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

FORM 10-K

(Mark One)
☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2018

OR

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

Commission file number: 000-27163

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

Delaware	77-0435679
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
14755 Preston Road, Suite 105 Dallas, TX	75254
(Address of Principal Executive Offices)	**(Zip Code)**

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

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

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

Common Stock, $0.001 par value per share
(Title of class)

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-Accelerated Filer ☐ Smaller Reporting Company ☒ Emerging Growth Company ☐

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

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

The aggregate market value of the Registrant's Common Stock held by non-affiliates is $38,389,710 based on the June 29, 2018, closing price of the Registrant's Common Stock on such date as reported on the OTCQB Marketplace of $10.00.

On March 22, 2019, the Registrant had outstanding approximately 12,856,721 shares of Common Stock, $0.001 par value per share.

DOCUMENTS INCORPORATED BY REFERENCE

DOCUMENT	**PART OF FORM 10-K**
Portions of Definitive Proxy Statement for the 2019 Annual Meeting of Shareholders	PART III

SWK Holdings Corporation
Form 10-K

For the Fiscal Year Ended December 31, 2018

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PART I

Special Note Regarding Forward-Looking Statements.

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

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

ITEM 1. BUSINESS

Overview

SWK Holdings Corporation (the "Company," "SWK," "us" or "we") was incorporated in July 1996 in California and reincorporated in Delaware in September 1999. In July 2012, we commenced our corporate strategy of building a specialty finance and asset management business. Our strategy is to be a leading healthcare capital provider by offering sophisticated, customized financing solutions to a broad range of life science companies, institutions and inventors. Our focus is on monetizing cash flow streams derived from commercial-stage products and related intellectual property through royalty purchases and financings, as well as through the creation of synthetic revenue interests in commercialized products. We are deploying our assets to earn interest, fees, and other income pursuant to this strategy, and we continue to identify and review financing and similar opportunities on an ongoing basis. In addition, through our wholly-owned subsidiary, SWK Advisors LLC, we provide non-discretionary investment advisory services to institutional clients in separately managed accounts to similarly invest in life science finance. SWK Advisors LLC is registered as an investment advisor with the Texas State Securities Board. We intend to fund transactions through our own working capital, by partnering with other institutional investors, as well as by building our asset management business by raising additional third party capital to be invested alongside our capital.

We fill a niche that we believe is underserved in the sub-$50 million transaction size. Since many of our competitors that provide non-traditional debt and/or longer term, royalty-related financing options have much greater financial resources than us, they tend not to focus on transaction sizes below $50 million as it is generally inefficient for them to do so. In addition, we do not believe that a sufficient number of other companies offer similar types of long-term financing options to fill the demand of the sub-$50 million market. As such, we believe we face less competition from such investors in transactions that are less than $50 million.

We evaluate and invest in a broad range of healthcare related companies and products with innovative intellectual property, including the biotechnology, medical device, medical diagnostics and related tools, animal health and pharmaceutical industries (together "life science"), and we tailor our financial solutions to the needs of our business partners. Our business partners are primarily engaged in selling products that directly or indirectly cure diseases and/or improve people's or animals' wellness, or they receive royalties paid on the sales of such products. For example, our biotechnology and pharmaceutical business partners manufacture medication that directly treat disease states, whereas our life science tools partners sell a wide variety of research instrumentation to help other companies conduct research into disease states.

Our investment objective is to maximize our portfolio total return and thus increase our net income and book value by generating income from three sources:

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

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

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

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

The majority of our transactions are structured similarly to factoring transactions whereby we provide capital in exchange for an interest in an existing revenue stream. We do not anticipate providing capital in situations prior to the commercialization of a product. The existing revenue stream can take several forms, but is most commonly either a royalty derived from the sales of a life science product (1) from the marketing efforts of a third party, such as a royalty paid to an inventor on the sales of a medicine, or (2) from the marketing efforts of a partner company, such as a medical device company that directly sells its own products. Our structured debt investments may include warrants or other features, giving us the potential to realize enhanced returns on a portion of our portfolio. Capital that we provide directly to our partners is generally used for growth and general working capital purposes, as well as for acquisitions or recapitalizations in select cases. We generally fund the full amount of transactions up to $20 million through our working capital.

In circumstances where a transaction is greater than $20 million, we seek to syndicate amounts in excess of $20 million to both other investors and our investment advisory clients. We do not expect to earn investment advisory income in transactions where we partner with investors other than our investment advisory clients.

Our investment advisory agreements are currently non-discretionary, and each client determines individually if it wants to participate in a transaction. Though we have partnered with investment advisory clients in the past, we currently do not have any transactions in which we have partnered with investment advisory clients. We expect to continue to offer transaction opportunities to our investment advisory clients, as appropriate for each client's investment strategy. When a client opts into a transaction, each client receives its pro rata allocation of income produced by a transaction in which it participates, and the client pays us management and incentive fees according to a written investment advisory agreement. Fees paid by clients may differ depending upon the terms negotiated with each client and are paid directly by the client upon receipt of an invoice from us. We may seek to raise discretionary capital from similar investors in the future.

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

Tax Attributes

We view our ability to carry forward our net operating losses, or NOLs, as an important and substantial asset. On January 26, 2006, in order to preserve stockholder value by protecting our ability to carry forward our NOLs, we entered into a rights agreement that provided for a dividend distribution of one preferred share purchase right for each outstanding share of our common stock. The purchase rights become exercisable after the acquisition or attempted acquisition of 4.9 percent or more of our outstanding common stock without the prior approval of our board of directors. Our current rights agreement (the "Rights Agreement") was entered into as of April 8, 2016 and has an expiration date of April 8, 2019. On March 27, 2019, the board of directors approved an extension of the Rights Agreement for another three years. Under the Rights Agreement, Carlson Capital, L.P. and its affiliates (collectively, "Carlson"), are designated as Exempt Persons (as defined in the Rights Agreement) unless they own more than 76 percent of the outstanding shares of our common stock in the aggregate.

At this time, under current law, we do not anticipate that our life science business strategy will generate sufficient income to permit us to utilize all of our NOLs prior to their respective expiration dates. As such, it is possible that we might pursue additional strategies that we believe might result in our ability to utilize more of our NOLs.

Competition

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

For additional information concerning the competitive risks we face, see "Item 1A. Risk Factors—Risks Related to our Business and Structure—We operate in a highly competitive market for investment opportunities."

Employees

As of December 31, 2018 we had five full-time employees. None of our employees are represented by a labor union, and we consider our employee relations to be good.

Additional Information

We file annual, quarterly and current reports, proxy statements and other information required by the Securities Exchange Act of 1934, as amended (the "Exchange Act''), with the Securities and Exchange Commission ("SEC"). Readers may read and copy any document that the Company files at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549, U.S.A. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. Our SEC filings are also available to the public from the SEC's internet site at http://www.sec.gov.

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

ITEM 1A. RISK FACTORS

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

RISKS RELATED TO OUR BUSINESS AND STRUCTURE

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

Most of our assets are expected to be royalty streams or debt backed by royalty streams or revenue interests paid by small- and middle-market businesses, which are highly speculative and involve a high degree of risk of credit loss. In addition, we may own royalties or invest in debt backed by royalties or revenue interests that are derived by 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. These risks are likely to increase during volatile economic periods.

We operate in a highly competitive market for investment opportunities.

A large number of entities compete with us to advance capital to the companies we target. 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 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 fuller 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 materially 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.

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.

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

Our ability to achieve our business objectives depends on our ability to grow, which depends, in turn, on our 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 materially adverse effect on our business, financial condition and results of operations.

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, 2018, we had NOL carryforwards for U.S. federal income tax purposes of $377.4 million. The U.S. federal NOL carryforwards, if not offset against future income, will expire by 2032, with the majority of such NOLs expiring by 2021. We may recognize additional NOLs in the future. In order to utilize the NOLs, 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.

Accordingly, the extent to which we undergo an ownership change limiting the availability of our NOLs depends in part on actions taken by our large shareholders. Furthermore, our largest shareholders are investment funds affiliated with Carlson. Most investors in these funds are third parties, unaffiliated with either us or Carlson. Subscription or redemption activity by such investors is generally outside of our or Carlson's control; however, resulting changes in the ownership of these funds may contribute to, or result in, a determination that an "ownership change" has occurred. As a result, even though we have a stockholder rights plan that is intended to protect the NOLs, whether or not an ownership change occurs is not entirely within our control.

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 is derived by multiplying the fair market value of the Company stock as of the ownership change by the applicable federal long-term tax-exempt rate, which was 2.51 percent for February 2019. 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.

U.S. federal income tax reform could adversely affect us.

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act (the "TCJA") that significantly reforms the Code. The TCJA, among other things, includes changes to U.S. federal tax rates, imposes significant additional limitations on the deductibility of interest and allows for the expensing of capital expenditures. The TCJA reduced the corporate tax rate to 21 percent from 35 percent, among other things.

We do not expect tax reform to have a material impact to our projection of future cash tax obligations given our expectation that our life science business strategy will not generate sufficient income to permit us to utilize all of our NOLs prior to their respective expiration dates. The Company will continue to assess the need for a valuation allowance on the deferred tax assets by evaluating both positive and negative evidence that may exist at each reporting date. Any adjustments to the deferred tax asset valuation allowance is recorded in the statement of operations in the period it is determined an adjustment is required. We continue to examine the impact this tax reform legislation may have on our business. The impact of this tax reform on holders of our common stock is uncertain and could be adverse.

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 continued service of this senior management team, in particular, Winston L. Black, Chief Executive Officer. His departure could have a materially adverse effect on our ability to achieve our business objectives. In addition, we have very few employees, so the loss of any employee could be disruptive to our business.

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, 2018 we had $20.2 million of cash and cash equivalents on the balance sheet plus $20.0 million available to be borrowed under the credit facility. 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.

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.

Our investments in debt backed by royalty streams and revenue interests paid by our prospective partner companies and the products underlying the royalty streams and revenue interests in which we invest may be risky, and we could lose all or part of our investment.

Most of our assets are expected to be royalty streams or debt backed by royalty streams or revenue interests paid by our partner companies. Some of our partner companies to which we advance debt, whether it be backed by royalties, revenue interests or be general obligations of the issuer, have relatively short or no operating histories. These companies are and will be subject to all of the business risk and uncertainties associated with any new business enterprise, including the risk that these companies may not reach their operating objectives and the value of our investment in them may decline substantially or fall to zero.

In addition, the middle-market companies to which we are targeting 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 on 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 materially 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;
- 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.

Similarly, the products underlying royalty streams or revenue interests in which we invest may have relatively short or no sales history, may be established products that face intense competition from newer, more innovative or better marketed products, or may be subject to additional risks. If these products do not achieve commercial success or attain lower sales than we estimate, we may lose value on our investments.

In addition, 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 to advance would be subject to additional risk. We could lose all of any additional investment.

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

We generally hold equity interests in companies that are publicly traded. Fluctuations in the market prices of the common stock of publicly traded 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 in 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.

Currently, we have 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.

A consequence of our currently limited number of assets 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.

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.

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 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.

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 participations 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, our results of operations may be materially adversely impacted.

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 portfolio 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, 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 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.

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.

Many of our partner companies may be susceptible to economic slowdowns or recessions in both the U.S. and foreign countries and may be unable to repay our loans during such periods. Adverse economic conditions also may decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could 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 the partner company's 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 debt securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting partner company. In addition, if a partner company goes bankrupt, even though we may have structured our investment as senior debt or secured debt, depending on the facts and circumstances, including the extent to which we actually provided significant "managerial assistance," if any, to that partner company, a bankruptcy court might re-characterize our debt holding and subordinate all or a portion of our claim to that of other creditors. In addition, the proceeds from asset sales received in bankruptcy court proceedings or otherwise in a distressed asset sale may not fully repay our debt claims. In the event that such proceeds include equity securities of the company acquiring the company to which we had previously loaned money, our ultimate recovery would be subject to equity market risk and operational risk of such acquiring company. These events could materially adversely affect our financial condition and operating results.

These companies may face intense competition, including competition from companies with greater financial resources, more extensive research and development, manufacturing, marketing and service capabilities and greater numbers of qualified and experienced managerial and technical personnel. They may need additional financing which they are unable to secure and which we are unable or unwilling to provide, or they may be subject to adverse developments unrelated to the technologies they acquire.

If we fail to maintain adequate internal control over financial reporting, it could result in a material misstatement of the Company's annual or interim financial statements.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles ("GAAP"). If we identify material weaknesses or other deficiencies in our internal controls, or if material weaknesses or other deficiencies exist that we fail to identify, our risk will be increased that a material misstatement to our annual or interim financial statements will not be prevented or detected on a timely basis. Any such potential material misstatement, if not prevented or detected, could require us to restate previously released financial statements and could otherwise have a material adverse effect on our business, results of operations, and financial condition.

Our allowance for credit losses may prove inadequate.

The quality of our financing receivables depends on the credit-worthiness of our partner companies and their ability to fulfill their obligations to us. We maintain an allowance for credit losses on specific financing 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 financing 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.

If the models that we use in our business are poorly designed, our business or results of operations may be adversely affected.

We rely on quantitative models to measure risks and to estimate certain financial values. Models may be used in such processes as determining the pricing of various products, grading loans and extending credit, measuring interest rate and other market risks, predicting losses, assessing capital adequacy, and calculating regulatory capital levels, as well as to estimate the value of financial instruments and balance sheet items. Poorly designed or implemented models present the risk that our business decisions based on information incorporating models will be adversely affected due to the inadequacy of that information.

We and our subsidiaries are party to various financing arrangements, commercial contracts and other arrangements that under certain circumstances give, or in some cases may give, the counterparty the ability to exercise rights and remedies under such arrangements which, if exercised, may have material adverse consequences.

We and our subsidiaries are party to various financing arrangements, commercial contracts and other arrangements, such as securitization transactions, derivatives transactions, funding facilities, and agreements for the purchase or sale of assets, that give, or in some cases may give, the counterparty the ability to exercise rights and remedies upon the occurrence of certain events. Such events may include a material adverse effect or material adverse change (or similar event), a breach of representations or warranties, a failure to disclose material information, a breach of covenants, certain insolvency events, a default under certain specified other obligations, or a failure to comply with certain financial covenants. The counterparty could have the ability, depending on the arrangement, to, among other things, require early repayment of amounts owed by us or our subsidiaries and in some cases payment of penalty amounts, or require the repurchase of assets previously sold to the counterparty. Additionally, a default under financing arrangements or derivatives transactions that exceed a certain size threshold in the aggregate may also cause a cross-default under instruments governing our other financing arrangements or derivatives transactions. If the ability of any counterparty to exercise such rights and remedies is triggered and we are unsuccessful in avoiding or minimizing the adverse consequences discussed above, such consequences could have a material adverse effect on our business, results of operations, and financial condition.

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

LIBOR, the London interbank offered rate, is the basic rate of interest used in lending between banks on the London interbank market and is widely used as a reference for setting the interest rate on loans globally. We typically use 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.

On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is unclear if at that time whether or not LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large US financial institutions, is considering replacing U.S. dollar LIBOR with a new index calculated by short-term repurchase agreements, backed by Treasury securities ("SOFR"). 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 will be 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. Whether or not SOFR attains market traction as a LIBOR replacement tool remains in question. As such, the future of LIBOR at this time is uncertain. 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. 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.

Uncertainty relating to the LIBOR calculation process may adversely affect the value of our portfolio of the LIBOR-indexed, floating-rate debt securities.

In the recent past, concerns have been publicized that some of the member banks surveyed by the British Bankers' Association ("BBA") in connection with the calculation of LIBOR across a range of maturities and currencies may have been under-reporting or otherwise manipulating the inter-bank lending rate applicable to them in order to profit on their derivatives positions or to avoid an appearance of capital insufficiency or adverse reputational or other consequences that may have resulted from reporting inter-bank lending rates higher than those they actually submitted. A number of BBA member banks have entered into settlements with their regulators and law enforcement agencies with respect to alleged manipulation of LIBOR, and investigations by regulators and governmental authorities in various jurisdictions are ongoing.

Actions by the BBA, regulators or law enforcement agencies may result in changes to the manner in which LIBOR is determined. Uncertainty as to the nature of such potential changes may adversely affect the market for LIBOR-based securities, including our portfolio of LIBOR-indexed, floating-rate debt securities. 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 for LIBOR-based securities or the value of our portfolio of LIBOR-indexed, floating-rate debt securities.

