UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2023

OR

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

For the transition period from to

Commission File Number 001-38293

SCPHARMACEUTICALS INC.

(Exact name of registrant as specified in its Charter)

Delaware	**46-5184075**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
25 Mall Road, Suite 203 Burlington, Massachusetts	**01803**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (617) 517-0730

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.0001	SCPH	The Nasdaq Global Select Market

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

None

(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 15(d) of the Act. YES ☐ NO ☒

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates of the registrant computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2023) was $274,229,184. The number of shares of the registrant's common stock, par value $0.0001 per share, outstanding as of March 12, 2024 was 36,054,409.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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Summary Risk Factors

Our business is subject to numerous risks and uncertainties that you should be aware of in evaluating our business. The principal risks and uncertainties affecting our business include, but are not limited to, the following:

- We are heavily dependent on the success of our product candidates and our approved product, FUROSCIX® (furosemide injection). We have only one approved product and we cannot give any assurance that we will receive regulatory approval for any other product candidates, which is necessary before they can be commercialized.
- If we fail to produce FUROSCIX in the volumes that we require on a timely basis, we may face delays in our commercialization efforts.
- The commercial success of FUROSCIX and any other product candidates, if approved, depends upon attaining market acceptance by hospital networks, physicians, patients, third-party payers and the medical community.
- If we are unable to expand our sales and marketing capabilities or continue to enter into agreements with third parties to market and sell FUROSCIX, we may be unable to generate any revenue.
- We have a limited operating history and no history of commercializing pharmaceutical products, which may make it difficult to evaluate the prospects for our future success.
- We have a history of significant operating losses and expect to incur significant and increasing losses for the foreseeable future; we may never achieve or maintain profitability.
- We may need additional funding and may be unable to raise capital when needed, which would force us to delay, reduce or eliminate our product development programs or commercialization efforts.
- Our success depends on our ability to manufacture, or the ability of third parties to deliver, sufficient quantities of supplies, components and drug product for commercialization of FUROSCIX or any of our product candidates, if approved, including our ability to monitor quality control issues related to the production of FUROSCIX and on-body infusors in the volumes that will be required on a timely basis.
- Our success depends on our ability to protect our intellectual property and proprietary technology, as well as the ability of our collaborators to protect their intellectual property and proprietary technology.
- Our success depends on the ability of our Specialty Pharmacy partners to be able to adjudicate claims and ship FUROSCIX to patients.
- If we fail to comply with our obligations under our existing and any future intellectual property license with third parties, we could lose license rights that are important to our business.
- We have identified a material weakness in our internal control over financial reporting related to the fair value accounting associated with our derivative liability. If we are unable to remediate this material weakness, or if we identify additional material weaknesses in the future, or otherwise fail to maintain an effective system of internal controls, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect our business and stock price.
- We may be subject to product liability lawsuits related to our products and product candidates, if approved, which could divert our resources, result in substantial liabilities and reduce the commercial potential of our products and product candidates.
- Our failure to successfully identify, develop and market additional product candidates could impair our ability to grow.
- We depend heavily on our executive officers, directors and principal consultants and the loss of their services would materially harm our business.

The risks summarized above should be read together with the text of the full risk factors set forth in Part I, Item 1A. “Risk Factors” and in the other information set forth in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes, as well as in other documents that we file with the SEC. If any such risks and uncertainties actually occur, our business, prospects, financial condition and results of operations could be materially and adversely affected. The risks summarized above or described in full below are not the only risks that we face.

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains express or implied forward-looking statements within the meaning of the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical fact contained in this Annual Report are forward-looking statements, including, but not limited to, statements about the marketing and commercialization of FUROSCIX, the timing or likelihood of regulatory filings and approvals, including the planned supplemental new drug application to expand the indication of FUROSCIX, our plans to develop and commercialize our product candidates, the success, cost and timing of our ongoing or planned clinical trials, the clinical utility of FUROSCIX or our product candidates, expectations surrounding the pricing, reimbursement or pharmacoeconomic benefit of FUROSCIX, expectations surrounding manufacturing capabilities and supply chain matters, our commercialization capabilities and strategy, the sufficiency of our cash, cash equivalents and short-term investments and our ability to raise additional capital to fund our operations, our future financial performance, the anticipated impact of general economic conditions on our business, and the plans and objectives of management for future operations, capital needs and capital expenditures. In some cases, forward-looking statements can be identified by terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “continue” or the negative of these terms or other comparable terminology.

The forward-looking statements in this Annual Report on Form 10-K are only predictions. We have based these forward-looking statements on our management’s beliefs and assumptions and on information currently available to our management. Although we believe that the expectations reflected in these forward-looking statements are reasonable, you should not place undue reliance on forward-looking statements because they relate to future events or our future operational or financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Important factors that may cause actual results to differ materially from current expectations include those described under Part I, Item 1A. “Risk Factors” in this Annual Report on Form 10-K. If one or more of these risks or uncertainties occur, or if our underlying assumptions prove to be incorrect, actual events or results may vary significantly from those implied or projected by the forward-looking statements. No forward-looking statement is a guarantee of future performance. While we may elect to update these forward-looking statements at some point in the future, we have no current intention of doing so except to the extent required by applicable law. You should therefore not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Annual Report on Form 10-K.

As used in this Annual Report on Form 10-K, unless otherwise stated or the context requires otherwise, references to “scPharmaceuticals Inc.,” the “Company,” “we,” “us,” and “our,” refer to scPharmaceuticals Inc. and its subsidiary on a consolidated basis.

PART I

Item 1. Business.

OVERVIEW

We are a pharmaceutical company focused on developing and commercializing products that have the potential to optimize the delivery of infused therapies, advance patient care and reduce healthcare costs. Our strategy is designed to enable the subcutaneous administration of therapies that have previously been limited to intravenous, or IV, delivery. By moving delivery away from the high-cost healthcare settings typically required for IV administration, we believe our technology has the potential to reduce overall healthcare costs and advance the quality and convenience of care. Our approved product, FUROSCIX, consists of our novel formulation of furosemide delivered via West Pharmaceutical Services, Inc.'s, or West's, on-body infusor, which delivers an 80 mg/10 mL dose over 5 hours. On October 10, 2022, we announced that the U.S. Food and Drug Administration, or FDA, approved FUROSCIX for the treatment of congestion due to fluid overload in adults with New York Heart Association, or NYHA, Class II/III chronic heart failure. FUROSCIX is the first and only FDA-approved subcutaneous loop diuretic that delivers IV equivalent diuresis at home. IV equivalence was established in a clinical study in which FUROSCIX demonstrated 99.6% bioavailability (90% CI: 94.8%-104.8%) and 8-hour urine output of 2.7 L which was similar to subjects receiving intravenous furosemide. The commercial launch of FUROSCIX for congestion in patients with chronic heart failure commenced in the first quarter of 2023.

In the third quarter of 2023, we received positive feedback from the FDA on key long-term growth initiatives. The first was for the potential expansion of the FUROSCIX indication to include NYHA Class IV heart failure patients. Based on the feedback, we filed for NYHA Class IV indication expansion in early October. The second was Type C meeting feedback pertaining to the development of an 80mg/1mL auto-injector intended to provide an additional option to the on-body infusor for treatment of congestion due to fluid overload in eligible adult patients who do not require hospitalization. We believe that the development of an auto-injector, if successfully developed and approved, has the potential to significantly reduce manufacturing costs compared to the current on-body infusor and confer certain environmental advantages. We have submitted an investigational new drug application (IND), and expect to initiate a pharmacokinetic/pharmacodynamic (PK/PD) study in the second quarter of 2024 and plan to submit a supplemental new drug application (sNDA) in the fourth quarter of 2024. Finally, we received feedback on the potential expansion of the FUROSCIX indication to include treatment of edema due to fluid overload in patients with chronic kidney disease (CKD). The agency confirmed that no additional clinical studies are needed to expand the indication to CKD, provided that we can demonstrate an adequate PK and pharmocodynamic bridge to the listed drug, furosemide injection, 10mg/mL. We plan to submit a sNDA in the second quarter of 2024 seeking to expand the indication of FUROSCIX to include the treatment of edema due to fluid overload in adult patients with CKD. The anticipated Prescription Drug User Fee Act (PDUFA) date for edema in patients with CKD is the first quarter of 2025.

We estimate that there is a $12.5 billion total addressable market opportunity for FUROSCIX in the United States including both chronic heart failure and CKD. We believe FUROSCIX will allow eligible patients with chronic heart failure and, if approved, chronic kidney disease with worsening congestion due to fluid overload, to receive IV-strength diuresis outside the high-cost hospital setting. At a price of approximately $898 per dose, we estimate the average cost of treatment with FUROSCIX for each episode to be approximately $4,490, which can be significantly lower than the cost of a single hospitalization. Prevention of hospital admission and reduced readmission rates would result in reducing days patients spend in the hospital each year. By decreasing the number of admissions and readmissions to hospitals, we believe we can drive significant cost savings to payers and hospitals and improve patients' quality of life through outpatient management of their fluid overload.

We have secured positive coverage and a preferred formulary decision for FUROSCIX by a top five national commercial health plan, effective June 1, 2023, as well as national Medicaid coverage of FUROSCIX, effective July 1, 2023. In addition, in late October 2023, we reached an agreement with one of the largest closed integrated delivery networks (IDNs) in the United States, providing unrestricted access to FUROSCIX, without prior authorization, to over 8 million lives, at a fixed co-pay of $75 or less per prescription. As of November 1, 2023, FUROSCIX is on formulary as a preferred brand with one of the largest government retiree payer formularies, increasing the number of lives with preferred access to FUROSCIX by an additional 1.1 million lives. As of December 31, 2023, there have been approximately 30,000 total FUROSCIX doses written by around 1,700 unique prescribers, and of these, approximately 16,000 FURSOCIX doses had been filled and there were approximately 9,200 doses payer cleared or pending.

In the third quarter of 2023, we also announced the issuance of U.S. patents covering concentrated formulations of furosemide. We have completed initial solubility and stability studies on multiple formulations described in the patent properties, have identified potential product candidates, and commenced Investigational New Drug Application enabling studies.

OUR PLATFORM AND OTHER PIPELINE PROGRAMS

FUROSCIX to Treat Congestion in Patients with Heart Failure and Chronic Kidney Disease

Water is a primary constituent of the human body and is responsible for many physiological processes. The balance between fluid gains and fluid losses is regulated through various mechanisms such as neural regulation of thirst, hormonal regulation (vasopressin and natriuretic peptides), management through the skin, hemodynamic changes, and renal control of salt and water excretion. The primary function of the kidney is to maintain physiologically optimal fluid, electrolyte, and metabolic acid-base homeostasis by removing waste products and excess fluid through the production of urine.

Chronic diseases that can lead to reduced functionality of organs such as the heart and kidney can result in an impaired ability to adequately regulate body water and electrolytes. When this occurs, fluid can begin to slowly accumulate in the vascular system and tissues leading to symptoms such as weight gain, swelling, exercise intolerance, dyspnea and fatigue. Diuretics are drugs that pharmacologically tilt the regulation of fluid in favor of the excretion of water and electrolytes by increasing the production and volume of urine and thus affecting water homeostasis. Loop diuretics such as furosemide, are the cornerstone of therapy for managing fluid overload in patients with congestive heart failure and chronic kidney disease.

Heart failure (HF) is a chronic clinical syndrome with signs and symptoms caused by a structural and/or functional cardiac abnormality and corroborated by elevated natriuretic peptide levels and/or objective evidence of fluid overload manifesting as pulmonary or systemic congestion. Congestion is the accumulation of fluid in the intravascular compartment or the interstitial space, resulting from increased cardiac filling pressures caused by maladaptive sodium and water retention by the kidneys.

Chronic Kidney Disease is defined as abnormalities of kidney structure or function that result in a progressive, gradual decline in kidney function over time which causes alterations in homeostasis that results in fluid overload and other complications. As kidney function declines, fluid overload can occur which results in worsening symptoms. When the excess fluid accumulates in spaces surrounding the body's tissues, this is referred to as edema. Edema can occur anywhere in the body; however, it most commonly presents in the legs and feet, hands and abdomen. The swelling that can build up in the legs and feet can become painful, making it difficult to walk. When excess fluid accumulates in the chest or the lungs, it is referred to as pulmonary edema.

Furosemide, a loop diuretic that was developed in the 1960s that is typically administered either orally or intravenously, is one of the mainstays in the treatment and prevention of signs and symptoms of fluid overload in patients with heart failure and kidney disease. However, on average, only 50% of an orally administered dose of furosemide is absorbed through the gastrointestinal tract, but absorption ranges from 10% to 100%, making it a matter of clinical judgment as to how much furosemide to dose in an individual patient, especially in patients with HF where absorption can become even further reduced and highly variable. In the event of worsening symptoms due to fluid overload, IV loop diuretics, which bypass the gastrointestinal tract, are often needed to effectively decrease the excess fluid overload and the associated signs and symptoms and are typically administered either in a hospital or an infusion center, if available.

FUROSCIX is our novel formulation of furosemide contained in a pre-filled, Crystal Zenith® cartridge and self- administered subcutaneously via a single-use, disposable and wearable on-body delivery system. The user inserts the pre-filled cartridge into the wearable device, secures it to the abdomen via a medical-grade adhesive, and a subcutaneous infusion of FUROSCIX is administered through a pre-programmed, biphasic delivery profile with 30 mg administered over the first hour, followed by 12.5 mg per hour for the subsequent 4 hours (a total dose of 80 mg (10 mL) over 5 hours).

We believe FUROSCIX therefore offers an alternative outpatient route of administration for certain furosemide patients with chronic heart failure and, if approved, could offer certain patients with chronic kidney disease, to alleviate the signs and symptoms associated with fluid overload when responsiveness to oral diuretics is reduced and hospitalization is not indicated in order to potentially avoid unnecessary hospitalizations. We believe FUROSCIX can potentially reduce the days per year that patients spend in the hospital to potentially avoid the

need for unnecessary, expensive hospitalizations and thus reduce overall health care costs by decreasing both admissions and readmissions and improve patients' quality of life through outpatient management of their fluid overload.

Clinical and Commercial Development of FUROSCIX

On October 10, 2022, we announced that the FDA approved FUROSCIX for the treatment of congestion due to fluid overload in adults with New York Heart Association Class II/III chronic heart failure. FUROSCIX is not indicated for emergency situations or in patients with acute pulmonary edema. FUROSCIX is a drug-device combination product and was approved pursuant to Section 505(b)(2) of the Federal Food, Drug and Cosmetic Act, or FDCA, in reliance on the FDA's previous findings of safety and efficacy for the Listed Drug Furosemide (Injection, USP, 10 mg/mL; NDA 18667; Hospira, Inc.), which is indicated for intravenous (IV) and intramuscular (IM) injection for the treatment of edema in adult patients with congestive heart failure, cirrhosis of the liver and renal disease, including nephrotic syndrome. FUROSCIX is the first and only FDA-approved subcutaneous loop diuretic that delivers IV equivalent diuresis at home. Based on feedback from a type C meeting held on July 28, 2023, we believe alignment was reached with the FDA on the potential to remove reference of NYHA classification from the indication and use section of the prescribing information. We submitted a sNDA on October 10, 2023 and a the FDA granted the application a Prescription Drug User Fee Act (PDUFA) goal date of August 10, 2024.

In addition, based on written responses from a Type D meeting received from the FDA on August 9, 2023 regarding potential expansion of the indications and use section of the FUROSICX prescribing information to include the treatment of edema due to fluid overload in adult patients with chronic kidney disease, we believe no additional clinical studies will be required, and we plan to submit a sNDA in the second quarter of 2024.

FUROSCIX is a novel, pH neutral formulation of furosemide that is administered via a subcutaneous infusion using a proprietary, wearable, pre-programmed on-body drug delivery system. Other currently available furosemide injection products are alkaline, with a pH of 8.0 – 9.3. Subcutaneous administration of IV/IM furosemide, USP formulation has been associated with local skin reactions, some severe, requiring discontinuation of treatment and local treatment of the complication which has been attributed to the alkaline pH of the furosemide formulation, volume of fluid administered and the rapid injection.

Pharmacokinetic/Pharmacodynamic (PK/PD) Study

We conducted a pivotal, randomized, open-label crossover study from April to September 2015 to assess the relative bioavailability of FUROSCIX in 17 patients with heart failure. In this study, FUROSCIX was delivered subcutaneously via the B. Braun Perfusor Space Infusion Pump. This study also evaluated diuresis and the urinary sodium excretion over eight hours and 24 hours post-dosing as the pharmacodynamic endpoints.

Treatment arms

In this study, the reference treatment was IV furosemide with two bolus injections of 40 mg dosed over two minutes, two hours apart. Our test treatment was FUROSCIX with 80 mg infused subcutaneously, with 30 mg over the first hour followed by 12.5 mg per hour over the subsequent four hours.

Comparative pharmacokinetic results

This study demonstrated bioequivalence in the concentration of drug delivered over time based upon the area under the curve, or AUC, between our subcutaneous formulation of furosemide and IV furosemide. Although the maximum concentration, or C_{max}, of furosemide achieved was four-fold higher with IV injection compared to subcutaneous infusion, the bioavailability of subcutaneous infusion relative to intravenous injection was 99.6%, with a 90% confidence interval of 94.8% to 104.8%, thus meeting the FDA's defined bioequivalence criteria limit of 80% to 125%. We believe that the observed difference in C_{max} between IV injection and subcutaneous furosemide is attributable to the two bolus IV injections administered at the initiation of IV therapy. Nevertheless, the 5-hour infusion of FUROSCIX resulted in nearly complete bioavailability compared to two bolus IV injections of furosemide.

Comparative pharmacodynamic results

Total mean urine outputs for subcutaneous versus IV administration were 102% (2654 mL vs 2641 mL; p = 0.83) and 103% (3630 mL vs 3538 mL; p = 0.71) at 8 and 24 hours, respectively. Total mean urine sodium excretion for subcutaneous versus IV administration were 97.3% (284 mmol vs 292 mmol; p = 0.78) and 97.4% (341 mmol vs 350 mmol; p = 0.80), at 8 and 24 hours, respectively. The total urine sodium excretion and urine output were comparable between our subcutaneous formulation of furosemide and IV furosemide.

Human Factors Summary

We conducted a human factors validation study for the West on-body infusor from October 21, 2019 to November 14, 2019. The study included 60 subjects made up of 30 heart failure patients, 15 caregivers and 15 healthcare practitioners. Half of the patients were trained, while the remaining patients, all caregivers and all HCPs were untrained.

Participants performed extremely well across all user groups and training conditions. All participants but one successfully setup and started the infusion without experiencing any use errors related to critical tasks which would delay dosing or harm the patient.

All participants successfully noticed, identified, and articulated how to respond to an alarm experienced during an infusion without any use errors.

All participants successfully allowed the infusion to carry out, noticed when it completed and performed all steps required to remove and dispose of the on-body infusor without any use errors.

Overall, the study, which was designed to measure eight observational use metrics, across 900 tasks including setup, starting of the infusion, responding to the on-body infusor alarm and finishing the procedure after the infusion demonstrated a user success rate of 99%.

Participants also performed well during the knowledge and reading comprehension tasks. Thirty-seven knowledge and comprehension tasks related to critical information were evaluated. Overall, across all 2,220 knowledge and comprehension tasks, participants experienced a user success rate of over 99.5%.

FREEDOM-HF - **F**uroscix **Re**al-World **E**valuation for **D**ecreasing H**o**spital Ad**m**issions in **H**eart **F**ailure

FREEDOM-HF was a health economic study designed to support the commercial reimbursement of FUROSCIX. Further, this multicenter, prospective adaptive clinical trial was designed to evaluate differences in heart failure and overall costs between subjects receiving FUROSCIX outside the hospital and patients receiving intravenous furosemide in the hospital setting for 30-days after being discharged from the emergency department. Differences in costs were determined from a propensity-matched control arm derived from Truven Health Analytics Market Scan databases. The study was designed to enroll up to 75 subjects in the FUROSCIX cohort to detect a statistically significant difference in 30-day overall and heart-failure related costs. The study began enrollment in the fourth quarter of 2020 and completed enrollment in May 2021.

Based on the results from a planned, prespecified interim analysis conducted to confirm the final sample size, and following input from statisticians, principal investigators, payer advisors and Health Economics and Outcomes Research experts, enrollment was closed on May 17, 2021, prior to the enrollment target of 34 patients. This decision was made due to the statistically significant reduction observed in 30-day heart failure-related costs in patients who received FUROSCIX in the interim analysis. The final analysis included 24 subjects treated with FUROSCIX and 66 matched comparators based on seven variables associated with hospitalization. On July 13, 2021, we announced preliminary top-line results from FREEDOM-HF, demonstrating that average 30-day heart failure-related costs were reduced by $17,753 per study subject in the FUROSCIX arm compared to historically matched comparators ($p < 0.0001$). In September 2021, we announced additional results from FREEDOM-HF, demonstrating that average 30-day total healthcare costs were reduced by $30,568 per study subject in the FUROSCIX arm compared to historically matched comparators ($p < 0.0001$). Since the price for FUROSCIX was not established at the time of study completion, the difference in costs did not include the cost of FUROSCIX. These results support our hypothesis that treating heart failure patients presenting to the emergency department with worsening congestion with FUROSCIX outside of the hospital setting has the potential to dramatically reduce the significant costs associated with hospital admissions and readmissions.

We conducted an analysis of additional secondary endpoints in FREEDOM-HF which provided additional insights into the clinical effectiveness of FUROSCIX. In this analysis, it was determined that patients who received FUROSCIX had a median reduction of heart failure peptide biomarkers from study entry to first visit, and to last visit, of 42.3% and 28%, respectively ($p \leq 0.01$). In addition, patients who received FUROSCIX had a 12.8-point improvement in the Kansas City Cardiomyopathy Questionnaire (KCCQ-12) Summary Score 30 days after study entry.

These results were presented at the Heart Failure Society of America Annual meeting in September 2021 in Denver, Colorado and at the Technology and Heart Failure Therapeutics Conference in February 2022 in New York, NY.

AT HOME-HF PILOT - Avoiding **T**reatment in the **H**ospital with Fur**o**scix for the **M**anagement of Cong**e**stion in **H**eart **F**ailure – A Pilot Study

AT-HOME-HF PILOT was a multicenter, randomized pilot clinical trial designed to evaluate the clinical outcomes and safety of FUROSCIX compared to a "treatment as usual" approach in patients presenting to a heart failure clinic with chronic heart failure and fluid overload requiring augmented diuretic therapy. The objective of this pilot study was to evaluate prospective endpoints that could inform the design and sample size of a clinical trial that could be used to seek expansion of the indication for FUROSCIX to include a reduction of hospitalizations for heart failure or inclusion in treatment guidelines. The primary endpoint was a 30-day hierarchal composite of cardiovascular death, heart failure hospitalizations, emergency department visits for heart failure and % change of NT-proBNP at day seven from baseline, utilizing the Finkelstein-Schoenfeld win ratio. The Finkelstein-Schoenfeld win ratio is a statistical method used to compare composite outcomes for every pair in a clinical trial from the treatment and control group. Pre-defined secondary endpoints were evaluated from baseline across the 30-day study period and included the number of days alive and heart failure event free, global assessment via visual analog scale, composite clinical congestion score, 5- and 7-point Likert dyspnea scores, health-related quality of life measured by the Kansas City Cardiomyopathy Questionnaire, or KCCQ-12, serum creatinine, weight, six-minute walk test and ReDS® (Remote Dielectric Sensing) lung fluid measurement. The study compared FUROSCIX to a "treatment as usual" approach, was descriptive only and did not include a powered statistical hypothesis test. The study completed enrollment in the first quarter of 2022. The study enrolled 51 subjects, of which 34 received FUROSCIX and 17 received "treatment as usual".

In July 2022, we announced top-line results from the AT HOME-HF Phase 2 Pilot study demonstrating a positive trend in the Finkelstein-Schoenfeld win ratio in the FUROSCIX group compared to the "treatment as usual" group across multiple analysis populations. Subjects randomized to FUROSCIX had a 37% reduction in the risk of a heart failure hospitalization relative to patients randomized to "treatment as usual" at day 30. All pre-defined secondary endpoints measuring symptoms of congestion, quality of life and functional status favored the FUROSCIX group and included a two kilogram greater weight loss at day three and a 12-point increase in the KCCQ-12 summary score at day 7 and day 30. There were 11 subjects that experienced 21 adverse events during the 30-day study period that were determined by the investigator to be related to FUROSCIX. The most common related adverse event was infusion site pain that was mild in severity. There was one serious adverse event (dehydration) that was assessed by the investigator as possibly related to FUROSCIX, which resolved. During the 30-day study period, there was one death (sudden cardiac death) in the FUROSCIX group which occurred on study day 30 and was assessed by the investigator to be not related to FUROSCIX.

In September 2022, we announced that subjects in the AT HOME-HF study who received FUROSCIX demonstrated augmented decongestion compared with patients receiving enhanced oral diuretics as demonstrated by:

- Improved diuresis as measured by a greater reduction in body weight from baseline at study day 3 (2.8 kg vs 0.8 kg, p=0.035);
- Improvement from baseline in mean 5-point dyspnea score at day 3 (-0.5 vs. 0.1, p=0.019);
- Greater number of patients with markedly or moderately better shortness of breath based on 7-point dyspnea at day 3 (44% vs 6%, p=0.006);

- Clinically relevant improvement from baseline in quality of life as measured by Kansas City Cardiomyopathy questionnaire – 12 (KCCQ-12) summary score at study days 7 and 30 of 8.9 points and 9.3 points, respectively; and
- An increase of 55.8 meters in the average six-minute walk distance at day 30 (36.7 vs -19.1 meters, p=.012).

The win-ratio for the hierarchical endpoint of cardiovascular death, heart failure hospitalization, urgent ED/clinic visit for heart failure and the percentage change in NT-proBNP from baseline at day seven was 1.11 (95% Confidence Interval: 0.48-2.50) favoring the FUROSCIX group.

During the 30-day study period, subjects in the FUROSCIX group spent an average of 23.2 days heart failure event free compared to 14.3 in subjects receiving enhanced oral diuretics.

In the FUROSCIX group, 14.7% of subjects had a serum potassium level that was less than 3.5 mEq/L during the 30-day study and was managed effectively with oral potassium supplements.

The results of the AT HOME-HF study showed that subjects receiving subcutaneous FUROSCIX demonstrated augmented decongestion, as evidenced by a greater reduction in body weight, better dyspnea scores, greater exercise capacity and improvement of health-related quality of life compared with patients receiving enhanced oral diuretics, or standard treatment, in a Phase 2 pilot study.

Commercialization

The commercial launch of FUROSCIX commenced in the first quarter of 2023. We have built our own commercial infrastructure to commercialize FUROSCIX in the United States, which includes our own sales force, clinical education research liaison team and national account manager team. We are focusing our commercial efforts on the United States market, which we believe represents the largest market opportunity for FUROSCIX. In addition, we plan to seek collaborations with third-party partners outside of the United States to distribute our products in foreign markets, if approved by the relevant foreign regulatory authorities.

We believe that we can effectively commercialize FUROSCIX in the United States by pursuing a highly-concentrated target market, which consists of approximately 600 hospitals, associated clinics and office-based practices that, collectively, account for approximately 50% of all IV furosemide administered to heart failure patients based on current IMS Drug Distribution Data.

We are continuing to build a highly concentrated commercial infrastructure focused on distribution, promotion and customer support to healthcare providers affiliated with our key hospital targets and in office-based practices. Our target call points within these hospitals and practices include heart failure specialists, cardiologists, heart failure nurse practitioners and physician assistants focused in cardiology. Our quantitative market research with 309 healthcare professionals has indicated that 93% of our target prescribers would adopt FUROSCIX, with 80% intending to adopt FUROSCIX in the first six months of product availability. Furthermore, within the prescriber group of heart failure specialists, cardiologists and nurse practitioners that we intend to target, the intent to adopt is 93%, 96% and 94%, respectively, and 89%, 88% and 86%, respectively, of those prescribers intend to adopt in the first six months of product availability. Based on our market research, healthcare professionals perceive the top potential advantages of FUROSCIX as the ability to treat in the home setting, prevention of hospitalization, and avoidance of IV placement, while the lowest perceived barriers to adoption identified in the survey were the preference to monitor in a hospital setting, sufficiency of current medications and hospital guidelines or protocols. In addition, based on a last two patient exercise conducted in our quantitative market research with healthcare professionals, when given the option to change their prior treatment choice to FUROSCIX, 65% of healthcare practitioners in a clinic setting and 40% in a hospital setting responded that they would prescribe our product candidate. We have supplemented our outside sales force with inside sales representatives and people in the medical science, nursing and reimbursement fields to support the proper training and utilization of FUROSCIX.

As part of our commercialization strategy, we continue to educate hospitals, healthcare practitioners, patients and caregivers of the benefits of FUROSCIX and its proper use. We continue to work with national associations, such as the Heart Failure Society of America and the American Association of Heart Failure Nurses, hospital networks and individual office based specialists to update treatment workflows and protocols to include subcutaneous furosemide outpatient treatment plans, both pre-hospitalization and post-discharge.

Eligible patients with heart failure may receive FUROSCIX at the initial worsening signs and symptoms when the response to oral diuretics is not adequate. In addition, patients can receive FUROSCIX after discharge, if they still are exhibiting some signs and symptoms of congestion despite their oral diuretic regimen. FUROSCIX is packaged as individual, single use only on-body infusor kits. In April 2016, we held a meeting with the Centers for Medicare and Medicaid Services, or CMS, at which CMS stated that coverage and reimbursement of FUROSCIX may be available under Medicare Part D as a transition of care drug.

