in the statutory tax rate

\*\*\* Eliminates provision for income taxes and non-cash mark-to-market changes on public equity & warrant assets and liability; see reconciliation on page 44

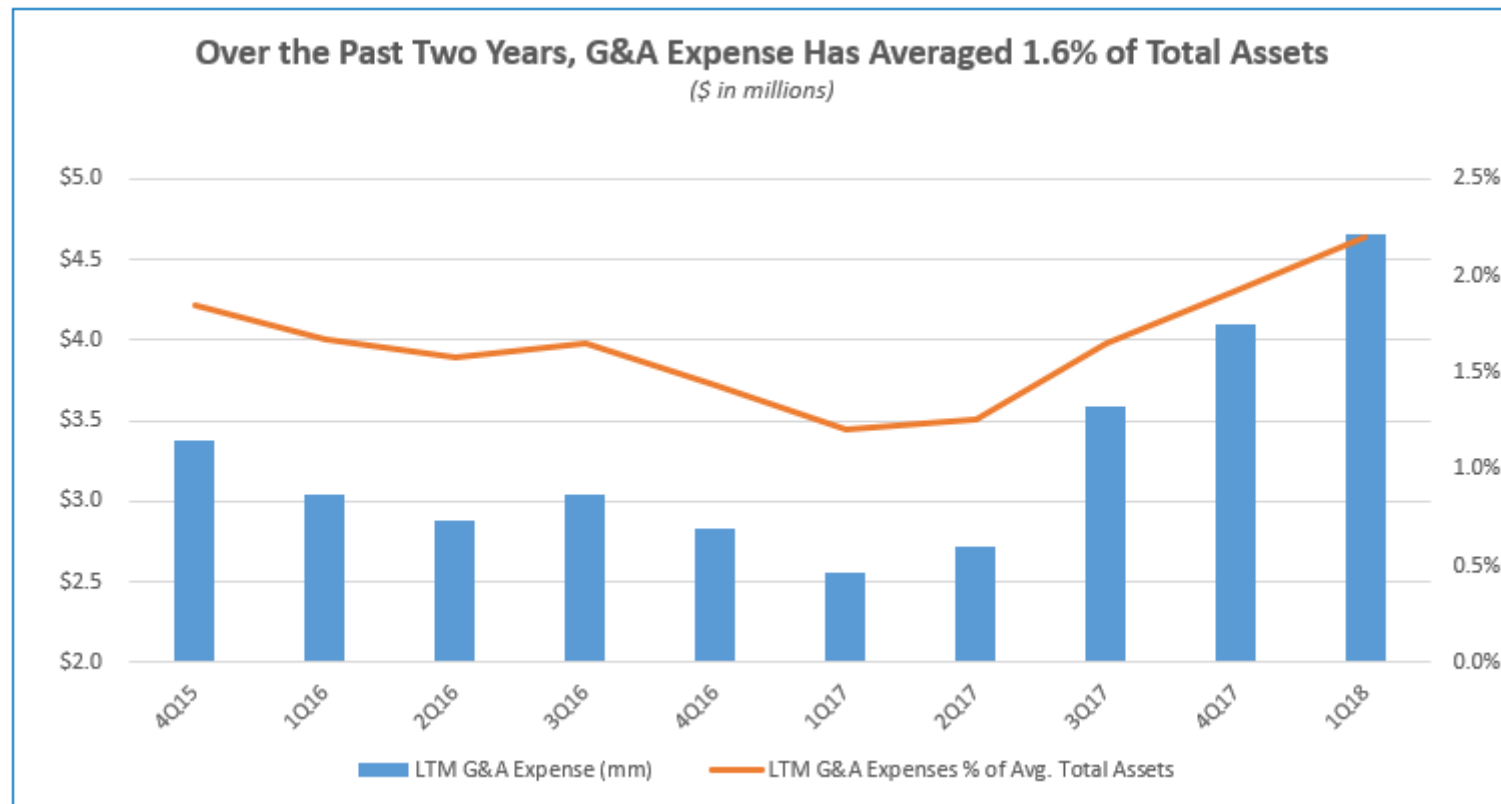
# SWK Targets Low-to-Mid Teens Effective Yields



\*Includes non-accruals; Excludes warrants

\*\*Includes non-accruals; Effective yield is the rate at which income is expected to be recognized pursuant to the Company's revenue recognition policies, if all payments are received pursuant to the terms of the finance receivable; excludes warrants