The recent rise in LIBOR 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-based floating interest rates with minimum LIBOR floors. The minimum LIBOR floor insulates partner companies from an increase in LIBOR until the reference LIBOR rate reaches the minimum floor threshold, typically one to two percent. If LIBOR 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 rate exposure, and as a result of an increase of LIBOR above the minimum floor threshold, they will experience an increase in the effective interest rate of their debt obligations to us. If LIBOR 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 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.

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

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, or the 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 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 in this industry or the licensee's operations, 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 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.

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. Even though we believe our partner companies' products do not 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.

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.

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.

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.

Additionally, because of the continued uncertainty surrounding the healthcare industry under the Trump Administration, including the potential for further legal challenges or repeal of existing legislation, we cannot quantify or predict with any certainty the likely impact on our partner companies, our business model, prospects, financial condition or results of operations. 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 marketing pharmaceutical products from which we receive royalty payments 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 payments to us.

Our pharmaceutical portfolio companies and pharmaceutical royalties are subject to risks associated with the pricing for prescription drugs. It is uncertain whether pharmaceutical products customers generally 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. Additionally, President Trump has taken actions and made statements that suggest he plans to seek repeal of all or portions of the Affordable Care Act, or the ACA. There is currently uncertainty with respect to the impact any such repeal may have and any resulting changes may take time to unfold, which could have an impact on coverage and reimbursement for healthcare items and services covered by plans that were authorized by the ACA. 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 pharmaceutical partner companies, 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.

Risks Associated with the Company and our Capital Structure

Our common stock is currently quoted on the QB tier of the OTC Markets Group, or the OTCQB, and we could become subject to additional SEC regulation if we experience a significant decline in our stock price.

Since October 2005, our common stock has been quoted on the OTCQB or its predecessor. The OTCQB is generally considered less efficient than exchanges such as The New York Stock Exchange and The NASDAQ Stock Market. Quotation of our common stock on the OTCQB may reduce the liquidity of our securities, limit the number of investors who trade in our securities, result in a lower stock price and larger spread in the bid and ask prices for shares of our common stock and could have an adverse effect on us. Additionally, we may become subject to the SEC rules that affect "penny stocks," which are stocks below $5.00 per share that are not listed on a national exchange. These SEC rules would make it more difficult for brokers to find buyers for our securities and could lower the net sales prices that our stockholders are able to obtain. If our common stock again becomes subject to those rules, we may not be able to raise equity capital.

Our quotation on the OTCQB and our stock price, if it were to experience a decline, may greatly impair our ability to raise any future necessary capital through equity or debt financing and significantly increase the dilution to our current stockholders caused by any issuance of equity in financing or other transactions. The price at which we would issue shares in such transactions is generally based on the market price of our common stock, and a decline in the stock price could result in our need to issue a greater number of shares to raise a given amount of funding.

In addition, because our common stock is not listed on a national exchange, we may again become subject to Rule 15g-9 under the Exchange Act, which imposes additional sales practice requirements on broker-dealers that sell low-priced securities to persons other than established customers and institutional accredited investors. For transactions covered by this rule, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to sale. Consequently, the rule may affect the ability of broker-dealers to sell our common stock and affect the ability of our stockholders to sell their shares of our common stock in the secondary market. Moreover, investors may be less interested in purchasing low-priced securities because the brokerage commissions, as a percentage of the total transaction value, tend to be higher for such securities, and some investment funds will not invest in low-priced securities (other than those which focus on small-capitalization companies or low-priced 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, 2018, funds affiliated with Carlson owned (including the 100,000 shares of common stock underlying the warrant held by Double Black Diamond Offshore Ltd. ("Double Black")), in the aggregate 70.5 percent of our combined issued and outstanding common stock, unvested restricted stock, and common stock underlying the warrant. Michael Weinberg, the chairman of our board of directors, and Christopher W. Haga, a director, are employees of Carlson. Due to the large percentage of ownership by funds affiliated with Carlson, including 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 August 18, 2014, 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, changes in our chief executive officer and repurchases of common stock.

We have adopted provisions in our certificate of incorporation and bylaws, and a stockholder rights plan that 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, we have a stockholder rights plan that is intended to protect our ability to utilize our NOL carryforwards and which would also 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 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, because we believe the nature of our assets and the sources of our income exclude us from the definition of an investment company pursuant to Section (3)(a)(1)(C) under the 1940 Act. Accordingly, we are not subject to the provisions of the 1940 Act, such as conflict of interest rules, requirements for disinterested directors and other substantive provisions which were enacted to protect investors in "investment companies."

Generally, a company is an "investment company" if it is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities or owns or proposes to own 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, unless an exception, exemption or safe harbor applies. We refer to this investment company definition test as the "40 percent test."

We monitor our compliance with the 40 percent test and seek to conduct our business activities to comply with this test. It is not feasible for us to be regulated as an investment company because the restrictions imposed by the 1940 Act rules are inconsistent with our strategy. In order to continue to comply with the 40 percent test, we may need to take various actions which we might otherwise not pursue. The actions we may need to take to address these issues while maintaining compliance with the 40 percent test (or another exception or exemption from regulation as an investment company), include restructuring or terminating the Company, could adversely affect our ability to create and realize stockholder value.

Because we operate through our subsidiaries, our ability to comply with the 40 percent test is dependent on the ability of certain of our subsidiaries to rely on an exclusion or exemption from investment company registration. In this regard, one of our subsidiaries currently relies on the exclusion from investment company registration provided by Section 3(c)(5)(A) under the 1940 Act. Section 3(c)(5)(A), as interpreted by the staff of the SEC, requires us to invest at least 55 percent of our assets in "notes, drafts, acceptances, open accounts receivable, and other obligations representing part or all of the sales price of merchandise, insurance, and services" (or "Qualifying Assets").

In complying with Section 3(c)(5)(A), one of our subsidiaries, SWK Funding LLC, relies on an interpretation that royalty interests that entitle SWK Funding LLC 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 Qualifying Assets under Section 3(c)(5)(A). This interpretation was promulgated by the SEC staff in a no-action letter issued to Royalty Pharma on August 13, 2010. The assets acquired by SWK Funding LLC therefore, are limited by the provisions of the 1940 Act and SEC staff interpretations thereunder. If the SEC or its staff in the future adopts a contrary interpretation or otherwise restricts the conclusions in the staff's no-action letter such that royalty interests are no longer treated as Qualifying Assets for purposes of Section 3(c)(5)(A), SWK Funding LLC could be required to restructure its activities or sell certain of its assets, potentially negatively affecting our performance. As a result, our business will be materially and adversely affected if SWK Funding LLC fails to qualify for Section 3(c)(5)(A).

The rules and interpretations of the SEC and the courts, relating to the definition of "investment company" are highly complex in numerous respects. While we intend to conduct our operations so that we will not be deemed an investment company, we can give no assurances that we will not be deemed an "investment company" and be required to register under the 1940 Act. If we were to be deemed an "investment company," restrictions imposed by the 1940 Act, including limitations on our capital structure and our ability to transact with affiliates, could make it impractical for us to continue our business as contemplated and would have a material adverse effect on our business and the price of our shares. In addition, we could be subject to legal actions by regulatory authorities and others and could be forced to dissolve. The costs of defending any such actions could constitute a material part of our assets and dissolution could have materially adverse effects on our company and the value of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters is located in Dallas, Texas, where we lease approximately 2,400 square feet of space. We believe these facilities are adequate for our business requirements.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Our common stock is quoted on the OTCQB Marketplace, under the symbol "SWKH." The table below sets forth the high and low bid prices of our common stock on the OTCQB Marketplace during the periods indicated. These prices represent quotations between dealers without adjustment for retail markup, mark down or commissions, and may not represent actual transactions.

	High	Low
Fiscal 2017		
First Quarter	11.00	9.90
Second Quarter	11.90	10.50
Third Quarter	11.45	9.85
Fourth Quarter	11.25	10.35
Fiscal 2018		
First Quarter	11.25	10.50
Second Quarter	11.25	10.00
Third Quarter	10.05	9.40
Fourth Quarter	9.85	9.30

Holders of Record

There were approximately 122 stockholders of record of our common stock as of March 8, 2019. The actual number of stockholders is greater than this number of record holders and includes stockholders who are beneficial owners but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Dividend Policy

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

Issuer Purchases of Equity Securities

On December 6, 2018, the Board of Directors of the Company authorized a share repurchase program under which the Company may repurchase up to $3.5 million of the Company's outstanding shares of common stock, or approximately 312,491 common shares, in accordance with all applicable securities laws and regulations, including Rule 10b-18 of the Securities and Exchange Act. The purchase period is December 21, 2018 through May 31, 2019.

At December 31, 2018, 60,500 shares have been repurchased under the program at a total cost of $575,055, or $9.51 per share. As of December 31, 2018, the maximum number of shares that may yet be purchased under the plan is 251,991 shares. During 2018, an additional 79,566 shares that were not covered under the plan were repurchased at a total cost of $782,054, or $9.83 per share.

ITEM 6. SELECTED FINANCIAL DATA

Not Applicable.

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

The following discussion and analysis should be read in conjunction with our financial statements and the related notes. Our discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth in the Risk Factors, Special Note Regarding Forward-Looking Statements and Business sections in this report. We use words such as "anticipate," "believe," "estimate," "expects," "intend," "plan," "will" and variations of these words and similar expressions to identify forward-looking statements.

Overview

We evaluate and invest in a broad range of healthcare related companies and products with innovative intellectual property, including the biotechnology, medical device, medical diagnostics and related tools, animal health and pharmaceutical industries (together "life science") by tailoring financial solutions to the needs of our business partners.

Our investment objective is to maximize our portfolio total return and thus increase our net income and book value by generating income from three sources: (1) primarily owning or financing through debt investments, royalties or revenue interests generated by the sales of life science products and related intellectual property, (2) receiving interest and other income by advancing capital in the form of secured debt to companies in the life science sector, and (3) to a lesser extent, realizing capital appreciation from equity-related investments in the life science sector.

We primarily provide capital in exchange for an interest in an existing revenue stream, which can take several forms, but is most commonly either a royalty derived from the sales of a life science product from the marketing efforts of a third party or from the marketing efforts of a partner company. Our structured debt investments may include warrants or other features, giving us the potential to realize enhanced returns on a portion of our portfolio.

See "Business," included in Part I, Item 1 of this report for further discussion of our overall business and strategy. The table below provides an overview of our outstanding transactions as of, and for the year ended, December 31, 2018 *(in thousands, except rate, share and per share data):*

Royalty Purchases and Financings	Licensed Technology	Footnote	Funded Amount	GAAP Balance	Rate	Income Recognized During 2018	Active Investment as of December 31, 2018
Beleodaq®	Oncology treatment		$ 7,600	$ 7,314	N/A	$ 586	Yes
Besivance®	Ophthalmic antibiotic		6,000	2,180	N/A	254	Yes
Best ABT, Inc.	Oncology diagnosis	(1)	5,784	5,784	N/A	—	Yes
Cambia®	NSAID migraine treatment	(2)	8,500	6,047	N/A	966	Yes
Forfivo XL®	Depressive disorder treatment		6,000	4,701	N/A	2,009	Yes
Narcan	Opioid overdose treatment		17,500	734	N/A	2,379	Yes
Secured Royalty Financing (Marketable Investment)	Women's health	(3)	3,000	532	11.5%	—	Yes
Tissue Regeneration Therapeutics	Umbilical cord banking		3,250	3,471	N/A	434	Yes

Term Loans	Type	Footnote	Principal	Maturity Date	GAAP Balance	Rate	Income Recognized During 2018	Active Investment as of December 31, 2018
ABT Molecular Imaging, Inc.	First Lien	(1)	$ —	06/30/16	$ —	7.3%	$ 249	No
ABT Molecular Imaging, Inc.	Second Lien Royalty	(1)	—	10/08/21	—	N/A	—	No
Acerus Pharmaceuticals, Inc.	First Lien		9,000	10/11/23	8,187	12.0%	322	Yes
B&D Dental Corporation	First Lien	(3), (4)	8,368	12/10/18	8,337	14.0%	—	Yes
B&D Dental Corporation	First Lien Equipment Loan	(4)	42	03/31/20	42	16.3%	9	Yes
BIOLASE, Inc.	First Lien		12,500	11/09/23	11,920	12.3%	265	Yes
CeloNova BioSciences, Inc.	First Lien		6,273	07/31/21	6,281	13.0%	1,115	Yes
DxTerity Diagnostics, Inc.	First Lien	(5)	9,266	04/06/20	9,393	13.3%	1,487	Yes
Epica International, Inc.	First Lien		12,200	07/23/23	12,124	10.5%	641	Yes
EyePoint Pharmaceuticals, Inc.	First Lien	(6)	—	03/27/23	19,575	12.0%	2,069	Yes
Hooper Holmes, Inc.	First Lien	(7)	—	05/11/21	—	17.3%	207	No
Hooper Holmes, Inc.	First Lien	(7)	—	05/11/21	—	13.5%	12	No
Harrow Health, Inc. (formerly Imprimis Pharmaceuticals)	First Lien		9,720	07/19/21	9,421	12.0%	1,485	Yes
Keystone Dental, Inc.	First Lien		15,000	05/20/21	15,107	11.5%	2,553	Yes
OraMetrix, Inc.	First Lien	(8)	—	12/15/21	—	12.0%	1,048	No
Parnell Pharmaceuticals	First Lien	(9)	—	11/22/20	—	13.0%	2,152	No
Solsys Medical, LLC (formerly Soluble Systems)	First Lien		15,096	10/26/22	15,249	11.8%	2,036	Yes
Tenex Health, Inc.	First Lien		7,472	06/30/21	7,554	13.0%	1,010	Yes
Thermedx, LLC	First Lien		3,500	05/05/21	4,377	N/A	676	Yes
Veru, Inc.	Synthetic Royalty		10,000	03/05/25	8,812	N/A	2,014	Yes

Other	Footnote	Funded Amount	GAAP Balance	Losses Recognized During 2018	Active Investment as of December 31, 2018
Cancer Genetics (Common Stock)	(10)	$ —	$ —	$ (1,002)	No
Hooper Holmes, Inc. (Common Stock)	(7)	—	—	(33)	No

Warrants to Purchase Stock	Footnote	Number of Shares	Exercise Price per Share	GAAP Balance	Change in Fair Value During 2018	Active Investment as of December 31, 2018
Acerus Pharmaceuticals, Inc.		5,331,563	0.40 CAD	$ 168	$ (538)	Yes
B&D Dental Corporation		225	0.01	—	—	Yes
BIOLASE, Inc.		372,023	1.34	273	(156)	Yes
CeloNova BioSciences, Inc.		TBD	0.01	—	—	Yes
DxTerity Diagnostics, Inc.		686,058	2.08	—	—	Yes
Epica International, Inc.		TBD	TBD	—	—	Yes
EyePoint Pharmaceuticals, Inc.		409,091	1.10	569	310	Yes
EyePoint Pharmaceuticals, Inc.		77,721	1.93	95	(2)	Yes
Harrow Health, Inc. (formerly Imprimis Pharmaceuticals)		373,847	2.08	1,672	1,250	Yes
Hooper Holmes, Inc.	(7)	—	—	—	(270)	No
Hooper Holmes, Inc.	(7)	—	—	—	(96)	No
Keystone Dental, Inc.		793,651	1.26	—	—	Yes
Solsys Medical, LLC		1,209,068	0.99	—	—	Yes
Solsys Medical, LLC		2,284,793	0.98	—	—	Yes
Tenex Health, Inc.		2,693,878	0.37	—	—	Yes
Aralez Pharmaceuticals, Inc.	(11)	—	—	—	(93)	No

	Assets	Income Recognized During 2018
Total Finance Receivables	$ 166,610	$ 25,978
Total Marketable Securities	532	—
Fair Value of Warrant Assets	2,777	—
Total Assets/Income	**$ 169,919**	**$ 25,978**

(1) In December 2018, Best ABT, Inc. ("Best") acquired ABT Molecular Imaging, Inc. ("ABT"). An impairment charge of $5,333 on the ABT second lien and an allowance for credit losses of $5,000 on the ABT first lien was recorded in 2018.

(2) Provision for credit loss of $1,179 was recorded in 2018.

(3) Investment on nonaccrual.

(4) B&D is evaluating strategic alternatives for the business. The loan is currently in default.