By educating patients on the proper use of FUROSCIX during face-to-face or virtual visits, before the need for hospitalization or shortly after discharge, health care professionals can ensure proper training, initiate treatment at the point of care, and ensure that patients can receive additional days of treatment in the home setting.

Our Pipeline Programs

SCP-111 (furosemide injection) 80mg/mL is an investigational pH neutral aqueous furosemide formulation that is being developed for subcutaneous administration outside of the hospital setting, including patient self-administration in the home. The SCP-111 Autoinjector is an investigational single-entity, drug-device combination product candidate consisting of a prefilled syringe containing SCP-111, preloaded into a commercially available, fixed single dose, disposable, two step mechanical autoinjector. We plan on initiating a pivotal PK study in April 2024, and if the results from this PK study are positive, we target submitting a sNDA in the fourth quarter of 2024.

Additional Product Programs

We are leveraging our know-how for use in other clinical settings where subcutaneous delivery can improve IV treatments to develop a suite of product candidates that, like FUROSCIX, we believe can decrease the cost of treatment by moving treatment out of the hospital setting and eliminating the need for IV catheters. In addition, we also intend to identify other opportunities in the cardiovascular and nephrology therapeutic areas that can potentially improve patient outcomes and reduce healthcare costs. We intend to evaluate market criteria to systematically choose potential product programs for our pipeline. We plan to look for product candidates that we believe allow us to clearly demonstrate value to patients and the healthcare system and that have large market potential and a concentrated specialty physician prescribing base. We expect to leverage our FUROSCIX sales force to promote additional products that we develop and commercialize.

Our FUROSCIX On-Body Infusor

The FUROSCIX On-Body Infusor is a drug-device combination product consisting of FUROSCIX (furosemide injection, 80 mg per 10 mL), a novel, pH neutral furosemide formulation optimized for subcutaneous administration and contained in a prefilled, Crystal Zenith® cartridge, and a proprietary wearable, pre-programmed on-body delivery system, the FUROSCIX On-Body Infusor, based on West's proprietary on-body infusor. The FUROSCIX On-Body Infusor is applied to the abdomen via a medical grade adhesive and delivers a subcutaneous infusion of FUROSCIX through a pre-programmed, biphasic delivery profile over 5 hours.

MANUFACTURE OF OUR PRODUCTS AND PRODUCT CANDIDATES

We use a network of qualified suppliers or contract manufacturing organizations, or CMOs, to produce, manufacture, sterilize and assemble the component parts of FUROSCIX and our product candidates. Our suppliers produce these component parts to our designs and specifications. Certain processes utilized in the manufacture and test of our product candidates have been verified and validated as required by the FDA and other regulatory bodies. The manufacturing facilities of our suppliers are subject to periodic inspection by the FDA and certain corresponding state agencies, and we regularly audit our suppliers' processes in an effort to ensure conformity with the specifications, policies and procedures for our product candidates.

Affordable, high-quality raw materials are essential to the manufacture of FUROSCIX. Due to their technical specifications, these components may be more limited, as they are available from one or only a few suppliers. We mitigate potential risk in sourcing these materials through inventory and supplier management.

We believe that our current third-party manufacturers have capacity of FUROSCIX in quantities sufficient to meet our expected commercial needs and to accommodate the manufacturing of materials for future clinical trials of candidates in our pipeline.

We use Cardinal Health, Inc., or Cardinal, as our third party logistics provider. Cardinal receives FUROSCIX units directly from our final packager and ships commercial units to our specialty pharmacy (SP) network which consists currently of three SPs. The SPs ship directly to patients. Cardinal also ships directly on our behalf to integrated delivery networks (IDNs) for distribution to patients.

In order to meet projected global demand for FUROSCIX, we plan to support an increase in production capacity at West's and our pharmaceutical manufacturing partners' facilities.

INTELLECTUAL PROPERTY

Proprietary protection

Our commercial success depends in part on our ability to obtain and maintain proprietary protection for our drug candidates, manufacturing and process discoveries and other know-how, to operate without infringing the proprietary rights of others, and to prevent others from infringing on our proprietary rights. We and our partners have been building and continue to build our intellectual property portfolio relating to our product candidates and technology. Our policy is to seek to protect our proprietary position by, among other methods, filing U.S. and certain foreign patent applications related to our proprietary technology, inventions and improvements that are important to the development and implementation of our business. We also intend to rely on trade secrets, know-how, continuing technological innovation, and potential in-licensing opportunities to develop and maintain our proprietary position. We cannot be sure that patents will be granted with respect to any of our pending patent applications or with respect to any patent applications filed by us in the future, nor can we be sure that any of our existing patents or any patents that may be granted to us or our partners in the future will be commercially useful in protecting our technology.

Patent rights

Patent life determination depends on the date of filing of the application and other factors as promulgated under the patent laws. In most countries, including the United States, the patent term is generally 20 years from the earliest claimed filing date of a non-provisional patent application in the applicable country.

Furosemide formulations

As of February 15, 2024, we own a patent family directed to the composition of matter of our subcutaneous formulation of furosemide and methods of treating edema, hypertension or heart failure using the formulation of furosemide having a concentration of about 2 mg/mL to about 20 mg/mL. This patent family includes U.S. Patent Nos. 9,884,039 and 11,433,044, directed to methods of treatment, U.S. Patent No. 10,272,064, directed to liquid pharmaceutical formulations, one pending U.S. patent application, one granted patent in each of Canada, China and Europe, two granted patents in Japan, one pending patent application in Europe, and nine granted patents and three pending patent applications in other countries outside of the United States. Patents that issue from this patent family are generally expected to expire in 2034, excluding any additional term in the United States for patent term adjustment. U.S. Patent Nos. 9,884,039; 10,272,064; and 11,433,044 are scheduled to expire in April 2034.

We also own a patent family directed to compositions of matter of liquid pharmaceutical formulations containing an increased concentration of furosemide and methods of treating congestion, edema, fluid overload, or hypertension using these formulations of furosemide. This patent family includes U.S. Patent Nos. 11,497,755; 11,559,535; and 11,571,434 directed to liquid pharmaceutical formulations, two pending U.S. patent applications, one pending patent application in each of Canada, China, Europe and Japan, and 12 pending patent applications in other countries outside of the United States. Patents that issue from this patent family are generally expected to expire in 2040, excluding any additional term in the United States for patent term adjustment. U.S. Patent Nos. 11,497,755; 11,559,535; and 11,571,434 are scheduled to expire in January 2040.

Trade secret and other protection

In addition to patented intellectual property, we also rely on trade secrets and proprietary know-how to protect our technology and maintain our competitive position, especially when we do not believe that patent protection is appropriate or can be obtained. Our policy is to require each of our employees, consultants and advisors to

execute a confidentiality and inventions assignment agreement before beginning their employment, consulting or advisory relationship with us. The agreements generally provide that the individual must keep confidential and not disclose to other parties any confidential information developed or learned by the individual during the course of the individual's relationship with us except in limited circumstances. These agreements generally also provide that we shall own all inventions conceived by the individual in the course of rendering services to us.

Other intellectual property rights

We file trademark applications and pursue trademark registrations in the United States and abroad when appropriate. We own federal trademark registrations in the United States, the European Union, and the United Kingdom for the marks SCPHARMACEUTICALS, FUROSCIX, and SC2WEAR. We also own a pending federal trademark application in the United States for the mark FUROSCIX DIRECT & Design.

From time to time, we may find it necessary or prudent to obtain licenses from third-party intellectual property holders.

COMPETITION

Our industry is characterized by rapidly advancing technologies, intense competition and a strong emphasis on proprietary products. We face competition and potential competition from a number of sources, including pharmaceutical and biotechnology companies, generic drug companies, drug delivery companies and academic and research institutions. Some of these companies are developing therapies that are directly competitive to our approach, and others are more generally developing therapies to treat heart failure. These companies include but are not limited to: Abbott Laboratories, Amgen, AstraZeneca, Bayer, Bioheart, Boston Scientific, Boehringer Ingelheim, Corstasis, GlaxoSmithKline, Johnson & Johnson, Eli Lilly and Company, Merck & Co., Medtronic, Novartis, Pfizer, Roche, Sanofi, Sarfez Pharmaceuticals, Servier Pharmaceuticals, SQ Innovation and Takeda Pharmaceutical Company. We believe the key competitive factors that will affect the development and commercial success of our product candidates include ease of administration and convenience of dosing, therapeutic efficacy, safety and tolerability profiles and cost. Many of our potential competitors have substantially greater financial, technical and human resources than we do, as well as more experience in the development of product candidates, obtaining FDA and other foreign regulatory approvals of products, and the commercialization of those products. Consequently, our competitors may develop similar products for the treatment of heart failure or for other indications we may pursue in the future, and such competitors' products may be more effective, better tolerated and less costly than our product candidates. Our competitors may also be more successful in manufacturing and marketing their products than we are. We will also face competition in recruiting and retaining qualified personnel and establishing clinical trial sites and patient enrollment in clinical trials.

GOVERNMENT REGULATION

Government authorities in the United States, at the federal, state and local level, and other countries extensively regulate, among other things, the research, development, testing, manufacture, quality control, approval, labeling, packaging, storage, record-keeping, promotion, advertising, distribution, marketing and export and import of products such as those we are developing.

U.S. drug development process

In the United States, the FDA regulates drugs, medical devices and drug-device combination products under the FDCA and its implementing regulations. The process of obtaining regulatory approvals and the subsequent compliance with appropriate federal, state and local statutes and regulations require the expenditure of substantial time and financial resources. The process required by the FDA before a drug may be marketed in the United States generally involves the following:

- completion of preclinical laboratory tests, animal studies and formulation studies in accordance with Good Laboratory Practice regulations, or GLPs, and other applicable regulations;
- submission to the FDA of an IND, which must become effective before human clinical trials may begin;

- approval by an independent institutional review board, or IRB or ethics committee at each clinical site before each trial may be initiated;
- performance of adequate and well-controlled human clinical trials in accordance with Good Clinical Practice regulations, or GCPs, to evaluate the safety and efficacy of the product candidate for its intended use;
- submission to the FDA of a new drug application (NDA) after completion of all pivotal trials;
- satisfactory completion of an FDA advisory committee review, if applicable;
- satisfactory completion of an FDA inspection of the manufacturing facility or facilities at which the drug is produced to assess compliance with current Good Manufacturing Practice requirements, or cGMPs to assure that the facilities, methods and controls are adequate to preserve the drug's identity, strength, quality and purity, and of potential inspection of selected clinical investigation sites to assess compliance with GCPs; and
- FDA review and approval of the NDA to permit commercial marketing of the product for particular indications for use in the United States.

Once a product candidate is identified for development, it enters the preclinical testing stage. Preclinical tests include laboratory evaluations of product chemistry, toxicity and formulation, as well as animal studies. An IND sponsor must submit the results of the preclinical tests, together with manufacturing information, analytical data and a proposed trial protocol, to the FDA as part of an IND. An IND is a request for allowance from the FDA to administer an investigational drug product to humans. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day time period, places the clinical trial on a clinical hold. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin.

All clinical trials must be conducted under the supervision of one or more qualified investigators in accordance with GCPs, which include, among other things, the requirement that all research subjects provide their informed consent in writing for their participation in any clinical trial. Clinical trials must be conducted under protocols detailing the objectives of the trial, dosing procedures, subject selection and exclusion criteria and the safety and effectiveness criteria to be evaluated. Each protocol must be submitted to the FDA as part of the IND, and a separate submission to the existing IND must be made for each successive clinical trial conducted during product development and for any subsequent protocol amendments. While the IND is active, progress reports summarizing the results of the clinical trials and nonclinical studies performed since the last progress report, among other information, must be submitted at least annually to the FDA, and written IND safety reports must be submitted to the FDA and investigators for serious and unexpected suspected adverse events, findings from other studies suggesting a significant risk to humans exposed to the same or similar drugs, findings from animal or in vitro testing suggesting a significant risk to humans, and any clinically important increased incidence of a serious suspected adverse reaction compared to that listed in the protocol or investigator brochure.

Furthermore, an independent IRB at each institution participating in the clinical trial must review and approve each protocol before a clinical trial commences at that institution and must also approve the information regarding the trial and the consent form that must be provided to each trial subject or his or her legal representative, monitor the study until completed and otherwise comply with IRB regulations. The FDA or the sponsor may suspend a clinical trial at any time on various grounds, including a finding that the research subjects or patients are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB's requirements or if the drug has been associated with unexpected serious harm to patients. In addition, some clinical trials are overseen by an independent group of qualified experts organized by the sponsor, known as a data safety monitoring board or committee. Depending on its charter, this group may determine whether a trial may move forward at designated check points based on access to certain data from the trial. There are also requirements governing the reporting of ongoing clinical studies and clinical study results to public registries, including clinicaltrials.gov.

Human clinical trials are typically conducted in three sequential phases that may overlap or be combined:

- Phase 1: The product candidate is initially introduced into healthy human subjects and tested for safety, dosage tolerance, absorption, metabolism, distribution and excretion and, if possible, to gain an early indication of its effectiveness.
- Phase 2: The product candidate is administered to a limited patient population with a specified disease or condition to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product candidate for specific targeted diseases and to determine dosage tolerance and appropriate dosage.
- Phase 3: The product candidate is administered to an expanded patient population to further evaluate dosage, to provide substantial evidence of efficacy and to further test for safety, generally at multiple geographically dispersed clinical trial sites. These clinical trials are intended to establish the overall risk-benefit ratio of the product candidate and provide an adequate basis for product labeling.

Post-approval trials, sometimes referred to as Phase 4 studies, may be conducted after initial marketing approval. These trials are used to gain additional experience from the treatment of patients in the intended therapeutic indication. In certain instances, the FDA may mandate the performance of Phase 4 clinical trials as a condition of approval of a NDA.

Concurrent with clinical trials, companies usually complete additional animal studies and must also develop additional information about the chemistry and physical characteristics of the drug and finalize a process for manufacturing the product in commercial quantities in accordance with cGMPs. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things, the manufacturer must develop methods for testing the identity, strength, quality and purity of the final drug, appropriate packaging must be selected and tested, and stability studies must be conducted to demonstrate that the product candidate does not undergo unacceptable deterioration over its shelf life.

U.S. review and approval process

The results of product development, including results from preclinical and other non-clinical studies and clinical trials, along with descriptions of the manufacturing process, analytical tests conducted on the chemistry of the drug, proposed labeling and other relevant information are submitted to the FDA as part of a NDA requesting approval to market the product. The submission of a NDA is subject to the payment of substantial user fees; a waiver of such fees may be obtained under certain limited circumstances.

The FDA conducts a preliminary review of all NDAs within the first 60 days after submission, before accepting them for filing, to determine whether they are sufficiently complete to permit substantive review. The FDA may request additional information rather than accept a NDA for filing. In this event, the NDA must be resubmitted with the additional information. The resubmitted application also is subject to review before the FDA accepts it for filing. Once filed, the FDA reviews a NDA to determine, among other things, whether a product is safe and effective for its intended use and whether its manufacturing is cGMP-compliant to assure and preserve the product's identity, strength, quality and purity. Under the Prescription Drug User Fee Act, or PDUFA, guidelines that are currently in effect, the FDA has a goal of ten months from the date of "filing" of a standard NDA for a new molecular entity to review and act on the submission, or ten months from the date of receipt for a drug that is not a new molecular entity.

The FDA may refer an application for a novel drug to an advisory committee. An advisory committee is a panel of independent experts, including clinicians and other scientific experts, that reviews, evaluates and provides a recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions. Before approving a NDA, the FDA will typically inspect the facility or facilities where the product is manufactured. Additionally, before approving a NDA, the FDA may inspect one or more clinical trial sites to assure compliance with GCPs.

After the FDA evaluates a NDA and conducts any inspections of manufacturing facilities where the investigational product and/or its drug substance will be produced, the FDA may issue an approval letter or a Complete

Response Letter, or CRL. An approval letter authorizes commercial marketing of the drug with prescribing information for specific indications. A CRL indicates that the review cycle of the application is complete, and the application will not be approved in its present form. A CRL usually describes the specific deficiencies in the NDA identified by the FDA and may require additional clinical data, such as an additional clinical trial or other significant and time-consuming requirements related to clinical trials, nonclinical studies or manufacturing. If a CRL is issued, the sponsor must resubmit the NDA or, addressing all of the deficiencies identified in the letter, or withdraw the application. Even if such data and information are submitted, the FDA may decide that the NDA does not satisfy the criteria for approval.

If a product receives regulatory approval, the approval may be significantly limited to specific diseases and dosages or the indications for use may otherwise be limited, which could restrict the commercial value of the product. In addition, the FDA may require a sponsor to conduct additional clinical testing or implement surveillance programs to monitor the safety of approved products which have been commercialized. The FDA may also place other conditions on approval including the requirement for a risk evaluation and mitigation strategy, or REMS, to assure the safe use of the drug, which could include medication guides, physician communication plans or elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools.

In addition, the Pediatric Research Equity Act, or PREA, requires a sponsor to conduct pediatric clinical trials for most drugs, for a new active ingredient, new indication, new dosage form, new dosing regimen or new route of administration. Under PREA, original NDAs and supplements must contain a pediatric assessment unless the sponsor has received a deferral or waiver. The required assessment must evaluate the safety and effectiveness of the product for the claimed indications in all relevant pediatric subpopulations and support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The sponsor or FDA may request a deferral of pediatric clinical trials for some or all of the pediatric subpopulations. A deferral may be granted for several reasons, including a finding that the drug is ready for approval for use in adults before pediatric clinical trials are complete or that additional safety or effectiveness data needs to be collected before the pediatric clinical trials begin.

Regulation of Combination Products in the United States

Certain products may be comprised of components, such as drug components and device components that would normally be regulated under different types of regulatory authorities, and frequently by different centers at the FDA. These products are known as combination products, and include, among other things, products that combine drugs and medical devices.

Under the FDCA and its implementing regulations, the FDA is charged with assigning a center with primary jurisdiction, or a lead center, for review of a combination product. The designation of a lead center generally eliminates the need to receive approvals from more than one FDA component for combination products, although it does not preclude consultations by the lead center with other components of the FDA. The determination of which center will be the lead center is based on the “primary mode of action” of the combination product. Thus, if the primary mode of action of a drug-device combination product is attributable to the drug product, the FDA center responsible for premarket review of the drug product would have primary jurisdiction for the combination product.

A combination product with a drug primary mode of action generally would be reviewed and approved pursuant to the drug approval processes under the FDCA. In reviewing the NDA or 505(b)(2) application for such a product, however, FDA reviewers in the drug center could consult with their counterparts in the device center to ensure that the device component of the combination product met applicable requirements regarding safety, effectiveness, durability and performance. In addition, under FDA regulations, combination products are subject to cGMP requirements applicable to both drugs and devices, including the Quality System Regulation, or QSR, currently applicable to medical devices.

Post-approval requirements

Any products manufactured or distributed pursuant to FDA approvals are subject to pervasive and continuing regulation by the FDA, including, among other things, requirements relating to record-keeping, reporting of

adverse experiences, periodic reporting, product sampling and distribution, and advertising and promotion of the product. After approval, most changes to the approved product, such as adding new indications, certain manufacturing changes and additional labeling claims, are subject to further FDA review and approval. Drug manufacturers and other entities involved in the manufacture and distribution of approved drugs are required to register their establishments with the FDA and certain state agencies and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with cGMPs and other laws and regulations. Changes to the manufacturing process are strictly regulated, and, depending on the significance of the change, may require prior FDA approval before being implemented. Accordingly, manufacturers must continue to expend time, money and effort in the area of production and quality control to maintain compliance with cGMPs and other aspects of regulatory compliance.

The FDA may withdraw approval if compliance with regulatory requirements and standards is not maintained or if problems occur after the product reaches the market. Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with manufacturing processes, or failure to comply with regulatory requirements, may result in revisions to the approved labeling to add new safety information; imposition of requirements for post-market studies or clinical studies to assess new safety risks; or imposition of distribution restrictions or other restrictions under a REMS program. Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of the product, complete withdrawal of the product from the market or product recalls;
- fines, warning letters, or untitled letters;
- clinical holds on clinical studies;
- refusal of the FDA to approve pending applications or supplements to approved applications, or suspension or revocation of product approvals;
- product seizure or detention, or refusal to permit the import or export of products;
- consent decrees, corporate integrity agreements, debarment or exclusion from federal healthcare programs;
- mandated modification of promotional materials and labeling and the issuance of corrective information;
- the issuance of safety alerts, Dear Healthcare Provider letters, press releases and other communications containing warnings or other safety information about the product; or
- injunctions or the imposition of civil or criminal penalties.

In addition, the FDA closely regulates the marketing, labeling, advertising and promotion of drug products. A company can make only those claims relating to safety and efficacy that are consistent with FDA approved labeling. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses. Failure to comply with these requirements can result in, among other things, adverse publicity, warning letters, corrective advertising and potential civil and criminal penalties. Physicians may prescribe legally available products for uses that are not described in the product's labeling and that differ from those tested by us and approved by the FDA. Such off-label uses are common across medical specialties. Physicians may believe that such off-label uses are the best treatment for many patients in varied circumstances. The FDA does not regulate the behavior of physicians in their choice of treatments. The FDA does, however, restrict manufacturer's communications on the subject of off-label use of their products.

Marketing exclusivity

Market exclusivity provisions under the FDCA can delay the submission or the approval of certain marketing applications. The FDCA provides a five-year period of non-patent data exclusivity within the United States to the first applicant to obtain approval of a NDA for a new chemical entity. A drug is a new chemical entity if the FDA has not previously approved any other new drug containing the same active moiety, which is the molecule or ion responsible for the action of the drug substance. During the exclusivity period, the FDA may not accept for review an abbreviated new drug application, or ANDA, or a NDA submitted under Section 505(b)(2), or 505(b)(2) NDA,

submitted by another company for another drug based on the same active moiety, regardless of whether the drug is intended for the same indication as the original innovative drug or for another indication, where the applicant does not own or have a legal right of reference to all the data required for approval. However, an application may be submitted after four years if it contains a certification of patent invalidity or non-infringement to one of the patents listed with the FDA by the innovator NDA holder.

The FDCA alternatively provides three years of non-patent exclusivity for a NDA, or supplement to an existing NDA if new clinical investigations, other than bioavailability studies, that were conducted or sponsored by the applicant are deemed by the FDA to be essential to the approval of the application. This three-year exclusivity covers only the modification for which the drug received approval on the basis of the new clinical investigations and does not prohibit the FDA from approving ANDAs or 505(b)(2) NDAs for drugs containing the active agent for the original indication or condition of use. Five-year and three-year exclusivity will not delay the submission or approval of a full NDA. However, an applicant submitting a full NDA would be required to conduct, or obtain a right of reference to, all of the preclinical studies and adequate and well-controlled clinical trials necessary to demonstrate safety and effectiveness.

Pediatric exclusivity is another type of marketing exclusivity available in the United States. Pediatric exclusivity provides for an additional six months of marketing exclusivity attached to another existing period of regulatory exclusivity or patent terms if a sponsor conducts clinical trials in children in response to a written request from the FDA. The issuance of a written request does not require the sponsor to undertake the described clinical trials.

Other U.S. Healthcare Laws and Compliance Requirements

In the United States, our current and future operations are subject to regulation by various federal, state and local authorities in addition to the FDA, including but not limited to, CMS, other divisions of the U.S. Department of Health and Human Services, or HHS (such as the Office of Inspector General, Office for Civil Rights and the Health Resources and Service Administration), the U.S. Department of Justice, or DOJ, and individual U.S. Attorney offices within the DOJ, and state and local governments. These laws include but are not limited to, the Anti-Kickback Statute, the federal False Claims Act, the federal Physician Payments Sunshine Act, and other state and federal laws and regulations.

The Anti-Kickback Statute makes it illegal for any person, including a prescription drug manufacturer (or a party acting on its behalf) to knowingly and willfully solicit, receive, offer, or pay any remuneration that is intended to induce the referral of business, including the purchase, order, or prescription of a particular drug, for which payment may be made under a federal healthcare program, such as Medicare or Medicaid. Violations of this law are punishable by up to five years in prison, criminal fines, administrative civil money penalties, and exclusion from participation in federal healthcare programs. In addition, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

The federal False Claims Act prohibits anyone from knowingly presenting, or causing to be presented, for payment to federal programs (including Medicare and Medicaid) claims for items or services, including drugs, that are false or fraudulent, claims for items or services not provided as claimed, or claims for medically unnecessary items or services. Although we would not submit claims directly to payors, manufacturers can be held liable under these laws if they are deemed to “cause” the submission of false or fraudulent claims by, for example, providing inaccurate billing or coding information to customers or promoting a product off-label. In addition, our future activities relating to the reporting of wholesaler or estimated retail prices for our products, the reporting of prices used to calculate Medicaid rebate information and other information affecting federal, state, and third-party reimbursement for our products, and the sale and marketing of our products, are subject to scrutiny under this law. Moreover, the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act.

In addition, the Civil Monetary Penalties Law prohibits, among other things, the offering or giving of remuneration, which includes, without limitation, any transfer of items or services for free or for less than fair market value (with limited exceptions), to a Medicare or Medicaid beneficiary that the person knows or should know is likely to

influence the beneficiary's selection of a particular supplier of items or services reimbursable by a federal or state governmental program.

HIPAA also created additional federal criminal statutes that prohibit, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or obtain, by means of false or fraudulent pretenses, representations, or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, regardless of the payer (e.g., public or private) and knowingly and willfully falsifying, concealing or covering up by any trick or device a material fact or making any materially false statements in connection with the delivery of, or payment for, healthcare benefits, items or services relating to healthcare matters; similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. Many states also have similar fraud and abuse statutes or regulations that apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payor.

Additionally, there has been a recent trend of increased foreign, federal, and state regulation of payments and transfers of value provided to health care professionals or entities. The federal Physician Payments Sunshine Act imposes annual reporting requirements on certain drug, biologics, medical supplies and device manufacturers for which payment is available under Medicare, Medicaid or CHIP for payments and other transfers of value provided by them, directly or indirectly, to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors), certain non-physician practitioners (physician assistants, nurse practitioners, clinical nurse specialists, certified nurse anesthetists, anesthesiologist assistants and certified nurse midwives), and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members. Certain foreign countries and U.S. states also mandate implementation of commercial compliance programs, impose restrictions on device manufacturer marketing practices and require tracking and reporting of gifts, compensation and other remuneration to health care professionals and entities.

Violations of any of such laws or any other governmental regulations that apply may result in penalties, including, without limitation, administrative, civil and criminal penalties, damages, fines, disgorgement, the curtailment or restructuring of operations, reporting obligations and integrity oversight, exclusion from participation in federal and state healthcare programs and imprisonment.

Coverage and Reimbursement

Significant uncertainty exists as to the coverage and reimbursement status of any product candidate for which we obtain regulatory approval. In the United States and markets in other countries, sales of any product candidates for which we receive regulatory approval for commercial sale will depend, in part, on the availability of coverage and reimbursement from third-party payers. Third-party payers include government authorities, managed care providers, private health insurers and other organizations. Our ability to commercialize any products successfully also will depend in part on the extent to which coverage and adequate reimbursement for these products and related treatments will be available from third-party payers. Third-party payers decide which therapeutics they will pay for and establish reimbursement levels. Coverage and reimbursement by a third-party payer may depend upon a number of factors, including the third-party payer's determination that use of a therapeutic is:

- a covered benefit under its health plan;
- safe, effective and medically necessary;
- appropriate for the specific patient;
- cost-effective; and
- neither experimental nor investigational.

The process for determining whether a payer will provide coverage for a product may be separate from the process for setting the reimbursement rate that the payer will pay for the product. Third-party payers may limit coverage to specific products on an approved list, or formulary, which might not include all of the FDA-approved products for a particular indication. A decision by a third-party payer not to cover our product candidates could reduce physician utilization of our products, if approved, and have a material adverse effect on our sales, results of operations and financial condition. Moreover, a payer's decision to provide coverage for a product does not imply that an adequate reimbursement rate will be approved. Adequate third-party reimbursement may not be

available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in product development.

In addition, coverage and reimbursement for products can differ significantly from payer to payer. One third-party payer's decision to cover a particular medical product or service does not ensure that other payers will also provide coverage for the medical product or service, or will provide coverage at an adequate reimbursement rate. As a result, the coverage determination process will require us to provide scientific and clinical support for the use of our products to each payer separately and will be a time-consuming process.

Third-party payers are increasingly challenging the price and examining the medical necessity and cost-effectiveness of medical products and services, in addition to their safety and efficacy. Obtaining reimbursement for our products may be particularly difficult because of the higher prices often associated with branded drugs. We may need to conduct expensive pharmacoeconomic studies in order to demonstrate the medical necessity and cost-effectiveness of our products, in addition to the costs required to obtain FDA approvals. Our product candidates may not be considered medically necessary or cost-effective. Obtaining coverage and reimbursement approval of a product from a government or other third-party payer is a time-consuming and costly process that could require us to provide to each payer supporting scientific, clinical and cost-effectiveness data for the use of our product on a payer-by-payer basis, with no assurance that coverage and adequate reimbursement will be obtained. A third-party payer's decision to provide coverage for a product does not imply that an adequate reimbursement rate will be approved. Further, in the United States, no uniform policy of coverage and reimbursement for products exists among third-party payers. Private third-party payers tend to follow Medicare coverage and reimbursement limitations to a substantial degree, but also have their own methods and approval process apart from Medicare determinations. Therefore, one payer's determination to provide coverage for a product does not assure that other payers will also provide coverage for the product. Adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in product development. If reimbursement is not available or is available only at limited levels, we may not be able to successfully commercialize any product candidate that we successfully develop.