## SWK Employs a Lean Cost Structure

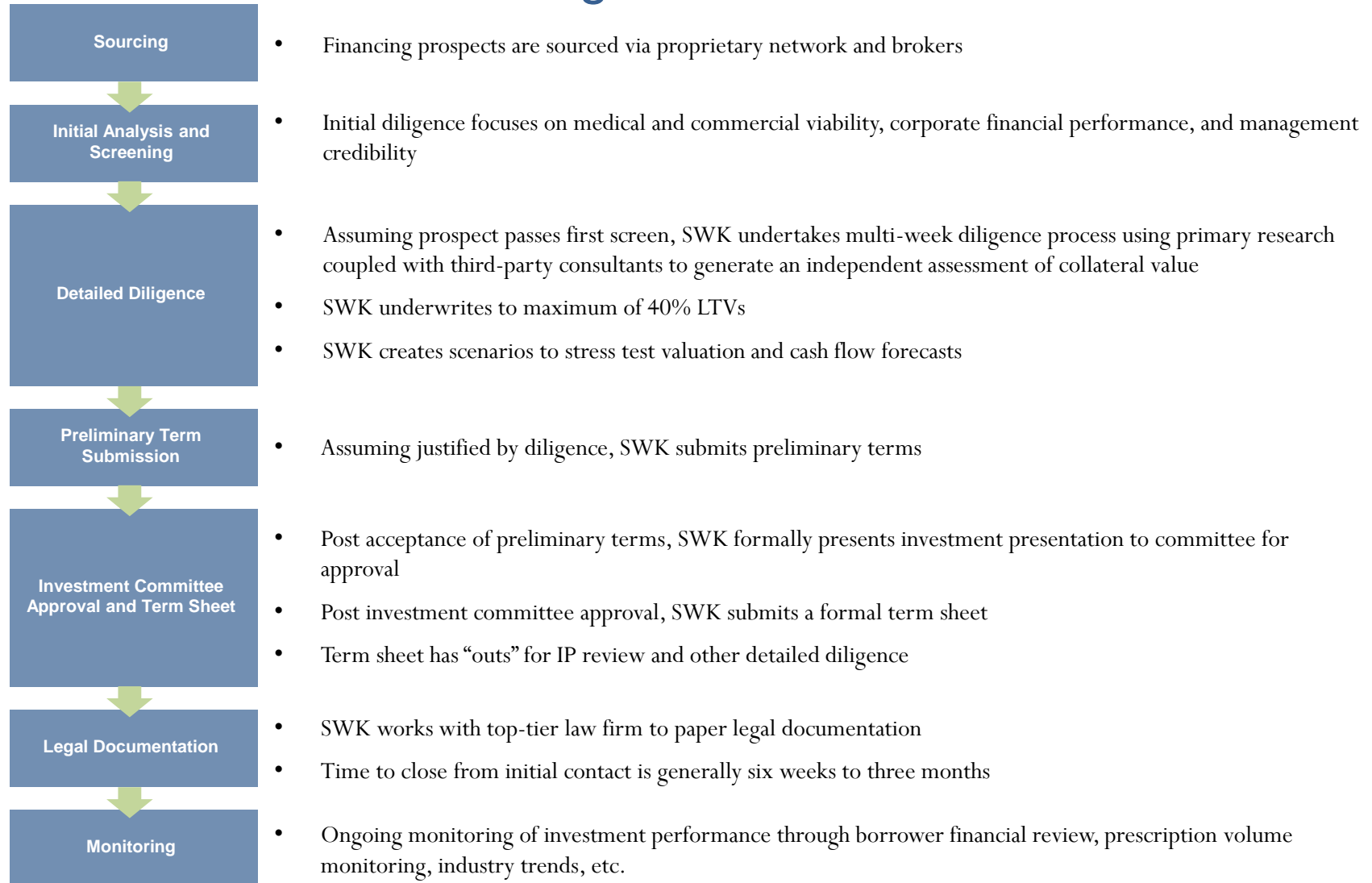


- SWK is internally managed and does not engage outside advisors to fulfill the investment function
- Management receives a fixed salary and participates in a bonus pool based on the Company's annual pre-tax profit

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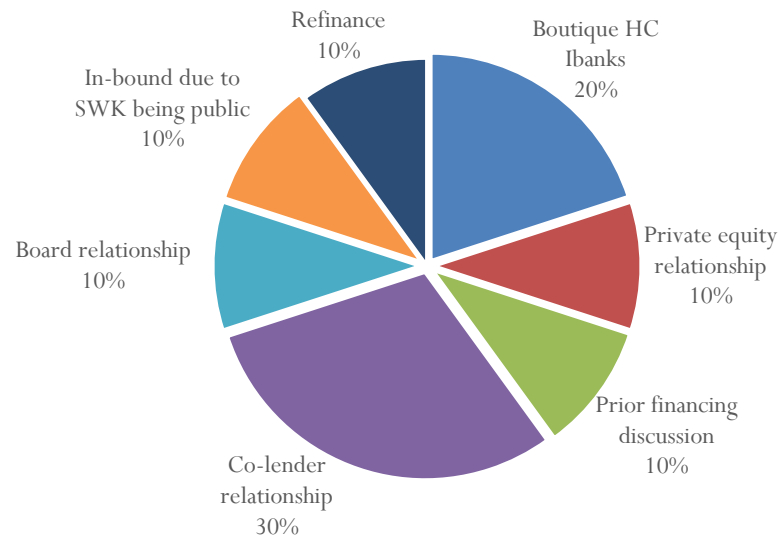
## INVESTMENT PROCESS

# Underwriting Process Overview



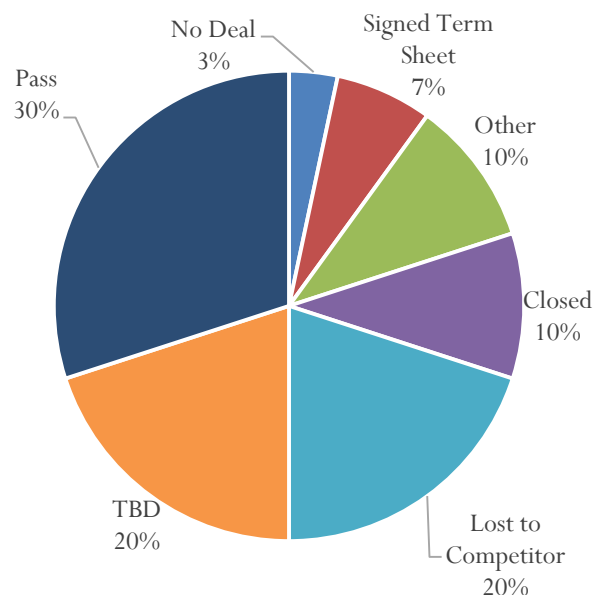
## Sourcing

- SWK has a well-developed and diversified sourcing network
  - SWK balances proprietary opportunities with deal flow from trusted, boutique investment banks and brokers
- SWK typically faces limited competition due to proprietary sourcing network and focus on sub-\$20mm financings
- The deals completed in 2016 and 2017 were sourced from a variety of relationships:



## 2017 Proposals and Win Rate

- In 2017 SWK evaluated approximately 69 financings\*
  - Similar activity count in 2016 with 75 opportunities evaluated
- SWK proposed preliminary terms on 30 financings
  - The 30 financings represented \$267mm of SWK capital and \$350mm including partners
- SWK closed three transactions, or 10% of preliminary proposals
  - Excluding partners, SWK committed \$24mm of capital
- 20% of proposals were lost to competition, who generally submitted terms with lower cost-of-capital