(5) Executed amendment effective January 1, 2019 to allow DxTerity to pay in kind the interest payments due in January 2019 and April 2019, subject to DxTerity raising additional capital.

(6) EyePoint repaid the term loan on February 13, 2019.

(7) Impairment charge of $2,542 was taken in 2018. On October 10, 2018, SWK received $15,869 of cash proceeds following an asset sale by Hooper Holmes, Inc. ("Hooper"). Warrants and common stock were written off in 2018.

(8) OraMetrix repaid the term loan on May 1, 2018, in conjunction with its sale to Dentsply Sirona, Inc.

(9) Parnell repaid the term loan on July 30, 2018.

(10) During 2018, SWK sold its remaining 661,076 shares of Cancer Genetics common stock.

(11) In February 2016, POZEN, Inc. and Tribute Pharmaceuticals, Inc. combined and were operating under Aralez Pharmaceuticals, Inc. In August 2018, Aralez Pharmaceuticals, Inc. announced a sale of assets and voluntarily filed for Chapter 11 bankruptcy. Warrants were written off in 2018.

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

Critical Accounting Policies and Estimates

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

Allowance for Loan Losses

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

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

Finance Receivables

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

Revenue Recognition

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

Fair Value of Financial Instruments

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

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

Income Taxes

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

On December 22, 2017, the U.S. government enacted the TCJA, which decreased the U.S. corporate federal income tax rate from 35 to 21 percent, effective January 1, 2018. The Company revalued its deferred tax assets and liabilities accordingly. The Company will continue to assess the need for a valuation allowance on the deferred tax assets by evaluating both positive and negative evidence that may exist at each reporting date. Any adjustments to the deferred tax asset valuation allowance is recorded in the statement of operations in the period it is determined an adjustment is required. The TCJA also includes a number of other provisions, including the elimination of loss carrybacks and limitations on the use of future losses and repeal of the Alternative Minimum Tax regime. The provisions are not expected to have an immediate effect on the Company.

On the same date, the SEC staff issued Staff Accounting Bulletin ("SAB") 118, which provides guidance on accounting for the tax effects of the TCJA. It provides a "measurement period" lasting through December 22, 2018 to allow registrants time to obtain, prepare and analyze information to complete the accounting required under ASC 740, Income Taxes. The Company completed its analysis during the measurement period, and there were no measurement period adjustments recognized during the reporting period.

Please refer to Note 10 of the Notes to the Audited Consolidated Financial Statements in Item 8, "Financial Statements and Supplementary Data."

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, refer to Note 1 of the Notes to the Consolidated Financial Statements in Item 8, "Financial Statements and Supplementary Data."

Outlook

We believe the income generated by our current portfolio will be more than our operational expenses, and we expect to grow our book value going forward. We continue to evaluate multiple attractive opportunities that, if consummated, we believe would similarly generate additional income. We expect that the income generated by such future investments would be earned with minimal additional operational expenses.

Comparison of the Years Ended December 31, 2018 and 2017

(in millions)	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017	Change
Revenues	$ 26.0	$ 37.5	$ (11.5)
Provision for credit losses and impairment expense	14.1	8.5	5.6
Interest expense	0.2	—	0.2
General and administrative	4.9	4.1	0.8
Other expense, net	(0.7)	(0.9)	0.2
Provision for income taxes	—	15.8	(15.8)
Consolidated net income	6.2	8.3	(2.1)

Revenues

We generated revenues of $26.0 million for the year ended December 31, 2018, which consisted of interest and fees earned on our finance receivables. We generated revenues of $37.5 million for the year ended December 31, 2017, which consisted of $26.9 million in interest and fees earned on our finance receivables and $10.5 million in income related to our investment in an unconsolidated partnership. The net $11.5 million decrease in revenue is primarily driven by the net proceeds received related to our investment in an unconsolidated entity, which on February 23, 2017 sold its U.S. marketing rights to its underlying intellectual property. Please refer to Part II. Item 8. Financial Statements and Supplementary Data, Note 5 of the Notes to the Audited Consolidated Financial Statements for further information on the Holmdel transaction.

Provision for Credit Losses and Impairment Expense

During the year ended December 31, 2018, we recognized impairment expense of $2.5 million and $5.3 million related to the Hooper first lien and ABT second lien, respectively. Of the $5.3 million impairment expense related to ABT, $2.0 million reflects exit costs that were paid upon completion of the sale process. In addition to recognizing an allowance for credit losses of $5.0 million on the ABT first lien, we also recognized an allowance for credit losses of $1.2 million on a royalty purchase. We did not recognize an allowance for credit losses during the year ended December 31, 2017.

During the year ended December 31, 2017, we recognized impairment expense of $7.6 million related to the ABT second lien finance receivable. We also recognized security impairment expense of $0.9 million in connection with a secured royalty financing of a women's health product due to continued disappointing sales.

Please refer to Item 8. Financial Statements and Supplementary Data, Notes 2 and 9 of the Notes to the Audited Consolidated Financial Statements for further information regarding the allowance for credit losses and impairments taken during the years ended December 31, 2018 and 2017.

Interest, General and Administrative

General and administrative expenses consist primarily of compensation, stock-based compensation and related costs for management, staff, Board of Directors, legal and audit expenses, and corporate governance. General and administrative expenses increased to $4.9 million for the year ended December 31, 2018 from $4.1 million for the year ended December 31, 2017, which was primarily due to an increase of $0.6 million in professional fees related to due diligence on a potential acquisition that was not consummated, legal fees related to the section 363 sale of Hooper, and a $0.2 million increase in interest expense related to the credit facility. The increase was slightly offset by a $0.1 million decrease in the performance-based bonus expense.

Other Income (Expense), Net

Other income (expense), net for the year ended December 31, 2018 reflected a net fair market value gain of $0.5 million on our warrant derivatives and a net fair market value loss of $1.0 million loss on our equity securities. During the year ended December 31, 2018, a net $0.1 million loss was realized on the write off of three warrants and one equity security, offset by a nominal gain on the sale of equity securities.

Other income (expense), net for the year ended December 31, 2017 reflected a net fair market value loss of $1.1 million on our warrant derivatives, partially offset by a $0.2 million gain on the sale of equity securities.

Income Tax Provision

At December 31, 2018 and 2017, our cumulative gross deferred tax asset was $85.3 million and $86.4 million, respectively. Based on historical and expected future operating performance, we concluded that it was more likely than not that we will not be able to realize the full benefit of the U.S. federal and state deferred tax assets in the future. The valuation allowance against deferred tax assets was $62.6 million and $63.7 million as of December 31, 2018 and 2017, respectively. We believe it is more likely than not that we will realize approximately $22.7 million of benefit from the U.S. federal and state deferred tax assets in the future.

As of December 31, 2018, we had NOLs for federal income tax purposes of $377.4 million. The federal NOL carryforwards, if not offset against future income, will expire by 2032, with the majority expiring by 2021. We also had federal research credit carryforwards of $2.7 million. The federal research credits will expire by 2029.

Liquidity and Capital Resources

As of December 31, 2018, we had $20.2 million in cash and cash equivalents, compared to $30.6 million in cash and cash equivalents as of December 31, 2017. The primary driver of the net decrease in our cash balance was new and add-on investment funding of $90.1 million, offset by interest, principal, and fee payments of $61.7 million earned on our finance receivables, including $13.7 million of royalty-related receipts from our Narcan® investment and $37.8 million related to the payoff of three finance receivables.

Primary Driver of Cash Flow

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

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

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

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

As of December 31, 2018, our portfolio contains $166.6 million of finance receivables and $0.5 million of marketable investments. We expect these assets to generate positive cash flows in 2019. We continue to evaluate multiple attractive opportunities that, if consummated, we believe would similarly generate additional income. Since the timing of any investment is difficult to predict, we may not be able to generate positive cash flow above what our existing assets will produce in 2019.

We entered into a $20 million revolving credit facility in June 2018. We intend to borrow funds to make investments to the extent we determine that additional capital would allow us to take advantage of additional investment opportunities. The total undrawn amount of the credit facility as of December 31, 2018 was $20 million.

Off-Balance Sheet Arrangements

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

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

As of December 31, 2018, our unfunded commitments were as follows (in millions):

Acerus Pharmaceuticals, Inc.	$ 2.0
Epica International, Inc.	1.8
Veru, Inc.	2.0
Total unfunded commitments	$ 5.8

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

During the year ended December 31, 2018, our cash and cash equivalents were deposited in accounts at well capitalized financial institutions. The fair value of our cash and cash equivalents at December 31, 2018, approximated its carrying value.

Investment and Interest Rate Risk

We are subject to financial market risks, including changes in interest rates. As we seek to provide capital to a broad range of life science companies, institutions and investors, our net investment income is dependent, in part, upon the difference between the rate at which we earn on our cash and cash equivalents and the rate at which we lend those funds to third parties. As a result, we would be subject to risks relating to changes in market interest rates. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations by providing capital at variable interest rates. We constantly monitor our portfolio and position our portfolio to respond appropriately to a reduction in credit rating of any of our investments.

During 2018, we entered into a revolving credit facility. As we borrow funds to make additional investments, our income will depend, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, we are subject to risks relating to changes in market interest rates. In periods of rising interest rates when we have debt outstanding, our cost of funds would increase, which could reduce our income, especially to the extent we continue to hold fixed rate investments. If deemed prudent, we may use interest rate risk management techniques in an effort to minimize our exposure to interest rate fluctuations. Adverse developments resulting from changes in interest rates or hedging transactions could have a materially adverse effect on our business, financial condition and results of operations.

Inflation

We do not believe that inflation has had a significant impact on our revenues or operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

SWK HOLDINGS CORPORATION

INDEX TO FINANCIAL STATEMENTS

Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
SWK Holdings Corporation

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of SWK Holdings Corporation and its subsidiaries (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

/s/ BPM LLP

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

San Jose, California
March 27, 2019

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

	December 31, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	$ 20,227	$ 30,557
Accounts receivable	2,195	1,637
Finance receivables, net	166,610	151,995
Marketable investments	532	1,856
Deferred tax asset	22,684	22,725
Warrant assets	2,777	987
Other assets	637	126
Total assets	$ 215,662	$ 209,883
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued liabilities	$ 2,592	$ 1,840
Warrant liability	13	91
Total liabilities	2,605	1,931
Stockholders' equity:		
Preferred stock, $0.001 par value; 5,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.001 par value; 250,000,000 shares authorized; 12,933,674 and 13,053,422 shares issued and outstanding at December 31, 2018 and 2017, respectively	13	13
Additional paid-in capital	4,432,499	4,433,589
Accumulated deficit	(4,219,455)	(4,225,863)
Accumulated other comprehensive income	—	213
Total SWK Holdings Corporation stockholders' equity	213,057	207,952
Total liabilities and stockholders' equity	$ 215,662	$ 209,883

See accompanying notes to the consolidated financial statements.

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

	Year Ended December 31, 2018	Year Ended December 31, 2017
Revenues		
Finance receivable interest income, including fees	$ 25,978	$ 26,877
Income related to investments in unconsolidated entity	—	10,530
Other	12	79
Total revenues	25,990	37,486
Costs and expenses:		
Provision for loan credit losses	6,179	—
Impairment expense	7,875	8,509
Interest expense	160	—
General and administrative	4,883	4,101
Total costs and expenses	19,097	12,610
Other income (expense), net:		
Equity investment losses	(1,035)	—
Unrealized net gain (loss) on derivatives	484	(1,115)
Gain (loss) on sale (write off) of investments	(105)	243
Income before provision for income taxes	6,237	24,004
Provision for income taxes	42	15,753
Consolidated net income	6,195	8,251
Net income attributable to non-controlling interests	—	5,204
Net income attributable to SWK Holdings Corporation stockholders	$ 6,195	$ 3,047
Net income per share attributable to SWK Holdings Corporation stockholders:		
Basic	$ 0.47	$ 0.23
Diluted	$ 0.47	$ 0.23
Weighted Average Shares:		
Basic	13,051	13,036
Diluted	13,054	13,040

See accompanying notes to the consolidated financial statements.

SWK HOLDINGS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Year Ended December 31,	
	2018	**2017**
Consolidated net income	$ 6,195	$ 8,251
Other comprehensive income, net of tax		
Unrealized gains on investment in securities	—	300
Total other comprehensive income	—	300
Comprehensive income	6,195	8,551
Comprehensive income attributable to non-controlling interests	—	5,204
Comprehensive income attributable to SWK Holdings Corporation stockholders	$ 6,195	$ 3,347

See accompanying notes to the consolidated financial statements.

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

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Non-controlling Interests in Consolidated Entity	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount					
Balances at December 31, 2016	13,144,292	$ 13	$ 4,433,289	$ (4,228,910)	$ 3,756	$ (87)	$ 208,061
Stock-based compensation	—	—	300	—	—	—	300
Issuance of common stock	21,630	—	—	—	—	—	—
Forfeiture of restricted stock	(112,500)	—	—	—	—	—	—
Change in fair value of securities	—	—	—	—	—	300	300
Distributions to non-controlling interests	—	—	—	—	(8,960)	—	(8,960)
Net income	—	—	—	3,047	5,204	—	8,251
Balances at December 31, 2017	13,053,422	13	4,433,589	(4,225,863)	—	213	207,952
Stock-based compensation	—	—	267	—	—	—	267
Issuance of common stock	20,318	—	—	—	—	—	—
Repurchases of common stock in open market	(140,066)	—	(1,357)	—	—	—	(1,357)
Cumulative effect of adoption of ASU 2016-01	—	—	—	213	—	(213)	—
Net income	—	—	—	6,195	—	—	6,195
Balances at December 31, 2018	12,933,674	$ 13	$ 4,432,499	$ (4,219,455)	$ —	$ —	$ 213,057

See accompanying notes to the consolidated financial statements.

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

	Year Ended December 31,	
	2018	**2017**
Cash flows from operating activities:		
Consolidated net income	$ 6,195	$ 8,251
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from investments in unconsolidated entity	—	(10,530)
Provision for loan credit losses	6,179	—
Impairment expense	7,875	8,509
Deferred income taxes	31	15,745
Change in fair value of derivatives	(484)	1,115
Equity investment losses	1,035	—
Gain (loss) on sale (write off) of investments	105	(243)
Finance receivable discount amortization and fee accretion	487	(1,926)
Interest paid-in-kind	(191)	(1,779)
Stock-based compensation	267	300
Interest income in excess of cash collected	(249)	(534)
Other	28	17
Changes in operating assets and liabilities:		
Accounts receivable	(558)	(583)
Other assets	202	(42)
Accounts payable and other liabilities	(1,296)	1,158
Net cash provided by operating activities	19,626	19,458
Cash flows from investing activities:		
Cash distributions from investments in unconsolidated entity	—	17,515
Proceeds from sale of equity securities	221	345
Investment in finance receivables	(90,110)	(37,432)
Repayment of finance receivables	61,706	7,368
Marketable investment principal payment	69	93
Other	(16)	(12)
Net cash used in investing activities	(28,130)	(12,123)
Cash flows from financing activities:		
Repurchases of common stock, including fees and expenses	(1,357)	—
Debt issuance costs	(469)	—
Distribution to non-controlling interests	—	(8,960)
Net cash used in financing activities	(1,826)	(8,960)
Net decrease in cash and cash equivalents	(10,330)	(1,625)
Cash and cash equivalents at beginning of period	30,557	32,182
Cash and cash equivalents at end of period	$ 20,227	$ 30,557
Supplemental noncash flow activity:		
Warrants received in connection with finance receivables	$ 1,490	$ 1,188
Common stock received in connection with amendment of finance receivable	$ —	$ 150

See accompanying notes to the consolidated financial statements.

SWK HOLDINGS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Nature of Operations

SWK Holdings Corporation (the "Company") was incorporated in July 1996 in California and reincorporated in Delaware in September 1999. In July 2012, the Company commenced its strategy of building a specialty finance and asset management business. The Company's strategy is to be a leading healthcare capital provider by offering sophisticated, customized financing solutions to a broad range of life science companies, institutions and inventors. The Company is primarily focused on monetizing cash flow streams derived from commercial-stage products and related intellectual property through royalty purchases and financings, as well as through the creation of synthetic revenue interests in commercialized products. The Company has been deploying its assets to earn interest, fees, and other income pursuant to this strategy, and the Company continues to identify and review financing and similar opportunities on an ongoing basis. In addition, through the Company's wholly-owned subsidiary, SWK Advisors LLC, the Company provides non-discretionary investment advisory services to institutional clients in separately managed accounts to similarly invest in life science finance. SWK Advisors LLC is registered as an investment advisor with the Texas State Securities Board. The Company intends to fund transactions through its own working capital, and its revolving credit facility, as well as by building its asset management business by raising additional third-party capital to be invested alongside the Company's capital.