Outside of the United States, the pricing of pharmaceutical products and medical devices is subject to governmental control in many countries. For example, in the EU, pricing and reimbursement schemes vary widely from country to country. Some countries provide that products may be marketed only after a reimbursement price has been agreed. Some countries may require the completion of additional studies that compare the cost-effectiveness of a particular therapy to currently available therapies or so-called health technology assessments, in order to obtain reimbursement or pricing approval. Other countries may allow companies to fix their own prices for products, but monitor and control product volumes and issue guidance to physicians to limit prescriptions. Efforts to control prices and utilization of pharmaceutical products and medical devices will likely continue as countries attempt to manage healthcare expenditures.

The marketability of any product candidates for which we receive regulatory approval for commercial sale may suffer if third-party payers fail to provide coverage and adequate reimbursement. In addition, emphasis on managed care, the increasing influence of health maintenance organizations, and additional legislative changes in the United States has increased, and we expect will continue to increase, the pressure on healthcare pricing. The downward pressure on the rise in healthcare costs in general, particularly prescription medicines, medical devices and surgical procedures and other treatments, has become very intense. Coverage policies and third-party reimbursement rates may change at any time. Even if favorable coverage and reimbursement status is attained for one or more products for which we receive regulatory approval, less favorable coverage policies and reimbursement rates may be implemented in the future.

Healthcare Reform

A primary trend in the U.S. healthcare industry and elsewhere is cost containment. Government authorities and other third-party payers have attempted to control costs by limiting coverage and the amount of reimbursement for particular medical products. For example, in March 2010, the ACA was enacted, which, among other things, increased the minimum Medicaid rebates owed by most manufacturers under the Medicaid Drug Rebate Program; introduced a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs that are inhaled, infused, instilled, implanted or injected; extended the Medicaid Drug Rebate Program to utilization of prescriptions of individuals enrolled in Medicaid managed care plans; imposed mandatory discounts for certain Medicare Part D beneficiaries as a condition for manufacturers'

outpatient drugs coverage under Medicare Part D; subjected drug manufacturers to new annual fees based on pharmaceutical companies' share of sales to federal healthcare programs; imposed a new federal excise tax on the sale of certain medical devices; created a new Patient Centered Outcomes Research Institute to oversee, identify priorities in and conduct comparative clinical effectiveness research, along with funding for such research; and established the Center for Medicare and Medicaid Innovation at the CMS to test innovative payment and service delivery models to lower Medicare and Medicaid spending.

Since its enactment, there have been judicial, executive and Congressional challenges to certain aspects of the ACA. On June 17, 2021, the U.S. Supreme Court dismissed a challenge on procedural grounds that argued the ACA is unconstitutional in its entirety because the "individual mandate" was repealed by Congress. Thus, the ACA will remain in effect in its current form. Further, prior to the U.S. Supreme Court ruling, President Biden issued an executive order that initiated a special enrollment period for purposes of obtaining health insurance coverage through the ACA marketplace from February 15, 2021 through August 15, 2021. The executive order instructed certain governmental agencies to review and reconsider their existing policies and rules that limit access to healthcare, including among others, reexamining Medicaid demonstration projects and waiver programs that include work requirements, and policies that create unnecessary barriers to obtaining access to health insurance coverage through Medicaid or the ACA.

Other legislative changes have been proposed and adopted since the ACA was enacted. On March 11, 2021, the American Rescue Plan Act of 2021 was signed into law, which eliminated the statutory Medicaid drug rebate cap, beginning January 1, 2024. The rebate was previously capped at 100% of a drug's average manufacturer price. Moreover, there has recently been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products, which has resulted in several Congressional inquiries, and proposed and enacted legislation designed, among other things, to bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drug products. Most recently, on August 16, 2022, the Inflation Reduction Act of 2022, or IRA, was signed into law. Among other things, the IRA requires manufacturers of certain drugs to engage in price negotiations with Medicare (beginning in 2026), with prices that can be negotiated subject to a cap; imposes rebates under Medicare Part B and Medicare Part D to penalize price increases that outpace inflation (first due in 2023); and replaces the Part D coverage gap discount program with a new discounting program (beginning in 2025). The IRA permits the Secretary of the Department of Health and Human Services (HHS) to implement many of these provisions through guidance, as opposed to regulation, for the initial years. On August 29, 2023, HHS announced the list of the first ten drugs that will be subject to price negotiations, although the Medicare drug price negotiation program is currently subject to legal challenges. For that and other reasons, it is currently unclear how the IRA will be effectuated.

Payment methodologies may also be subject to changes in healthcare legislation and regulatory challenges. For example, in order for a drug product to receive federal reimbursement under the Medicaid or Medicare Part B programs or to be sold directly to U.S. government agencies, the manufacturer must extend discounts to entities eligible to participate in the 340B drug pricing program. For the 2018 and 2019 fiscal years, CMS altered the reimbursement formula from Average Sale Price, or ASP, plus 6 percent to ASP minus 22.5 percent on specified covered outpatient drugs, or SCODs, but did so without issuing a formal notice of proposed rulemaking, which was subsequently challenged in court. In June 2022, the U.S. Supreme Court held that although the Department of Health and Human Services, or HHS, has authority to set reimbursement rates based on average price and discretion to "adjust" the price up or down, HHS may not vary the reimbursement rates by hospital group unless it conducts a survey of hospitals' acquisition costs. Accordingly, the U.S. Supreme Court held that HHS's changes to the 2018 and 2019 reimbursement rates for 340B hospitals were unlawful. Based on the foregoing, CMS issued a final rule, effective January 1, 2023, pursuant to which CMS pays 340B hospitals under Medicare Part B for certain outpatient drugs at the drug's ASP, plus 6%, the same rate used for non-340B hospitals. It is unclear how future changes to the payment methodology may affect pharmaceutical manufacturers and hospitals who purchase their products now and in the future.

Individual states in the United States have also increasingly passed legislation and implemented regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing.

We expect that the other healthcare reform measures that may be adopted in the future, may result in additional reductions in Medicare and other healthcare funding, more rigorous coverage criteria, lower reimbursement, and

new payment methodologies. This could lower the price that we receive for any approved product. Any denial in coverage or reduction in reimbursement from Medicare or other government-funded programs may result in a similar denial or reduction in payments from private payors, which may prevent us from being able to generate sufficient revenue, attain profitability or commercialize our product candidates, if approved.

Data Privacy and Security Laws

Numerous state, federal and foreign laws, regulations and standards govern the collection, use, access to, confidentiality and security of health-related and other personal information, and could apply now or in the future to our operations or the operations of our partners. In the United States, numerous federal and state laws and regulations, including data breach notification laws, health information privacy and security laws and consumer protection laws and regulations govern the collection, use, disclosure, and protection of health-related and other personal information. In addition, certain foreign laws govern the privacy and security of personal data, including health-related data. Privacy and security laws, regulations, and other obligations are constantly evolving, may conflict with each other to complicate compliance efforts, and can result in investigations, proceedings, or actions that lead to significant civil and/or criminal penalties and restrictions on data processing.

Human Capital Management

As of March 12, 2024, we had 135 full-time employees and 1 part-time employee, including 12 in technical operations and product development, 19 in clinical development and medical affairs, regulatory affairs, and quality assurance, 24 in commercial, 67 sales representatives and 14 in finance, general administrative and executive administration. All of our employees are located in the U.S., and none are currently represented by a labor union or are parties to a collective bargaining agreement. We believe our efforts in managing our workforce have been effective.

Recruitment, Retention and Culture

We recognize that our future success depends on our ability to attract, develop and retain key personnel, maintain our strong company culture, and promote diversity and inclusion in our Board of Directors, management and broader workforce. We launched FUROSCIX in February 2023 after successfully building an experienced commercial team, expanded the commercial organization to support demand and growth, and continue to strategically grow our engaged team. We remain focused on our core values and key human capital-related objectives including recruiting, retaining, incentivizing and integrating our existing and new employees, maintaining and growing an inclusive workforce from all backgrounds, and promoting a robust culture of compliance. A testament to our strong culture is the recognition by the Boston Business Journal as a Best Place to Work for companies of our size in 2020, 2021, and 2022.

Diversity, Equity and Inclusion (DEI)

We believe fostering diversity, equity and inclusion is important to our success and future innovation. We are intentional about promoting diverse points of view, perspectives, experiences, backgrounds and ideas among our workforce. We continue to assess candidates from all backgrounds for new positions as we expand our organization.

As of March 12, 2024, approximately 33% of our Board of Directors self-identified as female. As of March 12, 2024, approximately 11% of our Board of Directors were individuals from underrepresented groups, i.e., those self-identifying as Black or African American, Hispanic or Latinx, Asian, or being of two or more races. Two members of our Board of Directors are military veterans.

Compensation and Benefits

We have designed a broad-based compensation and health and welfare benefits program that is designed to attract, retain, and motivate our employees, and we believe that our efforts have been successful in this regard. In addition to base salaries and annual bonuses, these programs include a 401(k) plan with generous eligibility and matching features, healthcare and insurance benefits which are extended to domestic partners, equity awards, an employee stock purchase plan, and educational assistance. We evaluate and prioritize well-being and employee preferences in designing our health and welfare benefits.

We are focused on providing fair and equitable pay to all of our employees including across genders and underrepresented groups. Our Board of Directors and senior leadership team strongly support this focus.

Corporate Information

We were formed as a limited liability company under the laws of the State of Delaware in February 2013 under the name scPharmaceuticals LLC and we converted to a corporation under the laws of the State of Delaware in March 2014 under the name scPharmaceuticals Inc. Our website address is www.scpharmaceuticals.com.

Available Information

We file electronically with the Securities and Exchange Commission, or SEC, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other information. Our SEC filings are available to the public over the Internet at the SEC's website at www.sec.gov. We make available on our website at www.scpharmaceuticals.com, under “Investor Relations,” free of charge, copies of these reports as soon as reasonably practicable after filing or furnishing these reports with the SEC. The information contained in the websites referenced in this Annual Report on Form 10-K is not incorporated by reference into this Annual Report on Form 10-K.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS AND DIRECTORS

The following information with respect to our Board of Directors and executive officers is presented as of the date of this Annual Report on Form 10-K:

Name	Age	Position at scPharmaceuticals	Principal Employment
Executive Officers			
John H. Tucker	61	President, Chief Executive Officer and Director	Same
Rachael Nokes	49	Chief Financial Officer	Same
Non-Employee Directors			
Jack A. Khattar	62	Chairman of the Board and Director	President and Chief Executive Officer of Supernus Pharmaceuticals, a public pharmaceutical company
William T. Abraham, M.D.	64	Director	Chief Medical Officer of V-Wave Ltd., a privately held medical device company, and College of Medicine Distinguished Professor at The Ohio State University
Mette Kirstine Agger	59	Director	Chief Executive Officer and Strategic Advisor of Ersum Biotech
Minnie Baylor-Henry	76	Director	President of B-Henry & Associates, a regulatory and compliance strategy consulting company
Sara Bonstein	43	Director	Chief Financial Officer of Insmed Incorporated, a public biopharmaceutical company
Frederick Hudson	78	Director	Former Partner of KPMG, LLP
Leonard D. Schaeffer	78	Director	Partner of North Bristol Partners LLC, a privately held consulting company
Klaus Veitinger, M.D., Ph. D.	62	Director	Venture Partner of OrbiMed Advisors LLC, a healthcare investment firm

Item 1A. Risk Factors.

Investing in our common stock involves a high degree of risk. You should carefully consider the following risks and uncertainties, together with all other information in this Annual Report on Form 10-K, including our consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations," before investing in our common stock. Any of the risk factors we describe below could adversely affect our business, financial condition or results of operations. The market price of our common stock could decline if one or more of these risks or uncertainties actually occur, causing you to lose all or part of the money you paid to buy our common stock. Certain statements below are forward-looking statements. See "Forward-Looking Statements" in this Annual Report on Form 10-K.

Risks Related to our Products and Product Candidates

Risks Related to Approval and Commercialization of our Products and Product Candidates

We are heavily dependent on the success of our product candidates and our approved product, FUROSCIX. We cannot give any assurance that we will receive regulatory approval for any product candidates, which is necessary before they can be commercialized.

To date, we have expended significant time, resources and effort on the development of our product candidates and our approved product, FUROSCIX, which we announced in October 2022 was approved by the U.S. Food and Drug Administration, or FDA. A substantial majority of our resources have also been focused on the commercial launch of FUROSCIX in the United States, which commenced in the first quarter of 2023. Our business and future success are substantially dependent on our ability to continue to successfully commercialize FUROSCIX for the treatment of congestion due to fluid overload in adults with New York Heart Association Class II/III chronic heart failure. All of our other product candidates are in early stages of development and subject to the risks of failure inherent in developing drug products. Accordingly, our ability to generate significant product revenues in the near term will depend almost entirely on our ability to successfully commercialize FUROSCIX.

We are not permitted to market any of our product candidates in the United States until we receive approval of a new drug application, or NDA, from the U.S. Food and Drug Administration, or FDA, or in any foreign jurisdiction until we receive the requisite approvals from such jurisdiction. There can be no assurance that the FDA will approve any of our product candidates, which is necessary before they can be commercialized. Satisfaction of regulatory requirements can be protracted, is dependent upon the type, complexity and novelty of the product candidate and requires the expenditure of substantial resources. The time required to obtain approval by the FDA and comparable foreign regulatory authorities is unpredictable but typically takes many years following the commencement of clinical trials and depends upon numerous factors, including the substantial discretion of the regulatory authorities. In addition, approval policies, regulations, or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions. The FDA has substantial discretion in the drug approval process, including the ability to delay, limit or deny approval of a product candidate for many reasons. We cannot predict whether we will obtain regulatory approval to commercialize any of our product candidates, and we cannot, therefore, predict the timing of any future revenues from these product candidates, if any. Any further delay or setback in the regulatory approval or commercialization of any of these product candidates will adversely affect our business.

Even if we were to obtain approval of our product candidates, regulatory authorities may approve such product candidates for fewer or more limited indications than we request, may not approve the price we intend to charge for our products, may grant approval contingent on the performance of costly post-marketing clinical trials, may impose distribution or use restrictions, or may approve a product candidate with a label that does not include the labeling claims necessary or desirable for the successful commercialization of that product candidate. Any of the foregoing scenarios could materially harm the commercial prospects for our product candidates.

We expect to rely on third-party consultants to assist us in filing and supporting the applications necessary to gain marketing approvals. Securing marketing approval requires the submission of extensive preclinical and clinical data and supporting information to regulatory authorities for each therapeutic indication to establish a product candidate's safety and efficacy for that indication. Securing marketing approval also requires the submission of information about the manufacturing process to, and inspection of manufacturing facilities by, the regulatory authorities. If we cannot successfully obtain approval of our product candidates, our business will be materially harmed and the price of our common stock will be adversely affected.

There is no assurance that our commercialization efforts with respect to FUROSCIX will be successful or that we will be able to generate revenues at the levels or within the timing we expect or at the levels or within the timing necessary to support our goals.

FUROSCIX and the activities associated with its development and commercialization, including its design, research, testing, manufacture, safety, efficacy, recordkeeping, labeling, packaging, storage, approval, advertising, promotion, sale and distribution, are subject to comprehensive regulation by the FDA and other regulatory agencies in the United States and similar foreign regulatory authorities outside the United States. Failure to obtain marketing approval for FUROSCIX outside the United States will prevent us from commercializing it in those jurisdictions.

Our ability to successfully commercialize FUROSCIX and any of our products candidates, if approved, will depend, among other things, on our ability to:

- receive marketing approvals from the FDA and similar foreign regulatory authorities;
- produce, through a validated process, sufficiently large quantities of FUROSCIX and our product candidates, if approved, to permit successful commercialization;
- establish and maintain commercial manufacturing arrangements with third-party manufacturers;
- build and maintain sales, distribution and marketing capabilities sufficient to launch and support commercial sales of FUROSCIX, as well as, our product candidates, if and when approved;
- successfully complete our clinical trials for our product candidates under clinical development;
- establish collaborations with third parties for the commercialization of our product candidates in countries outside the United States and such collaborators' ability to obtain regulatory and reimbursement approvals in such countries;
- secure acceptance of our product candidates from physicians, healthcare payers, patients and the medical community; and
- manage our spending as costs and expenses increase due to clinical trials, regulatory approvals and commercialization.

There are no guarantees that we will be successful in completing these tasks. If we are unable to successfully complete these tasks, we may not be able to successfully commercialize FUROSCIX or any of our product candidates, if approved, in a timely manner, or at all, in which case we may be unable to generate sufficient revenues to sustain and grow our business.

Even though we obtained FDA approval for FUROSCIX in the United States, we may never obtain approval for or commercialize it in any other jurisdiction, which would limit our ability to realize its full market potential.

In order to market products in any particular jurisdiction, we must establish and comply with numerous and varying regulatory requirements on a country-by-country basis regarding safety and efficacy. Approval by the FDA in the United States does not ensure approval by regulatory authorities in other countries or jurisdictions. In addition, the clinical standards of care may differ significantly such that clinical trials conducted in one country may not be accepted by healthcare providers, third-party payers or regulatory authorities in other countries, and regulatory approval in one country does not guarantee regulatory approval in any other country. Approval processes vary among countries and can involve additional drug testing and validation and additional administrative review periods. Seeking foreign regulatory approval could result in difficulties and costs for us and require additional preclinical studies or clinical trials which could be costly and time consuming. Regulatory requirements can vary widely from country to country and could delay or prevent the introduction of our products in those countries. We do not have any product candidates approved for sale in any international markets, and we do not have experience in obtaining regulatory approval in international markets. If we fail to comply with regulatory requirements in international markets or to obtain and maintain required approvals, or if regulatory approvals in international markets are delayed, our target market will be reduced and our ability to realize the full market potential of any drug we develop will be unrealized.

Risks Related to Clinical Development

Clinical and preclinical development involves a lengthy and expensive process with an uncertain outcome. Any difficulties or delays in the commencement or completion, or the termination or

suspension, of our current or planned clinical trials could result in increased costs to us, delay or limit our ability to generate revenue or adversely affect our commercial prospects.

Before obtaining approval from regulatory authorities for the commercialization of any of our product candidates, we must conduct extensive clinical trials to demonstrate the safety and efficacy of the product candidate in humans. Preclinical and clinical drug development is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the preclinical study or clinical trial process. Despite promising preclinical or clinical results, any product candidate can unexpectedly fail at any stage of preclinical or clinical development. The historical failure rate for product candidates in our industry is high.
The results from preclinical studies or early clinical trials of a product candidate may not predict the results of later clinical trials of the product candidate, and interim results of a clinical trial are not necessarily indicative of final results. Product candidates in later stages of clinical trials may fail to show the desired safety and efficacy characteristics despite having progressed through preclinical studies and initial clinical trials. It is not uncommon to observe results in clinical trials that are unexpected based on preclinical studies and early clinical trials, and many product candidates fail in clinical trials despite very promising early results. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in clinical development even after achieving promising results in earlier studies.

Before we can initiate clinical trials for any product candidates, we must submit the results of preclinical studies to the FDA or comparable foreign regulatory authorities along with other information, including information about product candidate chemistry, manufacturing and controls and our proposed clinical trial protocol, as part of an Investigational New Drug Application, or IND, or similar regulatory submission. The FDA or comparable foreign regulatory authorities may require us to conduct additional preclinical studies for any product candidate before it allows us to initiate clinical trials under any IND or similar regulatory submission, which may lead to delays and increase the costs of our preclinical development programs. Moreover, even if we commence clinical trials, issues may arise that could cause regulatory authorities to suspend or terminate such clinical trials. Any such delays in the commencement or completion of our ongoing and planned clinical trials for our product candidates could significantly affect our product development timelines and product development costs and harm our financial position.

We do not know whether our planned clinical trials will begin on time or be completed on schedule, if at all. The commencement, data readouts and completion of clinical trials can be delayed for a number of reasons, including delays related to:

- inability to generate sufficient preclinical, toxicology, or other *in vivo* or *in vitro* data to support the initiation or continuation of clinical trials;
- obtaining allowance or approval from regulatory authorities to commence a trial or reaching a consensus with regulatory authorities on trial design;
- the FDA or comparable foreign regulatory authorities disagreeing as to the design or implementation of our clinical trials;
- any failure or delay in reaching an agreement with CROs and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- delays in identifying, recruiting and training suitable clinical investigators;
- obtaining approval from one or more institutional review boards, or IRBs, or ethics committees at clinical trial sites;
- IRBs refusing to approve, suspending or terminating the trial at an investigational site, precluding enrollment of additional subjects, or withdrawing their approval of the trial;
- changes or amendments to the clinical trial protocol;
- clinical sites deviating from the trial protocol or dropping out of a trial;
- failure by our CROs to perform in accordance with Good Clinical Practice, or GCP, requirements or applicable regulatory rules and guidelines in other countries;

- manufacturing sufficient quantities of our product candidates, or obtaining sufficient quantities of combination therapies for use in clinical trials;
- subjects failing to enroll or remain in our trials at the rate we expect, or failing to return for post-treatment follow-up, including subjects failing to remain in our trials;
- patients choosing an alternative product for the indications for which we are developing our product candidates, or participating in competing clinical trials;
- lack of adequate funding to continue a clinical trial, or costs being greater than we anticipate;
- subjects experiencing severe or serious unexpected drug-related adverse effects;
- occurrence of serious adverse events in trials of the same class of agents conducted by other companies that could be considered similar to our product candidates;
- selection of clinical endpoints that require prolonged periods of clinical observation or extended analysis of the resulting data;
- transfer of manufacturing processes to larger-scale facilities operated by a contract manufacturing organization, or CMO, delays or failure by our CMOs or us to make any necessary changes to such manufacturing process, or failure of our CMOs to produce clinical trial materials in accordance with current Good Manufacturing Practice, or cGMP, regulations or other applicable requirements; and
- third parties being unwilling or unable to satisfy their contractual obligations to us in a timely manner.

Clinical trials must be conducted in accordance with the FDA and other applicable regulatory authorities' legal requirements, regulations and guidelines, and remain subject to oversight by these governmental agencies and ethics committees or IRBs at the medical institutions where such clinical trials are conducted. We could also encounter delays if a clinical trial is suspended or terminated by us, by the IRBs of the institutions in which such trials are being conducted, by a Data Safety Monitoring Board for such trial or by the FDA or comparable foreign regulatory authorities. Such authorities may impose such a suspension or termination due to a number of factors, including failure to conduct the clinical trial in accordance with regulatory requirements or applicable clinical trial protocols, adverse findings from inspections of clinical trial sites by the FDA or comparable foreign regulatory authorities, unforeseen safety issues or adverse side effects, failure to demonstrate a benefit from using a product candidate, changes in governmental regulations or administrative actions or lack of adequate funding to continue the clinical trial. In addition, changes in regulatory requirements and policies may occur, and we may need to amend clinical trial protocols to comply with these changes. Amendments may require us to resubmit our clinical trial protocols to regulators or to IRBs for reexamination, which may impact the costs, timing or successful completion of a clinical trial.

Moreover, principal investigators for our clinical trials may serve as scientific advisors or consultants to us from time to time and receive compensation in connection with such services. Under certain circumstances, we may be required to report some of these relationships to the FDA or comparable foreign regulatory authorities. The FDA or comparable foreign regulatory authority may conclude that a financial relationship between us and a principal investigator has created a conflict of interest or otherwise affected interpretation of the study. The FDA or comparable foreign regulatory authority may therefore question the integrity of the data generated at the applicable clinical trial site and the utility of the clinical trial itself may be jeopardized. This could result in a delay in approval, or rejection, of our marketing applications by the FDA or comparable foreign regulatory authority, as the case may be, and may ultimately lead to the denial of marketing approval of one or more of our product candidates.

In addition, many of the factors that cause, or lead to, the termination suspension of, or a delay in the commencement or completion of, clinical trials may also ultimately lead to the denial of regulatory approval of a product candidate. Any resulting delays to our clinical trials could shorten any period during which we may have the exclusive right to commercialize our product candidates. In such cases, our competitors may be able to bring products to market before we do, and the commercial viability of our product candidates could be significantly reduced. Any of these occurrences may harm our business, financial condition and prospects.

In addition, the FDA's and other regulatory authorities' policies with respect to clinical trials may change and additional government regulations may be enacted. For instance, the regulatory landscape related to clinical trials

in the EU, recently evolved. The EU Clinical Trials Regulation, or CTR, which was adopted in April 2014 and repeals the EU Clinical Trials Directive, became applicable on January 31, 2022. While the EU Clinical Trials Directive required a separate clinical trial application, or CTA, to be submitted in each member state in which the clinical trial takes place, to both the competent national health authority and an independent ethics committee, the CTR introduces a centralized process and only requires the submission of a single application for multi-center trials. The CTR allows sponsors to make a single submission to both the competent authority and an ethics committee in each member state, leading to a single decision per member state. The assessment procedure of the CTA has been harmonized as well, including a joint assessment by all member states concerned, and a separate assessment by each member state with respect to specific requirements related to its own territory, including ethics rules. Each member state's decision is communicated to the sponsor via the centralized EU portal. Once the CTA is approved, clinical study development may proceed. The CTR foresees a three-year transition period. The extent to which ongoing and new clinical trials will be governed by the CTR varies. Clinical trials for which an application was submitted (i) prior to January 31, 2022 under the Clinical Trials Directive, or (ii) between January 31, 2022 and January 31, 2023 and for which the sponsor has opted for the application of the EU Clinical Trials Directive remain governed by said Directive until January 31, 2025. After this date, all clinical trials (including those which are ongoing) will become subject to the provisions of the CTR. Compliance with the CTR requirements by us and our third-party service providers, such as CROs, may impact our developments plans.

If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies governing clinical trials, our development plans may be impacted.

We may find it difficult to enroll patients in our clinical trials. If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.

Patient enrollment is a significant factor in the timing of clinical trials, and the timing of our clinical trials depends, in part, on the speed at which we can recruit patients to participate in our trials, as well as completion of required follow-up periods. We may not be able to initiate or continue clinical trials for our product candidates if we are unable to locate and enroll a sufficient number of eligible patients to participate in these trials to such trial's conclusion as required by the FDA or other comparable regulatory authorities. The eligibility criteria of our clinical trials, once established, may further limit the pool of available trial participants.

Patient enrollment for any of our clinical trials may be affected by other factors, including:

- size and nature of the targeted patient population;
- severity of the disease or condition under investigation;
- availability and efficacy of approved therapies for the disease or condition under investigation;
- patient eligibility criteria for the trial in question as defined in the protocol;
- perceived risks and benefits of the product candidate under study;
- clinicians' and patients' perceptions as to the potential advantages of the product candidate being studied in relation to other available therapies, including any products that may be approved for, or any product candidates under investigation for, the indications we are investigating;
- efforts to facilitate timely enrollment in clinical trials;
- patient referral practices of physicians;
- the ability to monitor patients adequately during and after treatment;
- proximity and availability of clinical trial sites for prospective patients;
- continued enrollment of prospective patients by clinical trial sites;
- the risk that patients enrolled in clinical trials will drop out of such trials before completion; and
- delays or difficulties in enrollment and completion of studies due to health emergencies or global events.

Additionally, other pharmaceutical companies targeting these same diseases are recruiting clinical trial patients from these patient populations, which may make it more difficult to fully enroll our clinical trials. We also rely on, and will continue to rely on, CROs and clinical trial sites to ensure proper and timely conduct of our clinical trials and preclinical studies. Though we have entered into agreements governing their services, we will have limited influence over their actual performance. Our inability to enroll a sufficient number of patients for our clinical trials would result in significant delays or may require us to abandon one or more clinical trials altogether. Enrollment delays in our clinical trials may result in increased development costs for our product candidates and jeopardize our ability to obtain regulatory approval for the sale of our product candidates. Furthermore, even if we are able to enroll a sufficient number of patients for our clinical trials, we may have difficulty maintaining enrollment of such patients in our clinical trials.

Our products and product candidates may have serious adverse, undesirable or unacceptable side effects which may delay or prevent marketing approval. If such side effects are identified during the development of our product candidates or following approval, if any, we may need to abandon our development of such product candidates, the commercial profile of any approved label may be limited, or we may be subject to other significant negative consequences following marketing approval, if any.

Undesirable side effects that may be caused by our product candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA or other comparable foreign authorities. For example, the most common adverse events observed in clinical trials of FUROSCIX included the following administration site and skin reactions: erythema, bruising, edema and infusion site pain, which are listed on the approved label for FUROSCIX. Results of our trials could reveal a high and unacceptable severity and prevalence of these or other side effects. It is possible that there may be side effects associated with our other product candidates' use. In such an event, our trials could be suspended or terminated and the FDA or comparable foreign regulatory authorities could order us to cease further development of or deny approval of our product candidates for any or all targeted indications. The drug-related side effects could affect patient recruitment or the ability of enrolled patients to complete the trial or result in potential product liability claims. Clinical trials by their nature utilize a sample of the potential patient population. With a limited number of patients and limited duration of exposure, rare and severe side effects of our product candidates may only be uncovered with a significantly larger number of patients exposed to the product candidate.