\* Represents actual meetings or broker introductions; additional opportunities screened by team but not counted above



## Diligence Process

- SWK's diligence process is anchored by the "four Cs" of credit analysis: Collateral, Character, Capacity, and Capital
- Collateral value is ascertained through analysis of medical and commercial need, market size, IP, and potential strategic buyers and historical transaction valuations
- Character is validated through a review of management's historical track record and current incentives, multiple meetings, and independent channel checks
- Capacity to service debt is confirmed through scenario financial modeling of base, downside, and management cases
- Capital analysis focuses on company's ability to raise funds from existing shareholders, public market offerings, or strategic partnerships

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## CURRENT PORTFOLIO

## 3/31/18 Portfolio Overview

Financing (Month Closed)	Type	Primary Product	Product Marketer	Funded Amount / Principal	GAAP Value	Effective Rate
Besivance (4/2013)	Royalty	Ophthalmic antibiotic	Valeant	\$6.0mm	\$2.6mm	N/A
Cambia (4/2013 & 6/2015)	Royalty	NSAID migraine treatment	Depomed	\$8.5mm	\$6.6mm	N/A
Forfivo XL (7/2016)	Royalty	Depressive disorder treatment	Alvogen	\$6.0mm	\$4.8mm	N/A
Narcan (12/2016)	Royalty	Opioid overdose treatment	Adapt	\$17.5mm	\$0.7mm	N/A
Secured Royalty (7/2013)	Royalty	Women's health	Duchesnay	\$3.0mm	\$0.6mm	11.5%*
Tissue Regeneration Therapeutics (6/2013)	Royalty	Umbilical cord banking	Various	\$3.3mm	\$3.3mm	N/A
ABT (1/2016)	First Lien	PET biomarker generator	Self	\$8.3mm	\$8.3mm	Prime + 3.25%
ABT (10/2014)	Second Lien Royalty	PET biomarker generator	Self	\$3.3mm	\$3.3mm	N/A*
B&D Dental (12/2013)	First Lien	Dental consumables	Self	\$8.1mm	\$8.1mm	LIBOR +13.0%*
B&D Dental (3/2017)	Equipment Financing	Dental consumables	Self	\$0.1mm	\$0.1mm	16.3%

\*Non-accrual; default interest rate may apply

## 3/31/18 Portfolio Overview (Continued)

Financing (Month Closed)	Type	Primary Product	Product Marketer	Funded Amount / Principal	GAAP Value	Coupon Rate
Celonova (7/2017)	First Lien	Medical device	Self and Boston Scientific	\$7.6mm	\$7.5mm	LIBOR (2.0% floor) +11.0%
DxTerity Diagnostics (7/2015)	First Lien	Diagnostics	Self	\$9.3mm	\$9.3mm	LIBOR (1.0% floor) +12.25%
Hooper Holmes (5/2017)	First Lien	Health and wellness	Self	\$8.3mm	\$7.5mm	LIBOR (1.0% floor) +12.5%
Imprimis Pharmaceuticals (7/2017)	First Lien	Pharmacy	Self	\$9.7mm	\$9.2mm	LIBOR (1.5% floor;3.0% cap) +10.5%
Keystone Dental (5/2016)	First Lien	Dental implants	Self	\$20.0mm	\$19.9mm	LIBOR (1.0% floor) +12.0%
Orametrix (12/2016)	First Lien	Orthodontic consumables	Self	\$8.5mm	\$8.5mm	LIBOR (1.0% floor) +11.0%
Parnell Pharmaceuticals (11/2016)	First Lien	Animal health	Self	\$13.5mm	\$15.6mm	13.0%

## 3/31/18 Portfolio Overview (Continued)

Financing (Month Closed)	Type	Primary Product	Product Marketer	Funded Amount / Principal	GAAP Value	Coupon Rate
Solsys Medical (f/k/a Soluble Systems) (6/2015)	First Lien	Wound care	Self	\$15.1mm	\$15.1mm	LIBOR (1.5% floor; 3.0% cap) +10.25%
Tenex Health (7/2016)	First Lien	Sports medicine treatment	Self	\$6.5mm	\$6.5mm	LIBOR (1.0% floor) +12.0%
Thermedx (5/2016)	First Lien	Fluid management device	Hill-Rom	\$3.5mm	\$4.1mm	N/A
Veru, Inc (3/2018)	Synthetic Royalty	Female Condom	Self	\$10.0mm	\$10.2mm	N/A
Cancer Genetics (10/2015)	Public Equity	Diagnostics	Self	N/A	\$1.1mm	N/A
Hooper Holmes (3/2016)	Public Equity	Health and wellness	Self	N/A	\$0.04mm	N/A
Public Warrants (Various)	Warrants	Various	Various	N/A	\$1.5mm	N/A

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## REALIZATIONS AND CASE STUDIES

## Portfolio Realizations

- SWK has exited twelve financings for a total 1.2x CoC return and 20% weighted average IRR
  - Ten resulted in positive realizations with a cumulative 1.4x CoC and weighted average 30% IRR
  - SynCardia position was sold to distressed private equity firm with SWK recouping 58% of principal
  - Response Genetics was taken through Chapter 11 and sold to a strategic buyer for cash and CGIX stock
    - Based on the 5/15/18 value of SWK’s CGIX stock, Response Genetics recovery has totaled 50% of principal