The Company fills a niche that it believes is underserved in the sub-$50 million transaction size. Since many of its competitors that provide longer term, non-traditional debt and/or royalty-related financing options have much greater financial resources than the Company, they tend to not focus on transaction sizes below $50 million as it is generally inefficient for them to do so. In addition, the Company does not believe that a sufficient number of other companies offer similar types of long-term financing options to fill the demand of the sub-$50 million market. As such, the Company believes it faces less competition from such investors in transactions that are less than $50 million.

The Company has net operating loss carryforwards ("NOLs") and believes that the ability to utilize these NOLs is an important and substantial asset. However, at this time, under current law, we do not anticipate that our life science business strategy will generate sufficient income to permit us to utilize all of our NOLs prior to their respective expiration dates. As such, it is possible that we might pursue additional strategies that we believe might result in our ability to utilize more of our NOLs.

As of March 22, 2019, the Company and its partners have executed transactions with 34 different parties under its specialty finance strategy, funding an aggregate $504 million in various financial products across the life science sector. The Company's portfolio includes senior and subordinated debt backed by royalties and synthetic royalties paid by companies in the life science sector, and purchased royalties generated by sales of life science products and related intellectual property.

The Company is headquartered in Dallas, Texas.

Basis of Presentation and Principles of Consolidation

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

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

Variable Interest Entities

An entity is referred to as a VIE if it possesses one of the following criteria: (i) it is thinly capitalized, (ii) the residual equity holders do not control the entity, (iii) the equity holders are shielded from the economic losses, (iv) the equity holders do not participate fully in the entity's residual economics, or (v) the entity was established with non-substantive voting interests. The Company consolidates a VIE when it has both the power to direct the activities that most significantly impact the activities of the VIE and the right to receive benefits or the obligation to absorb losses of the entity that could be potentially significant to the VIE. Along with the VIEs that are consolidated in accordance with these guidelines, the Company also holds variable interests in other VIEs that are not consolidated because it is not the primary beneficiary. The Company continually monitors both consolidated and unconsolidated VIEs to determine if any events have occurred that could cause the primary beneficiary to change. See Note 5 of the Notes to the Consolidated Financial Statements for further discussion of VIEs.

Use of Estimates

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

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

Equity Method Investment

The Company accounts for portfolio companies whose results are not consolidated, but over which it exercises significant influence, under the equity method of accounting. Whether or not the Company exercises significant influence with respect to a partner company depends on an evaluation of several factors including, among others, representation of the Company on the partner company's board of directors and the Company's ownership level. Under the equity method of accounting, the Company does not reflect a partner company's financial statements within the Company's consolidated financial statements; however, the Company's share of the income or loss of such partner company is reflected in the consolidated statements of income. The Company includes the carrying value of equity method partner companies as part of the investment in unconsolidated entities on the consolidated balance sheets.

When the Company's carrying value in an equity method partner company is reduced to zero, the Company records no further losses in its consolidated statements of income unless the Company has an outstanding guarantee obligation or has committed additional funding to such equity method partner company. When such equity method partner company subsequently reports income, the Company will not record its share of such income until it exceeds the amount of the Company's share of losses not previously recognized.

Finance Receivables

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

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

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

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

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

Allowance for Credit Losses on Finance Receivables

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

Marketable Investments

The Company's marketable investment portfolio includes a debt security as of December 31, 2018. The debt security is classified as an available-for-sale security, which is reported at fair value with unrealized gains or losses recorded in statements of income, net of applicable income taxes. In any case where fair value might fall below amortized cost, the Company would consider whether that security is other-than-temporarily impaired using all available information about the collectability of the security. The Company would not consider that an other-than temporary impairment for a debt security has occurred if (1) the Company does not intend to sell the debt security, (2) it is not more likely than not that the Company will be required to sell the debt security before recovery of its amortized cost basis and (3) the present value of estimated cash flows will fully cover the amortized cost of the security. The Company would consider that an other-than-temporary impairment has occurred if any of the above mentioned three conditions are not met.

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

Derivatives

All derivatives held by the Company are recognized in the consolidated balance sheets at fair value. The accounting treatment for subsequent changes in the fair value depends on their use, and whether they qualify as effective "hedges" for accounting purposes. Derivatives that are not hedges must be adjusted to fair value through the consolidated statements of income. If a derivative is a hedge, then depending on its nature, changes in its fair value will be either offset against change in the fair value of hedged assets or liabilities through the consolidated statements of income, or recorded in other comprehensive income. The Company had no derivatives designated as hedges as of December 31, 2018 and 2017. The Company holds warrants issued to the Company in conjunction with term loan investments discussed in Note 2. These warrants meet the definition of a derivative and are included in warrant assets in the consolidated balance sheets. The Company issued a warrant on its own common stock as discussed in Note 6. This warrant meets the definition of a derivative and is reflected as a warrant liability at fair value in the consolidated balance sheets.

Revenue Recognition

The Company records interest income on an accrual basis based on the effective interest rate method to the extent that it expects to collect such amounts. The Company recognizes investment management fees when clients invest in our recommended transactions as earned over the period the services are rendered. In general, the majority of investment management fees earned are charged either monthly or quarterly. Incentive fees, if any, are recognized when earned at the end of the relevant performance period, pursuant to the underlying contract. Other service revenues are recognized when contractual obligations are fulfilled or as services are provided.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity date of three months or less at the date of purchase to be cash equivalents. There were no such investments at December 31, 2018 or 2017, as all of our cash was held in checking or savings accounts. As of December 31, 2018, cash equivalents were deposited in financial institutions and consisted of immediately available fund balances. The Company maintains its cash deposits and cash equivalents with well-known and stable financial institutions.

Interest and Accounts Receivable

The Company records interest receivable on an accrual basis and recognizes it as earned in accordance with the contractual terms of the loan agreement, to the extent that such amounts are expected to be collected. When management does not expect that principal, interest, and other obligations due will be collected in full, the Company will generally place the loan on nonaccrual status and cease recognizing interest income on that loan until all principal and interest due has been paid or the Company believes the portfolio company has demonstrated the ability to repay the Company's current and future contractual obligations. Any uncollected interest related to prior periods is reversed from income in the period that collection of the interest receivable is determined to be doubtful. However, the Company may make exceptions to this policy if the investment has sufficient collateral value and is in the process of collection. The Company recognized $6.2 million in provision for loan credit losses during 2018 but did not recognize any provision for loan credit losses during 2017.

Accounts receivable for management fees are recorded at the aggregate unpaid amount less any allowance for doubtful accounts. The Company determines an account receivable's delinquency status based on its contractual terms. Interest is not charged on outstanding balances. Accounts are written-off only when all methods of recovery have been exhausted. As of December 31, 2018 and 2017, the allowance for doubtful accounts was zero.

Certain Risks and Concentrations

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

The Company performs ongoing credit evaluations of its partner companies and generally requires collateral. For the year ended December 31, 2018, one partner company accounted for 10 percent of total revenue. For the year ended December 31, 2017, two partner companies accounted for 51 percent of total revenue.

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

Segment Reporting

The Company operates in one operating segment with a single management team that reports to the chief executive officer, who is its chief operating decision maker. Accordingly, the Company does not prepare discrete financial information with respect to separate product lines and does not have separately reportable segments.

Stock-based Compensation

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

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

Non-controlling Interests

Non-controlling interests represent third-party equity ownership in certain of the Company's consolidated subsidiaries, VIEs or investments and are presented as a component of equity. See Notes 5 and Note 8 of the Notes to the Consolidated Financial Statements for further discussion of non-controlling interests.

Income Taxes

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

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

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act ("TCJA"). The TCJA makes broad and complex changes to the U.S. tax code. On the same date, the SEC staff issued Staff Accounting Bulletin ("SAB") 118, which provides guidance on accounting for the tax effects of the TCJA. It provides a "measurement period" lasting through December 22, 2018 to allow registrants time to obtain, prepare and analyze information to complete the accounting required under ASC 740, Income Taxes. The Company completed its analysis during the measurement period, and there were no measurement period adjustments recognized during 2018. Please refer to Note 10 of the Notes to the Consolidated Financial Statements.

Comprehensive Income

Comprehensive income and its components attributable to the Company and non-controlling interests have been reported, net of tax, in the consolidated statements of stockholders' equity and the consolidated statements of comprehensive income.

Net Income per Share

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

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

	Year Ended December 31,	
	2018	2017
Numerator:		
Net income attributable to SWK Holdings Corporation stockholders	$ 6,195	$ 3,047
Denominator:		
Weighted-average shares outstanding	13,051	13,036
Effect of dilutive securities	3	4
Weighted-average diluted shares	13,054	13,040
Basic net income per share	$ 0.47	$ 0.23
Diluted net income per share	$ 0.47	$ 0.23

As of December 31, 2018 and 2017, outstanding stock options and warrants to purchase shares of common stock in an aggregate of approximately 271,000 and 287,000 shares, respectively, have been excluded from the calculation of diluted net income per share as these securities were anti-dilutive.

Recent Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-13, "Fair Value Measurement (Topic 820) - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement." ASU 2018-13 updates the fair value measurement disclosure requirements by (i) eliminating certain requirements, including disclosure of the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing of transfers between levels and the valuation processes for Level 3 fair value measurements, (ii) modifying certain requirements, including clarifying that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date and (iii) adding certain requirements, including disclosure of the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. ASU 2018-13 is effective for fiscal years and interim periods within those years beginning after December 15, 2019, with early adoption permitted for any eliminated or modified disclosures. The Company is currently evaluating the new guidance but believes it will not have a material impact on its consolidated financial statements, as the Company has had no historical transfers between hierarchies and assets currently measured under the Level 3 fair value hierarchy is minimal.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326)." The new standard adds an impairment model, known as the current expected credit loss ("CECL") model, that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses, which the FASB believes will result in more timely recognition of losses. The ASU describes the impairment allowance as a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. Credit losses relating to available-for-sale debt securities should be measured in a manner similar to current GAAP; however, the amendments in this update require that credit losses be presented as an allowance rather than as a write-down, which will allow an entity the ability to record reversals of credit losses in current period net income. The amendments in this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. An entity will apply the amendments in this update through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). A prospective transition approach is required for debt securities for which an other-than-temporary impairment has been recognized before the effective date. The Company is currently evaluating the new guidance but believes it is likely to incur more upfront losses on its portfolio under the new CECL model.

Note 2. Finance Receivables

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

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

	As of December 31,	
Portfolio	**2018**	**2017**
Term Loans	$ 136,379	$ 118,533
Royalty Purchases	36,410	35,121
Total before allowance for credit losses	172,789	153,654
Allowance for credit losses	(6,179)	(1,659)
Total carrying value	$ 166,610	$ 151,995

Credit Quality of Finance Receivables

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

On a quarterly basis, the Company evaluates the carrying value of each finance receivable for impairment. A term loan is considered to be impaired when, based on current information and events, it is determined that the Company will not be able to collect the amounts due according to the loan contract, including scheduled interest payments. This evaluation is generally based on delinquency information, an assessment of the borrower's financial condition and the adequacy of collateral, if any. The Company would generally place term loans on nonaccrual status when the full and timely collection of interest or principal becomes uncertain and they are 90 days past due for interest or principal, unless the term loan is both well-secured and in the process of collection. When placed on nonaccrual, the Company would reverse any accrued unpaid interest receivable against interest income and amortization of any net deferred fees is suspended. Generally, the Company would return a term loan to accrual status when all delinquent interest and principal become current under the terms of the credit agreement and collectability of remaining principal and interest is no longer doubtful. In certain circumstances, the Company may place a finance receivable on nonaccrual status but conclude it is not impaired. The Company may retain independent third-party valuations on such nonaccrual positions to support impairment decisions.

Receivables associated with royalty stream purchases would be considered to be impaired when it is probable that the Company will be unable to collect the book value of the remaining investment based upon adverse changes in the estimated underlying royalty stream.

When the Company identifies a finance receivable as impaired, it measures the impairment based on the present value of expected future cash flows, discounted at the receivable's effective interest rate, or the estimated fair value of the collateral, less estimated costs to sell. If it is determined that the value of an impaired receivable is less than the recorded investment, the Company would recognize impairment with a charge to the allowance for credit losses. When the value of the impaired receivable is calculated by discounting expected cash flows, interest income would be recognized using the receivable's effective interest rate over the remaining life of the receivable.

The Company individually develops the allowance for credit losses for any identified impaired loans. In developing the allowance for credit losses, the Company considers, among other things, the following credit quality indicators:

- business characteristics and financial conditions of obligors;
- current economic conditions and trends;
- actual charge-off experience;
- current delinquency levels;
- value of underlying collateral and guarantees;
- regulatory environment; and
- any other relevant factors predicting investment recovery.

The following table presents nonaccrual and performing loans by portfolio segment (in thousands):

	December 31, 2018			December 31, 2017		
	Nonaccrual	Performing	Total	Nonaccrual	Performing	Total
Term Loans.................	$ 8,337	$ 128,042	$ 136,379	$ 11,402	$ 107,131	$ 118,533
Royalty Purchases	5,784	24,447	30,231	—	33,462	33,462
Total carrying value.....	$ 14,121	$ 152,489	$ 166,610	$ 11,402	$ 140,593	$ 151,995

As of December 31, 2018 and 2017, the Company had two term loans associated with two portfolio companies in nonaccrual status with a carrying value, net of provision for credit loss allowance, of $14.1 million and $11.4 million, respectively. The Company collected $0.6 million on one nonaccrual loan during the year ended December 31, 2018 and no cash on nonaccrual loans was collected during the year ended December 31, 2017. Of the two nonaccrual term loans as of December 31, 2018, no loans are deemed to be impaired. (Please see *ABT Molecular Imaging, Inc., B&D Dental Corporation, and Hooper Holmes, Inc.* below for further details regarding nonaccrual term loans.)

ABT Molecular Imaging, Inc. ("ABT")

On October 10, 2014, the Company entered into a credit agreement pursuant to which the Company provided ABT a second lien term loan in the principal amount of $10.0 million. The loan was scheduled to mature on October 8, 2021. The synthetic royalty payment due to the Company on December 15, 2015 was blocked by ABT's first lien lender pursuant to the terms of the intercreditor agreement by and between the Company and the first lien lender as a result of a forbearance agreement entered into between ABT and the first lien lender. Under the terms of the forbearance agreement, the first lien lender deferred principal payments until maturity of the first lien in March 2016 and ABT raised additional equity capital.

In February 2016, ABT violated the terms of the forbearance agreement with the first lien lender. In order to control the workout of the default under the first lien loan and prevent the equity sponsors from taking control of the first lien term loan, the Company purchased from an unrelated party the first lien term loan at par for a purchase price of $0.7 million. The equity sponsors funded cash shortfalls into the second quarter of 2016. Since 2016, the Company has entered into additional amendments to the first lien term loan to provide for an additional $10.1 million of liquidity under the first lien credit agreement. The Company recorded an impairment loss of $7.6 million as of December 31, 2017.

On June 13, 2018, ABT filed for Chapter 11 bankruptcy protection in the U.S. Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") in order to implement a restructuring that would entail either a sale of substantially all of ABT's assets under section 363 of the bankruptcy code or confirmation of a plan that would convert a portion of the Company's outstanding secured indebtedness into 100 percent of the equity of reorganized ABT. The Company agreed to provide ABT up to $1.65 million of secured, debtor-in-possession financing to support ABT's proposed bankruptcy restructuring.

On October 31, 2018, ABT announced that it entered into an asset purchase agreement with Best ABT, Inc., a wholly-owned subsidiary of Best Medical International, Inc. ("Best"), for aggregate consideration of (i) $500,000, paid over ten years in equal quarterly installments, plus (ii) a ten percent royalty on ABT's net sales, including any commercialized improvements made to ABT's technology, paid quarterly for the ten year period from closing pursuant to a royalty security agreement by and between Best and SWK Funding LLC, a wholly-owned subsidiary of the Company ("SWK Funding"). SWK Funding will receive 100 percent of the consideration. On November 8, 2018, the Bankruptcy Court approved the asset sale transaction, and the Company has no further funding liabilities.