If our product candidates receive marketing approval and we or others identify undesirable side effects caused by such products (or any other similar products) after such approval, a number of potentially significant negative consequences could result, including:

- regulatory authorities may withdraw or limit their approval of such products;
- regulatory authorities may require the addition of labeling statements, such as a REMS, "boxed" warning or a contraindication;
- we may be required to change the way such products are distributed or administered, conduct additional clinical trials or change the labeling of the products;
- we may be subject to regulatory investigations and government enforcement actions;
- we may decide to recall or remove such products from the marketplace; or
- we could be sued and held liable for injury caused to individuals exposed to or taking our product candidates; or
- we may fail to secure acceptance of our product candidates from physicians, healthcare payers, patients and the medical community; and
- our reputation may suffer.

We believe that any of these events could prevent us from achieving or maintaining market acceptance of the affected products, and could substantially increase the costs of commercializing our products and significantly impact our ability to successfully commercialize our products and generate revenues. Any of these occurrences may harm our business, financial condition and prospects.

Interim, "topline" and preliminary data from our clinical trials and preclinical studies that we announce or publish from time to time may change as more patient data become available and are subject to audit and verification procedures that could result in material changes in the final data.

From time to time, we may publicly disclose interim, topline, or preliminary data from our clinical trials and preclinical studies, which is based on a preliminary analysis of then-available data, and the results and related findings and conclusions are subject to change following a more comprehensive review of the data related to the particular study or trial. We also make assumptions, estimations, calculations and conclusions as part of our analyses of data, and we may not have received or had the opportunity to fully and carefully evaluate all data. As a result, the interim, topline, or preliminary results that we report may differ from future results of the same studies or trials, or different conclusions or considerations may qualify such results, once additional data have been received and fully evaluated. Topline and preliminary data also remain subject to audit and verification procedures that may result in the final data being materially different from the topline or preliminary data we previously published. As a result, topline and preliminary data should be viewed with caution until the final data are available.

Interim data from clinical trials that we may complete are further subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. Adverse differences between interim, topline, or preliminary data and final data could significantly harm our business prospects. Further, disclosure of such data by us or by our competitors could result in volatility in the price of our common stock.

Further, others, including regulatory agencies, may not accept or agree with our assumptions, estimates, calculations, conclusions or analyses or may interpret or weigh the importance of data differently, which could impact the value of the particular program, the approvability or commercialization of the particular product candidate or product and our company in general. In addition, the information we choose to publicly disclose regarding a particular study or clinical trial is based on what is typically extensive information, and you or others may not agree with what we determine is material or otherwise appropriate information to include in our disclosure, and any information we determine not to disclose may ultimately be deemed significant with respect to future decisions, conclusions, views, activities or otherwise regarding a particular product candidate or our business. If the interim, topline, or preliminary data that we report differ from actual results, or if others, including regulatory authorities, disagree with the conclusions reached, our ability to obtain approval for, and commercialize, our product candidates may be harmed, which could harm our business, operating results, prospects or financial condition.

Our failure to successfully identify, develop and market additional product candidates could impair our ability to grow.

As part of our growth strategy, we intend to identify, develop and market additional products beyond FUROSCIX. We may spend several years completing our development of any particular current or future internal product candidates, and failure can occur at any stage. The product candidates to which we allocate our resources may not end up being successful. In addition, because our internal research capabilities are limited, we may be dependent upon pharmaceutical companies, academic scientists and other researchers to sell or license product candidates, approved products or the underlying technology to us. The success of this strategy depends partly upon our ability to identify, select, discover and acquire promising product candidates and products.

The process of proposing, negotiating and implementing a license or acquisition of a product candidate or approved product is lengthy and complex. Other companies, including some with substantially greater financial, marketing and sales resources, may compete with us for the license or acquisition of product candidates and approved products. We have limited resources to identify and execute the acquisition or in-licensing of third-party products, businesses and technologies and integrate them into our current infrastructure. Moreover, we may devote resources to potential acquisitions or in-licensing opportunities that are never completed, or we may fail to realize the anticipated benefits of such efforts. We may not be able to acquire the rights to additional product candidates on terms that we find acceptable, or at all.

In addition, future acquisitions may entail numerous operational and financial risks, including:

- exposure to unknown liabilities;
- disruption of our business and diversion of our management's time and attention to develop acquired products or technologies;

- incurrence of substantial debt, dilutive issuances of securities or depletion of cash to pay for acquisitions;
- higher than expected acquisition and integration costs;
- difficulty in combining the operations and personnel of any acquired businesses with our operations and personnel;
- increased amortization expenses;
- impairment of relationships with key suppliers or customers of any acquired businesses due to changes in management and ownership; and
- inability to motivate key employees of any acquired businesses.

Further, any product candidate that we acquire may require additional development efforts prior to commercial sale, including extensive clinical testing and approval by the FDA and other foreign regulatory authorities.

Risks Related to Acceptance, Sales, Marketing and Competition

The commercial success of FUROSCIX and any product candidates, if approved, depends upon attaining market acceptance by hospital networks, physicians, patients, third-party payers and the medical community.

Even if our current and future product candidates are approved for commercialization by the appropriate regulatory authorities, physicians may not prescribe our approved product candidates, in which case we would not generate the revenues we anticipate. Market acceptance of FUROSCIX or any of our product candidates by physicians, patients, third-party payers and the medical community depends on, among other things:

- our ability to provide acceptable evidence of safety and efficacy, at least equivalent to IV-level treatments;
- perceived advantages of FUROSCIX or our product candidates over alternative treatments, such as oral and IV formulations;
- relative convenience as well as ease of administration of FUROSCIX or our product candidates compared to existing treatments;
- any labeling restrictions placed upon FUROSCIX or any product candidate in connection with its approval;
- the prevalence and severity of the adverse side effects of FUROSCIX or our product candidates;
- the clinical indications for which FUROSCIX or any of our product candidates is approved, including any potential additional restrictions placed upon each product candidate in connection with its approval;
- prevalence of the disease or condition for which FUROSCIX or any product candidate is approved;
- the cost of treatment in relation to alternative treatments, including generic products;
- the extent to which each product is approved for use at, or included on formularies of, hospitals and managed care organizations;
- any negative publicity related to our or our competitors' products or other formulations of products that we administer subcutaneously, including as a result of any related adverse side effects;
- the effectiveness of our or any current or future collaborators' sales, marketing and distribution strategies;
- pricing and cost effectiveness; and
- the availability of coverage and adequate reimbursement by third parties.

Successful commercialization will also depend on whether we can adequately protect against and effectively respond to any claims by holders of patents and other intellectual property rights that our products infringe upon their rights, whether any unanticipated adverse effects or unfavorable publicity develops in respect of our

products, as well as the emergence of new or existing products as competition, which may be proven to be more clinically effective and cost-effective.

If we are unable to establish sales and marketing capabilities or enter into agreements with third parties to market and sell our approved product, FUROSCIX, we may be unable to generate adequate revenue.

We are in the process of continuing to establish sufficient infrastructure for the sales, marketing or distribution of FUROSCIX and for our product candidates, and the cost of establishing and maintaining such an organization may exceed the benefits of doing so. In order to market FUROSCIX, we must continue to build our sales, marketing, managerial, and other non-technical capabilities or make arrangements with third parties to perform these services.

We have established an initial in-house sales force to promote FUROSCIX to hospital networks, healthcare providers and third-party payers in the United States. There are significant expenses and risks involved with establishing our own sales and marketing capabilities, including our ability to hire, retain and appropriately incentivize qualified individuals, generate sufficient sales leads, provide adequate training to sales and marketing personnel, and effectively manage a geographically dispersed sales and marketing team.

We cannot be sure that we will be able to hire a sufficient number of sales representatives or that they will be effective at promoting FUROSCIX. In addition, we will need to commit significant additional management and other resources to establish and grow our sales organization. We may not be able to achieve the necessary development and growth in a cost-effective manner or realize a positive return on our investment. We will also have to compete with other companies to recruit, hire, train and retain sales and marketing personnel.

Factors that may inhibit our efforts to commercialize FUROSCIX and our product candidates, if approved, on our own include:

- our inability to recruit, train and retain adequate numbers of effective sales and marketing personnel;
- the inability of sales personnel to obtain access to physicians in order to educate physicians about our product candidates, once approved; and
- unforeseen costs and expenses associated with creating an independent sales and marketing organization.

If we are unable to establish adequate sales, marketing and distribution capabilities, whether independently or with third parties, our business, results of operations, financial condition and prospects will be materially adversely impacted.

Beyond FUROSCIX, we intend to leverage the sales and marketing capabilities that we establish for FUROSCIX to commercialize additional product candidates, if approved by the FDA, in the United States. If we are unable to do so for any reason, we would need to expend additional resources to establish commercialization capabilities for those product candidates, if approved.

In addition, we intend to establish collaborations to commercialize our product candidates, if approved by the relevant regulatory authorities, outside of the United States. Therefore, our future success will depend, in part, on our ability to enter into and maintain collaborative relationships for such efforts, the collaborator's strategic interest in the product and such collaborator's ability to successfully market and sell the product. We cannot assure you that we will be able to establish or maintain such collaborative arrangements, or if able to do so, that they will have effective sales forces. To the extent that we depend on third parties for marketing and distribution, any revenues we receive will depend upon the efforts of such third parties, and there can be no assurance that such efforts will be successful.

We face substantial competition, which may result in others discovering, developing or commercializing drugs before or more successfully than we do, or limit the market potential of FUROSCIX and our product candidates, if approved.

We face and will continue to face competition from other companies in the pharmaceutical and medical device industries. We believe our technology and approach of developing proprietary formulations of medicines to be delivered subcutaneously will compete with the efforts of other companies seeking to develop similar therapies.

These and other pharmaceutical companies are applying significant resources and expertise to the challenges of drug delivery. Some of these current and potential future competitors may be addressing the same therapeutic areas or indications as we are. Many of our current and potential future competitors have significantly greater research and development capabilities than we do, have substantially more marketing, manufacturing, financial, technical, human and managerial resources than we do, and have more institutional experience than we do.

As a result of these factors, our competitors may obtain regulatory approval of their products more rapidly than we are able to or may obtain patent protection or other intellectual property rights that allow them to develop and commercialize their products before us and limit our ability to develop or commercialize our product candidates. Our competitors may also develop drugs or devices that are more effective, more widely used and less costly than ours, and they may also be more successful than us in manufacturing and marketing their products.

If the FDA approves a competitor's application for a product candidate or drug-device combination product before our application for a similar product candidate or drug-device combination product, and grants such competitor a period of exclusivity, the FDA may take the position that it cannot approve our 505(b)(2) application for a similar product candidate until the exclusivity period expires. Additionally, even if our 505(b)(2) application for any of our product candidates is approved first, we may still be subject to competition from other producers of heart failure and infectious disease therapies with approved products or approved 505(b)(2) NDAs for different conditions of use that would not be restricted by any grant of exclusivity to us.

The widespread acceptance of currently available therapies with which FUROSCIX and our product candidates will compete may limit market acceptance of FUROSCIX and our product candidates even if commercialized. Oral medication and IV drug delivery are currently available treatments for heart failure and are widely accepted in the medical community and have a long history of use. For example, the use of IV furosemide to treat decompensation in heart failure patients is well-established and has received widespread market acceptance. These treatments will compete with FUROSCIX and the established use of IV furosemide may limit the potential for FUROSCIX to receive widespread acceptance.

Risks Related to Manufacturing, Supply and Use

If we fail to produce FUROSCIX in the volumes that we require on a timely basis, we may face delays in our commercialization efforts.

We do not currently own or operate manufacturing facilities for the production of FUROSCIX or any of our product candidates. We currently depend on third parties to manufacture our product candidates, including the drug formulation and device components for FUROSCIX, and continue to rely on such third parties to produce the final commercial product. Any future curtailment in the availability of materials could result in production or other delays with consequent adverse effects on us. In addition, because regulatory authorities must generally approve raw material sources for pharmaceutical products, changes in raw material suppliers may result in production delays or higher raw material costs.

The manufacture of pharmaceutical products requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. Pharmaceutical companies often encounter difficulties in production, particularly in scaling up production, of their products. These problems include manufacturing difficulties relating to production costs and yields, quality control, including stability of the product and quality assurance testing, shortages of qualified personnel, as well as compliance with federal, state and foreign regulations. Any delays in the manufacturing of finished drug product or device components could delay our commercial supply, which could delay, prevent or limit our ability to generate revenue and continue our business. Moreover, if we are unable to demonstrate stability in accordance with commercial requirements, or if our manufacturers were to encounter difficulties or otherwise fail to comply with their obligations to us, our ability to obtain or maintain FDA or foreign regulatory authorities approval and market our product candidates would be jeopardized. In addition, any delay or interruption in the supply of clinical trial supplies could delay or prohibit the completion of our bioequivalence and/or clinical trials, increase the costs associated with conducting our bioequivalence and/or clinical trials and, depending upon the period of delay, require us to commence new trials at significant additional expense or to terminate a trial.

Manufacturers of drug-device combination products, such as FUROSCIX, need to comply with both pharmaceutical current good manufacturing practice requirements, or cGMPs, and the FDA's cGMP requirements

for medical devices, known as the Quality System Regulation, or QSR, which is enforced by the FDA through its facilities inspection programs. These requirements include, among other things, quality control, quality assurance and the maintenance of records and documentation. Manufacturers of FUROSCIX and our product candidates may be unable to comply with these cGMP and QSR requirements and with other FDA and foreign regulatory requirements. For certain commercial prescription drug products, manufacturers and other parties involved in the supply chain must also meet chain of distribution requirements and build electronic, interoperable systems for product tracking and tracing and for notifying the FDA of counterfeit, diverted, stolen and intentionally adulterated products or other products that are otherwise unfit for distribution in the United States. A failure to comply with these requirements may result in fines and civil penalties, suspension of production, suspension or delay in product approval, product seizure or recall, or withdrawal of product approval. If the safety of FUROSCIX or any of our product candidates is compromised due to failure to adhere to applicable laws or for other reasons, we may not be able to successfully commercialize FUROSCIX or such product candidate, and we may be held liable for any injuries sustained as a result. Any of these factors could impact the commercialization of FUROSCIX or cause a delay in the commercialization of our other product candidates, entail higher costs or even prevent us from effectively commercializing FUROSCIX or our product candidates.

Even if we successfully produce and distribute FUROSCIX, its success will be dependent on the proper use of FUROSCIX by patients, healthcare professionals and caregivers.

While we believe FUROSCIX can be self-administered by patients, caregivers and healthcare practitioners in a clinic and home environment, we cannot control the successful use of the product by patients, caregivers and healthcare professionals. We make use of packaging and instructions for use to provide guidance to users of FUROSCIX, but we cannot ensure that the product will be used properly.

If we are not successful in promoting the proper use of FUROSCIX by patients, healthcare professionals and caregivers, we may not be able to achieve market acceptance or effectively commercialize FUROSCIX. Additionally, any potential negative impact on patients stemming from the improper use of FUROSCIX may lead to reputational harm, result in negative press coverage, or increase the risk that we may be sued.

Even in the event of proper use of FUROSCIX by patients, healthcare professionals and caregivers, individual devices may fail.

We have increased manufacturing capabilities for production of FUROSCIX, but increasing scale of production inherently creates increased risk of manufacturing errors. We may not be able to adequately inspect every device that is produced, and it is possible that individual devices may fail to perform as designed. Manufacturing errors could negatively impact market acceptance of FUROSCIX, result in negative press coverage, or increase the risk that we may be sued.

Risks Related to Our Financial Position and Capital Requirements

Risks Related to Past Financial Condition

We have a history of significant operating losses and expect to incur significant and increasing losses for the foreseeable future; we may never achieve or maintain profitability.

We do not expect to generate revenue or profitability that is necessary to finance our operations in the short term. We incurred net losses of $36.8 million and $54.8 million for the years ended December 31, 2022 and 2023, respectively. In addition, our accumulated deficit as of December 31, 2023 was $281.3 million. Absent the realization of sufficient revenues from product sales of FUROSCIX or our current or future product candidates, if approved, we may never attain profitability in the future. We have devoted substantially all of our financial resources and efforts to date to research and development, including preclinical studies and our clinical trials, and preparation for commercialization of FUROSCIX.

We anticipate that our expenses will increase substantially if and as we:

- continue to build our sales, marketing, distribution and other commercial infrastructure and manufacture commercial inventory of FUROSCIX;
- initiate and continue research, preclinical and clinical development efforts for any current or future product candidates;

- seek to identify additional product candidates;
- seek regulatory and marketing approvals for product candidates that successfully complete clinical trials;
- manufacture larger quantities of product candidates for clinical development and, potentially, commercialization;
- maintain, expand and protect our intellectual property portfolio;
- hire and retain additional personnel, such as clinical, quality control, commercial, scientific and sales and marketing personnel;
- add operational, financial and management information systems and personnel, including personnel to support our product development and help us comply with our obligations as a public company; and
- add equipment and physical infrastructure to support our research and development.

Our ability to become and remain profitable depends on our ability to generate revenue. We do not expect to generate significant revenue until we are able to successfully commercialize FUROSCIX or any other product candidates that we may develop. Successful commercialization will require achievement of key milestones, including completing clinical trials of our product candidates that are under clinical development, obtaining marketing approval for our product candidates, manufacturing, marketing and selling those products for which we, or any of our future collaborators, may obtain marketing approval, satisfying any post-marketing requirements and obtaining reimbursement for our products from private insurance or government payers. Because of the uncertainties and risks associated with these activities, we are unable to accurately predict the timing and amount of revenues, and if or when we might achieve profitability. We and any future collaborators may never succeed in these activities and, even if we or any future collaborators do, we may never generate revenues that are large enough for us to achieve profitability. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis.

Our failure to become and remain profitable would depress the market price of our common stock and could impair our ability to raise capital, expand our business, diversify our product offerings or continue our operations. If we continue to suffer losses as we have in the past, investors may not receive any return on their investment and may lose their entire investment.

We have a limited operating history and no history of commercializing pharmaceutical products, which may make it difficult to evaluate the prospects for our future viability.

We commenced operations in 2013. Our operations up until very recently have primarily been limited to financing and staffing our company, developing our technology and conducting preclinical research and clinical trials for our product candidates. We have only one product approved for commercial sale, and have limited experience in obtaining marketing approvals, manufacturing products on a commercial scale or arranging for a third party to do so on our behalf, and conducting sales and marketing activities necessary for successful commercialization. Consequently, predictions about our future success or viability may not be as accurate as they could be if we had a longer operating history or a history of successfully commercializing products.

We may encounter unforeseen expenses, difficulties, complications, delays and other known or unknown factors in achieving our business objectives. We will need to transition from a company with a development focus to a company capable of supporting commercial activities. We may not be successful in such a transition.

In addition, we expect our financial condition and operating results to continue to fluctuate significantly from quarter to quarter and year to year due to a variety of factors, many of which are beyond our control.

We may not generate substantial revenue from FUROSCIX and may never be profitable.

Our ability to become profitable depends upon our ability to generate revenue. Our commercial launch of FUROSCIX commenced in the first quarter of 2023, and there is no assurance that we will generate substantial revenues from FUROSCIX.

Our ability to generate revenue depends on a number of factors, including, but not limited to, our ability to:

- continue to obtain commercial quantities of FUROSCIX at acceptable cost levels;
- obtain third-party coverage or adequate reimbursement for FUROSCIX;
- achieve market acceptance of FUROSCIX in the medical community, with patients and with third-party payers, including placement in accepted clinical guidelines for the conditions for which FUROSCIX is intended to target; and
- delay the introduction by competitors of alternate versions of FUROSCIX.

We have incurred and expect to continue to incur significant sales and marketing costs as we commercialize FUROSCIX. Even if we expend these costs, FUROSCIX may not be a commercially successful product. We may not achieve profitability soon after generating product sales, if ever. If we are unable to generate substantial product revenue, we will not become profitable and may be unable to continue operations without continued funding.

Risks Related to Future Financial Condition

We may need additional funding and may be unable to raise capital when needed, which would force us to delay, reduce or eliminate our product development programs or commercialization efforts.

Developing our product programs is a time-consuming, expensive and uncertain process that takes years to complete. In addition, we may incur significant commercialization expenses for FUROSCIX or any of our product candidates, if approved, related to product sales, marketing, manufacturing and distribution. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we may be forced to delay, reduce or eliminate our research and development programs or any commercialization efforts.

We plan to continue to use our existing unrestricted cash primarily for development activities related to the advancement and commercialization of FUROSCIX, automation necessary to increase capacity for our delivery technology, research and development, and for working capital and other general corporate purposes. We will be required to expend significant funds in order to commercialize FUROSCIX, as well as other product candidates we may seek to develop. In any event, our existing unrestricted cash may not be sufficient to fund all of the efforts that we plan to undertake, including the development of any of our product candidates. Accordingly, we may be required to obtain further funding through public or private equity offerings, debt financings, royalty-based financing arrangements, collaborations and licensing arrangements or other sources. Adequate additional financing may not be available to us on acceptable terms, or at all. Our failure to raise capital as and when needed would have a negative impact on our financial condition and our ability to pursue our business strategy. In addition, we maintain our cash and cash equivalents at a number of financial institutions, and our deposits at one or more of these institutions may exceed federally insured limits. Market conditions can impact the viability of one or more of these institutions and, in the event of failure of any of the financial institutions where we maintain our cash and cash equivalents, there can be no assurance that we will be able to access uninsured funds in a timely manner or at all.

Our future funding requirements, both short-term and long-term, will depend on many factors, including:

- the outcome, timing and costs of completing development and seeking regulatory approvals for product candidates that we may develop;
- the costs of commercialization activities for FUROSCIX and any of our product candidates that receive marketing approval, including the costs and timing of establishing product sales, marketing, distribution and manufacturing capabilities;
- revenue, if any, received from commercial sales of FUROSCIX or any of our current and future product candidates;
- the pricing and reimbursement of FUROSCIX and of any of our product candidates that may be approved;
- the number of future product candidates that we pursue and their development requirements;
- the scope, progress, timing, costs and results of clinical trials of, and research and preclinical development efforts for, our other product candidates;

- our ability to enter into, and the terms and timing of, any collaborations, licensing or other arrangements;
- our headcount growth and associated costs as we establish a commercial infrastructure and continue our research and development activities;
- the costs of preparing, filing and prosecuting patent applications, maintaining and protecting our intellectual property rights including enforcing and defending intellectual property related claims;
- costs associated with any adverse market conditions or other macroeconomic factors; and
- the costs of operating as a public company.

The terms of our credit facility place restrictions on our operating and financial flexibility, and we may not have cash available to us in an amount sufficient to enable us to make interest or principal payments on our indebtedness when due.

In October 2022, we entered into a Credit Agreement and Guaranty (the "Credit Agreement"), with Oaktree Fund Administration, LLC, as agent and certain funds managed by Oaktree Capital Management, L.P. ("Oaktree"), as lenders. The Credit Agreement establishes a $100.0 million term loan facility, consisting of (i) a $50.0 million tranche the ("Tranche A Loan"), which was funded at closing, (ii) a $25.0 million tranche (the "Tranche B Loan"), which we may borrow in up to two draws on or prior to September 30, 2024, and (iii) $25.0 million, or the Tranche C Loan, that we may borrow on or prior to December 31, 2024; provided that, in the case of the Tranche B Loan and the Tranche C Loan, that we have achieved certain net sales revenue milestone targets described in the Credit Agreement. All obligations under the Credit Agreement are secured by substantially all of our existing property and assets (including our intellectual property assets), subject to certain exceptions. This debt financing may create additional financial risk for us, particularly if our business or prevailing financial market conditions are not conducive to paying off or refinancing our outstanding debt obligations at maturity.

The Credit Agreement contains customary representations, warranties and affirmative and negative covenants, including financial covenants requiring us to (i) maintain certain levels of cash and cash equivalents in accounts subject to a control agreement in favor of Oaktree of at least $15.0 million and increasing to $20.0 million of cash and cash equivalents in such controlled accounts after we borrow the Tranche B Loan, and (ii) meet minimum quarterly net sales revenue targets described in the Credit Agreement. In addition, the Credit Agreement contains customary events of default that entitle Oaktree to accelerate our indebtedness under the Credit Agreement to become immediately due and payable. Under the Credit Agreement, an event of default will occur if, among other things, we fail to make payments under the Credit Agreement (subject to specified cure periods for nonpayment of interest or other non-principal obligations); we or our subsidiaries breach any of the covenants under the Credit Agreement (subject to specified cure periods with respect to certain breaches); we, our subsidiaries or our respective assets become subject to certain legal proceedings, such as bankruptcy proceedings; we and/or our subsidiaries are unable to pay our debts as they become due; we and/or our subsidiaries default on any contract for material indebtedness that would allow the holder of such indebtedness to accelerate the maturity of such indebtedness.

Failure to satisfy our current and future debt obligations, including covenants to take or avoid specific actions, under the Credit Agreement could result in an event of default and, as a result, our lenders could accelerate all of the amounts due. In the event of an acceleration of amounts due under the Credit Agreement as a result of an event of default, we may not have sufficient funds or may be unable to arrange for additional financing to repay our indebtedness while still pursuing our current business strategy. In addition, our lenders could seek to enforce their security interests in any collateral securing such indebtedness.

Risks Related to Government Regulation

Risks Related to Ongoing Regulatory Obligations

The regulatory approval processes of the FDA and comparable foreign authorities are lengthy, time consuming and inherently unpredictable, and if we are ultimately unable to obtain regulatory approval for our product candidates, our business will be substantially harmed.

The clinical development, manufacturing, labeling, storage, record-keeping, advertising, promotion, import, export, marketing and distribution of our products and product candidates are subject to extensive regulation by the FDA in the U.S. and by comparable foreign regulatory authorities in foreign markets. In the U.S., we are not permitted to market our product candidates in the U.S. until we receive regulatory approval of a NDA from the FDA. The process of obtaining such regulatory approval is expensive, often takes many years following the commencement of clinical trials and can vary substantially based upon the type, complexity and novelty of the product candidates involved, as well as the target indications and patient population. Approval policies or regulations may change, and the FDA and comparable regulatory have substantial discretion in the approval process, including the ability to delay, limit or deny approval of a product candidate for many reasons. Despite the time and expense invested in clinical development of product candidates, regulatory approval of a product candidate is never guaranteed. Of the large number of drugs in development, only a small percentage successfully complete the FDA or foreign regulatory approval processes and are commercialized.

Prior to obtaining approval to commercialize a product candidate in the U.S. or abroad, we must demonstrate with substantial evidence from adequate and well-controlled clinical trials, and to the satisfaction of the FDA or comparable foreign regulatory authorities, that such product candidates are safe and effective for their intended uses. Results from nonclinical studies and clinical trials can be interpreted in different ways. Even if we believe available nonclinical or clinical data support the safety or efficacy of our product candidates, such data may not be sufficient to obtain approval from the FDA and comparable foreign regulatory authorities. The FDA or comparable foreign regulatory authorities, as the case may be, may also require us to conduct additional preclinical studies or clinical trials for our product candidates either prior to or post-approval, or may object to elements of our clinical development program.

The FDA or comparable foreign regulatory authorities can delay, limit or deny approval of a product candidate for many reasons, including:

- such authorities may disagree with the design or execution of our clinical trials;
- negative or ambiguous results from our clinical trials or results may not meet the level of statistical significance required by the FDA or comparable foreign regulatory agencies for approval;
- serious and unexpected drug-related side effects may be experienced by participants in our clinical trials or by individuals using drugs similar to our product candidates;
- the population studied in the clinical trial may not be sufficiently broad or representative to assure safety in the full population for which we seek approval;
- such authorities may not accept clinical data from trials that are conducted at clinical facilities or in countries where the standard of care is potentially different from that of their own country;
- we may be unable to demonstrate that a product candidate’s clinical and other benefits outweigh its safety risks;
- such authorities may disagree with our interpretation of data from preclinical studies or clinical trials;
- such authorities may not agree that the data collected from clinical trials of our product candidates are acceptable or sufficient to support the submission of a NDA or other submission or to obtain regulatory approval in the U.S. or elsewhere, and such authorities may impose requirements for additional preclinical studies or clinical trials;
- such authorities may disagree with us regarding the formulation, labeling and/or the product specifications of our product candidates;
- approval may be granted only for indications that are significantly more limited than those sought by us, and/or may include significant restrictions on distribution and use;
- such authorities may find deficiencies in the manufacturing processes or facilities of the third-party manufacturers with which we contract for clinical and commercial supplies; or
- such authorities may not accept a submission due to, among other reasons, the content or formatting of the submission.

With respect to foreign markets, approval procedures vary among countries and, in addition to the foregoing risks, may involve additional product testing, administrative review periods and agreements with pricing authorities.

Additionally, the FDA regulates FUROSCIX as a combination product that consists of both a drug and a medical device, and we may develop product candidates or additional presentations of FUROSCIX that are similarly regulated as combination products. For example, we are developing an 80mg/1mL auto-injector designed to provide an additional option to the on-body infusor for FUROSCIX for eligible adult patients who do not require hospitalization. Developing and obtaining regulatory approval for combination products can pose unique challenges because they involve components that are regulated under different types of regulatory requirements and potentially by different FDA centers. As a result, such product candidates may raise regulatory, policy and review management challenges. Differences in regulatory pathways for each component of a combination product can impact the regulatory processes for all aspects of product development and management, including clinical investigation, marketing applications, manufacturing and quality control, adverse event reporting, promotion and advertising, user fees and post approval modifications. Although the FDA and similar foreign regulatory agencies have systems in place for the review and approval of combination products such as ours, we may experience delays in the development and commercialization of our product candidates due to regulatory timing constraints and uncertainties in the product development and approval process.