\$ in 000s

Investments	Origination	Payoff	Cost	Proceeds	Coc	IRR	Notes
Nautilus	12/05/12	12/17/13	\$ 22,500	\$ 28,269	1.3x	26%	
Parnell	01/23/14	06/27/14	25,000	27,110	1.1x	21%	
PDI	10/31/14	12/22/15	20,000	25,028	1.3x	23%	
Tribute	08/08/13	02/05/16	14,000	18,367	1.3x	16%	Excludes value of warrants
Galil	10/31/14	06/15/16	12,500	16,601	1.3x	21%	
Nanosphere	05/14/15	06/30/16	10,000	14,362	1.4x	48%	Excludes value of final potential earn-out
Syncardia First	12/13/13	06/24/16	12,688	8,524	0.7x	-30%	
Syncardia Second	12/13/13	06/24/16	5,850	3,255	0.6x	-39%	
Syncardia Preferred	09/15/14	06/24/16	1,500	-	0.0x	-100%	
Response Genetics	07/30/14	10/07/15	12,257	6,188	0.5x	-42%	Includes 5/15/18 value of remaining CGIX equity
Holmdel	12/20/12	02/23/17	6,000	21,084	3.5x	63%	
Hooper	04/17/15	05/12/17	5,000	6,801	1.4x	21%	
Narcan	12/12/16	02/28/18	17,500	25,977	1.5x	55%	Continue to own 10% of the royalty
OraMetrix	12/15/16	05/01/18	8,500	10,603	1.2x	19%	
<b>Total Realized / Wtd. Avg</b>			<b>\$ 147,294</b>	<b>\$ 175,586</b>	<b>1.2x</b>	<b>20%</b>	

## Portfolio Realizations to Strategic Buyers

- Nine realizations to strategic buyers demonstrated an average 32% LTV of SWK’s original loan value
- Six of the nine businesses were not profitable at time of sale, validating SWK’s revenue and IP-based underwriting methodology

\$ in mm

Target	Buyer	Closing Date	Transaction EV	SWK Loan at Cost	SWK Loan / Transaction	LTM Sales	EV/LTM Sales	Target Profitable at Time of Sale?	Notes
Nautilus	Depomed	12/17/13	\$ 48.7	\$ 22.5	46%	\$ 15.4	3.2x	N	Excludes potential \$5mm milestone payment
Response Genetics	Cancer Genetics	10/07/15	5.3	12.3	234%	16.7	0.3x	N	Cash received at closing, AR proceeds, and current value of CGIX equity
PDI	Publicis	12/22/15	33.0	20.0	61%	129.3	0.3x	Y	CSO Division Only; Assumes 50% near-term earn-outs achieved
Tribute	Aralez	2/1/16	147.6	14.0	9%	26.5	5.6x	N	Excludes value of warrants
Galil	BTG plc	5/16/16	84.4	12.5	15%	22.7	3.7x	N	Up to \$25.5mm of additional milestones
Nanosphere	Luminex	6/30/16	77.0	25.0	32%	23.1	3.3x	N	
InnoPran XL*	ANI Pharma	2/23/17	30.5	6.0	28%	11.1	2.7x	Y	
Hooper	Provant	5/12/17	12.6	5.0	40%	67.0	0.2x	N	Merger of equals
Orametrix	Dentsply Sirona	5/1/18	90.0	8.5	9%	20.0	4.5x	Y	Transaction EV doesn't include up to \$60mm in earn-outs
<b>Median</b>					<b>32%</b>		<b>3.2x</b>		



## Historical Financing: Holmdel Pharmaceuticals, LP

- In December 2012 SWK acquired a limited partnership interest in Holmdel Pharmaceuticals
- Holmdel subsequently acquired U.S. marketing rights to InnoPran XL, a non-selective beta blocker with dosing technology to coincide with the body's natural circadian rhythm
- SWK partnered with an accomplished operator that handled marketing, distribution, and reimbursement functions
- SWK and a financial partner contributed \$13.0mm with the operating partner contributing \$1.5mm in cash, an additional product's cash flows, and operating expertise
- SWK's structure aligned incentives by allowing the operator to increase its share of the economics from 10% to 55% upon achieving return milestones
- InnoPran XL sales grew from \$5mm in 2012 to \$13mm in 2015
- The first milestone was achieved in mid-2016, more than doubling the operator's economics
- In February 2017, InnoPran XL sold for \$30mm; SWK received an \$8mm distribution
- Investment generated a 3.5x CoC return and 63% IRR
- SWK and the operating partner have evaluated purchasing additional assets

## Current Financing: Narcan Royalty

- Narcan is the only FDA approved, intranasal Naloxone product for the treatment of opioid overdose
- Narcan is appropriately priced with revenue growth from expanded distribution, not price hikes
- Opiant is a publicly traded drug development company that receives a royalty on Narcan for developing the drug's unique formulation
  - Opiant's novel formulation has a faster time to onset and more convenient and safer administration compared with injectable Naloxone
- The product is marketed by Adapt Pharma, a private pharmaceutical company founded by former Azur Pharmaceutical executives with a history of strong sales execution
- Opiant needed capital to pursue development programs
- At time of monetization, Opiant was a thinly traded OTC stock and management believed the share price did not reflect underlying asset value, thus a share offering was not an attractive option
- SWK structured a capped royalty that was smaller than competing proposals by larger royalty investors, and allowed Opiant to retain tail economics
- In December 2016 SWK funded \$13.8mm in exchange for a royalty that is capped at a 1.5x CoC return
  - On August 8, 2017 upon achieving \$25mm in cumulative sales during two consecutive quarters, SWK funded additional \$3.8mm with a 1.5x CoC return cap
  - SWK retained a residual royalty ranging from 5% to 10%
- Since closing, Narcan sales have exceed original forecasts; CoC return cap achieved in February 2018

## Historical Financing: Galil Medical

- Galil is a medical device company that delivers innovative cryotherapy solutions for tumor ablation
- In 2014 the privately-held company was on the cusp of accelerating revenue growth, but was not yet cash-flow positive and could not tap traditional financing channels
- Galil needed additional capital to run clinical trials and expand its sales force
- In December 2014, SWK provided a \$12.5mm senior secured term loan structured to delay principal repayment until growth initiatives matured
  - Term loan was structured at a mid-teens cost of capital with a return cap if Galil was sold in first fifteen months
- In late 2015, SWK committed to provide additional financing to support Galil's proposed acquisition of a competitor
  - The transaction was not consummated, but SWK's support permitted opportunistic bid
- By early 2016, the growth initiatives were bearing fruit and in June 2016 Galil was acquired by BTG plc for \$84mm plus up to \$26mm in earn-outs
- The SWK facility gave Galil capital to grow the business and garner a higher acquisition price while allowing the equity owners to capture maximum upside
- SWK facility represented 15% LTV of the take out price
- SWK generated a 1.3x cash-on-cash return and 20% IRR