During the year ended December 31, 2018, the Company re-evaluated its collateral position, considering the expected outcome of the Chapter 11 process, and as a result, the Company recognized impairment expense of $5.3 million to write off the second lien term loan, as well as provision for credit losses of $5.0 million to reflect the Best royalty at its estimated fair value of $5.8 million as of December 31, 2018.

B&D Dental Corporation ("B&D")

On December 10, 2013, the Company entered into a five-year credit agreement to provide B&D a senior secured term loan with a principal amount of $6.0 million funded upon close, net of an arrangement fee of $60,000. The loan was scheduled to mature on December 10, 2018. Subsequently, the terms of the loan have been amended, and the Company has funded additional amounts to B&D. As of December 31, 2018, the total amount funded was $8.3 million. B&D is currently evaluating strategic options, including a potential sale of the business.

B&D is currently in default under the terms of the credit agreement, and as a result, the Company classified the loan to nonaccrual status as of September 30, 2015. During 2016 and 2018, the Company executed three additional amendments to the loan to advance an additional $0.7 million in order to directly pay critical vendors and protect the value of the collateral. The Company believes its collateral position is greater than the unpaid balance; thus, accrued interest has not been reversed nor has an allowance been recorded as of December 31, 2018.

Hooper Holmes, Inc. ("Hooper")

On May 12, 2017, the Company provided a $6.5 million term loan to Hooper to support its merger with Provant Health Solutions, LLC ("Provant"). On August 8, 2017, the Company provided an additional $2.0 million term loan with terms similar to the original term loan. The $2.0 million August 2017 term loan was scheduled to mature on February 1, 2018. In late January, Hooper informed the Company of tight liquidity and that it was unable to repay the full $2.0 million; thus, the Company agreed to extend the maturity for twelve weeks to April 30, 2018 in exchange for a partial repayment of $0.3 million on February 1, 2018 and an additional $0.3 million on March 15, 2018. However, in mid-March, Hooper informed the Company that it was unable to repay the $0.3 million that was due on March 15, 2018. The Company required Hooper to retain financial advisors to evaluate strategic options, which included a potential sale of the business.

On August 27, 2018, Hooper announced that it entered into an asset purchase agreement with Summit Health, Inc. ("Summit"), a subsidiary of Quest Diagnostics ("Quest"). In conjunction with the sale process, Hooper petitioned for Chapter 11 bankruptcy protection to facilitate a rapid section 363 sale process. Between May and August 2018, the Company entered into additional amendments, whereby the Company advanced Hooper an additional $9.4 million to meet its working capital requirements during the sale process and an additional $1.5 million of debtor-in-possession financing through its sale on October 10, 2018.

On October 10, 2018, the Company received $15.6 million of cash proceeds from the asset sale, with an additional $0.2 million collected pursuant to the bankruptcy court approved estate wind down budget.

Royalty Purchases

Cambia®

On July 31, 2014, the Company purchased a 25 percent royalty on sales of Cambia® from royalty holder, APR Applied Pharma Research S.A. ("APR"), for $4.0 million. On December 2, 2015, the Company purchased a second 25 percent royalty on sales of Cambia® for $4.5 million. In the U.S., Cambia® is marketed by DepoMed, Inc. ("DepoMed") while the product is marketed by Aralez Pharmaceuticals, Inc. in Canada. As disclosed by DepoMed, Cambia® prescription trends decelerated in 2017, and while they have begun to stabilize, they are not growing in line with the Company's original forecast. During the three months ended March 31, 2018, the Company reduced its expectations for future royalty receipts and recognized an allowance for credit loss on the royalty purchase of $1.2 million.

Note 3. Marketable Investments

Investment in marketable securities at December 31, 2018 and 2017 consist of the following (in thousands):

	Year Ended December 31,	
	2018	**2017**
Corporate debt securities	$ 532	$ 600
Equity securities	—	1,256
Total	$ 532	$ 1,856

The amortized cost basis amounts, gross unrealized holding gains, gross unrealized holding losses and fair values of available-for-sale debt securities as of December 31, 2018 and 2017, are as follows (in thousands):

December 31, 2018	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Loss	Fair Value
Corporate debt securities	$ 532	$ —	$ —	$ 532

December 31, 2017	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Loss	Fair Value
Corporate debt securities	$ 600	$ —	$ —	$ 600

The following table presents the proceeds from sales and realized net gains and losses on equity securities that were sold during the year ended December 2018 and 2017. The table also includes unrealized net losses on equity securities as prescribed by ASC 321, "Investment - Equity Securities." ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities," was adopted on January 1, 2018, at which time a cumulative effect adjustment of $213,000 was recorded to reclassify the amount of accumulated unrealized gains related to equity securities from accumulated other comprehensive income to retained earnings (in thousands):

	December 31,	
	2018	2017
Proceeds from sale of equity securities	221	345
Gain (loss) on sale (write off) of investments	(105)	243
Equity investment losses reflected in the Consolidated Statements of Income	(1,035)	—

The Company did not have any investments in marketable securities with unrealized losses at December 31, 2018.

Equity securities with unrealized losses, aggregated by length of time that individual securities have been in a continuous loss position as of December 31, 2017, were as follows (in thousands):

December 31, 2017	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equity securities	—	—	33	(117)	33	(117)

Equity Securities

During the year ended December 31, 2018, the Company recognized a nominal net gain on the sale of 661,076 shares of Cancer Genetics common stock and the write off of its equity securities in Hooper due to the announcement of its section 363 sale in August (please refer to Note 2 for further details on the Hooper section 363 sale). The Company had no equity securities as of December 31, 2018.

During the year ended December 31, 2017, the Company sold 75,000 shares of Cancer Genetics common stock, which resulted in a realized gain of $0.2 million. As of December 31, 2017, the Cancer Genetics and Hooper Holmes equity securities were reflected at their respective fair value of $1.2 million and $33,000 respectively.

Debt Securities

On July 9, 2013, the Company entered into a note purchase agreement to purchase, at par, $3.0 million of a total of $100.0 million aggregate principal amount of senior secured notes due in November 2026. The agreement allows the first interest payment date to include paid-in-kind notes for any cash shortfall, of which the Company received $0.1 million on November 15, 2013. The notes are secured only by certain royalty and milestone payments associated with the sales of pharmaceutical products.

The senior secured notes have been placed on non-accrual status as of June 30, 2016. Total cash collected during the year ended December 31, 2018 and 2017 was $69,000 and $93,000, respectively, which was credited to the notes' carrying value. As of December 31, 2018, the notes are reflected at their estimated fair value of $0.5 million.

Note 4. Revolving Credit Facility

On June 29, 2018, the Company entered into a Loan and Security Agreement (the "Loan Agreement") with State Bank and Trust Company as a lender and the administrative agent ("State Bank") pursuant to which State Bank will provide the Company with up to a $20 million revolving senior secured credit facility, which the Company can draw down and repay until maturity, subject to borrowing base eligibility. The Loan Agreement matures on June 29, 2021.

The Loan Agreement accrues interest at the Daily LIBOR Rate, with a floor of 1.00 percent, plus a 3.25 percent margin and principal is repayable in full at maturity. Interest is generally required to be paid monthly in arrears. The Loan Agreement requires the payment of an unused line fee of 0.50 percent, which will be recorded as interest expense. The Company paid $0.5 million in fees at closing, which have been capitalized as deferred financing costs and will be amortized on a straight-line basis over the term of the Loan Agreement.

The Loan Agreement has an advance rate against the Company's finance receivables portfolio, including 85 percent against senior first lien loans, 70 percent against second lien loans and 50 percent against royalty receivables, subject to certain eligibility requirements as defined in the Loan Agreement. The Loan Agreement contains certain affirmative and negative covenants, including minimum asset coverage and minimum interest coverage ratios. As of December 31, 2018, the Company was in compliance with its covenants.

During the year ended December 31, 2018, the Company recognized $0.2 million of interest expense, which is included in costs and expenses. As of December 31, 2018, no amount was outstanding under the Loan Agreement, and $20 million was available for borrowing.

Note 5. Variable Interest Entities

The Company consolidates the activities of VIEs of which it is the primary beneficiary. The primary beneficiary of a VIE is the variable interest holder possessing a controlling financial interest through (i) its power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) its obligation to absorb losses or its right to receive benefits from the VIE that could potentially be significant to the VIE. In order to determine whether the Company owns a variable interest in a VIE, the Company performs qualitative analysis of the entity's design, organizational structure, primary decision makers and relevant agreements.

Consolidated VIE

SWK HP Holdings LP ("SWK HP") was formed in December 2012 to acquire a limited partnership interest in Holmdel Pharmaceuticals LP ("Holmdel"). Holmdel acquired the U.S. marketing authorization rights to a beta blocker pharmaceutical product indicated for the treatment of hypertension for a total purchase price of $13.0 million. The Company, through its wholly owned subsidiary SWK Holdings GP LLC ("SWK Holdings GP"), acquired a direct general partnership interest in SWK HP, which in turn acquired a limited partnership interest in Holmdel. The total investment in SWK HP of $13.0 million included $6.0 million provided by SWK Holdings GP and $7.0 million provided by non-controlling interests. Subject to customary limited partner protections afforded the investors by the terms of the limited partnership agreement, the Company maintained voting and managerial control of SWK HP and therefore included it in its consolidated financial statements.

SWK HP had significant influence over the decisions made by Holmdel. SWK HP received quarterly distributions of cash flow generated by InnoPran XL according to a tiered scale that was subject to certain cash on cash returns received by SWK HP. SWK HP achieved the 2x cash on cash return threshold with the November 2016 distribution as such its economic ownership in Holmdel approximated 49 percent.

On February 23, 2017, Holmdel sold the U.S. marketing authorization rights to InnoPran XL to ANI Pharmaceuticals, Inc. SWK Holdings GP received net proceeds from the transaction of approximately $8.0 million. The approximate $8.0 million of proceeds includes a 5 percent incentive fee earned from SWK HP, and SWK Holdings GP's share of the sale proceeds. As part of the transaction, SWK HP and all involved parties executed mutual releases and terminations of all license and supply agreements. SWK Holdings GP received an additional distribution regarding InnoPran XL sales covering the period from January 1, 2017 through the date of sale and has not received any further material distributions.

Unconsolidated VIE

For the year ended December 31, 2018, the Company did not recognize any income or receive any cash distributions from Holmdel. For the year ended December 31, 2017, the Company recognized $10.5 million of equity method gains. The amount of equity method gains attributable to the non-controlling interest in SWK HP was $5.2 million. In addition, SWK HP received cash distribution totaling $17.5 million during the year ended December 31, 2017,of which $9.0 million was subsequently paid to holders of the non-controlling interests in SWK HP.

Note 6. Related Party Transactions

On September 6, 2013, in connection with entering into a credit facility, the Company issued warrants to an affiliate of a stockholder, Carlson Capital, L.P. (the "Stockholder"), for 100,000 shares of the Company's common stock at a strike price of $13.88 per share. The warrants have a price anti-dilution mechanism that was triggered by the price that shares were sold by the Company in a rights offering in 2014, and as a result, the strike price of the warrants was reduced to $13.48 per share.

Due to certain provisions within the warrant agreement, the warrants meet the definition of a derivative and do not qualify for a scope exception, as it is not considered indexed to the Company's stock. As such, the warrants are reflected as a warrant liability in the consolidated balance sheets. The Company recorded a nominal gain for the year ended December 31, 2018 and 2017. The Company determined the fair value using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2018	December 31, 2017
Dividend rate	—	—
Risk-free rate	2.5%	2.0%
Expected life (years)	1.7	2.7
Expected volatility	18.6%	21.9%

The changes on the value of the warrant liability during the years ended December 31, 2018 and 2017 were as follows (in thousands):

Fair value – December 31, 2016	$ 189
Issuances	—
Change in fair value	(98)
Fair value – December 31, 2017	91
Issuances	—
Changes in fair value	(78)
Fair value – December 31, 2018	$ 13

Note 7. Commitments and Contingencies

Lease Obligations

The Company's corporate headquarters is in Dallas, Texas, where it leases approximately 2,400 square feet. Total rent expense recognized under the lease was $55,000 and $57,000 for the years ended December 31, 2018 and 2017, respectively. The office lease expires in May 2020. Future minimum rent is as follows (in thousands):

2019	$ 60
2020	26
2021	—
Total future minimum rent with non-cancellable terms of one year or more	$ 86

Other Contractual Obligations

As of December 31, 2018, the Company had an unfunded commitments of $5.8 million on three loans (please refer to *Off-Balance Sheet Arrangements* in Part II, Item 7 for further details on unfunded commitments). There are no earnout payments contracted to be paid by us to any of our partner companies, nor are there any unfunded commitments on the royalty purchases.

The unfunded commitment is contingent upon a borrower reaching an established revenue threshold or other performance metrics on or before a specified date or period of time per the terms of the credit agreement, and is only subject to being advanced as long as an event of default does not exist.

Litigation

The Company is involved in, or has been involved in, arbitrations or various other legal proceedings that arise from the normal course of its business. The ultimate outcome of any litigation is uncertain, and either unfavorable or favorable outcomes could have a material negative impact on the Company's results of operations, balance sheets and cash flows due to defense costs, and divert management resources. The Company cannot predict the timing or outcome of these claims and other proceedings. As of December 31, 2018, the Company is not involved in any arbitration and/or other legal proceeding that it expects to have a material effect on its business, financial condition, results of operations and cash flows.

Indemnification

As permitted by Delaware law, the Company has agreements whereby it indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was, serving in such capacity, or in other capacities at the Company's request. The term of the indemnification period is for the officer's or director's lifetime. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a director and officer insurance policy that limits its exposure and enables the Company to recover a portion of any such amounts. As a result of the Company's insurance policy coverage, the Company believes the estimated fair value of these indemnification agreements is insignificant. Accordingly, the Company had no liabilities recorded for these agreements as of December 31, 2018 and 2017.

Note 8. Stockholders' Equity

Common Stock

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

On December 21, 2018, the Board of Directors of the Company authorized a stock repurchase program, which is more fully described in Part II, Item 5 under *Issuer Purchases of Equity Securities*. The maximum number of shares that may yet be purchased under the plan is 251,991 shares at December 31, 2018.

Preferred Stock

The Company's board of directors (the "Board") may, without further action by the stockholders, issue one or more series of preferred stock and fix the rights and preferences of those shares, including the dividend rights, dividend rates, conversion rights, exchange rights, voting rights, terms of redemption, redemption price or prices, liquidation preferences, the number of shares constituting any series and the designation of such series. As of December 31, 2018, no shares of preferred stock have been issued.

Stock Compensation Plans

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

The Company's Chief Executive Officer, ("CEO") received a grant of options to acquire up to 75,000 shares of the Company's common stock, effective as of January 28, 2019. The options have a per-share exercise price of $12.50. The options are subject to vesting in equal annual installments over a three-year period based on the CEO's continued employment with the Company. The options are subject to accelerated vesting upon a termination of the CEO's employment if the CEO's employment is terminated by the CEO for "Good Reason" as defined in the CEO's employment agreement effective as of January 1, 2019. Furthermore, the 2012 and 2014 options received by the CEO were amended to extend the expiration dates to December 31, 2021. The options are forfeited and of no force and effect to the extent the options have not vested or become exercisable on or before December 31, 2021.

The CEO also received a restricted stock award of 37,500 shares of restricted stock, subject to terms and conditions of the award agreement and the 2010 Stock Incentive Plan. The restricted stock is subject to vesting in equal annual installments over a three-year period but only to the extent the CEO is employed by or performing services for the Company. However, the restricted stock shall vest upon the CEO's death, "Disability" and "Good Reason," as defined in the Employment Agreement between the Company and the CEO effective January 1, 2019.

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

	Options Outstanding			
	Number of Shares	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term (in years)**	**Aggregate Intrinsic Value (in thousands)**
Balances, December 31, 2016	190,000	$ 11.25	6.9	$ 169.4
Options canceled and retired	—			
Options exercised	—			
Options granted	—			
Balances, December 31, 2017	190,000	11.25	5.9	214.4
Options canceled and retired	—			
Options exercised	—			
Options granted	—			
Balances, December 31, 2018	190,000	11.25	4.9	90.0
Options vested and exercisable and expected to be vested and exercisable at December 31, 2018	190,000	$ 11.25	4.9	90.0
Options vested and exercisable at December 31, 2018	76,250	$ 11.97	4.9	86.3

At December 31, 2018, there were 0.3 million shares reserved for issuance under the 2010 Stock Incentive Plan, and the Company had $25,000 of total unrecognized stock option expense, net of estimated forfeitures, which will be recognized over the weighted average remaining period of 0.5 years.