Even if we eventually complete clinical trials and receive approval of a NDA or comparable foreign marketing application for any of our product candidates, the FDA or comparable foreign regulatory authority may grant approval contingent on the performance of costly additional clinical trials and/or the implementation of a REMS, which may be required because the FDA believes it is necessary to ensure safe use of the product after approval. Any delay in obtaining, or inability to obtain, applicable regulatory approval would delay or prevent commercialization of that product candidate and would materially adversely impact our business and prospects.

Even though the FDA has approved FUROSCIX, we will remain subject to significant post-marketing regulatory requirements and oversight.

In October 2022, the FDA approved FUROSCIX for the treatment of congestion due to fluid overload in adults with NYHA Class II/III chronic heart failure. In connection with this approval, or any other approvals we may obtain for FUROSCIX or any of our product candidates, we are required to submit reports to regulatory authorities and surveillance to monitor the safety and efficacy of the product. In addition, approved labeling for our products may contain significant limitations related to use restrictions for specified age groups, warnings, precautions or contraindications, and may include burdensome post-approval study or risk management requirements. For example, the approved labeling for FUROSCIX includes contraindications for patients with anuria, hypersensitivity to furosemide and hepatic cirrhosis or ascites, and is not approved for use in emergency situations or in patients with acute pulmonary edema. The FDA may also require a REMS in order to approve a product candidate, which could entail requirements for a medication guide, physician training and communication plans or additional elements to ensure safe use, such as restricted distribution methods, patient registries and other risk minimization tools.

In addition, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion, import, export and recordkeeping for our products are subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, registration, as well as on-going compliance with current good manufacturing practices, or cGMPs, and GCPs for any clinical trials that we conduct post-approval. In addition, manufacturers of drug products and their facilities are subject to continual review and periodic, unannounced inspections by the FDA and other regulatory authorities for compliance with cGMP and comparable foreign regulations and standards. If we or a regulatory authority discover previously unknown problems with a product, such as adverse events of unanticipated severity or frequency, or problems with the facilities where the product is manufactured, a regulatory authority may impose restrictions on that product, the manufacturing facility or us, including requiring recall or withdrawal of the product from the market or suspension of manufacturing.

In addition, failure to comply with FDA and other comparable foreign regulatory requirements may subject our company to administrative or judicially imposed sanctions, including:

- delays in or the rejection of product approvals;
- restrictions on our ability to conduct clinical trials, including full or partial clinical holds on ongoing or planned trials;

- restrictions on the products, manufacturers or manufacturing process;
- warning or untitled letters;
- civil and criminal penalties;
- injunctions;
- suspension or withdrawal of regulatory approvals;
- product seizures, detentions or import bans;
- voluntary or mandatory product recalls and publicity requirements;
- total or partial suspension of production; and
- imposition of restrictions on operations, including costly new manufacturing requirements.

The occurrence of any event or penalty described above may inhibit our ability to commercialize FUROSCIX and generate revenue and could require us to expend significant time and resources in response and could generate negative publicity. In addition, the FDA's and other regulatory authorities' policies may change, and additional government regulations may be enacted that could impair our business. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may be subject to enforcement action, and we may not achieve or sustain profitability.

If we are unable to achieve and maintain coverage and adequate levels of reimbursement for FUROSCIX and any of our product candidates, if approved, their commercial success may be severely hindered.

Successful sales of FUROSCIX and any product candidates that receive regulatory approval depend on the availability of adequate coverage and reimbursement rates from third-party payers, including governmental healthcare programs, such as Medicare and Medicaid, commercial payers, and health maintenance organizations. Patients who are prescribed medications for the treatment of their conditions generally rely on third-party payers to reimburse all or part of the costs associated with their prescription drugs. Coverage and adequate reimbursement rates from governmental healthcare programs and commercial payers is critical to new product acceptance. Coverage decisions may depend upon clinical and economic standards that disfavor new products when more established or lower cost therapeutic alternatives are already available or subsequently become available. Even if we obtain coverage for a given product, the resulting reimbursement rates might not be sufficient to achieve or sustain profitability or may require co-payments that patients find unacceptably high, thereby discouraging their use of our products. Additionally, third-party payers may not cover, or provide adequate reimbursement for, long-term follow-up evaluations required following the use of our product candidates. Patients are unlikely to use our products unless coverage is provided and reimbursement is adequate to cover a significant portion of the cost of our products.

In addition, the market for FUROSCIX and any product candidates that we attempt to commercialize will depend significantly on access to third-party payers' drug formularies, or lists of medications for which third-party payers provide coverage. The industry competition to be included in such formularies often leads to downward pricing pressures on pharmaceutical companies. Also, third-party payers may refuse to include a particular branded drug in their formularies, or may apply formulary controls (e.g., prior authorization or step therapy requirements, higher co-payments) to restrict patient access to a branded drug when a less costly generic equivalent or other alternative is available.

Third-party payers, whether foreign or domestic, and whether governmental or commercial, are developing increasingly sophisticated methods of controlling healthcare costs. In the United States, no uniform policy for coverage and reimbursement of products exists among third-party payers. The Centers for Medicare & Medicaid Services, or CMS, an agency within the U.S. Department of Health and Human Services, or HHS, decides whether and to what extent products will be covered and reimbursed under Medicare. Third-party payers often rely upon Medicare coverage policy and payment limitations in setting their own coverage and reimbursement policies. Reimbursement by a third-party payer may depend upon a number of factors, including the third-party payer's determination that a medication is safe, effective and medically necessary; appropriate for the specific

patient; cost-effective; supported by peer-reviewed medical journals; included in clinical practice guidelines; and neither cosmetic, experimental nor investigational. Therefore, coverage of and reimbursement rates for products can differ significantly from payer to payer. As a result, the coverage determination process is often a time-consuming and costly process that will require us to provide scientific, clinical, and cost-effectiveness data for the use of our products to each payer separately, with no assurance that coverage will be applied consistently or obtained in the first instance.

There may also be delays in obtaining coverage for newly approved drugs, and coverage may be more limited than the indications for which the drug is approved by the FDA or comparable foreign regulatory authorities. Moreover, eligibility for reimbursement does not imply that any drug will be paid for in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution. Reimbursement rates may vary, for example, according to the use of the product and the clinical setting in which it is used. Reimbursement rates may also be based on reimbursement levels already set for lower cost drugs or may be incorporated into existing payments for other services. We may also increasingly be required to provide discounts on our products to governmental healthcare programs, commercial payers and health maintenance organizations.

Further, we believe that future coverage and reimbursement rates will likely be subject to increased restrictions both in the United States and in international markets. Third-party coverage for our product candidates for which we may receive regulatory approval may not be available or adequate in either the United States or international markets, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

If the FDA does not conclude that our product candidates satisfy the requirements for the Section 505(b)(2) regulatory approval pathway, or if the requirements for such product candidates under Section 505(b)(2) are not as we expect, the approval pathway for those product candidates will likely take significantly longer, cost significantly more and entail significantly greater complications and risks than anticipated, and in either case may not be successful.

In October 2022, the FDA approved our NDA for FUROSCIX through the Section 505(b)(2) regulatory pathway, and we plan to develop additional product candidates for which we plan to seek approval under the 505(b)(2) regulatory pathway. The Drug Price Competition and Patent Term Restoration Act of 1984, also known as the Hatch-Waxman Act, added Section 505(b)(2) to the FDCA. Section 505(b)(2) permits the submissions of a NDA where at least some of the information required for approval comes from studies that were not conducted by or for the applicant and for which the applicant has not obtained a right of reference. Section 505(b)(2), if applicable to us under the FDCA, would allow a NDA we submit to the FDA to rely in part on data in the public domain or the FDA's prior conclusions regarding the safety and effectiveness of approved compounds, which could expedite the development program for our future product candidates by potentially decreasing the amount of nonclinical and/or clinical data that we would need to generate in order to obtain FDA approval.

If the FDA does not allow us to pursue the Section 505(b)(2) regulatory pathway for our product candidates, we may need to conduct additional nonclinical studies and/or clinical trials, provide additional data and information, and meet additional standards for regulatory approval. If this were to occur, the time and financial resources required to obtain FDA approval for such product candidates, and complications and risks associated with such product candidates, would likely substantially increase. Moreover, inability to pursue the Section 505(b)(2) regulatory pathway could result in new competitive products reaching the market more quickly than any product candidates we developed, which could adversely impact our competitive position and prospects. Even if we are allowed to pursue the Section 505(b)(2) regulatory pathway, we cannot assure you that any product candidates we develop will receive the requisite approval for commercialization.

In addition, notwithstanding the approval of a number of products by the FDA under Section 505(b)(2), certain pharmaceutical companies and others have objected to the FDA's interpretation of Section 505(b)(2). If the FDA's interpretation of Section 505(b)(2) is successfully challenged, the FDA may change its 505(b)(2) policies and practices, which could delay or even prevent the FDA from approving any NDA that we submit under Section 505(b)(2). In addition, the pharmaceutical industry is highly competitive, and Section 505(b)(2) NDAs are subject to certain requirements designed to protect the patent rights of sponsors of previously approved drugs that are referenced in a Section 505(b)(2) NDA. These requirements may give rise to patent litigation and mandatory delays in approval of our NDAs for up to 30 months or longer depending on the outcome of any litigation. It is not uncommon for a manufacturer of an approved product to file a citizen petition with the FDA seeking to delay approval of, or impose additional approval requirements for, pending competing products. If successful, such

petitions can significantly delay, or even prevent, the approval of a new product. Even if the FDA ultimately denies such a petition, the FDA may substantially delay approval while it considers and responds to the petition. In addition, even if we are able to utilize the Section 505(b)(2) regulatory pathway, there is no guarantee this would ultimately lead to streamlined product development or earlier approval.

If the FDA or other foreign regulatory authorities approve generic products that compete with FUROSCIX or any of our product candidates, the sales of FUROSCIX or our product candidates, if approved, could be adversely affected.

Once a NDA, including a Section 505(b)(2) application, is approved, the product covered becomes a "listed drug" which can be cited by potential competitors in support of approval of an abbreviated new drug application, or ANDA. FDA regulations and other foreign regulations and policies provide incentives to manufacturers to create modified versions of a drug to facilitate the approval of an ANDA or other application for similar substitutes. If these manufacturers demonstrate that their product has the same active ingredient(s), dosage form, strength, route of administration, and conditions of use, or labeling, as FUROSCIX or any of our product candidates, they might only be required to conduct a relatively inexpensive study to show that their generic product is absorbed in the body at the same rate and to the same extent as, or is bioequivalent to, FUROSCIX or our product candidate (and in some cases even this limited bioequivalence testing can be waived by the FDA). Competition from generic equivalents to FUROSCIX or any of our product candidates could substantially limit our ability to generate revenues and therefore to obtain a return on the investments we have made in FUROSCIX and our product candidates.

If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on our business.

We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. From time to time and in the future, our operations may involve the use of hazardous and flammable materials, including chemicals and biological materials, and may also produce hazardous waste products. Even if we contract with third parties for the disposal of these materials and waste products, we cannot completely eliminate the risk of contamination or injury resulting from these materials. In the event of contamination or injury resulting from the use or disposal of our hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties for failure to comply with such laws and regulations.

We maintain workers' compensation insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials, but this insurance may not provide adequate coverage against potential liabilities. However, we do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us.

In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. Current or future environmental laws and regulations may impair our research, development or production efforts. In addition, failure to comply with these laws and regulations may result in substantial fines, penalties or other sanctions.

We will need to obtain FDA approval of any proposed product names, and any failure or delay associated with such approval may adversely impact our business.

Any name we intend to use for our product candidates will require approval from the FDA regardless of whether we have secured a trademark registration from the U.S. Patent and Trademark Office, or USPTO. The FDA typically conducts a review of proposed product names, including an evaluation of potential for confusion with other product names. The FDA may object to any product name we submit if it believes the name inappropriately implies medical claims. If the FDA objects to any of our proposed product names, we may be required to adopt an alternative name for our product candidates. If we adopt an alternative name, we would lose the benefit of any existing trademark applications for such product candidate, and may be required to expend significant additional resources in an effort to identify a suitable product name that would qualify under applicable trademark laws, not infringe the existing rights of third parties and be acceptable to the FDA. We may be unable to build a successful

brand identity for a new trademark in a timely manner or at all, which would limit our ability to commercialize our product candidates.

Laws and regulations governing any international operations we may have in the future may preclude us from developing, manufacturing and selling certain products outside of the United States and require us to develop and implement costly compliance programs.

The Foreign Corrupt Practices Act, or FCPA, prohibits offering, promising, giving, or authorizing others to give anything of value, either directly or indirectly, to a non-United States government official in order to influence official action, or otherwise obtain or retain business. The FCPA also obligates companies whose securities are listed in the United States to comply with certain accounting provisions requiring the company to maintain books and records that accurately and fairly reflect all transactions of the corporation, including international subsidiaries, and to devise and maintain an adequate system of internal accounting controls for international operations.

Our business is heavily regulated and therefore involves significant interaction with public officials, which may in the future include officials of non-United States governments. Additionally, in many other countries, the healthcare providers who prescribe pharmaceuticals are employed by their government, and the purchasers of pharmaceuticals are government entities; therefore, our dealings with these prescribers and purchasers would be subject to regulation under the FCPA. Recently the Securities and Exchange Commission, or SEC, and Department of Justice have increased their FCPA enforcement activities with respect to biotechnology and pharmaceutical companies. There is no certainty that all of our employees, agents, suppliers, manufacturers, contractors, or collaborators, or those of our affiliates, will comply with all applicable laws and regulations, particularly given the high level of complexity of these laws.

Various laws, regulations and executive orders also restrict the use and dissemination outside of the United States, or the sharing with certain non-U.S. nationals, of information classified for national security purposes, as well as certain products and technical data relating to those products. If we expand our presence outside of the United States, it will require us to dedicate additional resources to comply with these laws, and these laws may preclude us from developing, manufacturing, or selling certain products and product candidates outside of the United States, which could limit our growth potential and increase our development costs.

The failure to comply with anti-bribery and anti-corruption laws, and other laws governing international business practices, may result in substantial fines, criminal sanctions against us, our officers, or our employees, the closing down of facilities, including those of our suppliers and manufacturers, requirements to obtain export licenses, cessation of business activities in sanctioned countries, implementation of heightened monitoring by governmental authorities, and prohibitions on the conduct of our business. The SEC also may suspend or bar issuers from trading securities on U.S. exchanges for violations of the FCPA's accounting provisions.

Governments outside the United States tend to impose strict price controls, which may adversely affect our revenues, if any.

In some countries, such as the countries of the European Union, the pricing of prescription pharmaceuticals is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a product. In addition, there can be considerable pressure by governments and other stakeholders on prices and reimbursement levels, including as part of cost containment measures. Political, economic and regulatory developments may further complicate pricing negotiations, and pricing negotiations may continue after coverage and reimbursement have been obtained. Reference pricing used by various countries and parallel distribution or arbitrage between low-priced and high-priced countries, can further reduce prices. To obtain reimbursement or pricing approval in some countries, we, or any future collaborators, may be required to conduct a clinical trial that compares the cost-effectiveness of our product candidates to other available therapies, which is time-consuming and costly. If reimbursement of our product candidates is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, our business could be harmed.

We may be liable if the FDA or other U.S. enforcement agencies determine we have engaged in the off-label promotion of our products or have disseminated false or misleading labeling, advertising or promotional materials.

The FDA strictly regulates marketing, labeling, advertising and promotion of prescription drugs. These regulations include standards and restrictions for direct-to-consumer advertising, industry-sponsored scientific and educational activities, promotional activities involving the internet and off-label promotion. Any regulatory approval that the FDA grants is limited to those specific diseases and indications for which a product is deemed to be safe and effective by the FDA. For example, the FDA-approved label for FUROSCIX is limited to the treatment of congestion due to fluid overload in adults with NYHA Class II/III chronic heart failure, and includes limitations prohibiting use in emergency situations or patients with pulmonary edema.

Our promotional materials and training methods must comply with the FDA and other applicable laws and regulations, including laws and regulations prohibiting marketing claims that promote the off-label use of our products or that omit material facts or make false or misleading statements about the safety or efficacy of our products. Healthcare providers may use our products, if approved, off-label, as the FDA does not restrict or regulate a physician's choice of treatment within the practice of medicine. The FDA also could conclude that a claim is misleading if it determines that there are inadequate nonclinical and/or clinical data supporting the claim, or if a claim fails to reveal material facts about the safety or efficacy of our products. If the FDA determines that our promotional labeling or advertising materials promote an off-label use or make false or misleading claims, it could request that we modify our promotional materials or training content or subject us to regulatory or enforcement actions, including the issuance of an untitled letter, a warning letter, injunction, seizure, civil fines and criminal penalties.

It is also possible that other federal, state or foreign enforcement authorities might take action if they determine that our promotional or training materials promote an unapproved use or make false or misleading claims, which could result in significant fines or penalties. The FDA or another regulatory agency could disagree with the manner in which we advertise and promote our products. Violations of the FDCA may also lead to investigations alleging violations of federal and state health care fraud and abuse laws, as well as state consumer protection laws, which may lead to costly penalties and may adversely impact our business. Recent court decisions have impacted FDA's enforcement activity regarding off-label promotion in light of First Amendment considerations; however, there are still significant risks in this area, in part due to the potential for False Claims Act exposure. In addition, the off-label use of our products may increase the risk of product liability claims. Product liability claims are expensive to defend and could result in substantial damage awards against us and harm our reputation.

Recently enacted and future legislation may increase the difficulty and cost for us to obtain marketing approval of any product candidates and commercialize FUROSCIX and may affect the prices we may obtain.

In the United States and many foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval of any of our product candidates, restrict or regulate post-approval activities and affect our ability to profitably sell FUROSCIX or any product candidates for which we obtain marketing approval. Changes in regulations, statutes or the interpretation of existing regulations could impact our business in the future by requiring, for example: (i) changes to our manufacturing arrangements; (ii) additions or modifications to product labeling; (iii) the recall or discontinuation of our products; or (iv) additional record-keeping requirements. If any such changes were to be imposed, they could adversely affect the operation of our business.

Among policy makers and payers in the United States and elsewhere, there is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality and/or expanding access. In the United States, the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by major legislative initiatives. The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, collectively referred to as the ACA, is a sweeping law intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add new transparency requirements for the healthcare and health insurance industries, impose new taxes and fees on the health industry and impose additional health policy reforms.

Among the provisions of the ACA of importance to our products and product candidates are the following:

- an annual, nondeductible fee on any entity that manufactures or imports certain branded prescription drugs and biologic agents, apportioned among these entities according to their market share in certain government healthcare programs;
- a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for certain drugs and biologics that are inhaled, infused, instilled, implanted or injected;
- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program to 23.1% and 13.0% of the average manufacturer price for branded and generic drugs, respectively;
- expansion of potential liability under federal healthcare fraud and abuse laws, including the False Claims Act, or FCA, and the Anti-Kickback Statute, or AKS;
- a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% (70% as of January 1, 2019 due to the Bipartisan Budget Act of 2018, or the BBA) point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D;
- extension of manufacturers' Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations;
- expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to additional individuals, thereby potentially increasing manufacturers' Medicaid rebate liability;
- expansion of the entities eligible for discounts under the 340B drug pricing program;
- new requirements to annually report to CMS certain data on payments and other transfers of value to physicians and teaching hospitals;
- a requirement to annually report drug samples that manufacturers and distributors provide to physicians; and
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research.

There have been a number of significant changes to the ACA and its implementation, as well as judicial, executive and Congressional challenges to certain aspects of the ACA. On June 17, 2021, the U.S. Supreme Court dismissed the most recent judicial challenge to the ACA brought by several states without specifically ruling on the constitutionality of the ACA. Prior to the Supreme Court's decision, President Biden issued an executive order to initiate a special enrollment period from February 15, 2021 through August 15, 2021 for purposes of obtaining health insurance coverage through the ACA marketplace. The executive order also instructed certain governmental agencies to review and reconsider their existing policies and rules that limit access to healthcare, including among others, reexamining Medicaid demonstration projects and waiver programs that include work requirements, and policies that create unnecessary barriers to obtaining access to health insurance coverage through Medicaid or the ACA.

In addition, other legislative changes have been proposed and adopted since the ACA was enacted. These changes include aggregate reductions to Medicare payments to providers pursuant to the Budget Control Act of 2011, which began in 2013, and due to subsequent legislative amendments to the statute, will remain in effect through 2032. The American Taxpayer Relief Act of 2012, among other things, further reduced Medicare payments to several providers, including hospitals and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These laws and similar future initiatives may result in additional reductions in Medicare and other healthcare funding, which could have an adverse effect on customers for FUROSCIX or our product candidates, if approved, and, accordingly, our financial operations.

There also has been increasing legislative and enforcement interest in the United States with respect to specialty drug pricing practices. Specifically, there have been several recent U.S. Congressional inquiries and proposed

federal and state legislation designed to, among other things, bring more transparency to drug pricing, reduce the cost of prescription drugs under Medicare, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drugs. In March 2021, the American Rescue Plan Act of 2021 was signed into law, which eliminated the statutory Medicaid drug rebate cap for single source and innovator multiple source drugs, beginning January 1, 2024. The rebate was previously capped at 100% of a drug's average manufacturer price. In August 2022, the Inflation Reduction Act of 2022, or IRA, was signed into law. Among other things, the IRA requires manufacturers of certain drugs to engage in price negotiations with Medicare (beginning in 2026), with prices that can be negotiated subject to a cap; imposes rebates under Medicare Part B and Medicare Part D to penalize price increases that outpace inflation (first due in 2023); and replaces the Part D coverage gap discount program with a new discounting program (beginning in 2025). The IRA permits the Secretary of the Department of Health and Human Services to implement many of these provisions through guidance, as opposed to regulation, for the initial years. On August 29, 2023, HHS announced the list of the first ten drugs that will be subject to price negotiations, although the Medicare drug price negotiation program is currently subject to legal challenges. For that and other reasons, it is currently unclear how the IRA will be effectuated, or the impact of the IRA on our business.

In addition, there have been several changes to the 340B drug pricing program, which imposes ceilings on prices that drug manufacturers can charge for medications sold to certain health care facilities. For the 2018 and 2019 fiscal years, CMS altered the reimbursement formula from Average Sale Price, or ASP, plus 6 percent to ASP minus 22.5 percent on specified covered outpatient drugs, or SCODs, but did so without issuing a formal notice of proposed rulemaking, which was subsequently challenged in court. In June 2022, the U.S. Supreme Court held that although the Department of Health and Human Services, or HHS, has authority to set reimbursement rates based on average price and discretion to "adjust" the price up or down, HHS may not vary the reimbursement rates by hospital group unless it conducts a survey of hospitals' acquisition costs. Accordingly, the U.S. Supreme Court held that HHS's changes to the 2018 and 2019 reimbursement rates for 340B hospitals were unlawful. Based on the foregoing, CMS issued a final rule, effective January 1, 2023, pursuant to which CMS pays 340B hospitals under Medicare Part B for certain outpatient drugs at the drug's ASP, plus 6%, the same rate used for non-340B hospitals. It is unclear how future changes to the payment methodology may affect pharmaceutical manufacturers and hospitals who purchase their products now and in the future.

At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing.

We expect that other healthcare reform measures may be adopted in the future, result in additional reductions in Medicare and other healthcare funding, more rigorous coverage criteria, new payment methodologies and additional downward pressure on the price that we receive for any approved product. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payers. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our products.

Our relationships with customers and payers will be subject to applicable anti-kickback, fraud and abuse, transparency, and other healthcare laws and regulations, which could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm, administrative burdens, and diminished profits and future earnings.

Healthcare providers, including physicians, and third-party payers will play a primary role in the recommendation and prescription of any products for which we obtain marketing approval. Our future arrangements with principal investigators, healthcare professionals, consultants, third-party payers and customers, if any, will subject us to broadly applicable fraud and abuse and other healthcare laws and regulations. These laws and regulations may constrain the business or financial arrangements and relationships through which we conduct our operations, including how we research, market, sell and distribute any products for which we obtain marketing approval. The laws that will affect our operations include, but are not limited to, the following:

- the federal Anti-Kickback Statute, which makes it illegal for any person, including a prescription drug manufacturer (or a party acting on its behalf), to knowingly and willfully solicit, receive, offer or pay any

remuneration that is intended to induce the referral of business, including the purchase, order or prescription of a particular drug for which payment may be made under a federal healthcare program, such as Medicare or Medicaid. A person or entity does not need to have actual knowledge of this statute or specific intent to violate it to have committed a violation;

- False claims laws, which prohibit anyone from knowingly and willfully presenting or causing to be presented for payment to third-party payers, including government payers, claims for reimbursed drugs or services that are false or fraudulent, claims for items or services that were not provided as claimed, or claims for medically unnecessary items or services. Cases have been brought under false claims laws alleging that off-label promotion of pharmaceutical products or the provision of kickbacks has resulted in the submission of false claims to governmental healthcare programs. In addition, the government may assert that a claim, including items or services resulting from a violation of the federal Anti-Kickback Statute, constitutes a false or fraudulent claim for purposes of the false claims laws. Further, private individuals have the ability to bring actions on behalf of the government under the federal False Claims Act;
- the Health Insurance Portability and Accountability Act of 1996, or HIPAA, which prohibits persons or entities from knowingly and willfully executing a scheme to defraud any healthcare benefit program, including private payers, or knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Similar to the federal Anti- Kickback Statute, a person or entity does not need to have actual knowledge of these statutes or specific intent to violate them to have committed a violation;
- federal civil monetary penalties laws, which impose civil fines for, among other things, the offering or transfer of remuneration to a Medicare or state healthcare program beneficiary if the person knows, or should know, it is likely to influence the beneficiary's selection of a particular provider, practitioner, or supplier of services reimbursable by Medicare or a state healthcare program, unless an exception applies;
- federal consumer protection and unfair competition laws, which broadly regulate marketplace activities and activities that potentially harm consumers;
- the federal physician sunshine requirements under ACA, which requires certain manufacturers of drugs, devices, biologics, and medical supplies to report annually to the U.S. Centers for Medicare & Medicaid Services information related to payments and other transfers of value to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors), certain non-physician practitioners (physician assistants, nurse practitioners, clinical nurse specialists, certified registered nurse anesthetists, anesthesiologist assistants, and certified nurse midwives), and teaching hospitals, and ownership and investment interests held by physicians and their immediate family members;
- state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws, which may apply to items or services reimbursed by any third-party payor, including commercial insurers; state laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the applicable compliance guidance promulgated by the federal government, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; and state laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures and pricing information; and
- European and other foreign law equivalents of each of the laws, including reporting requirements detailing interactions with and payments to healthcare providers.

Because of the breadth of these laws and the narrowness of the statutory exceptions and regulatory safe harbors available, it is possible that our business practices, including our arrangements with physicians and other healthcare providers, some of whom received stock options as compensation for services provided, may be subject to challenge under current or future statutes, regulations, agency guidance or case law involving applicable fraud and abuse or other healthcare laws and regulations. Law enforcement authorities are increasingly focused on enforcing fraud and abuse laws, and it is possible that some of our practices may be challenged under these laws. Efforts to ensure that our business arrangements with third parties, and our business generally, will comply with applicable healthcare laws and regulations will involve substantial costs. The

risk of our being found in violation of these laws is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines, individual imprisonment, exclusion from government funded healthcare programs, such as Medicare and Medicaid, disgorgement, additional reporting requirements and oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws, contractual damages, diminished profits and future earnings, reputational harm, and the curtailment or restructuring of our operations. Defending against any such actions can be costly, time-consuming and may require significant financial and personnel resources. Therefore, even if we are successful in defending against any such actions that may be brought against us, our business may be impaired. Further, if any of the physicians or other healthcare providers or entities with whom we expect to do business is found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

Actual or perceived failures to comply with applicable data protection, privacy and security laws, regulations, standards and other requirements could adversely affect our business, results of operations, and financial condition.

The global data protection landscape is rapidly evolving, and we are or may become subject to numerous state, federal and foreign laws, requirements and regulations governing the collection, use, disclosure, retention, and security of personal information. Implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future, and we cannot yet determine the impact future laws, regulations, standards, or perception of their requirements may have on our business. This evolution may create uncertainty in our business, affect our ability to operate in certain jurisdictions or to collect, store, transfer use and share personal information, necessitate the acceptance of more onerous obligations in our contracts, result in liability or impose additional costs on us. Any failure or perceived failure by us to comply with federal, state or foreign laws or regulations, our internal policies and procedures or our contracts governing our processing of personal information could result in negative publicity, government investigations and enforcement actions, claims by third parties and damage to our reputation, any of which could have a material adverse effect on our business, results of operation, and financial condition.

In the U.S., the Health Insurance Portability and Accountability Act, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, and regulations implemented thereunder, or collectively HIPAA, imposes privacy, security and breach notification obligations on certain healthcare providers, health plans, and healthcare clearinghouses, known as covered entities, as well as their business associates that perform certain services that involve creating, receiving, maintaining or transmitting individually identifiable health information for or on behalf of such covered entities, and their covered subcontractors. We may obtain health information from third parties (including healthcare providers and research institutions from which we obtain patient health data) that are subject to privacy and security requirements under HIPAA. Consequently, depending on the facts and circumstances, we could face substantial criminal penalties if we knowingly receive individually identifiable health information from a HIPAA-covered healthcare provider or research institution that has not satisfied HIPAA's requirements for disclosure of individually identifiable health information.