## Historical Financing: SynCardia

- SynCardia manufactures and markets the only FDA-approved artificial heart
- SWK's original thesis:
  - Device approved in US and EU; positive efficacy in over 1,300 implants
  - Device reimbursed at \$125,000 in US and \$70,000 outside the US
  - Large and untapped market with over 4,000 patients on US heart transplant waitlist
  - Funding expected to facilitate marketing to achieve break-even level of implants
  - Discussions with key heart transplant surgeons validated technology and verified need to exist
  - Unique positioning and existing sales thought to provide strategic value exceeding investment
- December 2013 SWK invested \$10mm in two tranches alongside existing first lien lender
  - Over the next two years SWK invested additional \$4mm in company with SynCardia raising ~\$30mm in aggregate during that time span
- In late 2015 SynCardia failed to complete an IPO, prompting a funding crisis
  - SWK purchased co-lender's first lien position for 58% of par and commenced operational restructuring
  - Restructuring efforts led to cost cuts and implant pre-sales that preserved liquidity
- In 4Q15 SWK wrote down the position from ~\$20mm to \$12.5mm due to failed IPO and challenges
- In May 2016 SWK sold entire position to private equity buyer for \$7.2mm cash and 5% share in profits once the PE firm received a 3x CoC return
- Key lessons learned:
  - Disparate equity ownership prohibited capital raise under stressed conditions
  - SWK underappreciated product's need for engineering improvements to drive sustainable gross margin
  - SWK underappreciated controversial nature of product with strategics as well as a large portion of physicians

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MISCELLANEOUS

## SWK Value Proposition to Partners

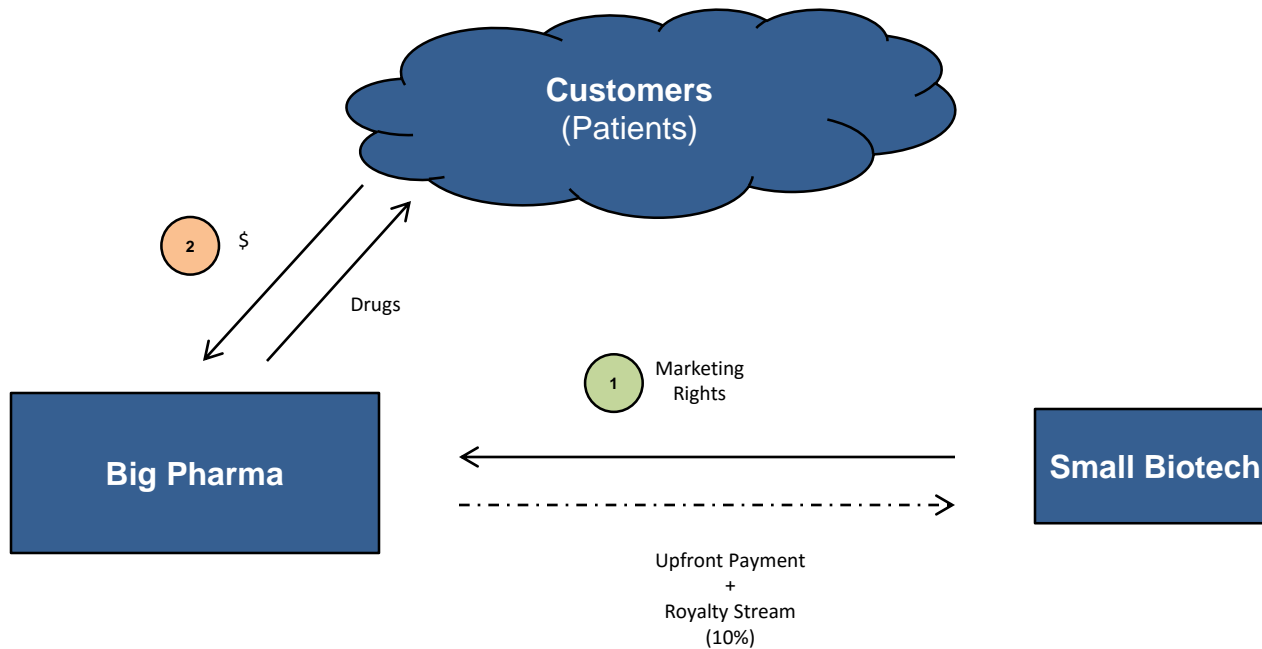
- SWK's asset base and nimble structure position it to serve the sub-\$20mm financing market
  - Smaller companies often don't have financial profile to qualify for traditional financing sources
  - Companies in this niche often have few options outside of a dilutive equity raise
  - The IPO market is largely closed to companies of this size requiring expensive and difficult private equity sourcing
  - Many alternative financing sources have grown too large to care about smaller companies
  - Some historical financing sources have been acquired by regulated financial institutions that due to regulatory constraints cannot lend to unprofitable companies and prohibit SWK-style transactions
  - Venture lenders often require principal payback over a shorter period than SWK's structure
- SWK structures financings to preserve liquidity and match a growing company's revenue profile
- SWK provides its borrowers with access to its network of capital markets resources and operators
- While SWK focuses on the sub-\$20mm market, through its RIA arm it can access additional capital to finance larger opportunities