The following table summarizes significant ranges of outstanding and exercisable options as of December 31, 2018:

Exercise Prices	**Number Outstanding**	**Weighted Average Remaining Contractual Life (in Years)**	**Weighted Average Exercise Price Per Share**	**Number Exercisable**	**Weighted Average Exercise Price Per Share**
$8.30	75,000	3.4	$ 8.30	18,750	$ 8.30
9.61	15,000	7.5	9.61	7,500	9.61
13.70	100,000	5.6	13.70	50,000	13.70
Total	190,000	4.9	11.25	76,250	11.97

Employee stock-based compensation expense recognized for time-vesting options for the years ended December 31, 2018 and 2017, uses the Black-Scholes option pricing model for estimating the fair value of options granted under the Company's equity incentive plans. Risk-free interest rates for the options were taken from the Daily Federal Yield Curve Rates on the grant dates for the expected life of the options as published by the Federal Reserve. The expected volatility was based upon historical data and other relevant factors such as the Company's changes in historical volatility and its capital structure, in addition to mean reversion. Employee stock-based compensation expense recognized for market performance-vesting options uses a binomial lattice model for estimating the fair value of options granted under the Company's equity incentive plan.

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

During the year ended December 31, 2017, 112,500 shares of restricted stock were forfeited back to the Company. During the years ended December 31, 2018 and 2017, no restricted shares were granted, or vested. As of December 31, 2018, there are no shares of restricted stock outstanding, and the Company did not recognize any expense related to restricted stock for the years ended December 31, 2018 and 2017.

In October 2015, the Board approved a change in the compensation plan for non-employee directors such that each non-employee director shall receive an annual cash retainer of $45,000 and an annual grant of 1,000 shares of the Company's common stock, both payable quarterly in arrears. In addition, each member of (i) the Audit Committee shall receive an additional fee of $10,000 payable quarterly in arrears; (ii) the Compensation Committee shall receive an additional fee of $1,000 payable quarterly in arrears and (iii) the Governance Committee shall receive an additional fee of $2,000 payable quarterly in arrears. Each non-employee director has the option to elect to receive up to 100 percent of the annual cash retainer in shares of the Company's common stock.

During the years ended December 31, 2018 and 2017, the Board approved compensation for Board services by granting 20,318 and 21,630 shares, respectively, of common stock as compensation for the non-employee directors. During each of the years ended December 31, 2018 and 2017, the Company recorded approximately $0.2 million in Board compensation expense. The aggregate stock-based compensation expense, including the quarterly Board grants, recognized by the Company for both years ended December 31, 2018 and 2017 was $0.3 million.

Note 9. Fair Value Measurements

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

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

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

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

Transfers into or out of any hierarchy level are recognized at the end of the reporting period in which the transfers occurred. There were no transfers between any levels during the years ended December 31, 2018 and 2017.

The fair value of equity method investments is not readily available nor have we estimated the fair value of these investments and disclosure is not required. The Company is not aware of any identified events or changes in circumstances that would have a significant adverse effect on the carrying value of any of its equity method investments included in the consolidated balance sheets as of December 31, 2018 and 2017.

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

Cash and cash equivalents

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

Securities available for sale

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

Finance Receivables

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

Marketable Investments and Derivative Securities

Marketable Investments

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

Derivative securities

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

The following table presents financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2018 (in thousands):

	Total Carrying Value in Consolidated Balance Sheet	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:				
Warrant assets	$ 2,777	$ —	$ —	$ 2,777
Marketable investments	532	—	—	532
Financial Liabilities:				
Warrant liability	$ 13	$ —	$ —	$ 13

The following table presents financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2017 (in thousands):

	Total Carrying Value in Consolidated Balance Sheet	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:				
Warrant assets	$ 987	$ —	$ —	$ 987
Marketable investments	1,856	1,256	—	600
Financial Liabilities:				
Warrant liability	$ 91	$ —	$ —	$ 91

The changes on the value of the warrant assets during the years ended December 31, 2018 and 2017 were as follows (in thousands):

Fair value – December 31, 2016	$ 1,013
Issuance	1,392
Canceled	(205)
Change in fair value	(1,213)
Fair value – December 31, 2017	987
Issuance	1,490
Canceled	(105)
Change in fair value	405
Fair value – December 31, 2018	$ 2,777

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

	December 31, 2018	December 31, 2017
Dividend rate	—	—
Risk-free rate	2.5% to 2.6%	2.0% to 2.3%
Expected life (years)	4.8 to 7.9	2.6 to 6.6
Expected volatility	67.6% to 101.8%	72.5% to 95.7%

The following table presents financial assets measured at fair value on a nonrecurring basis as of December 31, 2018 and 2017 (in thousands):

	Total Carrying Value in Consolidated Balance Sheet	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2018				
Impaired loans	$ 8,227	$ —	$ —	$ 8,227
December 31, 2017				
Impaired loans	$ 6,087	$ —	$ —	$ 6,087

Please refer to Note 2 for further information on impaired loans.

There were no remeasured liabilities at fair value on a non-recurring basis during the year ended December 31, 2018 or 2017.

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

For the year ended December 31, 2018 (in thousands):

	Carry Value	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
Cash and cash equivalents	$ 20,227	$ 20,227	$ 20,227	$ —	$ —
Finance receivables	166,610	166,610	—	—	166,610
Marketable investments	532	532	—	—	532
Warrant assets	2,777	2,777	—	—	2,777
Financial Liabilities					
Warrant liability	$ 13	$ 13	$ —	$ —	$ 13

For the year ended December 31, 2017 (in thousands):

	Carry Value	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
Cash and cash equivalents	$ 30,557	$ 30,557	$ 30,557	$ —	$ —
Finance receivables	151,995	151,995	—	—	151,995
Marketable investments	1,856	1,856	1,256	—	600
Warrant assets	987	987	—	—	987
Financial Liabilities					
Warrant liability	$ 91	$ 91	$ —	$ —	$ 91

Note 10. Income Taxes

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

	December 31, 2018	December 31, 2017
U.S.	$ 6,237	$ 24,004

During the years ended December 31, 2018 and 2017, the Company's provision for (benefit from) income taxes was as follows (in thousands):

	December 31, 2018	December 31, 2017
Current provision	$ 11	$ 8
Deferred provision	31	15,745
Total provision for income taxes	$ 42	$ 15,753

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

	December 31, 2018	December 31, 2017
Federal tax provision at statutory rate	$ 1,312	$ 8,402
Change in valuation allowance	(1,137)	(46,498)
Change in statutory rate	—	55,857
Other	(167)	(187)
Write off of expired deferred tax assets	1	—
Provision related to non-controlling interest	33	(1,821)
Total provision for income taxes	$ 42	$ 15,753

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

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

As of December 31, 2018, the Company had cumulative net income before tax for the three years then ended. Based on its historical operating performance, the Company has concluded that it was more likely than not that the Company would not be able to realize the full benefit of the U.S. federal and state deferred tax assets in the future. However, the Company has concluded that it is more likely than not that the Company will be able to realize approximately $22.7 million benefit of the U.S. federal and state deferred tax assets in the future.

On December 22, 2017, the TCJA was signed into law. The new legislation decreases the U.S. corporate federal income tax rate from 35 percent to 21 percent, effective January 1, 2018. The Company revalued its deferred tax assets and liabilities accordingly. There was no net impact on recorded deferred tax balances, as the remeasurement of net deferred tax assets was offset by a change in valuation allowance. The TCJA also includes a number of other provisions, including the elimination of loss carrybacks and limitations on the use of future losses, and repeal of the Alternative Minimum Tax regime. These provisions are not expected to have an immediate effect on the Company.

The Company will continue to assess the need for a valuation allowance on the deferred tax assets by evaluating both positive and negative evidence that may exist on a quarterly basis. Any adjustment to the deferred tax asset valuation allowance would be recorded in the consolidated statements of income for the period that the adjustment is determined to be required. The valuation allowance against deferred tax assets was $62.6 million and $63.7 million as of December 31, 2018 and 2017, respectively.

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

	December 31,	
	2018	2017
Deferred tax assets:		
Credit carryforward	$ 2,660	$ 2,660
Stock based compensation	313	300
Other	3,043	4,596
Net operating losses	79,250	78,889
Gross deferred tax assets	85,266	86,445
Valuation allowance	(62,582)	(63,720)
Net deferred tax assets	$ 22,684	$ 22,725

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

The Company is making an election to early adopt ASU 2015-17 to classify all deferred tax assets and liabilities, along with any related valuation allowance, as noncurrent on the balance sheet.

A portion of deferred tax assets relating to NOLs pertains to NOL carryforwards resulting from tax deductions upon the exercise of employee stock options of $1.9 million. When recognized, the tax benefit of these loss carryforwards will be accounted for as a credit to additional paid-in capital rather than a reduction of the income tax expense.

As of December 31, 2018, the Company had NOL carryforwards for federal income tax purposes of approximately $377.4 million. The federal NOL carryforwards, if not offset against future income, will expire by 2032, with the majority of such NOLs expiring by 2021.

The Company also had federal research carryforwards of $2.7 million. The federal credits will expire by 2029.

The Company records liabilities, where appropriate, for all uncertain income tax positions. The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits within operations as income tax expense. The adoption of these provisions did not have an impact on the Company's consolidated financial condition, results of operations or cash flows. At December 31, 2018, the Company did not have any unrecognized tax benefits.

The Company is subject to taxation in the U.S. and various state jurisdictions. The Company is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ending December 31, 1998 through December 31, 2018, due to carryforward of unutilized net operating losses and research and development credits. The Company does not anticipate significant changes to its uncertain tax positions through December 31, 2018.

Note 11. Subsequent Events

Aimmune Therapeutics, Inc.

On February 5, 2019, SWK Funding entered into a limited partnership agreement with KKR Peanut Co-Invest GP LLC ("KKR") pursuant to which SWK Funding made a commitment for an indirect investment of $5.0 million, or a 2.9 percent interest, in the first lien senior secured term loan of up to $170.0 million made to Aimmune Therapeutics, Inc. ("Aimmune"). SWK Funding provided $1.2 million of the $40.0 million advanced to Aimmune at closing. Aimmune must draw an additional $85.0 million if certain conditions are fulfilled on or prior to December 31, 2020 and may draw an additional $45.0 million if certain conditions are fulfilled on or prior to July 31, 2020. The loan bears interest at the greater of (a) one month LIBOR and (b) 1.00 percent plus a margin of 7.50 percent, payable quarterly in arrears, beginning on March 31, 2019. For the first six interest payment dates, Aimmune has the option to elect whether interest payments due will be paid in cash or paid in kind and capitalized. The loan matures on January 3, 2025. Fifty percent of the outstanding principal balance is scheduled to amortize on December 31, 2023, with the remaining 50 percent to be paid in equal installments through maturity.

Cheetah Medical, Inc.

On January 15, 2019, SWK Funding entered into a credit agreement pursuant to which it provided to Cheetah Medical, Inc. ("Cheetah") a term loan in the principal amount of $20.0 million. The loan matures on January 15, 2024. SWK Funding provided $18.0 million at closing. Cheetah drew down the additional $2.0 million in February 2019, as the subsequent term loan condition outlined in the credit agreement was met. The loan bears interest at the greater of (a) three month LIBOR, subject to a maximum of 4.25 percent, and (b) 2.25 percent plus a margin of 8.5 percent, payable in cash quarterly in arrears, beginning on February 15, 2019. SWK Funding syndicated $10.0 million of the loan to an unaffiliated investor in February 2019.

EyePoint Pharmaceuticals, Inc.

On February 13, 2019, EyePoint Pharmaceuticals, Inc. repaid its term loan with SWK Funding. SWK Funding received approximately $23.4 million at pay-off, which included accrued interest, prepayment penalty, and exit fees.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

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

Management's Report on Internal Control over Financial Reporting

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

In connection with the preparation of this report, our management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting as of the end of the period covered by this report based on the criteria established in *Internal Control—Integrated Framework* issued in 2013, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). As a result of that evaluation, management concluded that as of December 31, 2018, our internal control over financial reporting was effective based on the criteria set forth in the COSO framework.

This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Inherent Limitations over Internal Controls

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

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

- The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions;
- Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures; and
- The design of a control system must reflect the fact that resources are constrained, and the benefits of controls must be considered relative to their costs.

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

Changes in Internal Control over Financial Reporting

There have been no changes during the Company’s fiscal year ended December 31, 2018 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information under the principal headings “ELECTION OF DIRECTORS,” “SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE,” and “CODE OF ETHICS AND CONDUCT”, the information regarding executive officers of the Company under the subheading “Executive Officers”, and the information regarding the Audit Committee under the subheading “Board Meetings and Committees” under the principal heading “CORPORATE GOVERNANCE,” in the Company’s 2019 Proxy Statement is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information under the principal headings “DIRECTOR COMPENSATION,” “COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION”, “EXECUTIVE COMPENSATION,” and “RELATED INFORMATION” in the Company’s 2019 Proxy Statement is incorporated herein by reference.

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

The information under the principal headings “EQUITY COMPENSATION PLAN INFORMATION” and “OWNERSHIP OF EQUITY SECURITIES OF THE COMPANY” in the Company’s 2019 Proxy Statement is incorporated herein by reference.

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

The information under the principal heading “TRANSACTION WITH RELATED PERSONS” in the Company’s 2019 Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information under the subheadings “Audit Fees and All Other Fees” and “Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors” below the principal heading “AUDIT FEES” in the Company’s 2019 Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

1. Financial Statements:

2. Exhibits: See attached Exhibit Index.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 28, 2019.

SWK Holdings Corporation

By: /s/ Winston L. Black
Winston L. Black
Chief Executive Officer
(Principal Executive Officer)

POWER OF ATTORNEY

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

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

Date: March 28, 2019	By: /s/ Winston L. Black Winston L. Black Chief Executive Officer (Principal Executive Officer)
Date: March 28, 2019	By: /s/ Charles M. Jacobson Charles M. Jacobson Chief Financial Officer (Principal Financial and Accounting Officer)
Date: March 28, 2019	By: /s/ D. Blair Baker D. Blair Baker Director
Date: March 28, 2019	By: /s/ Christopher W. Haga Christopher W. Haga Director
Date: March 28, 2019	By: /s/ Edward B. Stead Edward B. Stead Director
Date: March 28, 2019	By: /s/ Michael Weinberg Michael Weinberg Director

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Form	Exhibit	Filing Date	Filed Herewith
3.01	Second Amended and Restated Certificate of Incorporation, as amended by the Certificate of Amendment dated April 18, 2000.	8-K	3.1	05/04/00	
3.02	Certificate of Amendment to the Amended and Restated Certificate of Incorporation dated June 29, 2001.	S-8	4.02	07/03/01	
3.03	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation filed on December 11, 2001.	S-3	4.03	01/18/02	
3.04	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation dated November 21, 2005.	8-A	3.04	01/31/06	
3.05	Certificate of Amendment of Second Amended and Restated Certificate of Incorporation of Kana Software, Inc.	10-K	3.05	03/31/10	
3.06	Certificate of Amendment of Second Amended and Restated Certificate of Incorporation of SWK Holdings Corporation	10-Q	3.01	08/14/15	
3.07	Amended and Restated Bylaws as of May 20, 2015	8-K	3.02	05/21/15	
4.01	Form of Specimen Common Stock Certificate.	S-1/A	4.01	09/21/99	
4.02	Form of Rights Certificate (Exhibit B to Rights Agreement filed as Exhibit 4.03 hereto)	8-K	4.01	04/14/16	
4.03	Rights Agreement, dated as of April 8, 2016 by and between SWK Holdings Corporation and Computershare Trust Company, N.A.	8-K	4.02	04/14/16	
4.04	Common Stock Purchase Warrant to Purchase 100,000 (as adjusted to reflect a net 1-for-10 reverse stock split) shares of the Company's common stock dated September 6, 2013 issued to Double Black Diamond, L.P.	8-K	4.1	09/09/13	
10.01	Kana Software, Inc. 1999 Stock Incentive Plan, as amended.*	10-Q	10.01	11/14/06	
10.02	2010 Equity Incentive Plan.*	10-Q	10.1	11/09/10	
10.03	SWK Holdings Corporation 2010 Equity Incentive Plan Restricted Stock Award Agreement.*	10-Q	10.2	11/09/10	
10.04	Contract purchase agreement between SWK Holdings Corporation and PBS Capital Management, dated May 14, 2012	10-Q	10.05	05/15/12	
10.05	Loan Agreement, dated as of September 6, 2013, among the Company, SWK Funding LLC, SWK Advisors LLC, SWK HP Holdings GP LLC. and Double Black Diamond, L.P.	8-K	10.1	09/09/13	