Certain states have also adopted comparable privacy and security laws and regulations, which govern the privacy, processing and protection of health-related and other personal information. Such laws and regulations will be subject to interpretation by various courts and other governmental authorities, thus creating potentially complex compliance issues for us and our future customers and strategic partners. For example, the California Consumer Privacy Act, as amended by the California Privacy Rights Act, or collectively, the CCPA, requires covered businesses that process the personal information of California residents to, among other things: provide certain disclosures to California residents regarding the business's collection, use, and disclosure of their personal information; receive and respond to requests from California residents to access, delete, and correct their personal information, or to opt out of certain disclosures of their personal information, and enter into specific contractual provisions with service providers that process California resident personal information on the business's behalf. Similar laws have been passed in other states and are continuing to be proposed at the state and federal level, reflecting a trend toward more stringent privacy legislation in the United States. The enactment of such laws could have potentially conflicting requirements that would make compliance challenging. In the event that we are subject to or affected by HIPAA, the CCPA or other domestic privacy and data protection laws, any liability from failure to comply with the requirements of these laws could adversely affect our financial condition.

Furthermore, the Federal Trade Commission, or FTC, also has authority to initiate enforcement actions against entities that make deceptive statements about privacy and data sharing in privacy policies, fail to limit third-party use of personal health information, fail to implement policies to protect personal health information or engage in other unfair practices that harm customers or that may violate Section 5(a) of the FTC Act. According to the FTC, failing to take appropriate steps to keep consumers' personal information secure can constitute unfair acts or practices in or affecting commerce in violation of Section 5(a) of the FTC Act. The FTC expects a company's data security measures to be reasonable and appropriate in light of the sensitivity and volume of consumer information it holds, the size and complexity of its business, and the cost of available tools to improve security and reduce vulnerabilities. The FTC and many state Attorneys General also continue to enforce federal and state consumer protection laws against companies for online collection, use, dissemination and security practices that appear to be unfair or deceptive. These consumer protection laws are increasingly being applied by FTC and state Attorneys General to regulate the collection, use, storage, and disclosure of personal or personally identifiable information, through websites or otherwise, and to regulate the presentation of website content.

Disruptions at the FDA, the SEC and other government agencies caused by funding shortages or global health concerns could hinder their ability to hire and retain key leadership and other personnel, prevent new products and services from being developed, reviewed, approved or commercialized in a timely manner or otherwise prevent those agencies from performing normal business functions on which the operation of our business may rely, which could negatively impact our business.

The ability of the FDA and foreign regulatory authorities to review and approve new products can be affected by a variety of factors, including government budget and funding levels, statutory, regulatory, and policy changes, the FDA's or foreign regulatory authorities' ability to hire and retain key personnel and accept the payment of user fees, and other events that may otherwise affect the FDA's or foreign regulatory authorities' ability to perform routine functions. Average review times at the FDA and foreign regulatory authorities have fluctuated in recent years as a result. In addition, government funding of other government agencies that fund research and development activities is subject to the political process, which is inherently fluid and unpredictable. Disruptions at the FDA and other agencies, such as the EMA following its relocation to Amsterdam and resulting staff changes, may also slow the time necessary for new drugs, medical devices and biologics or modifications to approved drugs, and biologics to be reviewed and/or approved by necessary government agencies, which would adversely affect our business. For example, over the last several years, the U.S. government has shut down several times and certain regulatory agencies, such as the FDA, have had to furlough critical FDA employees and stop critical activities.

Separately, in response to the global COVID-19 pandemic, the FDA postponed most inspections of domestic and foreign manufacturing facilities at various points. Even though the FDA has since resumed standard inspection operations, any resurgence of the virus or emergence of new variants may lead to inspectional or administrative delays. If a prolonged government shutdown occurs, or if global health concerns prevent the FDA or other regulatory authorities from conducting their regular inspections, reviews, or other regulatory activities, it could significantly impact the ability of the FDA or other regulatory authorities to timely review and process our regulatory submissions, which could have a material adverse effect on our business.

Risks Related to Our Intellectual Property

Risks Related to Protecting our Intellectual Property

Our success depends on our ability to protect our intellectual property and proprietary technology, as well as the ability of our collaborators to protect their intellectual property and proprietary technology.

Our success depends in large part on our ability to obtain and maintain patent protection and trade secret protection in the United States and other countries with respect to our proprietary products and product candidates. If we do not adequately protect our intellectual property rights, competitors may be able to erode or negate any competitive advantage we may have, which could harm our business and ability to achieve profitability. To protect our proprietary position, we file patent applications in the United States and abroad related to our novel products and product candidates that are important to our business; we also may license or purchase patent applications filed by others. The patent application and approval process is expensive and time-consuming. We may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner.

Agreements through which we license patent rights may not give us control over patent prosecution or maintenance, so that we may not be able to control which claims or arguments are presented and may not be able to secure, maintain, or successfully enforce necessary or desirable patent protection from those patent rights. We have not had and do not have primary control over patent prosecution and maintenance for certain of the patents and patent applications we license, and therefore cannot guarantee that these patents and applications will be prosecuted or maintained in a manner consistent with the best interests of our business. We are reliant on patents and patent applications that we license for our product candidates and failure by owners of this intellectual property to enforce claims could have a negative impact on our business. We cannot be certain that patent prosecution and maintenance activities by our licensors have been or will be conducted in compliance with applicable laws and regulations or will result in valid and enforceable patents.

If the scope of the patent protection we or our licensors obtain is not sufficiently broad, we may not be able to prevent others from developing and commercializing technology and products similar or identical to ours. The degree of patent protection we require to successfully compete in the marketplace may be unavailable or severely limited in some cases and may not adequately protect our rights or permit us to gain or keep any competitive advantage. We cannot provide any assurances that any of our licensed patents have, or that any of our pending licensed patent applications that mature into issued patents will include, claims with a scope sufficient to protect our current and future products and product candidates or otherwise provide any competitive advantage, nor can we assure you that our licenses are or will remain in force. In addition, the laws of foreign countries may not protect our rights to the same extent as the laws of the United States. Furthermore, patents have a limited lifespan. In the United States, the natural expiration of a patent is generally twenty years after it is filed. Various extensions may be available; however, the life of a patent, and the protection it affords, is limited. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our licensed patent portfolio may not provide us with adequate and continuing patent protection sufficient to exclude others from commercializing products similar to our products and product candidates. In addition, the patent portfolio licensed to us is, or may be, licensed to third parties, such as outside our field, and such third parties may have certain enforcement rights. Thus, patents licensed to us could be put at risk of being invalidated or interpreted narrowly in litigation filed by or against another licensee or in administrative proceedings brought by or against another licensee in response to such litigation or for other reasons.

Even if they are unchallenged, our owned and licensed patents and pending patent applications, if issued, may not provide us with any meaningful protection or prevent competitors from designing around our patent claims to circumvent our or our licensors' patents by developing similar or alternative technologies or therapeutics in a non-infringing manner. For example, a third party may develop a competitive therapy that provides benefits similar to one or more of our product candidates but that uses a formulation and/or a device that falls outside the scope of our patent protection or license rights. If the patent protection provided by the patents and patent applications we hold or pursue with respect to our products and product candidates is not sufficiently broad to impede such competition, our ability to successfully commercialize our products and product candidates could be negatively affected, which would harm our business. Similar risks would apply to any patents or patent applications that we may own or in-license in the future.

We, or any future partners, collaborators, or licensees, may fail to identify patentable aspects of inventions made in the course of development and commercialization activities before it is too late to obtain patent protection on them. Therefore, we may miss potential opportunities to strengthen our patent position.

It is possible that defects of form in the preparation or filing of our patents or patent applications may exist, or may arise in the future, for example, with respect to proper priority claims, inventorship, claim scope, or requests for patent term adjustments. If we or our partners, collaborators, licensees, or licensors, whether current or future, fail to establish, maintain or protect such patents and other intellectual property rights, such rights may be reduced or eliminated. If our partners, collaborators, licensees, or licensors, are not fully cooperative or disagree with us as to the prosecution, maintenance or enforcement of any patent rights, such patent rights could be compromised. If there are material defects in the form, preparation, prosecution, or enforcement of our patents or patent applications, such patents may be invalid and/or unenforceable, and such applications may never result in valid, enforceable patents. Any of these outcomes could impair our ability to prevent competition from third parties, which may have an adverse impact on our business.

The patent position of biotechnology and pharmaceutical companies generally is highly uncertain. No consistent policy regarding the breadth of claims allowed in biotechnology and pharmaceutical patents has emerged to date in the United States or in many foreign jurisdictions. In addition, the determination of patent rights with respect to pharmaceutical compounds and formulations commonly involves complex legal and factual questions, which has in recent years been the subject of much litigation. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain.

Moreover, because the issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, our patents or pending patent applications may be challenged in the courts or patent offices in the United States and abroad. There is no assurance that all of the potentially relevant prior art relating to our patents and patent applications has been found. If such prior art exists, it may be used to invalidate a patent, or may prevent a patent from issuing from a pending patent application. For example, such patent filings may be subject to a third-party preissuance submission of prior art to the USPTO or to other patent offices around the world.

Patent applications are generally maintained in confidence until publication. In the United States, for example, patent applications are typically maintained in secrecy for up to 18 months after their filing date. Similarly, publication of discoveries in scientific or patent literature often lags behind actual discoveries. Consequently, we cannot be certain that we were the first to file patent applications on our products and product candidates. Any of the foregoing could harm our competitive position, business, financial condition, results of operations, and prospects.

Alternately or additionally, we may become involved in post-grant review procedures, oppositions, derivations proceedings, reexaminations, *inter partes* review or interference proceedings, in the United States or elsewhere, challenging patents or patent applications in which we have rights, including patents on which we rely to protect our business. An adverse determination in any such challenges may result in loss of exclusivity or in patent claims being narrowed, invalidated or held unenforceable, in whole or in part, which could limit our ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology and products.

Pending and future patent applications may not result in patents being issued which protect our business, in whole or in part, or which effectively prevent others from commercializing competitive products. Changes in either the patent laws or interpretation of the patent laws in the United States and other countries may diminish the value of our patents or narrow the scope of our patent protection. In addition, the laws of foreign countries may not protect our rights to the same extent or in the same manner as the laws of the United States. For example, patent laws in various jurisdictions, including significant commercial markets such as Europe, restrict the patentability of methods of treatment of the human body more than United States law does.

The patent application process is subject to numerous risks and uncertainties, and there can be no assurance that we or any of our future development partners will be successful in protecting our products and product candidates by obtaining and defending patents. These risks and uncertainties include the following:

- the USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions during the patent process. There are situations in which noncompliance can result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, competitors might be able to enter the market earlier than would otherwise have been the case;
- patent applications may not result in any patents being issued;
- patents that may be issued or in-licensed may be challenged, invalidated, modified, revoked, circumvented, found to be unenforceable or otherwise may not provide any competitive advantage;
- our competitors, many of whom have substantially greater resources and many of whom have made significant investments in competing technologies, may seek or may have already obtained patents that will limit, interfere with or eliminate our ability to make, use, and sell our potential product candidates;
- there may be significant pressure on the U.S. government and international governmental bodies to limit the scope of patent protection both inside and outside the United States for disease treatments that prove successful, as a matter of public policy regarding worldwide health concerns; and

- countries other than the United States may have patent laws less favorable to patentees than those upheld by U.S. courts, allowing foreign competitors a better opportunity to create, develop and market competing product candidates in such countries.

Issued patents that we have or may obtain or license may not provide us with any meaningful protection, prevent competitors from competing with us or otherwise provide us with any competitive advantage. Our competitors may be able to circumvent our or our licensors' patents by developing similar or alternative technologies or products in a non-infringing manner. Our competitors may also seek approval to market their own products similar to or otherwise competitive with our products. Alternatively, our competitors may seek to market generic versions of any approved products by submitting ANDAs to the FDA in which they claim that patents owned or licensed by us are invalid, unenforceable or not infringed. In these circumstances, we may need to defend or assert our patents, or both, including by filing lawsuits alleging patent infringement. In any of these types of proceedings, a court or other agency with jurisdiction may find our patents invalid or unenforceable, or that our competitors are competing in a non-infringing manner. Thus, even if we have valid and enforceable patents, these patents still may not provide protection against competing products or processes sufficient to achieve our business objectives.

Pursuant to the terms of potential license agreements with third parties, some of our third-party licensors may have the right, but not the obligation in certain circumstances to control enforcement of our licensed patents or defense of any claims asserting the invalidity of these patents. Even if we are permitted to pursue such enforcement or defense, we will require the cooperation of our licensors, and cannot guarantee that we would receive it and on what terms. We cannot be certain that our licensors will allocate sufficient resources or prioritize their or our enforcement of such patents or defense of such claims to protect our interests in the licensed patents. If we cannot obtain patent protection, or enforce existing or future patents against third parties, our competitive position and our financial condition could suffer.

In addition, we rely on the protection of our trade secrets and proprietary know-how. Although we have taken steps to protect our trade secrets and unpatented know-how, including entering into confidentiality agreements with third parties, and confidential information and inventions agreements with employees, consultants and advisors, we cannot provide any assurances that all such agreements have been duly executed, and there is a risk that third parties may still obtain this information or may come upon this or similar information independently. Additionally, if the steps taken to maintain our trade secrets are deemed inadequate, we may have insufficient recourse against third parties for misappropriating our trade secrets. If any of these events occurs or if we otherwise lose protection for our trade secrets or proprietary know-how, our business may be harmed.

It is difficult and costly to protect our intellectual property and our proprietary technologies, and we may not be able to ensure their protection.

Our commercial success will depend, in part, on obtaining and maintaining patent protection and trade secret protection for the formulations and compounds of our products and product candidates, the methods used to manufacture them, and associated methods of treatment as well as on successfully defending these patents against potential third-party challenges. Our ability to protect our products and product candidates from unauthorized making, using, selling, offering to sell or importing by third parties is dependent on the extent to which we have rights under valid and enforceable patents that cover these activities.

The patent positions of pharmaceutical, biotechnology and other life sciences companies can be highly uncertain and involve complex legal and factual questions for which important legal principles remain unresolved. Changes in either the patent laws or in interpretations of patent laws in the United States and other countries may diminish the value of our intellectual property. Further, the determination that a patent application or patent claim meets all of the requirements for patentability is a subjective determination based on the application of law and jurisprudence. The ultimate determination by the USPTO or by a court or other trier of fact in the United States, or corresponding foreign national patent offices or courts, on whether a claim meets all requirements of patentability cannot be assured. We have not conducted searches for third-party publications, patents and other information that may affect the patentability of claims in our various patent applications and patents, so we cannot be certain that all relevant information has been identified. Accordingly, we cannot predict the breadth of claims that may be allowed or enforced in our patents or patent applications, in our licensed patents or patent applications or in third-party patents.

We cannot provide assurances that any of our patent applications will be found to be patentable, including over our own prior art patents, or will issue as patents. Neither can we make assurances as to the scope of any claims that may issue from our pending and future patent applications nor to the outcome of any proceedings by any potential third parties that could challenge the patentability, validity or enforceability of our patents and patent applications in the United States or foreign jurisdictions. Any such challenge, if successful, could limit patent protection for our product candidates and/or materially harm our business.

The degree of future protection for our proprietary rights is uncertain because legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep our competitive advantage. For example:

- we may not be able to generate sufficient data to support full patent applications that protect the entire breadth of developments in one or more of our programs;
- it is possible that one or more of our pending patent applications will not become an issued patent or, if issued, that the patent(s) will not: (a) be sufficient to protect our technology, (b) provide us with a basis for commercially viable products or (c) provide us with any competitive advantages;
- we may not be the first to make the inventions covered by each of our patents and pending patent applications;
- we may not be the first to file patent applications for these inventions;
- if our pending applications issue as patents, they may be challenged by third parties as not infringed, invalid or unenforceable under U.S. or foreign laws; or
- if issued, the patents under which we hold rights may not be valid or enforceable.

In addition, to the extent that we are unable to obtain and maintain patent protection for one of our product candidates or in the event that such patent protection expires, it may no longer be cost-effective to extend our portfolio by pursuing additional development of a product candidate for follow-on indications.

We also may rely on trade secrets to protect our technologies or product candidates, especially where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. Although we use reasonable efforts to protect our trade secrets, there is a risk that our employees, consultants, contractors, outside scientific collaborators and other advisers may unintentionally or willfully disclose our information to competitors. Enforcing a claim that a third-party entity illegally obtained and is using any of our trade secrets is expensive and time-consuming, and the outcome is unpredictable. In addition, courts outside the United States are sometimes less willing to protect trade secrets. Moreover, our competitors may independently develop equivalent knowledge, methods and know-how.

Obtaining and maintaining patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and patent applications are required to be paid to the USPTO and various governmental patent agencies outside of the United States in several stages over the lifetime of the patents and applications. The USPTO and various non-U.S. governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process and after a patent has issued. There are situations in which non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Under the terms of some of our licenses, we do not have the ability to maintain or prosecute patents in the portfolio, and must therefore rely on third parties to comply with these requirements.

Patent terms may be inadequate to protect our competitive position on our product candidates for an adequate amount of time and if we do not obtain protection under the Hatch-Waxman Act and similar

non-U.S. legislation for extending the term of patents covering each of our products and product candidates, our business may be materially harmed.

Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. We expect to seek extensions of patent terms in the United States, if available, and, if available, in other countries where we are prosecuting patents. In the United States, the Drug Price Competition and Patent Term Restoration Act of 1984 (or Hatch-Waxman Act) permits a patent term extension of up to five years beyond the normal expiration of the patent, which is limited to the approved indication. However, the applicable authorities, including the FDA and the USPTO in the United States, and any equivalent regulatory authority in other countries, may not agree with our assessment of whether such extensions are available, and may refuse to grant extensions to our patents, or may grant more limited extensions than we request. If this occurs, our competitors may be able to take advantage of our investment in development and clinical trials by referencing our clinical and preclinical data and launch their product earlier than might otherwise be the case.

Changes to the patent law in the United States and other jurisdictions could diminish the value of patents in general, thereby impairing our ability to protect our products.

As is the case with other biotechnology and pharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the biotechnology and pharmaceutical industries involves both technological and legal complexity and is therefore costly, time consuming and inherently uncertain. Recent patent reform legislation in the United States, including the Leahy-Smith America Invents Act, or the America Invents Act, could increase those uncertainties and costs. The America Invents Act was signed into law on September 16, 2011, and many of the substantive changes became effective on March 16, 2013. The America Invents Act reforms United States patent law in part by changing the U.S. patent system from a “first-to-invent” system to a “first-inventor-to-file” system, expanding the definition of prior art, and developing a post-grant review system. This legislation changes United States patent law in a way that may weaken our ability to obtain patent protection in the United States for those applications filed after March 16, 2013.

Further, the America Invents Act created new procedures to challenge the validity of issued patents in the United States, including post-grant review and *inter partes* review proceedings, which some third parties have been using to cause the cancellation of selected or all claims of issued patents. For a patent with an effective filing date of March 16, 2013 or later, a petition for post-grant review can be filed by a third party in a nine month window from issuance of the patent. A petition for *inter partes* review can be filed immediately following the issuance of a patent if the patent has an effective filing date prior to March 16, 2013. A petition for *inter partes* review can be filed after the nine month period for filing a post-grant review petition has expired for a patent with an effective filing date of March 16, 2013 or later. Post-grant review proceedings can be brought on any ground of invalidity, whereas *inter partes* review proceedings can only raise an invalidity challenge based on published prior art including patents. In these adversarial actions, the USPTO reviews patent claims without the presumption of validity afforded to U.S. patents in lawsuits in U.S. federal courts and uses a lower burden of proof than used in litigation in U.S. federal courts. Therefore, it is generally considered easier for a competitor or third party to have a U.S. patent invalidated in a USPTO post-grant review or *inter partes* review proceeding than invalidated in litigation in a U.S. federal court. If any of our or our licensors’ patents are challenged by a third party in such a USPTO proceeding, there is no guarantee that we or our licensors or collaborators will be successful in defending the patent, which would result in a loss of the challenged patent rights to us.

Depending on future actions by the U.S. Congress, the U.S. courts, the USPTO and the relevant law-making bodies in other countries, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future.

For example, a European Unified Patent Court (UPC) came into force during 2023. The UPC is a common patent court to hear patent infringement and revocation proceedings effective for member states of the European Union. This could enable third parties to seek revocation of any of our European patents in a single proceeding at the UPC rather than through multiple proceedings in each of the jurisdictions in which the European patent is validated. Any such revocation and loss of patent protection could have a material adverse impact on our business and our ability to commercialize or license our technology and products. Moreover, the controlling laws and regulations of the UPC will develop over time and may adversely affect our ability to enforce our European

patents or defend the validity thereof. We may decide to opt out our European patents and patent applications from the UPC. If certain formalities and requirements are not met, however, our European patents and patent applications could be challenged for non-compliance and brought under the jurisdiction of the UPC. We cannot be certain that our European patents and patent applications will avoid falling under the jurisdiction of the UPC, if we decide to opt out of the UPC.

If we are unable to protect the confidentiality of our trade secrets, the value of our technology could be negatively impacted and our business would be harmed.

In addition to the protection afforded by patents, we also rely on trade secret protection for certain aspects of our intellectual property. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements with parties who have access to them, such as our employees, consultants, independent contractors, advisors, contract manufacturers, suppliers and other third parties. We also enter into confidentiality and invention or patent assignment agreements with employees and certain consultants. There is a risk that any party with whom we have executed such an agreement may breach that agreement and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. Additionally, if the steps taken to maintain our trade secrets are deemed inadequate, we may have insufficient recourse against third parties for misappropriating such trade secrets. Further, if any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent such third party, or those to whom they communicate such technology or information, from using that technology or information to compete with us. If any of our trade secrets were to be disclosed to or independently developed by a competitor, our business and competitive position could be harmed.

If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our marks of interest and our business may be adversely affected.

Our trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We rely on both registration and common law protection for our trademarks. We may not be able to protect our rights to these trademarks and trade names or may be forced to stop using these names, which we need for name recognition by potential partners or customers in our markets of interest. During the trademark registration process, we may receive Office Actions from the USPTO objecting to the registration of our trademark. Although we would be given an opportunity to respond to those objections, we may be unable to overcome such rejections. In addition, in the USPTO and in comparable agencies in many foreign jurisdictions, third parties are given an opportunity to oppose pending trademark applications and/or to seek the cancellation of registered trademarks. Opposition or cancellation proceedings may be filed against our trademarks, and our trademarks may not survive such proceedings. If we are unable to establish name recognition based on our trademarks and trade names, we may not be able to compete effectively and our business may be adversely affected.

A NDA submitted under 505(b)(2) may subject us to a patent infringement lawsuit that would delay or prevent product candidate review or approval.

Section 505(b)(2) permits the submission of a NDA where at least some of the information required for approval comes from preclinical studies and/or clinical trials that were not conducted by, or for, the applicant and for which the applicant has not obtained a right of reference. A NDA under 505(b)(2) would enable us to reference published literature and/or the FDA's previous findings of safety and effectiveness for a previously approved drug.

For NDAs submitted under section 505(b)(2), the patent certification and related provisions of the Hatch-Waxman Act apply. Accordingly, if we rely for approval on the safety or effectiveness information for a previously approved drug, referred to as a listed drug, we will be required to include patent certifications in the 505(b)(2) NDA regarding any patents covering the listed drug. If there are patents listed in the FDA publication Approved Drug Products with Therapeutic Equivalence Evaluations, commonly known as the Orange Book, for the listed drug, and we seek to obtain approval prior to the expiration of one or more of those patents, we will be required to submit a Paragraph IV certification indicating our belief that the relevant patents are invalid, unenforceable or will not be infringed by the manufacture, use or sale of the product that is the subject of the 505(b)(2) NDA. Otherwise, a 505(b)(2) application cannot be approved by the FDA until the expiration of any patents listed in the Orange Book for the listed drug.

In addition, a 505(b)(2) application will not be approved until any non-patent exclusivity listed in the Orange Book for the listed drug, or for any other drug with the same, protected conditions of approval as the product candidate, has expired. These factors, among others, may limit our ability to gain approval of or successfully commercialize our product candidates.

Risks Related to Intellectual Property Claims or Litigation

Our drug development strategy relies heavily upon the 505(b)(2) regulatory approval pathway, which requires us to certify that we do not infringe upon third-party patents covering approved drugs that we rely upon for approval if we want to obtain approval prior to patent expiry. Such certifications typically result in third-party claims of intellectual property infringement, the defense of which would be costly and time consuming, and an unfavorable outcome in any litigation may prevent or delay our development and commercialization efforts which would harm our business.

Our commercial success depends in large part on our avoiding infringement of the patents and proprietary rights of third parties for existing approved drug products. Because we utilize the 505(b)(2) regulatory approval pathway for the approval of our product candidates, we rely in whole or in part on studies conducted by third parties related to those approved drug products. As a result, upon filing with the FDA for approval of our product candidates, we will be required to certify to the FDA that either: (1) there is no patent information listed in the Orange Book for the listed drug; (2) the patents listed in the Orange Book have expired; (3) the listed patents have not expired, but will expire on a particular date and approval is sought after patent expiration; or (4) the listed patents are invalid or will not be infringed by the manufacture, use or sale of our proposed drug product. We can avoid certifying to a method-of-use patent if we do not seek approval of the patented condition of use. If we certify to the FDA that a patent is invalid or not infringed, or a Paragraph IV certification, a notice of the Paragraph IV certification must also be sent to the patent owner and NDA holder shortly after our 505(b)(2) NDA is accepted for filing by the FDA. The third party may then initiate a lawsuit against us asserting infringement of the patents identified in the notice. The filing of a patent infringement lawsuit within 45 days of receipt of the notice automatically prevents the FDA from approving our 505(b)(2) application until the earliest of 30 months or the date on which the patent expires, the lawsuit is settled, or the court reaches a decision in the infringement lawsuit in our favor. If the third party does not file a patent infringement lawsuit within the required 45-day period, our application will not be subject to the 30-month stay. However, even if the third party does not sue within the 45-day time limit, thereby invoking the 30-month stay, it may still challenge our right to market our product upon FDA approval; therefore, some risk of an infringement suit remains even after the expiry of the 45-day limit.

We may not be able to enforce our intellectual property rights throughout the world.

Filing, prosecuting, enforcing and defending patents on our products and product candidates in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States can be less extensive than those in the United States. The requirements for patentability may differ in certain countries, particularly in developing countries; thus, even in countries where we do pursue patent protection, there can be no assurance that any patents will issue with claims that cover our products and product candidates.

Moreover, our ability to protect and enforce our intellectual property rights may be adversely affected by unforeseen changes in foreign intellectual property laws. Additionally, laws of some countries outside of the United States and Europe do not afford intellectual property protection to the same extent as the laws of the United States and Europe. Many companies have encountered significant problems in protecting and defending intellectual property rights in certain foreign jurisdictions. The legal systems of some countries, including India, China and other developing countries, do not favor the enforcement of patents and other intellectual property rights. This could make it difficult for us to stop the infringement of our patents or the misappropriation of our other intellectual property rights. For example, many foreign countries have compulsory licensing laws under which a patent owner must grant licenses to third parties. Consequently, we may not be able to prevent third parties from practicing our inventions in certain countries outside the United States and Europe. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop and market their own products and, further, may export otherwise infringing products to territories where we have patent protection, if our ability to enforce our patents to stop infringing activities is inadequate. These products may compete with our products, and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Agreements through which we license patent rights may not give us sufficient rights to permit us to pursue enforcement of our licensed patents or defense of any claims asserting the invalidity of these patents (or control of enforcement or defense) of such patent rights in all relevant jurisdictions as requirements may vary.

Proceedings to enforce our patent rights in foreign jurisdictions, whether or not successful, could result in substantial costs and divert our efforts and resources from other aspects of our business. Moreover, such proceedings could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Furthermore, while we intend to protect our intellectual property rights in major markets for our products, we cannot ensure that we will be able to initiate or maintain similar efforts in all jurisdictions in which we may wish to market our products. Accordingly, our efforts to protect our intellectual property rights in such countries may be inadequate.

Others may claim an ownership interest in our intellectual property which could expose us to litigation and have a significant adverse effect on our prospects.

A third party may claim an ownership interest in one or more of our or our licensors' patents or other proprietary or intellectual property rights. A third party could bring legal actions against us and seek monetary damages and/or enjoin clinical testing, manufacturing and marketing of the affected product or products. While we are presently unaware of any claims or assertions by third parties with respect to our patents or other intellectual property, we cannot guarantee that a third party will not assert a claim or an interest in any of such patents or intellectual property. If we become involved in any litigation, it could consume a substantial portion of our resources, and cause a significant diversion of effort by our technical and management personnel. If any of these actions are successful, in addition to any potential liability for damages, we could be required to obtain a license to continue to manufacture or market the affected product, in which case we may be required to pay substantial royalties or grant cross-licenses to our patents. We cannot, however, assure you that any such license will be available on acceptable terms, if at all. Ultimately, we could be prevented from commercializing a product candidate, or be forced to cease some aspect of our business operations as a result of claims of patent infringement or violation of other intellectual property rights, Further, the outcome of intellectual property litigation is subject to uncertainties that cannot be adequately quantified in advance, including the demeanor and credibility of witnesses and the identity of any adverse party. This is especially true in intellectual property cases that may turn on the testimony of experts as to technical facts upon which experts may reasonably disagree.