## Financing Structures

- Structured debt
  - Primarily first lien senior secured loans, though will selectively evaluate second lien opportunities
  - Typically include covenants, prepayment penalties, origination and exit fees, and warrant coverage
  - Provide working capital to support product commercialization and M&A
- Royalties
  - Companies: fund pipeline development & leverage a lower cost of capital for higher return on investment projects
  - Institutions: capital planning for operating budgets, funding R&D initiatives, & financial asset diversification
  - Inventors: financial asset diversification, fund start-up company
- Synthetic Royalty
  - Marketer creates a 'royalty' by selling an interest in a future revenue stream earned with a single product or basket of products in exchange for an upfront payment and potential future payments
  - Ability to structure tiered revenues, reverse tiers, minimum payments, caps, step-downs and buy-out options, similar to a license agreement between innovator and marketer
- Hybrid Financing
  - Combination of royalty and revenue-based financings
  - Can take on many forms, including structured debt and equity investments
- Product acquisition
  - Target legacy products with established revenue trends, minimal marketing and infrastructure requirements

# Illustration: Royalty Stream Creation

Small Biotech enters into marketing collaboration with Big Pharma



- 1 Small Biotech licenses marketing rights of Drug A to Big Pharma in exchange for upfront payment and a 10% royalty stream
- 2 Big Pharma markets the drug and begins to pay a 10% royalty stream on the sales of Drug A to Small Biotech. Big Pharma retains the remaining 90% of the sales



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## BIOGRAPHIES AND CONTACT INFORMATION

# Biographies

### **Winston Black, CEO**

Mr. Black was appointed CEO in January 2016. He joined SWK as Managing Director in May 2012 from PBS Capital Management, LLC, an investment management business investing in pharmaceutical royalties and healthcare equities that Mr. Black co-founded in 2009. Prior to PBS Capital, Mr. Black was a Senior Portfolio Analyst at Highland Capital Management, L.P. from September 2007 to March 2009 where he managed a portfolio of approximately \$2 billion in healthcare investments. Prior to joining Highland, Mr. Black served as COO/Analyst and Chief Compliance Officer at Mallette Capital Management, Inc., a \$200 million biotech focused hedge fund. Prior to Mallette Capital, Mr. Black was Vice President, Corporate Development for ATX Communications, Inc. (“ATX”). Mr. Black began his career as an Analyst in the Healthcare and Telecommunications groups at Salomon Smith Barney. Mr. Black received MBAs with distinction from both Columbia Business School and London Business School and received a BA in Economics from Duke University, where he graduated Cum Laude.

### **Charles Jacobson, CFO**

Charles Jacobson was appointed CFO in September 2012. He serves as the CEO and Managing Director of Pine Hill Group, LLC (“Pine Hill”), a consulting firm which he co-founded in 2007. Pine Hill provides management level finance, accounting and transaction advisory services to middle market public and private companies. Mr. Jacobson serves as Director, Interim CEO and Interim CFO of The PMI Group, Inc., a position he has held since 2017, 2016 and 2015, respectively. Since 2015, Mr. Jacobson serves as CFO and Director of Parkview Capital Credit, Inc., a Business Development Corporation providing mezzanine debt and equity capital to lower middle market companies. From 2012 to 2013, Mr. Jacobson served as CEO and CFO of Pro Capital, LLC (“Pro Cap”), an investment management business specializing in investments of municipal tax liens. Mr. Jacobson also served on Pro Cap’s board of managers from 2012 to 2014. From 2008 to 2011, Mr. Jacobson served as CFO of FS Investment Corporation pursuant to an agreement between Pine Hill and FS Investment Corporation. From 2001 to 2007, Mr. Jacobson worked for ATX, becoming the organization’s senior vice president of finance where he was responsible for managing ATX’s finance organization. Prior to working for ATX, Mr. Jacobson held senior managerial audit positions with Ernst & Young LLP from 1999 to 2000 and with BDO Seidman, LLP from 1996 to 1999, where he was responsible for audit engagements of private, pre-IPO and publicly traded companies in a variety of different industries. Mr. Jacobson began his professional career in 1993 at a regional public accounting firm where he performed audits on governmental entities. Mr. Jacobson is a Certified Public Accountant and holds a B.S. in Accounting from Rutgers University.

# Biographies

### **Jody Staggs, VP**

Mr. Staggs joined SWK Holdings as a Senior Analyst in August 2015. Prior to joining SWK, he was Vice President of Investments at Annandale Capital. Prior to joining Annandale, he was the first employee at Alistair Capital, a Dallas-based hedge fund. He previously co-founded PBS Capital Management, LLC, an investment management business investing in pharmaceutical royalties and healthcare equities. Prior to co-founding PBS, he was a Senior Portfolio Analyst at Highland Capital Management, L.P. where he worked on the firm's healthcare multi-strategy and public equity groups. While at Highland, Mr. Staggs was ranked first out of a class of eight analysts. Mr. Staggs began his career at Raymond James where he was a Senior Equity Research Associate covering healthcare companies and was ranked in the top quartile of all research associates. He was a Walton Scholar and on the Dean's List at the University of Arkansas where he graduated with a B.A. in Finance. Mr. Staggs has earned the right to use the Chartered Financial Analyst designation.

### **Brannon Morisoli, Senior Analyst**

Mr. Morisoli joined SWK Holdings as a Senior Analyst in March 2016. Prior to joining SWK, he was an Investment Analyst and Portfolio Manager at a family office. Prior, he was an Investment Analyst for Presidium Group, a real estate private equity firm, where he played an integral role in closing over \$100mm in transactions. Mr. Morisoli began his career at Neurografix, a medical technology startup in Santa Monica, CA exploring MRI imaging of peripheral nerves. While with Neurografix, he was published in two leading neurology journals. Mr. Morisoli graduated from UCLA with a B.S., was awarded a fellowship and graduated from the University of Notre Dame with an M.B.A, and was awarded a Samson Fellowship from the University of Wisconsin Law School, where he graduated with a J.D. Mr. Morisoli is an inactive member of the State Bar of Wisconsin.

### **Wynn Lemmons, Analyst**

Mr. Lemmons joined SWK Holdings as an Analyst in January 2018. Prior to joining SWK, he was an Analyst at Oaklawn Investments, a Dallas-based investment company, working primarily on distressed credit and special situations. Prior to that, he performed equity research as an Analyst Intern at Greenwood Gearhart, Inc. while attending the University of Arkansas. Wynn graduated from the University of Arkansas Magna Cum Laude.