Exhibit Number	Exhibit Description	Form	Exhibit	Filing Date	Filed Herewith
10.06	Pledge and Security Agreement, dated as of September 6, 2013, among the Company, SWK Funding LLC, SWK Advisors LLC, SWK HP Holdings GP LLC, and Double Black Diamond L.P.	8-K	10.2	09/09/13	
10.07	Voting Agreement, dated as of September 6, 2013, among Double Black Diamond, L.P., Double Black Diamond Offshore Ltd., Black Diamond Offshore, Ltd. and the Company	8-K	10.3	09/09/13	
10.08	Registration Rights Agreement, dated as of September 6, 2013, among Double Black Diamond, L.P., Double Black Diamond Offshore Ltd., Black Diamond Offshore, Ltd. and the Company	8-K	10.4	09/09/13	
10.09	Agreement dated March 1, 2017 between SWK Holdings Corporation and Pine Hill Group, LLC	10-K	10.09	03/17/17	
10.10	Employment Agreement, dated January 28, 2019, between the Company and Winston L. Black III.*	8-K	10.1	01/30/19	
10.11	Royalty Agreement, dated April 2, 2013, among SWK Funding LLC, Bess Royalty, L.P. and InSite Vision Incorporated.**#	S-1/A	10.13	04/01/14	
10.12	Amended and Restated Limited Partnership Agreement of Holmdel Pharmaceuticals, L.P., dated December 20, 2012, among HP General Partner, LLC, Brett Pope, an individual, and the limited partners named therein.**#	S-1/A	10.14	06/11/14	
10.13	First Amendment to Amended and Restated Limited Partnership Agreement of Holmdel Pharmaceuticals, L.P., effective as of December 20, 2012, among HP General Partner, LLC, SWK HP Holdings, LP and Holmdel Therapeutics, LLC.**#	S-1/A	10.15	06/11/14	
10.14	Securities Purchase Agreement, dated August 18, 2014, between SWK Holdings Corporation and Carlson Capital, L.P.	8-K/A	10.1	08/21/14	
10.15	Stockholders' Agreement, dated August 18, 2014, among Double Black Diamond Offshore Ltd., Black Diamond Offshore Ltd. and SWK Holdings Corporation	8-K	10.2	08/19/14	
10.16	Royalty Agreement dated December 13, 2016, among SWK Funding LLC and Opiant Pharmaceuticals, Inc.	10-K	10.16	3/29/18	
10.17	Purchase and Sale Agreement for Distressed Assets dated June 24, 2016 between SWK Funding LLC and Sindex SSI Lending LLC	8-K	10.1	07/01/16	
10.18	Securities Transfer Agreement dated June 24, 2016 by and between SWK Funding LLC, SWK Holdings Corporation, and Sindex SSI Lending LLC	8-K	10.2	07/01/16	
10.19	Credit Agreement dated May 20, 2016 among SBT Holdings, Inc., dba Keystone Dental, and SWK Funding LLC	8-K	10.1	05/26/16	
21.01	Subsidiaries				X

Exhibit Number	Exhibit Description	Form	Exhibit	Filing Date	Filed Herewith
23.01	Consent of Independent Registered Public Accounting Firm - BPM LLP				X
24.01	Power of Attorney (included on signature page of this Annual Report on Form 10-K).				X
31.01	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.02	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.01	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**				X
32.02	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**				X
101.INS+	XBRL Instance				
101.SCH+	XBRL Taxonomy Extension Schema				
101.CAL+	XBRL Taxonomy Extension Calculation				
101.DEF+	XBRL Taxonomy Extension Definition				
101.LAB+	XBRL Taxonomy Extension Labels				
101.PRE+	XBRL Taxonomy Extension Presentation				

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

** These certifications accompany SWK's Annual Report on Form 10-K; they are not deemed "filed" with the Securities and Exchange Commission and are not to be incorporated by reference in any filing of SWK under the Securities Act of 1933, or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any filings, except to the extent that SWK specifically incorporates it by reference.

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

\+ XBRL information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

EXHIBIT 21.01

SUBSIDIARIES OF THE REGISTRANT

The following is a list of subsidiaries of the Company as of December 31, 2018:

Subsidiary	Jurisdiction of Incorporation or Organization	Ownership by SWK Holdings Corporation
SWK Funding LLC	Delaware	100%
SWK Advisors LLC	Delaware	100%
SWK HP Holdings GP LLC	Delaware	100%

EXHIBIT 23.01

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-208500, 333-150944, 333-142745, 333-136705, 333-113914, 333-104711, 333-64552, 333-59842, 333-55822, 333-35730, 333-32460, 333-93591, 333-92159 and 333-87505) of SWK Holdings Corporation of our report dated March 27, 2019 relating to the consolidated financial statements, which appears in this Annual Report on Form 10-K.

/s/ BPM LLP
San Jose, California
March 27, 2019

EXHIBIT 31.01

CERTIFICATION

I, Winston L. Black, Chief Executive Officer of the registrant, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

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

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

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

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

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

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

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

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

Date: March 28, 2019

/s/ Winston L. Black
Winston L. Black
Chief Executive Officer

EXHIBIT 31.02

CERTIFICATION

I, Charles M. Jacobson, Chief Financial Officer of the registrant, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

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

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

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

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

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

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

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

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

Date: March 28, 2019

/s/ Charles M. Jacobson
Charles M. Jacobson
Chief Financial Officer

EXHIBIT 32.01

CERTIFICATION PURSUANT TO
RULE 13a-14(b) OF THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350

In connection with the Annual Report of SWK Holdings Corporation (the “Registrant”) on Form 10-K for the annual period ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Winston L. Black, Chief Executive Officer of the Registrant, certify, in accordance with Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, that to the best of my knowledge:

1. The Report, to which this certification is attached as Exhibit 32.01, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: March 28, 2019

/s/ Winston L. Black
Winston L. Black
Chief Executive Officer

EXHIBIT 32.02

CERTIFICATION PURSUANT TO
RULE 13a-14(b) OF THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350

In connection with the Annual Report of SWK Holdings Corporation (the “Registrant”) on Form 10-K for the annual period ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Charles M. Jacobson, Chief Financial Officer of the Registrant, certify, in accordance with Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, that to the best of my knowledge:

1. The Report, to which this certification is attached as Exhibit 32.02, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: March 28, 2019

/s/ Charles M. Jacobson
Charles M. Jacobson
Chief Financial Officer

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

FORM 10-K/A

(Amendment No. 1)

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2018

OR

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

Commission file number: 000-27163

SWK HOLDINGS

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

Delaware	77-0435679
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
14755 Preston Road, Suite 105 Dallas, TX	75254
(Address of Principal Executive Offices)	**(Zip Code)**

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

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

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

Common Stock, $0.001 par value per share
(Title of class)

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-Accelerated Filer ☐ Smaller Reporting Company ☒ Emerging Growth Company ☐

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

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

The aggregate market value of the Registrant's Common Stock held by non-affiliates is $38,389,710 based on the June 29, 2018, closing price of the Registrant's Common Stock on such date as reported on the OTCQB Marketplace of $10.00.

On April 25, 2019, the Registrant had outstanding approximately 12,897,646 shares of Common Stock, $0.001 par value per share.

DOCUMENTS INCORPORATED BY REFERENCE

None.

Explanatory Note

This Amendment No. 1 on Form 10-K/A (this "Amendment") amends the Annual Report on Form 10-K of SWK Holdings Corporation (the "Company" or "SWK") for the year ended December 31, 2018, originally filed with the U.S. Securities and Exchange Commission ("SEC") on March 27, 2019 (the "Original Filing").

This Amendment is being filed for the purpose of providing the information required by Items 10 through 14 of Part III of the Annual Report on Form 10-K. This information was previously omitted from the Original Filing in reliance on General Instruction G(3) to the Annual Report on Form 10-K, which permits the above-referenced Items to be incorporated in the Annual Report on Form 10-K by reference from a definitive proxy statement, if such definitive proxy statement is filed no later than 120 days after December 31, 2018. At this time, the Company is filing this Amendment to include Part III information in its Annual Report on Form 10-K because the Company does not intend to file a definitive proxy statement within 120 days of December 31, 2018.

In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Items 10 through 14 of Part III of the Original Filing are hereby amended and restated in their entirety. In addition, pursuant to Rule 12b-15 under the Exchange Act, the Company is amending and refiling Item 15 of Part IV, to reflect the inclusion of the certifications required under Section 302 of the Sarbanes-Oxley Act of 2002.

Except as described above, no other changes have been made to the Original Filing. Except as otherwise indicated herein, this Amendment continues to speak as of the date of the Original Filing, and the Company has not updated the disclosures contained therein to reflect any events that occurred subsequent to the date of the Original Filing. Accordingly, this Amendment should be read in conjunction with our Original Filing and with our filings with the SEC subsequent to the filing of our Original Filing.

SWK Holdings Corporation

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth the names of our directors and information about each (including their ages as of April 20, 2019):

Name	Age	Committee Memberships	Principal Occupation	Director Since
Michael D. Weinberg	54	Governance, Compensation	Partner and Senior Advisor of Carlson Capital, L.P.	2009
D. Blair Baker	58	Audit	President, Precept Capital Management	2014
Christopher W. Haga	51	Compensation	Portfolio Manager and Head of Strategic Investments, Carlson Capital, L.P.	2014
Edward B. Stead	72	Audit, Governance	Private Investor	2014

The following sets forth biographical information and the qualifications and skills for our executive officers and the members of our board of directors:

Winston Black. Mr. Black, age 43, was appointed CEO in January 2016. Prior to that time, Mr. Black served as Managing Director. Mr. Black joined SWK 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. 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. Charles Jacobson, age 47, was appointed CFO in September 2012. Since April 2019, Mr. Jacobson serves as the Partner of Strategic Growth for CFGI, LLC (“CFGI”). CFGI provides management level finance, accounting and transaction advisory services to middle market public and private companies. From 2007 to 2019, Mr. Jacobson served as the CEO and Managing Director of Pine Hill Group, LLC (“Pine Hill”), a consulting firm which he co-founded in 2007. Pine Hill was acquired by CFGI in April 2019. Mr. Jacobson serves as Director, Interim CEO, and Interim CFO of The PMI Group, Inc. (“PMI”), positions 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 Communications, Inc. (“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.

Michael D. Weinberg. Mr. Weinberg has served on the Board since December 2009 and was recommended as a nominee to the Board by Carlson Capital, L.P. (“Carlson Capital”), an investment management business which, as of April 13, 2018, beneficially owned 70.7% of our outstanding Common Stock. Mr. Weinberg is a Partner and Senior Advisor at Carlson Capital and has served in a variety of investment and operational roles at Carlson Capital since November 1999. From January 1996 to November 1999, Mr. Weinberg was Director of Investments at Richmont Capital Partners, L.P., the investment affiliate of privately-held Mary Kay Cosmetics. Prior to Mary Kay, Mr. Weinberg also held positions as an analyst for Greenbrier Partners, a value-oriented hedge fund, and as an associate attorney for the law firm of Baker Botts L.L.P. 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. Mr. Weinberg is a CFA Charterholder. Mr. Weinberg is also a Director of Barbican Group Holdings Limited, an insurance company operating at Lloyds of London.

Edward B. Stead. Mr. Stead was appointed to the Board in August 2014. 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 Executive Vice President, 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. Mr. Stead's current primary occupation is a private investor.

D. Blair Baker. Mr. Baker was appointed to the Board in August 2014. Mr. Baker has served as the president of Precept Capital Management ("Precept"), an investment management company based in Dallas, Texas, since he founded Precept 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 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 (later acquired by RBC) and as a member of the research team at Friess Associates that managed $7 billion of client assets.

Christopher W. Haga. Mr. Haga was appointed to the Board in August 2014, Mr. Haga is Portfolio Manager and Head of Strategic Investments at Carlson Capital. Mr. Haga, who joined Carlson Capital in 2003, has 25 years of experience in public and private investing, investment banking and structured finance. His role at Carlson Capital includes public and private investing in financial institutions, energy companies and special situations. Prior to Carlson Capital, 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. degree in Business Administration from the University of North Carolina at Chapel Hill and an M.B.A. degree from the University of Virginia. Mr. Haga is also Chairman of Barbican Group Holdings Limited, an insurance company operating at Lloyds of London, and is a director of Consolidated-Tomoka Land Co.

Code of Ethics and Conduct

The Board has adopted a Code of Ethics and Conduct applicable to all directors, officers and employees of the Company, as required by applicable securities laws and the rules of the SEC. A copy of the Code of Ethics and Conduct is posted in the Corporate Governance section of our Internet website at www.swkhold.com.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and officers, and persons who own more than ten percent of our common stock, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. Directors, officers and persons who own more than ten percent of our common stock are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

To our knowledge, based solely on a review of the copies of such reports furnished to us, during the fiscal year ended December 31, 2018, each of our directors, officers and greater than ten percent stockholders complied with all Section 16(a) filing requirements applicable to our directors, officers and greater than ten percent stockholders.

Committees of the Board

The Board has three standing committees: the audit committee, the compensation committee, and the governance and nominating committee.

Audit Committee. We have a standing audit committee of the Board (the "Audit Committee") established in accordance with Rule 10A-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The members of our Audit Committee are Messrs. Baker (Chair) and Stead. Each member of the Audit Committee meets the independence and other requirements to serve on our Audit Committee under The Nasdaq Stock Market Rules and the rules of the Securities and Exchange Commission ("SEC"). In addition, the Board determined that Mr. Baker and Mr. Stead are each considered an "audit committee financial expert" as defined in the rules of the SEC.

The Audit Committee met 4 times in 2018. The Board has adopted a written charter for the Audit Committee, a copy of which is posted in the Corporate Governance section of our Internet website (at www.swkhold.com). The principal functions of the Audit Committee are to oversee our accounting and financial reporting processes and the audits of our financial statements, oversee our relationship with our independent auditors, including selecting, evaluating and setting the compensation of, and approving all audit and non-audit services to be performed by the independent auditors, and facilitate communication among our independent auditors and our financial and senior management.

Compensation Committee. We have a standing compensation committee of the Board (the "Compensation Committee"). The members of our Compensation Committee are Messrs. Weinberg (Chair) and Haga.

The Compensation Committee met one time in 2018. Each current member of the Compensation Committee meets the independence and other requirements to serve on our Compensation Committee under The Nasdaq Stock Market Rules and the rules of the SEC.

The Board has adopted a written charter for the Compensation Committee, a copy of which is posted in the corporate governance section of our Internet website (at www.swkhold.com). The Compensation Committee has responsibilities relating to the performance evaluation and the compensation of our Chief Executive Officer, the compensation of our executive officers and directors and our significant compensation arrangements, plans, policies and programs, including our stock compensation plans. Certain of our executive officers, our outside counsel and consultants may occasionally attend the meetings of the Compensation Committee. However, no officer of the Company is present during discussions or deliberations regarding that officer's own compensation.

Governance and Nominating Committee. We have a standing governance and nominating committee of the Board (the "Governance and Nominating Committee"). The members of our Governance and Nominating Committee are Mr. Weinberg (Chair) and Mr. Stead. The Governance and Nominating Committee met one time in 2018. It took all required action by written consent. Each of Messrs. Weinberg and Stead meets the independence and other requirements to serve on our Governance and Nominating Committee under The Nasdaq Stock Market Rules and the rules of the SEC.

The Board has adopted a written charter for the Governance and Nominating Committee, a copy of which is posted in the Corporate Governance section of our Internet website (at www.swkhold.com). The Governance and Nominating Committee considers the performance of the members of the Board and nominees for director positions and evaluates and oversees corporate governance and related issues.