If we are sued for infringing intellectual property rights of third parties, such litigation could be costly and time consuming and could prevent or delay us from developing or commercializing our product candidates.

Our commercial success depends, in part, on our ability to develop, manufacture, market and sell our product candidates without infringing the intellectual property and other proprietary rights of third parties. Third parties may have U.S. and non-U.S. issued patents and pending patent applications relating to compounds, formulations, methods of manufacturing compounds and/or formulations, and/or methods of use for the treatment of the disease indications for which we are developing our product candidates. If any third-party patents or patent applications are found to cover our products or product candidates or their methods of use or manufacture, we may not be free to manufacture or market our product candidates as planned without obtaining a license, which may not be available on commercially reasonable terms, or at all.

There is a substantial amount of intellectual property litigation in the biotechnology and pharmaceutical industries, and we may become party to, or threatened with, litigation or other adversarial proceedings regarding intellectual property rights with respect to our product candidates, including interference and post-grant proceedings before the USPTO. There may be third-party patents or patent applications with claims to materials, formulations, methods of manufacture or methods for treatment related to the formulations, use or manufacture of our product candidates. We cannot guarantee that any of our patent analyses including, but not limited to, the scope of patent claims or the expiration of relevant patents are complete or thorough, nor can we be certain that we have identified each and every patent and pending application in the United States and abroad that is relevant to or necessary for the commercialization of our products and product candidates in any jurisdiction. Because patent applications can take many years to issue, there may be currently pending patent applications which may later result in issued patents that our products or product candidates may be accused of infringing. In addition, third

parties may obtain patents in the future and claim that use of our technologies infringes upon these patents. Accordingly, third parties may assert infringement claims against us based on intellectual property rights that exist now or arise in the future. The outcome of intellectual property litigation is subject to uncertainties that cannot be adequately quantified in advance. The pharmaceutical and biotechnology industries have produced a significant number of patents, and it may not always be clear to industry participants, including us, which patents cover various types of products or methods of use or manufacture. The scope of protection afforded by a patent is subject to interpretation by the courts, and the interpretation is not always uniform. If we were sued for patent infringement, we would need to demonstrate that our products or product candidates, or methods of use or of making either do not infringe the patent claims of the relevant patent or that the patent claims are invalid or unenforceable, and we may not be able to do this. Proving invalidity is difficult. For example, in the United States, proving invalidity requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents. Even if we are successful in these proceedings, we may incur substantial costs and the time and attention of our management and scientific personnel could be diverted in pursuing these proceedings, which could significantly harm our business and operating results. In addition, we may not have sufficient resources to bring these actions to a successful conclusion.

If we are found to infringe a third party's intellectual property rights, we could be forced, including by court order, to cease developing, manufacturing or commercializing the infringing product or product candidate. Alternatively, we may be required to obtain a license from such third party in order to use the infringing technology and continue developing, manufacturing or marketing the infringing product or product candidate. However, we may not be able to obtain any required license on commercially reasonable terms or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors access to the same technologies licensed to us; alternatively or additionally, it could include terms that impede or destroy our ability to compete successfully in the commercial marketplace. In addition, we could be found liable for monetary damages, including treble damages and attorneys' fees if we are found to have willfully infringed a patent. A finding of infringement could prevent us from commercializing our products or product candidates or force us to cease some of our business operations, which could harm our business. Claims that we have misappropriated the confidential information or trade secrets of third parties could have a similar negative impact on our business.

We may be subject to claims by third parties asserting that our employees or we have misappropriated their intellectual property, or claiming ownership of what we regard as our own intellectual property.

Many of our current and former employees, including our senior management, were previously employed at universities or at other biotechnology or pharmaceutical companies, including some which may be competitors or potential competitors. Some of these employees, including each member of our senior management, executed proprietary rights, non-disclosure and non-competition agreements, or similar agreements, in connection with such previous employment. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such third party. Litigation may be necessary to defend against such claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel or sustain damages. Such intellectual property rights could be awarded to a third party, and we could be required to obtain a license from such third party to commercialize our technology, products or product candidates. Such a license may not be available on commercially reasonable terms or at all. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

In addition, while we typically require our employees, consultants and contractors who may be involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact develops intellectual property that we regard as our own, which may result in claims by or against us related to the ownership of such intellectual property. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to our senior management and scientific personnel.

We may become involved in lawsuits to protect or enforce our patents or other intellectual property, which could be expensive, time consuming and unsuccessful.

Competitors may infringe our patents, trademarks, copyrights or other intellectual property. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time consuming and divert the time and attention of our management and scientific personnel. Any claims we assert against perceived infringers could provoke these parties to assert counterclaims against us alleging that we infringe their patents, in addition to counterclaims asserting that our patents are invalid or unenforceable, or both. In any patent infringement proceeding, there is a risk that a court will decide that a patent of ours is invalid or unenforceable, in whole or in part, and that we do not have the right to stop the other party from using the invention at issue. There is also a risk that, even if the validity of such patents is upheld, the court will construe the patent's claims narrowly or decide that we do not have the right to stop the other party from using the invention at issue on the grounds that our patent claims do not cover the invention. An adverse outcome in a litigation or proceeding involving one or more of our patents could limit our ability to assert those patents against those parties or other competitors, and may curtail or preclude our ability to exclude third parties from making and selling similar or competitive products. Similarly, if we assert trademark infringement claims, a court may determine that the marks we have asserted are unenforceable, that the alleged infringing mark does not infringe our trademark rights, or that the party against whom we have asserted trademark infringement has superior rights to the marks in question. In this last instance, we could ultimately be forced to cease use of such trademarks.

Even if we establish infringement, the court may decide not to grant an injunction against further infringing activity and instead award only monetary damages, which may or may not be an adequate remedy. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could adversely affect the price of shares of our common stock. Moreover, there can be no assurance that we will have sufficient financial or other resources to file and pursue such infringement claims, which typically last for years before they are concluded. Even if we ultimately prevail in such claims, the monetary cost of such litigation and the diversion of the attention of our management and scientific personnel could outweigh any benefit we receive as a result of the proceedings.

Additionally, for certain of our in-licensed patent rights, we do not have the right to bring suit for infringement and must rely on third parties to enforce these rights for us. If we cannot or choose not to take action against those we believe infringe our intellectual property rights, we may have difficulty competing in certain markets where such potential infringers conduct their business, and our commercialization efforts may suffer as a result.

Risks Related to Our Reliance on Third Parties

Risks Related to Third Party Performance

Use of third parties to manufacture our products and product candidates may increase the risk that we will not have sufficient quantities of our product candidates, products, or necessary quantities at an acceptable cost.

We do not own or operate manufacturing facilities for the production of clinical or commercial quantities of our products and product candidates, and we lack the resources and the capabilities to do so. As a result, we currently rely on third parties for supply of the active pharmaceutical ingredients, or API, in our products and product candidates, and our furosemide formulation, as well as the device components of our drug-device combination products and product candidates. Our current strategy is to outsource all manufacturing of our product candidates and products to third parties.

We currently engage third-party manufacturers to manufacture FUROSCIX and related supplies and packaging. For example, we have engaged a third-party manufacturer for the manufacture of the furosemide formulation used in FUROSCIX and we have engaged a third party designer and manufacturer to develop and manufacture the on-body infusor for FUROSCIX. There is no guarantee that we can maintain our relationships with these manufacturers and we may incur added costs and delays in identifying and qualifying any replacements for such manufacturers. There is no assurance that we will be able to timely secure further needed supply arrangements on satisfactory terms, or at all. Our failure to secure these arrangements as needed could have a material adverse effect on our ability to commercialize FUROSCIX. There may be difficulties and delays in obtaining sufficient commercial quantities of FUROSCIX and the costs of manufacturing could be prohibitive. Beyond

FUROSCIX, third parties also manufacture the materials that we require for the development of our product candidates, and our reliance on these manufacturers for these activities carries similar risks as our reliance on third-party manufacturers in connection with FUROSCIX.

Reliance on third-party manufacturers entails additional risks, including:

- reliance on third parties for manufacturing process development, regulatory compliance and quality assurance;
- limitations on supply availability resulting from capacity and scheduling constraints of third parties;
- the possible breach of manufacturing agreements by third parties because of factors beyond our control; and
- the possible termination or non-renewal of the manufacturing agreements by the third party, at a time that is costly or inconvenient to us.

If we do not maintain our key manufacturing relationships or if our third-party manufactures fail to comply with applicable regulations, we may need to find replacement manufacturers or develop our own manufacturing capabilities, which could delay or impair our ability to obtain regulatory approval for our product candidates. If we do find replacement manufacturers, we may not be able to enter into agreements with them on terms and conditions favorable to us and there could be a substantial delay before new facilities could be qualified and registered with the FDA and other foreign regulatory authorities.

If any third-party manufacturer with whom we contract fails to perform its obligations, we may be forced to manufacture the materials ourselves, for which we may not have the capabilities or resources, or enter into an agreement with a different third-party manufacturer, which we may not be able to do on reasonable terms, if at all. In either scenario, our product supply could be delayed significantly as we establish alternative supply sources. In some cases, the technical skills required to manufacture our products or product candidates may be unique or proprietary to the original third-party manufacturer and we may have difficulty, or there may be contractual restrictions prohibiting us from, transferring such skills to a back-up or alternate supplier, or we may be unable to transfer such skills at all. In addition, if we are required to change third-party manufacturers for any reason, we will be required to verify that the new manufacturer maintains facilities and procedures that comply with quality standards and with all applicable regulations, and may need to obtain prior FDA approval with respect to any manufacturing changes for any approved products. We will also need to verify, such as through a manufacturing comparability study, that any new manufacturing process will produce our product candidate according to the specifications previously submitted to the FDA or another foreign regulatory authority. The delays associated with the verification of a new manufacturer could negatively affect our ability to develop product candidates or commercialize our products in a timely manner or within budget. Furthermore, a third-party manufacturer may possess technology related to the manufacture of our product candidate that such manufacturer owns independently. This would increase our reliance on such third-party manufacturer or require us to obtain a license from such manufacturer in order to have another third party manufacture our products and product candidates. In addition, changes in manufacturers often involve changes in manufacturing procedures and processes, which could require that we conduct bridging studies between our prior clinical supply used in our clinical trials and that of any new manufacturer. We may be unsuccessful in demonstrating the comparability of clinical supplies which could require the conduct of additional clinical trials.

Our approved product, FUROSCIX, is a drug-device combination product that is regulated under the drug regulations of the FDA based on its primary mode of action as a drug. Third-party manufacturers may not be able to comply with the cGMP requirements applicable to drug-device combination products, including applicable provisions of the FDA's drug cGMP regulations, device cGMP requirements embodied in the QSR or similar regulatory requirements outside the United States. Our failure, or the failure of our third-party manufacturers, to comply with applicable regulations could result in sanctions being imposed on us, including clinical holds, fines, injunctions, civil penalties, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of product candidates, operating restrictions and criminal prosecutions, any of which could significantly affect supplies of our product candidates.

We do not control the manufacturing process of, and are completely dependent on, our contract manufacturing partners for compliance with cGMPs and QSR requirements or comparable foreign regulatory requirements. If our contract manufacturers cannot successfully manufacture material that conforms to our specifications and the strict

regulatory requirements of the FDA or other foreign regulatory authorities, they will not be able to secure and/or maintain regulatory approval for the use of their manufacturing facilities for our products. In addition, we have no control over the ability of our contract manufacturers to maintain adequate quality control, quality assurance and qualified personnel. If the FDA or a comparable foreign regulatory authority does not approve these facilities for the manufacture of our product candidates or if it withdraws any such approval in the future, we may need to find alternative manufacturing facilities, which could cause significant delays in our operating timelines and would significantly impact our ability to develop, obtain regulatory approval for or market our product candidates, if approved. Contract manufacturers may face manufacturing or quality control problems causing drug substance production and shipment delays or a situation where the contractor may not be able to maintain compliance with the applicable cGMP and QSR requirements. Any failure to comply with cGMP or QSR requirements or other FDA, EMA and comparable foreign regulatory requirements could adversely affect our clinical research activities and our ability to develop our product candidates and market our products following approval.

The FDA and other foreign regulatory authorities require manufacturers to register manufacturing facilities. The FDA and corresponding foreign regulators also inspect these facilities to confirm compliance with applicable cGMPs and QSR requirements and comparable foreign regulatory requirements. Contract manufacturers may face manufacturing or quality control problems causing drug substance or device component production and shipment delays or a situation where the contractor may not be able to maintain compliance with the applicable cGMP or QSR requirements or comparable foreign regulatory requirements. Any failure to comply with cGMP or QSR requirements or other FDA and comparable foreign regulatory requirements could adversely affect our clinical research activities and our ability to develop our product candidates and market our products following approval.

Separately, in February 2024, the FDA issued a final rule to amend and replace the QSR to align more closely with the International Organization for Standardization standards. Specifically, this final rule, which the FDA currently expects to go into effect on February 2, 2026, establishes the “Quality Management System Regulation,” (QMSR), which among other things, incorporates by reference the quality management system requirements of ISO 13485:2016. Although the FDA has stated that the standards contained in ISO 13485:2106 are substantially similar to those set forth in the QSR, it is unclear the extent to which this final rule, once effective, could impose additional or different regulatory requirements on us or our contract manufacturers that could increase the costs of compliance or otherwise negatively affect our business. If we or our contract manufacturers are unable to comply with the QMSR, once effective, such failures could have an adverse effect on our business, financial condition and results of operations.

We rely on third parties to conduct our preclinical studies and clinical trials. If they do not perform satisfactorily or fail to meet expected deadlines, our business could be harmed.

We do not independently conduct clinical trials of any of our product candidates. We rely on third parties, such as CROs, clinical data management organizations, medical institutions and clinical investigators, to conduct these clinical trials and expect to rely on these third parties to conduct clinical trials of any other product candidate that we develop. Any of these third parties may terminate their engagements with us under certain circumstances. We may not be able to enter into alternative arrangements or do so on commercially reasonable terms. In addition, there is a natural transition period when a new CRO begins work. As a result, delays would likely occur, which could negatively impact our ability to meet our expected clinical development timelines and harm our business, financial condition and prospects.

Further, although our reliance on these third parties for clinical development activities limits our control over these activities, we remain responsible for ensuring that each of our trials is conducted in accordance with the applicable protocol, legal, regulatory and scientific standards. For example, notwithstanding the obligations of a CRO for a trial of one of our product candidates, we remain responsible for ensuring that each of our clinical trials is conducted in accordance with the general investigational plan and protocols for the trial. Moreover, the FDA and foreign regulatory authorities require us to comply with standards, commonly referred to as Good Clinical Practices, or GCPs, for conducting, recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of trial participants are protected. The FDA enforces these GCPs through periodic inspections of trial sponsors, principal investigators, clinical trial sites and IRBs. Similar requirements apply in other jurisdictions, such as the EU. If we or our third-party contractors fail to comply with applicable GCPs, the clinical data generated in our clinical trials may be deemed unreliable and the FDA or comparable foreign regulatory authorities may require us to perform additional

clinical trials before approving our product candidates, which would delay the marketing approval process. We cannot be certain that, upon inspection, the FDA or comparable foreign regulatory authorities will determine that any of our clinical trials comply with GCPs. We are also required to register clinical trials and post the results of completed clinical trials on a government-sponsored database, ClinicalTrials.gov, within certain timeframes. Failure to do so can result in fines, adverse publicity and civil and criminal sanctions.

Furthermore, the third parties conducting clinical trials on our behalf are not our employees, and except for remedies available to us under our agreements with such contractors, we cannot control whether or not they devote sufficient time, skill and resources to our ongoing development programs. These contractors may also have relationships with other commercial entities, including our competitors, for whom they may also be conducting clinical trials or other drug development activities, which could impede their ability to devote appropriate time to our clinical programs. If these third parties do not successfully carry out their contractual duties, meet expected deadlines or conduct our clinical trials in accordance with regulatory requirements or our stated protocols, we may not be able to obtain, or may be delayed in obtaining, marketing approvals for our product candidates. If that occurs, we will not be able to, or may be delayed in our efforts to, successfully commercialize our product candidates. In such an event, our financial results and the commercial prospects for any product candidates that we seek to develop could be harmed, our costs could increase and our ability to generate revenues could be delayed, impaired or foreclosed.

Risks Related to Third Party Contracts

We enter into various contracts in the normal course of our business in which we indemnify the other party to the contract. In the event we have to perform under these indemnification provisions, it could have a material adverse effect on our business, financial condition and results of operations.

In the normal course of business, we periodically enter into academic, commercial, service, collaboration, licensing, consulting and other agreements that contain indemnification provisions. With respect to our academic and other research agreements, we typically indemnify the institution and related parties from losses arising from claims relating to the products, processes or services made, used, sold or performed pursuant to the agreements for which we have secured licenses, and from claims arising from our or our sublicensees' exercise of rights under the agreement. With respect to our commercial agreements, we indemnify our vendors from any third-party product liability claims that could result from the production, use or consumption of the product, as well as for alleged infringements of any patent or other intellectual property right by a third party.

Should our obligation under an indemnification provision exceed applicable insurance coverage or if we were denied insurance coverage, our business, financial condition and results of operations could be adversely affected. Similarly, if we are relying on a collaborator to indemnify us and the collaborator is denied insurance coverage or the indemnification obligation exceeds the applicable insurance coverage and does not have other assets available to indemnify us, our business, financial condition and results of operations could be adversely affected.

We expect to seek to establish collaborations and, if we are not able to establish them on commercially reasonable terms, we may have to alter our development and commercialization plans.

We expect to seek one or more collaborators for the development and commercialization of one or more of our product candidates. For example, we started collaborating with West in 2019 for development of the FUROSCIX infusor. Likely collaborators may include large and mid-size pharmaceutical companies, regional and national pharmaceutical companies and biotechnology companies. In addition, if we are able to obtain marketing approval for product candidates from foreign regulatory authorities, we intend to enter into strategic relationships with international biotechnology or pharmaceutical companies for the commercialization of such product candidates outside of the United States.

We face significant competition in seeking appropriate collaborators. Whether we reach a definitive agreement for a collaboration will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator's evaluation of a number of factors. Those factors may include the potential differentiation of our product candidate from competing product candidates, design or results of clinical trials, the likelihood of approval by the FDA or comparable foreign regulatory authorities and the regulatory pathway for any such approval, the potential market for the product candidate, the costs and complexities of manufacturing and delivering the product to patients and the potential of

competing products. The collaborator may also consider alternative product candidates or technologies for similar indications that may be available for collaboration and whether such a collaboration could be more attractive than the one with us for our product candidate. If we elect to increase our expenditures to fund development or commercialization activities on our own, we may need to obtain additional capital, which may not be available to us on acceptable terms or at all. If we do not have sufficient funds, we may not be able to further develop our product candidates or bring them to market and generate product revenue.

Collaborations are complex and time-consuming to negotiate and document. Further, there have been a significant number of recent business combinations among large pharmaceutical companies that have resulted in a reduced number of potential future collaborators. Any collaboration agreements that we enter into in the future may contain restrictions on our ability to enter into potential collaborations or to otherwise develop specified product candidates. We may not be able to negotiate collaborations on a timely basis, on acceptable terms, or at all. If we are unable to do so, we may have to curtail the development of the product candidate for which we are seeking to collaborate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense.

Risks Related to Employee Matters, Managing Growth and Business Operations

Risks Related to Employee Matters

We will need to develop and expand our company, and we may encounter difficulties in managing this development and expansion, which could disrupt our operations.

We expect to continue to increase our number of employees and the scope of our operations. In particular, we will need to continue transitioning from a research and development company to a commercial company. To manage our anticipated development and expansion, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Also, our management may need to divert a disproportionate amount of its attention away from their day-to-day activities and devote a substantial amount of time to managing these development activities. Due to our limited resources, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. This may result in weaknesses in our infrastructure, and give rise to operational mistakes, loss of business and commercial opportunities, loss of employees and reduced productivity among remaining employees. If our management is unable to effectively manage our expected development and expansion, our expenses may increase more than expected, our ability to generate or increase our revenue could be reduced and we may not be able to implement our business strategy.

The physical expansion of our operations may lead to significant costs and may divert financial resources from other projects, such as the development of our product candidates. Many of our suppliers and collaborative and clinical trial relationships are located outside the United States, and we may in the future seek to hire employees located outside of the United States. Accordingly, our business may become subject to economic, political, regulatory and other risks associated with international operations, such as compliance with tax, employment, immigration and labor laws for employees living or traveling abroad, workforce uncertainty in countries where labor unrest is more common than in the United States, as well as difficulties associated with staffing and managing international operations, including differing labor relations. Any of these factors could materially affect our business, financial condition and results of operations. Our future financial performance, our ability to commercialize FUROSCIX and compete effectively will depend, in part, on our ability to effectively manage the future development and expansion of our company.

We depend heavily on our executive officers, directors, and principal consultants and the loss of their services would materially harm our business.

Our success depends, and will likely continue to depend, upon our ability to hire, retain the services of our current executive officers, directors, principal consultants and others. In addition, we have established relationships with universities and research institutions which have historically provided, and continue to provide, us with access to research laboratories, clinical trials, facilities and patients. Our ability to compete in the biotechnology and pharmaceuticals industries depends upon our ability to attract and retain highly qualified managerial, scientific and medical personnel.

Our industry has experienced a high rate of turnover of management personnel in recent years. We are highly dependent on our executive leadership team. We have employment agreements with these individuals but any individual may terminate his or her employment with us at any time. The loss of their services might impede the achievement of our research, development and commercialization objectives. We also do not have any key-person life insurance on any of these key employees. Departed personnel have sought to compete with us historically and may continue to do so in the future. Furthermore, replacing executive officers or other key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to develop, gain marketing approval of and commercialize products successfully.

Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these additional key employees on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions. Additionally, failure to succeed in clinical trials may make it more challenging to recruit and retain qualified scientific personnel.

We rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our research and development and commercialization strategy. Our consultants and advisors may be employed by other entities and may have commitments under consulting or advisory contracts with those entities that may limit their availability to us. If we are unable to continue to attract and retain highly qualified personnel, our ability to develop and commercialize our products and product candidates will be limited.

Our company lacks experience commercializing products, which may have a material adverse effect on our business.

We continue to transition from a company with a development focus to a company capable of supporting commercial activities. We completed building our initial sales force and began the commercial launch of FUROSCIX in February 2023. Since FUROSCIX is our first commercial product approved, we have not yet demonstrated an ability to commercialize a product candidate or to obtain marketing approval for a product candidate outside of the U.S. Therefore, our clinical development, and commercialization processes and our regulatory approval process in the U.S. or countries outside of the U.S. may involve more inherent risk, take longer, and cost more than it would if we were a company with a more significant operating history and had experience obtaining approval and marketing approval for and commercializing a product candidate.

Our employees, independent contractors, consultants, collaborators and contract research organizations may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements, which could cause significant liability for us and harm our reputation.

We are exposed to the risk that our employees, independent contractors, consultants, collaborators, contract research organizations, principal investigators, suppliers and vendors may engage in fraud or other misconduct, including intentional, reckless and/or negligent conduct that fails to comply with FDA regulations or similar regulations of comparable non-U.S. regulatory authorities, to provide true, complete and accurate information to the FDA or comparable non-U.S. regulatory authorities, to comply with manufacturing standards we have established, to comply with federal and state healthcare fraud and abuse laws and regulations and similar laws and regulations established and enforced by comparable non-U.S. regulatory authorities, to report financial information or data accurately or to disclose unauthorized activities to us. Such misconduct could also involve the improper use or misrepresentation of information obtained in the course of clinical trials, creating fraudulent data in our preclinical studies or clinical trials or illegal misappropriation of product materials, which could result in regulatory sanctions and serious harm to our reputation.

We have adopted a Code of Business Conduct and Ethics to aid our directors, officers, employees and certain designated agents in making ethical and legal decisions when conducting business on our behalf and performing their day-to-day duties. However, it is not always possible to identify and deter misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws, standards or regulations. Additionally, we are subject to the risk that a private person or governmental agency could allege such fraud or other misconduct, even if none occurred. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those

actions could have a significant impact on our business and results of operations, including the imposition of significant fines or other sanctions.

Risks Related to Business Operations and Growth

We expect to expand our organization and, as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.

We expect to experience significant growth in the number of our employees and the scope of our operations, particularly in the areas of drug manufacturing, regulatory affairs and sales, marketing and distribution, as well as to support our public company operations. To manage these growth activities, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Our management may need to devote a significant amount of its attention to managing these growth activities. Moreover, our expected growth could require us to relocate to a different geographic area of the country. Due to our limited financial resources and the limited experience of our management team in managing a company with such anticipated growth, we may not be able to effectively manage the expansion or relocation of our operations, retain key employees, or identify, recruit and train additional qualified personnel. Our inability to manage the expansion or relocation of our operations effectively may result in weaknesses in our infrastructure, give rise to operational mistakes, loss of business opportunities, loss of employees and reduced productivity among remaining employees. Our expected growth could also require significant capital expenditures and may divert financial resources from other projects, such as the commercialization and development of FUROSCIX or additional product candidates. If we are unable to effectively manage our expected growth, our expenses may increase more than expected, our ability to generate revenues could be reduced and we may not be able to implement our business strategy, including the successful commercialization of our products and product candidates.

We might not be able to utilize a significant portion of our net operating loss carryforwards and research and development tax credit carryforwards.

As of December 31, 2023, we had federal net operating loss carryforwards of $17.5 million, which expire at various dates through 2037, and $127.3 million, which may be carried forward indefinitely. At December 31, 2023, we had available state net operating loss carryforwards of $147.1 million, which expire at various dates through 2043 and $1.8 million, which may be carried forward indefinitely. If not utilized, the net operating loss carryforwards will expire. At December 31, 2023, we had federal and state research and development tax credit carryforwards of $3.9 million and $1.0 million, respectively. If not utilized, the research and development credits expire at various dates through 2043. Our ability to use our U.S. federal and state net operating loss and tax credit carryforwards to offset potential future taxable income and related income taxes that would otherwise be due is dependent upon our generation of future taxable income. These net operating loss and tax credit carryforwards could expire unused and be unavailable to offset future income tax liabilities. In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, and corresponding provisions of state law, if a corporation undergoes an “ownership change,” which is generally defined as a greater than 50% change, by value, in its equity ownership over a three-year period, the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income may be limited.

In 2017 we experienced an ownership change that we believe under Section 382 of the Code will result in limitations in our ability to utilize net operating losses and credits. In addition, we may experience future ownership changes as a result of future offerings or other changes in ownership of our stock. As a result, the amount of the net operating loss and tax credit carryforwards presented in our consolidated financial statements could be limited and may expire unutilized.

Our business could be adversely impacted by climate change, extreme weather conditions and natural disasters.

The intensifying effects of climate change present physical, liability, and transition risks with both macro and micro implications for companies and financial markets. There is increasing concern that a gradual increase in global average temperatures due to increased concentration of carbon dioxide and other greenhouse gases in the atmosphere are causing significant changes in weather patterns around the globe and an increase in the frequency and severity of natural disasters. Changes in weather patterns and an increased frequency, intensity

and duration of extreme weather events (such as floods, droughts, wildfires and severe storms), whether as a result of climate change or otherwise, could, among other things, disrupt our operations, including by damaging or destroying our facilities or those of our suppliers or manufacturing partners, which may cause us to suffer losses and additional costs to maintain or resume operations or as a result of supply chain-related delays or cancellations, which could have an adverse impact on our business and results of operations. In addition, implementing changes to mitigate risks associated with such events may result in substantial short- and long-term additional operational expenses, which may materially affect our profitability.

General Risk Factors

Our business and operations may suffer in the event of information technology system failures, cyberattacks or deficiencies in our cybersecurity.

We collect and maintain information in digital form that is necessary to conduct our business, and we are increasingly dependent on information technology systems and infrastructure to operate our business. In the ordinary course of our business, we collect, store and transmit large amounts of confidential information, including intellectual property, proprietary business information, personal information of customers and our employees and contractors and clinical data, or collectively, Confidential Information. It is critical that we do so in a secure manner to maintain the confidentiality and integrity of such Confidential Information.

Our information technology systems and those of our third-party service providers, strategic partners and other contractors or consultants are vulnerable to attack and damage or interruption from computer viruses and malware (e.g. ransomware), malicious code, misconfigurations, “bugs” or other vulnerabilities, natural disasters, terrorism, war, telecommunication and electrical failures, hacking, cyberattacks, phishing attacks and other social engineering schemes, employee theft or misuse, human error, fraud, denial or degradation of service attacks, and sophisticated nation-state and nation-state-supported actors. We have also outsourced elements of our information technology infrastructure, and as a result a number of third-party vendors may or could have access to our Confidential Information.

Further, attacks upon information technology systems are increasing in their frequency, levels of persistence, sophistication and intensity, and are being conducted by sophisticated and organized groups and individuals with a wide range of motives and expertise. As a result of the continued hybrid working environment, we may also face increased cybersecurity risks due to our reliance on internet technology and the number of our employees who are working remotely, which may create additional opportunities for cybercriminals to exploit vulnerabilities. Furthermore, because the techniques used to obtain unauthorized access to, or to sabotage, systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures. We may also experience security breaches that may remain undetected for an extended period. Even if identified, we may be unable to adequately investigate or remediate incidents or breaches due to attackers increasingly using tools and techniques that are designed to circumvent controls, to avoid detection, and to remove or obfuscate forensic evidence. There can also be no assurance that our and our service providers’, strategic partners’ and other contractors’ or consultants’ cybersecurity risk management program and processes, including policies, controls or procedures, will be fully implemented, complied with or effective in protecting our systems, networks and Confidential Information.