## Biographies

### **Yvette Heinrichson, Controller**

Ms. Heinrichson joined SWK Holdings as Controller in January 2016. Prior to joining SWK, she provided technical GAAP accounting, SEC financial reporting, SOX implementation and process improvement for companies in a number of industries including healthcare/bioscience, technology, real estate, manufacturing, and retail. Prior to her industry experience, she was a financial statement auditor with Deloitte for several years. She holds a B.S. in Business Administration from San Francisco State University and is a Certified Public Accountant with membership in professional associations AICPA, XBRL US, CalCPA, and CFE. She is also XBRL Certified by the AICPA and XBRL US.

## Biographies – Board of Directors

### **Michael D. Weinberg, Chairman of the Board**

Mr. Weinberg is Chief Operating Officer of Carlson Capital, L.P. Mr. Weinberg has served in various capacities with Carlson since November 1999. Since April 2007, Mr. Weinberg has served as the managing member of BirdDog Capital, LLC, a holding company involved in retail and restaurant franchises. From January 1996 to November 1999, Mr. Weinberg was Director of Investments at Richmond Capital Partners, L.P., the investment affiliate of privately-held Mary Kay. Mr. Weinberg holds a B.A. degree from the Plan II Liberal Arts Honors Program and a J.D. degree, both from the University of Texas at Austin.

### **Christopher Haga**

Mr. Haga is a portfolio manager at Carlson. Mr. Haga, joined Carlson in 2003, has 22 years of experience in public and private investing, investment banking and structured finance. His role at Carlson includes public and private investing in financial institutions, energy companies and special situations. Prior to Carlson, Mr. Haga held investment banking and principal investing roles at RBC Capital Markets, Stephens, Inc., Lehman Brothers (London) and Alex. Brown & Sons. Mr. Haga holds a B.S. in Business Administration from the University of North Carolina at Chapel Hill and an M.B.A. from the University of Virginia.

### **D. Blair Baker**

Mr. Baker is the president of Precept Capital Management, an investment management company based in Dallas, which he founded in 1998. Precept invests across multiple industries and asset types, focusing primarily on publicly-traded securities. His investments in the healthcare sector have included pharmaceutical, medical device, biotech, medical services and medical technology. He has extensive relationships throughout the industry. Mr. Baker previously worked with the advance staff for Vice President George H.W. Bush. Mr. Baker also formed an oil and gas operating company with ongoing operations in the Fort Worth Basin in North Texas. Other relevant prior experience includes Mr. Baker's position as vice president and securities analyst covering telecommunications equipment companies at Rauscher Pierce Refsnes and as a member of the team at Friess Associates that managed \$7 billion of client assets.

## Biographies – Board of Directors

### **Edward Stead**

Mr. Stead has served as a senior executive for various companies over an extensive business career. Mr. Stead began his career as a lawyer at IBM from 1973 to 1985. He then served at Apple Computer, Inc. from 1987 until 1996, where he held titles up to and including Senior Vice President, General Counsel and Secretary. At Apple, Mr. Stead led the significant advance of Apple in filing of patented inventions. He also served as EVP, General Counsel and Secretary of Blockbuster, Inc. from 1997 until 2006. Mr. Stead has served on the Legal Advisory Boards of both the NYSE and the NASD. He is currently a member of the American Law Institute.

## Contact Information

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## FINANCIAL OVERVIEW



## Balance Sheets

*\$ in 000s*

	Mar-18	Dec-17	Dec-16	Dec-15
<b>ASSETS</b>				
Cash and cash equivalents	\$ 21,451	\$ 30,557	\$ 32,182	\$ 47,287
Accounts receivable	1,579	1,637	1,054	1,127
Finance receivables	165,843	151,995	126,366	99,346
Marketable investments	1,713	1,856	2,621	5,286
Investment in unconsolidated entities	-	-	6,985	7,988
Deferred tax asset	21,771	22,725	38,471	16,833
Warrant assets	1,519	987	1,013	1,900
Other assets	314	126	240	720
<b>Total assets</b>	<b>\$ 214,190</b>	<b>\$ 209,883</b>	<b>\$ 208,932</b>	<b>\$ 180,487</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Accounts payable and accrued liabilities	\$ 2,450	\$ 1,840	\$ 682	\$ 788
Warrant liability	65	91	189	259
Total liabilities	2,515	1,931	871	1,047
Stockholders' equity:				
Preferred stock	-	-	-	-
Common stock	13	13	13	13
Additional paid-in-capital	4,433,668	4,433,589	4,433,289	4,432,926
Accumulated deficit	(4,222,006)	(4,225,863)	(4,228,910)	(4,257,798)
Accumulated other comprehensive income	-	213	(87)	-
Total SWK Holdings Corp stockholders' equity	211,675	207,952	204,305	175,141
Non-controlling interests in consolidated entities	-	-	3,756	4,299
Total stockholders' equity	211,675	207,952	208,061	179,440
<b>Total liabilities and stockholders' equity</b>	<b>\$ 214,190</b>	<b>\$ 209,883</b>	<b>\$ 208,932</b>	<b>\$ 180,487</b>