The goal of the Governance and Nominating Committee is to ensure that the members of the Board possess a variety of perspectives and skills derived from high-quality business and professional experience. The Governance and Nominating Committee seeks to achieve a balance of knowledge, experience and capability on the Board. To this end, the Governance and Nominating Committee seeks nominees with the highest professional and personal ethics and values, an understanding of our business and industry, diversity of business experience and expertise, a high level of education, broad-based business acumen and the ability to think strategically. Although the Governance and Nominating Committee uses these and other criteria to evaluate potential nominees to the Board, it has no stated minimum criteria for such nominees. The Governance and Nominating Committee does not use different standards to evaluate nominees depending on whether they are proposed by our directors and management or by our stockholders. To date, we have not paid any third parties to assist us in this process.

The Governance and Nominating Committee will consider stockholder recommendations for director candidates. The Governance and Nominating Committee has established the following procedure for stockholders to submit such recommendations for which there has been no material change: the stockholder should send the name of the individual and related personal and professional information, including a list of references to our Governance and Nominating Committee, in care of the Corporate Secretary at our principal executive offices, sufficiently in advance of the annual meeting to allow the Governance and Nominating committee appropriate time to consider the recommendation.

Board Leadership Structure and Risk Oversight

We separated the roles of Chief Executive Officer and Chairman of the Board. Mr. Weinberg serves as Chairman of the Board, while Mr. Black serves as Chief Executive Officer of the Company. The Board believes the separation of these roles enables effective oversight of management and provides checks and balances with respect to the decision-making process at the Company.

The Board, in conjunction with the Company's officers, is responsible for considering, identifying and managing material risks to the Company. The Audit Committee plays a critical role in evaluating and managing internal controls, financial risk exposure and monitoring the activities of the Company's independent registered public accounting firm. The entire Board also receives updates at each Board meeting regarding any material risks from the Company's management.

Compensation of Directors

Beginning January 2015, the Company amended the compensation structure for non-employee directors to provide for (i) an annual cash retainer of $45,000 and (ii) a grant of 1,000 shares of restricted stock. In addition, each member of (i) the Audit Committee is entitled to an additional annual retainer of $10,000; (ii) the Compensation Committee is entitled to an additional annual retainer of $1,000; and (iii) the Governance and Nominating Committee is entitled to an additional annual retainer of $2,000. The foregoing is paid quarterly in arrears on each of March 31, June 30, September 30, and December 31. Each non-employee director may elect to receive 100 percent of the cash retainer payable, including committee fees, in shares of common stock, based on the closing price of the common stock on the date of payment. Any common stock issued for such compensation vests immediately upon issuance.

2018 Director Compensation

The table below summarizes the compensation paid by the Company to our directors for the fiscal year ended December 31, 2018.

Name	Fees Earned or Paid in Cash ($)	Stock Award(1) ($)	Total ($)
D. Blair Baker	$ —	$ 64,952	$ 64,952
Christopher W. Haga	—	55,962	55,962
Edward B. Stead	42,750	24,205	66,955
Michael D. Weinberg	—	57,959	57,959

(1) The amounts reported represent the stock-based compensation expense that was calculated in accordance with FASB ASC Topic 718, Compensation-Stock Compensation ("FASB ASC Topic 718"). Information about the assumptions used to value these awards can be found in Note 8 to the Company's consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

ITEM 11. EXECUTIVE COMPENSATION

The table below summarizes the total compensation earned by each of the named executive officers for the fiscal years ended December 31, 2018, and 2017.

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Option Awards ($)	Total
Winston Black, CEO	2018	$ 240,000	$ 784,723	$ —	$ 1,024,723
	2017	$ 240,000	$ 911,919	$ —	$ 1,151,919
Charles Jacobson, CFO(1)	2018	—	—	—	—
	2017	—	—	—	—

(1) Mr. Jacobson was appointed CFO effective September 4, 2012. He is not an employee of the Company and receives no salary or other compensation from the Company. He serves as the Company's CFO pursuant to an agreement between the Company and Pine Hill. All of Mr. Jacobson's compensation is paid by Pine Hill. See "Transactions with Related Persons."

Salary

The amount in the Salary column represents the base salary earned by Mr. Black in the applicable year.

Bonus

The amounts in the bonus column represent bonus awards to Mr. Black calculated in accordance with his employment agreement. The bonus for 2017 was paid in April 2018, and the bonus for 2018 was paid in April 2019.

Material Terms of Employment

On January 1, 2019, the Company entered into a new employment agreement with Mr. Black for a term expiring on December 31, 2021, unless earlier terminated (the "Term"). The agreement provides for an annual salary of (i) $275,000 through December 31, 2021 and shall increase three percent effective the first full payroll cycle in each of 2020 and 2021, plus an annual bonus potential based on the Company's annual pre-tax profit. The total bonus pool for 2017 equaled (i) 11.0 percent of the average pre-tax profit (as defined in the agreement) for 2016 multiplied by (ii) one plus 50 percent of the Return on Equity (as defined in the agreement), subject to certain adjustments. For 2018 and beyond, the total bonus pool equals (i) 11.0 percent of the average pre-tax profit for the year of calculation and the immediately prior year multiplied by (ii) one plus 50 percent of the Return on Equity (as defined in the agreement), subject to certain adjustments.

Mr. Black's employment agreement provides for 6 months' severance in the event that Mr. Black is terminated by the Company without cause or he resigns for good reason. In addition, the Company can elect to pay Mr. Black his annual salary for up to eighteen months (following the six months' severance period) to enforce a non-compete and non-solicitation agreement for up to two years from the date of his separation from the Company.

The Company is also party to indemnification agreements with its executive officers that may require the Company to indemnify such officers against liabilities that may arise by reason of the officers' status or service.

Since the other employees of the Company are at will, the Company does not believe that there are any material risks arising from the Company's compensation policies and practices for its employees.

2010 Equity Incentive Plan

On November 8, 2010, the Board approved the 2010 SWK Holdings Corporation Equity Incentive Plan (the "2010 Plan"). The purpose of the 2010 Plan is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company, by offering them an opportunity to participate in the Company's future performance through the grant of equity awards. The 2010 Plan is administered by the Compensation Committee of the Board. The 2010 Plan provides that the administrator may grant or issue stock options, stock appreciation rights, restricted stock, restricted stock units, deferred stock, dividend equivalents, performance awards and stock payments, or any combination thereof. The applicable award agreement will contain the period during which the right to exercise the award in whole or in part vests. At any time after the grant of an award, the administrator may accelerate the period during which the award vests.

Outstanding Equity Awards at December 31, 2018

Below are the options outstanding for the Company's named executive officers as of December 31, 2018.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Earned Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date ($)
Winston Black	18,750(1)	56,250	$ 8.30	12/31/22
	50,000(2)	50,000	$ 13.70	08/18/24

(1) The options vest in 25 percent increments based upon the Company's 60-day average stock price performance between $12.40 and $24.90 prior to December 31, 2021.

(2) Fifty percent of the options vest over 4 years beginning December 31, 2016, and fifty percent vest if the 30-day average closing stock price exceeds $20.60 prior to December 31, 2021.

Compensation Committee Interlocks and Insider Participation

The current members of our Compensation Committee are Messrs. Weinberg and Haga. No members of our Compensation Committee were employees of SWK during 2018. During 2018, none of our executive officers served as a member of the board of directors or compensation committee of any other entity that has or has had one or more executive officers serving as a member of our Board or our Compensation Committee.

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

The table below sets forth information regarding the beneficial ownership of our common stock as of April 24, 2018 by the following individuals or groups:

- each person or entity who is known by us to own beneficially more than five percent of our outstanding stock;
- each of our named executive officers;
- each of our directors; and
- all current directors and executive officers as a group.

Beneficial ownership is determined under the rules of the SEC and generally includes voting or investment power with respect to securities. Applicable percentage ownership in the following table is based on 12,897,699 shares of common stock outstanding as of April 25, 2019, as adjusted to include options and warrants exercisable within 60 days of April 25, 2019 held by the indicated stockholder or stockholders.

Unless otherwise indicated, the principal address of each of the stockholders below is c/o the Company. Except as otherwise indicated, and subject to applicable community property laws, the persons named in the table below have sole voting and investment power with respect to all shares of common stock held by them. To determine the number of shares beneficially owned by persons other than our directors, executive officers and their affiliates, we have relied on beneficial ownership reports filed by such persons with the SEC.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned
D. Blair Baker	27,672	*
Winston Black[(1)]	116,244	*
Christopher W. Haga[(2)]	23,187	*
Charles Jacobson	606	*
Edward B. Stead	20,334	*
Michael D. Weinberg[(3)]	63,882	*
All current executive officers and directors as a group (6 persons)	251,925	1.9%
5% Stockholders		
Entities affiliated with Carlson Capital, L.P.[(4)]	9,193,766	70.7%

*Less than one percent.

(1) Includes options to acquire 68,750 shares of common stock that are currently exercisable. Excludes options to acquire 106,250 shares of common stock that vest based upon the 60-day average closing price of the Company's common stock and options to acquire 75,000 shares of common stock that vest in thirds on December 31, 2019, December 31, 2020 and December 31, 2021.

(2) Mr. Haga and Carlson Capital, L.P. have advised the Company that Mr. Haga is an employee of Carlson Capital, L.P., but is not a controlling person thereof.

(3) Mr. Weinberg and Carlson Capital, L.P. have advised the Company that Mr. Weinberg is an employee of Carlson Capital, L.P., but is not a controlling person thereof.

(4) Based solely on the Form 4 filed on March 29, 2018, with the SEC reporting beneficial ownership of 9,193,766 shares. The shares are directly beneficially owned by Double Black Diamond Offshore Ltd. and Black Diamond Offshore Ltd. (together, the "Funds"). Includes 100,000 shares issuable upon the exercise of a warrant held by Double Black Diamond L.P. ("Double Black"). Carlson Capital, L.P. is the investment manager of the Funds and Double Black. Asgard Investment Corp. ("Asgard") is the general partner of Carlson Capital. Clint D. Carlson is the President of Asgard and the Chief Executive Officer of Carlson Capital. Carlson Capital disclaims beneficial ownership of any and all such shares in excess of their pecuniary interest therein. The principal business address of Carlson Capital is 2100 McKinney Avenue, Suite 1800, Dallas, TX 75201.

Equity Compensation Plan Information

The following table provides information as of December 31, 2018, with respect to the shares of common stock issuable under existing equity compensation plans. The category "Equity compensation plans not approved by security holders" in the table below consists of the SWK Holdings Corporation 2010 Equity Incentive Plan, which has not been approved by our stockholders.

	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans not approved by security holders	190,000	$ 11.25	357,192
Total	190,000	$ 11.25	357,192

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

Review, Approval or Ratification of Transactions with Related Persons

Our Audit Committee Charter requires our Audit Committee to review and approve certain transactions between us and our executive officers and directors and greater than 5 percent beneficial owners of our common stock, and each of their immediate family members. Transactions subject to the review and approval of the Audit Committee (or another independent body of the Board) include transactions between us and the related person in which the aggregate amount involved exceeds or may be expected to exceed $120,000 and in which such person has or will have a direct or indirect material interest. To identify any related party transactions, each year, we submit and require our directors and officers to complete director and officer questionnaires identifying any transactions with us in which the executive officer or director or their family members has an interest. In addition, the Board determines, on an annual basis, which members of the Board meet the definition of independent director as defined in the rules of The Nasdaq Stock Market and reviews and discusses any relationships with a director that would potentially interfere with his or her exercise of independent judgment in carrying out the responsibilities of a director. In approving or rejecting any such transaction, the Audit Committee, considers the relevant facts and circumstances available to it, including but not limited to the risks, costs, benefits to our company, the terms of the transaction, the availability of other sources for comparable services or products and, if applicable, the impact on a director's independence. Our Audit Committee approves only those transactions that it determines in good faith, are in, or are not inconsistent with, our best interests.

Certain Transactions with Related Persons

On August 28, 2012, the Company appointed Charles Jacobson as the Company's Chief Financial Officer, effective September 4, 2012. Mr. Jacobson carries out his role as Chief Financial Officer of the Company pursuant to an agreement between the Company and Pine Hill. The agreement outlines the scope of responsibilities of Pine Hill, as well as Mr. Jacobson's role. These include, but are not limited to, matters relating to the preparation and filing of the Company's periodic reports under the Exchange Act, the preparation of the Company's financial statements included therein, and assisting the Company's independent auditors with respect to developing and maintaining a system of internal control over financial reporting and disclosure controls and procedures. Pine Hill is compensated at a fixed annual fee plus reasonable expenses for performing services pursuant to the agreement. Pine Hill is responsible for all payments to Mr. Jacobson. As a result, Mr. Jacobson does not receive direct compensation from the Company and the amount of aggregate payments made to Pine Hill are based on the amount of work performed on our behalf. In 2018, the Company paid Pine Hill $203,000 in fees for its services.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

BPM LLP ("BPM") audited our financial statements for the years ended December 31, 2018, and 2017. Set forth below are the aggregated fees billed for audit and other services provided by BPM for 2018 and 2017:

	Year Ended December 31,	
	2018	2017
Audit fees[(1)]	$ 168,000	$ 158,000
Tax fees	—	—
All other fees	—	—
Total fees	$ 168,000	$ 158,000

(1) Consists of fees billed for professional services rendered for the audit of our annual financial statements and review of our quarterly condensed financial statements and services, such as consents and review of SEC comment letters that are normally provided by BPM in connection with statutory and regulatory filing engagements.

Our Audit Committee considers at least annually whether the provision of non-audit services by our independent registered public accounting firm is compatible with maintaining auditor independence. This process includes:

- Obtaining and reviewing, on at least an annual basis, a letter from the independent registered public accounting firm describing all relationships between the independent registered public accounting firm and the Company required to be disclosed by Public Company Accounting Oversight Board standards, reviewing the nature and scope of such relationships, discussing these relationships with the independent registered public accounting firm and discontinuing any relationships that the Audit Committee believes could compromise the independence of the registered public accounting firm.

- Obtaining reports of all non-audit services proposed to be performed by the independent registered public accounting firm before such services are performed, reviewing and approving or prohibiting, as appropriate, any non-audit services not permitted by applicable law. The Audit Committee may delegate authority to review and approve or prohibit non-audit services to one or more members of the Audit Committee, and direct that any approval so granted be reported to the Audit Committee at a following meeting of the Audit Committee.

All services provided by the Company's independent registered public accounting firm in fiscal years 2018 and 2017 were approved in advance by the Audit Committee.

Audit Committee Pre-Approval Policies and Procedures

All audit and permitted non-audit services to be performed for the Company by its independent registered public accounting firm must be pre-approved by the Audit Committee to assure that the provision of such services do not impair the firm's independence. The Audit Committee does not delegate its responsibility to pre-approve services performed by the independent auditors to management.

The annual audit services engagement terms and fees are subject to the specific pre-approval of the Audit Committee. The Audit Committee will approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope or other matters. All other audit services not otherwise included in the annual audit services engagement must be specifically pre-approved by the Audit Committee.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibits: See attached Exhibit Index

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on April 30, 2019.

SWK Holdings Corporation

By: /s/ Winston L. Black
Winston L. Black
Chief Executive Officer
(Principal Executive Officer)

POWER OF ATTORNEY

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

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

Date: April 30, 2019	By: /s/ Winston L. Black Winston L. Black Chief Executive Officer (Principal Executive Officer)
Date: April 30, 2019	By: * Charles M. Jacobson Chief Financial Officer (Principal Financial and Accounting Officer)
Date: April 30, 2019	By: * D. Blair Baker Director
Date: April 30, 2019	By: * Christopher W. Haga Director
Date: April 30, 2019	By: * Edward B. Stead Director
Date: April 30, 2019	By: * Michael Weinberg Director

*By: /s/ Winston L. Black
As Attorney-in-fact

EXHIBIT INDEX

Exhibit Number	Exhibit Description
31.01	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.02	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

EXHIBIT 31.01

CERTIFICATION

I, Winston L. Black, certify that:

1. I have reviewed this Amendment No. 1 of Form 10-K/A of SWK Holdings Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

By: /s/ Winston L. Black
Winston L. Black
Chief Executive Officer

Date: April 30, 2019

EXHIBIT 31.02

CERTIFICATION

I, Charles M. Jacobson, certify that:

1. I have reviewed this Amendment No. 1 of Form 10-K/A of SWK Holdings Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

By: /s/ Charles M. Jacobson
Charles Jacobson
Chief Financial Officer

Date: April 30, 2019