# Income Statements

*\$ in 000s*

	LTM	Dec-17	Dec-16	Dec-15
<b>Revenues</b>				
Finance receivable interest income, including fees	\$ 29,038	\$ 26,877	\$ 15,747	\$ 17,265
Marketable investments interest income	-	-	92	266
Income related to investments in unconsolidated entities	326	10,530	6,219	5,884
Other	80	79	322	45
<b>Total Revenues</b>	<b>29,444</b>	<b>37,486</b>	<b>22,380</b>	<b>23,460</b>
<b>Costs and expenses:</b>				
Provision for credit losses	1,179	-	1,659	10,848
Impairment expense	8,509	8,509	8,077	6,638
Interest expense	-	-	-	381
General and administrative	4,661	4,101	2,829	3,378
<b>Total costs and expenses</b>	<b>14,349</b>	<b>12,610</b>	<b>12,565</b>	<b>21,245</b>
<b>Other income (expense), net</b>				
Unrealized net (loss) gain on derivatives	(343)	(1,115)	588	(3,305)
Unrealized net loss of marketable securities	(124)	-	-	-
Gain on sale of marketable securities	-	243	-	-
<b>Income (loss) before income taxes</b>	<b>14,628</b>	<b>24,004</b>	<b>10,403</b>	<b>(1,090)</b>
<b>Income tax (benefit) expense</b>	<b>13,001</b>	<b>15,753</b>	<b>(21,638)</b>	<b>3,273</b>
<b>Consolidated net income (loss)</b>	<b>1,627</b>	<b>8,251</b>	<b>32,041</b>	<b>(4,363)</b>
<b>Net income attributable to non-controlling interests</b>	<b>172</b>	<b>5,204</b>	<b>3,153</b>	<b>3,007</b>
<b>Net income (loss) attributable to SWK Holdings Corp Stockholders</b>	<b>\$ 1,455</b>	<b>\$ 3,047</b>	<b>\$ 28,888</b>	<b>\$ (7,370)</b>
<b>Net income (loss) per share attributable to SWK Holdings Corp Stockholders</b>				
Basic	\$ 0.11	\$ 0.23	\$ 2.22	\$ (0.57)
Diluted	\$ 0.11	\$ 0.23	\$ 2.22	\$ (0.57)
<b>Weighted Average Shares</b>				
Basic	13,053	13,036	13,015	12,986
Diluted	13,057	13,040	13,018	12,986

# Cash Flow Statements

\$ in 000s, \*

	LTM	Dec-17	Dec-16	Dec-15
<b>Cash flows from operating activities:</b>				
Consolidated net income	\$1,627	\$8,251	\$32,041	(\$4,363)
Adjustments to reconcile net income to net cash provided by operating activities:				
Income from investments in unconsolidated entity	(326)	(10,530)	(6,219)	(5,884)
Provision for loan credit losses	1,179	-	1,659	10,848
Impairment expense	8,509	8,509	8,077	6,638
Change in fair value of warrants	343	1,115	(588)	3,305
Gain on sale of marketable securities	124	(243)	-	-
Deferred income tax	12,993	15,745	(21,638)	3,273
Loan discount amortization and fee accretion	(2,195)	(1,926)	(3,109)	(1,778)
Interest income in excess of cash collected	(604)	(534)	-	(1,063)
Interest paid-in-kind	(1,443)	(1,779)	(398)	-
Stock-based compensation	301	300	363	640
Other	17	17	16	391
Changes in operating assets and liabilities:				
Accounts receivable	(437)	(583)	(59)	(74)
Other assets	(119)	(42)	(396)	(648)
Accounts payable and other liabilities	1,720	1,158	(106)	(76)
Net cash provided by operating activities	<u>21,689</u>	<u>19,458</u>	<u>9,643</u>	<u>11,209</u>
<b>Cash flows from investing activities:</b>				
Cash distributions from investments in unconsolidated entity	326	17,515	7,222	6,940
Cash received for settlement of warrants	-	-	1,405	-
Proceeds from sale of available-for-sale marketable securities	-	345	-	-
Net (increase) decrease in finance receivables	(40,983)	(30,064)	(29,717)	(25,849)
Investment in marketable investments	-	-	-	-
Marketable investment principal payment	88	93	41	80
Other	(11)	(12)	(3)	(50)
Net cash provided by investing activities	<u>(40,580)</u>	<u>(12,123)</u>	<u>(21,052)</u>	<u>(18,879)</u>
<b>Cash flows from financing activities:</b>				
Distribution to non-controlling interests	(172)	(8,960)	(3,696)	(3,575)
Net paydown on revolver facility	-	-	-	-
Equity offering, net	-	-	-	-
Net cash used in financing activities	<u>(172)</u>	<u>(8,960)</u>	<u>(3,696)</u>	<u>(3,771)</u>
Net increase in cash and cash equivalents	(19,063)	(1,625)	(15,105)	(11,441)
Cash and cash equivalents at beginning of period	40,514	32,182	47,287	58,728
Cash and cash equivalents at end of period	<u>21,451</u>	<u>30,557</u>	<u>\$32,182</u>	<u>\$47,287</u>

\*numbers may not add due to rounding

# Reconciliation of Non-GAAP Adjusted Net Income Attributable to SWK Stockholders

The table below eliminates provisions for income taxes, non-cash mark-to-market changes on warrant assets and SWK's warrant liability, as well as, warrant-related debt issuance costs and stock compensation expense related to SWK's equity raise. The following tables provide a reconciliation of SWK's reported (GAAP) income before provision for income tax to SWK's adjusted net income attributable to SWK Holdings Corporation stockholders (Non-GAAP) for the periods denoted in the table:

*\$ in 000s*

	LTM	Dec-17	Dec-16	Dec-15
Consolidated net income (loss)	\$ 1,626	\$ 8,251	\$ 32,041	\$ (4,363)
Plus: income tax expense (benefit)	12,998	15,753	(21,638)	3,273
Plus: loss (gain) on fair market value of warrants	344	1,115	(588)	3,305
Plus: Loss on Fair Market Value of Equity Securities	124			
Plus: loss related to Response Genetics warrants	-	-	-	(802)
Plus: gain on realized value of warrants	-	-	-	-
Plus: warrant-related debt issuance costs	-	-	-	155
Plus: transaction-related stock compensation expense	-	-	-	-
Adjusted income before provision for income tax	\$ 15,092	\$ 25,119	\$ 9,815	\$ 1,568
Plus: Adjusted provision for income tax	-	-	-	-
Non-GAAP consolidated net income	\$ 15,092	\$ 25,119	\$ 9,815	\$ 1,568
Less: Non-GAAP adjusted net income attributable to non-controlling interest	(171)	(5,204)	(3,153)	(3,007)
Non-GAAP adjusted net income (loss) attributable to SWK Holdings Corporation Stockholders	\$ 14,921	\$ 19,915	\$ 6,662	\$ (1,439)