We and certain of our service providers are from time to time subject to cyberattacks and security incidents. While we do not believe that we have experienced any significant system failure, accident or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our development programs and our business operations, whether due to a loss, corruption or unauthorized disclosure of our Confidential Information or other similar disruptions. If a security breach or other incident were to result in the unauthorized access to or unauthorized use, disclosure, release or other processing of personal information, it may be necessary to notify individuals, governmental authorities, supervisory bodies, the media and other parties pursuant to privacy and security laws. We could also incur liability, including litigation exposure, penalties and fines, and we could become the subject of regulatory action or investigation. Our competitive position could be harmed and the further development and commercialization of our products and services could be delayed. We maintain cyber liability insurance; however, this insurance may not be sufficient to cover the financial, legal, business or reputational losses that may result from an interruption or breach of our systems.

For example, in February 2024, UnitedHealth Group announced that its Change Healthcare information technology systems were being taken offline for an undefined period, which has impacted and could continue to impact our operations, including the ability of third-party pharmacies to fill electronic prescriptions our clinicians may write for patients. We have observed a disruption in claims being processed resulting in delays in patients receiving shipments of FUROSCIX as a result of the Change Healthcare issue. Such failures or breaches of our third-party vendors' security measures, or our third-party vendors' inability to effectively resolve such failures or breaches in a timely manner, could adversely impact our financial results, including our results for the quarter ending March 31, 2024.

Product liability lawsuits could divert our resources, result in substantial liabilities and reduce the commercial potential of our products and product candidates.

The risk that we may be sued on product liability claims is inherent in the commercialization of and development of drug formulation and device products. We face a risk of product liability exposure related to our marketed product and the testing of our product candidates in clinical trials. Product liability claims might be brought against us by consumers, healthcare providers or others coming into contact with our products and product candidates. These lawsuits may divert our management from pursuing our business strategy and may be costly to defend. In addition, if we are held liable in any of these lawsuits, we may incur substantial liabilities and may be forced to limit or forego further commercialization of one or more of our products which could adversely affect our stock price and our operations.

We may become involved in litigation or other proceedings with third parties, which may be time consuming, costly and could result in delays in our development and commercialization efforts.

Any disputes with such third parties that lead to litigation or similar proceedings may result in us incurring legal expenses, as well as facing potential legal liability. Such disputes, litigation or other proceedings are also time consuming and may cause delays in our development and commercialization efforts. If we fail to resolve these disputes quickly and on favorable terms, our business, results of operations, and financial condition may be harmed.

Unstable market and economic conditions may have serious adverse consequences on our business, financial condition and share price.

The global economy, including credit and financial markets, has experienced extreme volatility and disruptions, including, for example, severely diminished liquidity and credit availability, rising interest and inflation rates, crises involving banking and financial institutions, declines in consumer confidence, declines in economic growth, increases in unemployment rates and uncertainty about economic stability. If the equity and credit markets continue to deteriorate, or the United States enters a recession, it may make any necessary debt or equity financing more difficult to obtain in a timely manner or on favorable terms, more costly or more dilutive. In addition, there is a risk that one or more of our CROs, suppliers, CMOs, or other third-party providers may not survive an economic downturn or recession. As a result, our business, results of operations and price of our common stock may be adversely affected.

Increased scrutiny of, and evolving expectations regarding, sustainability and environmental, social, and governance ("ESG") matters could increase our costs, harm our reputation and adversely impact our financial results.

Companies are facing increasing and evolving scrutiny related to ESG practices and disclosures from certain investors, government entities, customers, employees and other stakeholders or third parties. With this increased focus, public reporting regarding ESG practices is becoming more broadly expected, which could lead to increased scrutiny of our ESG practices or lack thereof. Such increased scrutiny may result in increased costs, increased risk of litigation or reputational damage relating to our ESG practices or performance, enhanced compliance or disclosure obligations, or other adverse impacts on our business, financial condition or results of operations. While we may at times engage in voluntary initiatives (such as voluntary disclosures or goals), such initiatives may be costly and may not have the desired effect. For example, we may commit to certain initiatives and we may not ultimately be able to achieve such initiatives due to cost, technological constraints or other factors that are within or outside of our control. Even if we achieve our initiatives, our actions may subsequently be determined to be insufficient by various stakeholders or other third parties. If our ESG practices and reporting do not meet investor, regulator, customer, employee or other stakeholder or third party expectations, which

continue to evolve, our brand, reputation and/or business relationships may be negatively impacted, and we may be subject to investor or regulator engagement regarding such matters. Certain market participants, including major institutional investors, use third-party benchmarks, ratings or scores to measure our ESG practices in making investment and voting decisions. Unfavorable ratings or scores of us or our industry may lead to negative investor sentiment and the diversion of investment to other companies or industries, which could have a negative impact on our stock price and our access to and cost of capital. As ESG best practices, reporting standards and disclosure requirements continue to develop, we may incur increasing costs related to ESG monitoring and reporting. In addition, new ESG rules and regulations have been adopted and may continue to be introduced in various states and other jurisdictions. Our failure to comply with any applicable rules or regulations could lead to penalties and adversely impact our reputation, customer attraction and retention, access to capital and employee retention. Such ESG matters may also impact our suppliers, customers and business partners, which may augment or cause additional impacts on our business, financial condition or results of operations.

Risks Related to Ownership of Our Common Stock

The trading price of our common stock may be highly volatile and fluctuate substantially.

Our stock price is likely to be highly volatile. The stock market in general and the market for smaller pharmaceutical and biotechnology companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. The market price for our common stock may be influenced by many factors, including:

- regulatory actions with respect to our product candidates;
- the pricing, reimbursement and commercialization of FUROSCIX and of other product candidates that may be approved;
- regulatory actions with respect to our competitors' products and product candidates;
- the success of existing or new competitive products or technologies;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures, collaborations or capital commitments;
- the timing and results of clinical trials of our pipeline product candidates;
- commencement or termination of collaborations for our development programs;
- failure or discontinuation of any of our development programs;
- results of clinical trials of product candidates of our competitors;
- regulatory or legal developments in the United States and other countries;
- developments or disputes concerning patent applications, issued patents or other proprietary rights, including proprietary rights that we in-license from third parties;
- the recruitment or departure of key personnel;
- the level of expenses related to any of our products or product candidates or clinical development programs;
- the results of our efforts to develop additional product candidates or products;
- actual or anticipated changes in estimates as to financial results or development timelines;
- announcement or expectation of additional financing efforts;
- sales of our common stock by us, our insiders or other stockholders;
- variations in our financial results or those of companies that are perceived to be similar to us;
- changes in estimates or recommendations by securities analysts, if any, that cover our stock;
- changes in the structure of healthcare payment systems;
- market conditions in the pharmaceutical and biotechnology sectors;
- general economic, industry and market conditions; and

- the other factors described in this “Risk Factors” section.

Additionally, in the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because pharmaceutical companies have experienced significant stock price volatility in recent years. If we face such litigation, it could result in substantial costs and a diversion of management’s attention and resources, which could harm our business.

Raising additional capital may cause dilution to our stockholders, restrict our operations or require us to relinquish rights to our technologies or product candidates.

We expect our expenses to increase in connection with our planned operations. To the extent that we raise additional capital through the sale of common stock, convertible securities or other equity securities, the ownership percentages of all our stockholders may be diluted, and the terms of these securities could include liquidation or other preferences and anti-dilution protections that could adversely affect the rights of our stockholders. In addition, royalty-based financing or debt financing, if available, may result in our relinquishing rights to valuable future revenue streams or fixed payment obligations and may involve agreements that include restrictive covenants that limit our ability to take specific actions, such as incurring additional debt, making capital expenditures, creating liens, redeeming stock or declaring dividends, that could adversely impact our ability to conduct our business. In addition, securing financing could require a substantial amount of time and attention from our management and may divert a disproportionate amount of their attention away from day-to-day activities, which may adversely affect our management’s ability to oversee the commercialization of FUROSCIX and the development of our product candidates.

If we raise additional funds through collaborations or marketing, distribution or licensing, or royalty-based financing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, products or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds when needed, we may be required to delay, limit, reduce or terminate our product development or commercialization efforts or grant rights to develop and market products or product candidates that we would otherwise prefer to develop and market ourselves.

We do not anticipate paying any cash dividends on our capital stock in the foreseeable future. Accordingly, stockholders must rely on capital appreciation, if any, for any return on their investment.

We have never declared nor paid cash dividends on our capital stock. We currently plan to retain all of our future earnings, if any, to finance the operation, development and growth of our business. In addition, the terms of any of our existing, and potentially future, debt or credit agreements will restrict or preclude us from paying dividends. For example, under our Credit Agreement with Oaktree, we are restricted from paying any dividends or making any distributions on account of our capital stock if we are in, or expected to be, in default. As a result, capital appreciation, if any, of our common stock will be the sole source of gain for our stockholders for the foreseeable future.

Concentration of ownership of our common stock among our existing executive officers, directors and principal stockholders may prevent new investors from influencing significant corporate decisions.

Based upon shares outstanding as of December 31, 2023, our executive officers and directors, combined with our stockholders who own more than 5% of our outstanding common stock and their affiliates, in the aggregate, beneficially own shares representing approximately 54.6% of our common stock. As a result, if these stockholders were to choose to act together, they would be able to control all matters submitted to our stockholders for approval, as well as our management and affairs. For example, these persons, if they choose to act together, would control the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of ownership control may:

- delay, defer or prevent a change in control;
- entrench our management or the board of directors; or
- impede a merger, consolidation, takeover or other business combination involving us that other stockholders may desire.

Some of these persons or entities may have interests that are different than those of other stockholders. For example, because many of these stockholders purchased their shares at prices substantially below the price at which shares were sold in our initial public offering and have held their shares for a longer period, they may be more interested in selling our company to an acquirer than other investors or they may want us to pursue strategies that deviate from the interests of other stockholders.

We are a "smaller reporting company," as defined in the Exchange Act, and the reduced disclosure requirements applicable to smaller reporting companies may make our common stock less attractive to investors.

We are a "smaller reporting company" as defined in the Securities Exchange Act of 1934, as amended, or the Exchange Act. We may take advantage of certain of the scaled disclosures available to smaller reporting companies until the fiscal year following the determination that our voting and non-voting common stock held by non-affiliates is more than $250.0 million measured on the last business day of our second fiscal quarter, or our annual revenues are more than $100.0 million during the most recently completed fiscal year and our voting and non-voting common stock held by non-affiliates is more than $700.0 million measured on the last business day of our second fiscal quarter, which we refer to as a low-revenue smaller reporting company.

Our independent registered public accounting firm will not be required to provide an attestation report on the effectiveness of our internal control over financial reporting so long as we qualify as a low-revenue smaller reporting company, which may increase the risk that material weaknesses or significant deficiencies in our internal control over financial reporting go undetected. Likewise, so long as we qualify as a smaller reporting company we may elect not to provide you with certain information, including certain financial information and certain information regarding compensation of our executive officers, that we would otherwise have been required to provide in filings we make with the SEC, which may make it more difficult for investors and securities analysts to evaluate our company. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock, and our stock price may be more volatile and may decline.

As a public company, we must comply with public company reporting and other obligations. Continued compliance with these requirements will increase our costs and require additional management resources, and do not ensure that we will be able to satisfy them.

As a result of operating as a public company, compliance with the Sarbanes-Oxley Act of 2002, as well as other rules and regulations promulgated by the SEC and the Nasdaq Stock Market LLC, or Nasdaq, results in significant legal, accounting, administrative and other costs and expenses. The listing requirements of the Nasdaq Global Select Market require that we satisfy certain corporate governance requirements relating to director independence, distributing annual and interim reports, stockholder meetings, approvals and voting, soliciting proxies, conflicts of interest and a code of conduct. Our management and other personnel will need to continue to devote a substantial amount of time to ensure that we continue to comply with all of these requirements.

We are subject to Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, and the related rules of the SEC that generally require our management and independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting. Section 404 requires an annual management assessment of the effectiveness of our internal control over financial reporting. However, for so long as we remain a low-revenue smaller reporting company, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to public companies that are not smaller reporting companies, including, but not limited to, not being required to comply with the auditor attestation requirement of Section 404. Once we are no longer a low-revenue smaller reporting company or, if before such date, we opt to no longer take advantage of the applicable exemption, we will be required to include an opinion from our independent registered public accounting firm on the effectiveness of our internal control over financial reporting.

During the course of our review and testing of our internal controls, we may identify deficiencies and be unable to remediate them before we must provide the required reports, as is the case in this Annual Report on Form 10-K, due to the material weakness identified and described below. This material weakness in our internal control over financial reporting resulted in management being unable to conclude, and any additional material weakness in our internal control over financial reporting may in the future result in our management being unable to conclude, that our disclosure controls and procedures were effective for the applicable period.

Furthermore, if we have a material weakness in our internal control over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated, especially for so long as our independent registered public accounting firm is not required to provide an attestation report on the effectiveness of such internal controls over financial reporting. We, as is the case in this Annual Report on Form 10-K, or our independent registered public accounting firm, once we are no longer a lower-revenue small reporting company, may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting, which could harm our operating results, cause investors to lose confidence in our reported financial information and cause the trading price of our stock to fall. In addition, as a public company we are required to timely file accurate quarterly and annual reports with the SEC under the Exchange Act. Any failure to report our financial results on an accurate and timely basis could result in sanctions, lawsuits, delisting of our shares from the Nasdaq Global Select Market or other adverse consequences.

We have identified a material weakness in our internal control over financial reporting. If we are unable to remediate this material weakness, or if we identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect our business and stock price.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected on a timely basis. In connection with the preparation of our financial statements for this Annual Report on Form 10-K, we identified a material weakness in our internal control over financial reporting related to our failure to maintain proper controls, processes and procedures over the fair value accounting associated with the embedded derivative liability, in connection with the Oaktree Agreement. See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources” for a description of the Oaktree Agreement. Specifically, the calculation performed by our third-party valuation specialist during the fourth quarter of the year ended December 31, 2023 as it relates to fair value accounting for the liability included errors resulting in an overstatement in the fair value of the liability. We made adjustments necessary to properly reflect the fair value of the derivative liability in the financial statements included in this Annual Report on Form 10-K for the period ended December 31, 2023. Although the material weakness identified above did not result in any changes to previously released financial results, our management concluded that these control deficiencies constitute a material weakness and that our internal control over financial reporting was not effective as of December 31, 2023.

Our management, with the oversight of our audit committee, has initiated steps and plans to take additional measures to remediate the underlying causes of the material weakness, which we currently believe will be primarily through revising precision level of management review controls and gaining additional assurance regarding our outside service providers’ quality control procedures. Although we plan to complete implementing the remediation plan as quickly as possible, we cannot at this time estimate how long it will take, and our initiatives may not prove to be successful in remediating this material weakness. The above remediations to our controls need to operate for a sufficient period of time so that management can conclude that our controls are operating effectively. As such, the material weakness will not be considered remediated until management has concluded through the implementation of these remediation measures and additional testing that these controls are effective. If our remedial measures are insufficient to address the material weakness, or if additional material weaknesses or significant deficiencies in our internal control over financial reporting are discovered or occur in the future, our consolidated financial statements may contain material misstatements and we could be required to restate our financial results. In addition, if we are unable to successfully remediate this material weakness and if we are unable to produce accurate and timely financial statements, our stock price may be adversely affected and we may be unable to maintain compliance with applicable stock exchange listing requirements.

Future sales of our common stock into the market could cause the market price of our common stock to decline significantly, even if our business is doing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares of common stock intend to sell shares, could reduce the market price of our common stock. Persons who were our stockholders prior to our IPO continue to hold a substantial number of shares of our common stock that many of them are now able to sell in

the public market. If these pre-IPO shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

Moreover, certain holders of securities issued prior to our IPO have rights, subject to conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders.

If securities or industry analysts do not continue to publish research or publish inaccurate or unfavorable research about our business, our share price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. In the event one or more analysts downgrade our stock or change their opinion of our stock, our share price would likely decline. In addition, if one or more analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

An active trading market for our common stock may not be sustainable. If an active trading market is not sustained, our ability to raise capital in the future may be impaired.

We completed our initial public offering in November 2017. Prior to this time, there was no public market for our common stock. Although we have completed our initial public offering and shares of our common stock are listed and trading on the Nasdaq Global Select Market, an active trading market for our shares may not be sustained. If an active market for our common stock is not sustained, it may be difficult for our stockholders to sell shares of our common stock without depressing the market price for the shares or at all. An inactive trading market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

Provisions in our corporate charter documents and under Delaware law may prevent or frustrate attempts by our stockholders to change our management or hinder efforts to acquire a controlling interest in us.

Provisions in our corporate charter and our bylaws may discourage, delay or prevent a merger, acquisition or other change in control of us that stockholders may consider favorable. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Among other things, these provisions:

- establish a classified board of directors such that all members of the board are not elected at one time;
- allow the authorized number of our directors to be changed only by resolution of our board of directors;
- limit the manner in which stockholders can remove directors from the board;
- establish advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted on at stockholder meetings;
- require that stockholder actions must be effected at a duly called stockholder meeting and prohibit actions by our stockholders by written consent;
- limit who may call a special meeting of stockholders;
- authorize our board of directors to issue preferred stock without stockholder approval, which could be used to institute a “poison pill” that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our board of directors; and
- require the approval of the holders of at least two-thirds of the votes that all our stockholders would be entitled to cast to amend or repeal certain provisions of our charter or bylaws.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the General Corporation Law of the State of Delaware, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or

combination is approved in a prescribed manner. This could discourage, delay or prevent someone from acquiring us or merging with us, whether or not it is desired by, or beneficial to, our stockholders. This could also have the effect of discouraging others from making tender offers for our common stock. These provisions may also prevent changes in our management or limit the price that investors are willing to pay for our stock.

Our bylaws designate specific courts as the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.

Pursuant to our bylaws, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for state law claims for any state law claim for (1) any derivative action or proceeding brought on our behalf; (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us or our stockholders; (3) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law or our certificate of incorporation or bylaws; or (4) any action asserting a claim governed by the internal affairs doctrine, or the Delaware Forum Provision. The Delaware Forum Provision will not apply to any causes of action arising under the Securities Act or the Exchange Act. Our bylaws further provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America are the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, or the Federal Forum Provision, or the rules and regulations promulgated thereunder, and of all suits in equity and actions at law brought to enforce any liability or duty created by the Securities Act or the rules and regulations thereunder. In addition, our bylaws provide that any person or entity purchasing or otherwise acquiring any interest in shares of our Common Stock is deemed to have notice of and consented to the foregoing Delaware Forum Provision and Federal Forum Provision; provided, however, that stockholders cannot and will not be deemed to have waived our compliance with the U.S. federal securities laws and the rules and regulations thereunder.

The Delaware Forum Provision and the Federal Forum Provision may impose additional litigation costs on stockholders in pursuing any such claims. Additionally, these forum selection clauses may limit our stockholders' ability to bring a claim in a judicial forum that they find favorable for disputes with us or our directors, officers or employees, which may discourage the filing of lawsuits against us and our directors, officers and employees even though an action, if successful, might benefit our stockholders. While the Delaware Supreme Court and other states have upheld the validity of federal forum selection provisions purporting to require claims under the Securities Act be brought in federal court, there is uncertainty as to whether other courts will enforce our Federal Forum Provision. If the Federal Forum Provision is found to be unenforceable, we may incur additional costs with resolving such matters. The Federal Forum Provision may also impose additional litigation costs on us and/or our stockholders who assert that the provision is invalid or unenforceable. The Court of Chancery of the State of Delaware or the federal district courts of the United States of America may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments may be more or less favorable to us than our stockholders.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity.

Cybersecurity Risk Management and Strategy

We have developed and implemented a cybersecurity risk management program intended to protect the confidentiality, integrity, and availability of our critical systems and information. Our cybersecurity risk management program includes a cybersecurity incident response plan.

We design and assess our program based on the National Institute of Standards and Technology Cybersecurity Framework (NIST CSF). This does not imply that we meet any particular technical standards, specifications, or requirements, only that we use the NIST CSF as a guide to help us identify, assess, and manage cybersecurity risks relevant to our business.

At this time, our cybersecurity risk management program is undergoing an effort to expand and mature our security controls and documentation. Our ongoing efforts include:

- A security risk assessment conducted by an external supplier to help identify material cybersecurity risks to our critical systems, information, products, services, and our broader enterprise IT environment. This assessment is ongoing and will be completed in the third quarter of 2024.
- The implementation of revised information security program documentation and policies in the first quarter of 2024, including:
  - revision and implementation of a revised information security policy;
  - implementation of a revised incident response plan and policy;
  - implementation of a third-party risk management program that includes update procedures for third party vendor due diligence;
  - implementation of additional periodic cybersecurity and awareness training for all of our employees.

These efforts complement our current cybersecurity risk management program, which include a security team that is principally responsible for managing (1) our cybersecurity risk assessment processes, (2) our security controls, and (3) our response to cybersecurity incidents. We also conduct employee cybersecurity awareness training upon onboarding to the company. However, there can be no assurance that our cybersecurity risk management program and processes, including our policies, controls or procedures, will be fully implemented, complied with or effective in protecting our systems and information.

We have not identified risks from known cybersecurity threats, including as a result of any prior cybersecurity incidents, that have materially affected or are reasonably likely to materially affect us, including our operations, business strategy, results of operations, or financial condition. For more information, see the section titled “Risk Factor— Our business and operations may suffer in the event of information technology system failures, cyberattacks or deficiencies in our cybersecurity.”

Cybersecurity Governance

Our Board considers cybersecurity risk as part of its risk oversight function and has delegated to the Audit Committee, or the Committee, oversight of cybersecurity and other information technology risks. The Committee oversees management’s implementation of our cybersecurity risk management program.

The Committee receives periodic reports from management on our cybersecurity risks. In addition, management updates the Committee, as necessary, regarding any material cybersecurity incidents, as well as any incidents with lesser impact potential.

The Committee reports to the full Board regarding its activities, including those related to cybersecurity. The full Board also receives briefings from management on our cyber risk management program. Board members receive presentations on cybersecurity topics from our Vice President Legal Affairs and Chief Compliance Officer, our Chief Financial Officer and internal information technology staff or external experts as part of the Board’s continuing education on topics that impact public companies.

Our management team, including our Director of Information Technology, is responsible for assessing and managing our material risks from cybersecurity threats. The team has primary responsibility for our overall cybersecurity risk management program and supervises both our internal cybersecurity personnel and our retained external cybersecurity consultants. Our management team’s experience includes security program development and review, implementation of security tools and software, security risk identification and remediation, incident identification and remediation, as well as managing enterprise risk. In addition, we rely on third party cyber security consultants and legal counsel to supplement our expertise.

Our management team supervises efforts to prevent, detect, mitigate, and remediate cybersecurity risks and incidents through various means, which may include briefings from internal security personnel threat intelligence and other information obtained from governmental, public or private sources, including external consultants

engaged by us; and alerts and reports produced by security tools deployed in the information technology environment.

Item 2. Properties.

Our principal executive offices are located in a 9,342 square foot facility in Burlington, Massachusetts. Pursuant to a sublease entered into in August 2023, the term of the lease for our facility extends through August 2029. We lease 2,037 square feet in Salem, New Hampshire. The term of the lease for our Salem, New Hampshire facility extends through August 2024. Our facilities house our research and development, sales, marketing, finance and administrative activities. We believe that our current facilities are adequate to meet our needs for the foreseeable future and that suitable additional space will be available as and when needed.

Item 3. Legal Proceedings.

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business. We are not currently aware of any such proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on our business, financial condition or results of operations.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information and Holders

Our common stock is traded on the Nasdaq Global Select Market under the symbol "SCPH".

As of March 12, 2024, there were 23 holders of record of our common stock, which excludes stockholders whose shares were held in nominee or street name by brokers.

Dividend Policy

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay cash dividends will be made at the discretion of our board of directors. In addition, the terms of our outstanding indebtedness restrict our ability to pay cash dividends, and any future indebtedness that we may incur could preclude us from paying cash dividends.

Securities Authorized for Issuance Under Equity Compensation Plans

Information about our equity compensation plans and the securities authorized for issuance thereunder is set forth in Part III, Item 12 of this Annual Report on Form 10-K.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

None.

Item 6. [RESERVED]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the related notes appearing at the end of this Annual Report on Form 10-K. This discussion includes forward-looking statements that involve risks, uncertainties and assumptions such as our plans, objectives, expectations and intentions. You should read the "Forward-Looking Statements" and "Risk Factors" sections of this Annual Report on Form 10-K for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

OVERVIEW

We are a pharmaceutical company focused on developing and commercializing products that have the potential to optimize the delivery of infused therapies, advance patient care and reduce healthcare costs. Our strategy is designed to enable the subcutaneous administration of therapies that have previously been limited to intravenous, or IV, delivery. By moving delivery away from the high-cost healthcare settings typically required for IV administration, we believe our technology has the potential to reduce overall healthcare costs and advance the quality and convenience of care. Our approved product, FUROSCIX, consists of our novel formulation of furosemide delivered via West Pharmaceutical Services, Inc.'s, or West's, on-body infusor, which delivers an 80 mg/10 mL dose over 5 hours. On October 10, 2022, we announced that the U.S. Food and Drug Administration, or FDA, approved FUROSCIX for the treatment of congestion due to fluid overload in adults with New York Heart Association, or NYHA, Class II/III chronic heart failure. FUROSCIX is the first and only FDA-approved subcutaneous loop diuretic that delivers IV equivalent diuresis at home. IV equivalence was established in a clinical study in which FUROSCIX demonstrated 99.6% bioavailability (90% CI: 94.8%-104.8%) and 8-hour urine output of 2.7 L which was similar to subjects receiving intravenous furosemide. The commercial launch of FUROSCIX for congestion in patients with chronic heart failure commenced in the first quarter of 2023.

In the third quarter of 2023, we received positive feedback from the FDA on key long-term growth initiatives. The first was for the potential expansion of the FUROSCIX indication to include NYHA Class IV heart failure patients. Based on the feedback, we filed for NYHA Class IV indication expansion in early October. The second was Type C meeting feedback pertaining to the development of an 80mg/1mL auto-injector intended to provide an additional option to the on-body infusor for treatment of congestion due to fluid overload in eligible adult patients who do not require hospitalization. We believe that the development of an auto-injector, if successfully developed and approved, has the potential to significantly reduce manufacturing costs compared to the current on-body infusor and confer certain environmental advantages. We have submitted an investigational new drug application (IND), and expect to initiate a pharmacokinetic/pharmacodynamic (PK/PD) study in the second quarter of 2024 and plan to submit a supplemental new drug application (sNDA) in the fourth quarter of 2024. Finally, we received feedback on the potential expansion of the FUROSCIX indication to include treatment of edema due to fluid overload in patients with chronic kidney disease (CKD). The agency confirmed that no additional clinical studies are needed to expand the indication to CKD, provided that we can demonstrate an adequate PK and pharmocodynamic bridge to the listed drug, furosemide injection, 10mg/mL. We plan to submit a sNDA in the second quarter of 2024 seeking to expand the indication of FUROSCIX to include the treatment of edema due to fluid overload in adult patients with CKD. The anticipated Prescription Drug User Fee Act (PDUFA) date for edema in patients with CKD is the first quarter of 2025.

We estimate that there is a $12.5 billion total addressable market opportunity for FUROSCIX in the United States including both chronic heart failure and CKD. We believe FUROSCIX will allow eligible patients with chronic heart failure and, if approved, chronic kidney disease with worsening congestion due to fluid overload, to receive IV-strength diuresis outside the high-cost hospital setting. At a price of approximately $898 per dose, we estimate the average cost of treatment with FUROSCIX for each episode to be approximately $4,490, which can be significantly lower than the cost of a single hospitalization. Prevention of hospital admission and reduced readmission rates would result in reducing days patients spend in the hospital each year. By decreasing the number of admissions and readmissions to hospitals, we believe we can drive significant cost savings to payers and hospitals and improve patients' quality of life through outpatient management of their fluid overload.

We have secured positive coverage and a preferred formulary decision for FUROSCIX by a top five national commercial health plan, effective June 1, 2023, as well as national Medicaid coverage of FUROSCIX, effective July 1, 2023. In addition, in late October 2023, we reached an agreement with one of the largest closed integrated delivery networks (IDNs) in the United States, providing unrestricted access to FUROSCIX, without prior authorization, to over 8 million lives, at a fixed co-pay of $75 or less per prescription. As of November 1, 2023,

FUROSCIX is on formulary as a preferred brand with one of the largest government retiree payer formularies, increasing the number of lives with preferred access to FUROSCIX by an additional 1.1 million lives. As of December 31, 2023, there have been approximately 30,000 total FUROSCIX doses written by around 1,700 unique prescribers, and of these, approximately 16,000 FURSOCIX doses had been filled and there were approximately 9,200 doses payer cleared or pending.

In the third quarter of 2023, we also announced the issuance of U.S. patents covering concentrated formulations of furosemide. We have completed initial solubility and stability studies on multiple formulations described in the patent properties, have identified potential product candidates, and commenced Investigational New Drug Application enabling studies.

We have funded our operations from inception through December 31, 2023 primarily through the sale of shares of our common stock and the incurrence of debt and, prior to that, through the private placement of our preferred stock.

For the years ended December 31, 2022 and 2023, our net losses were $36.8 million and $54.8 million, respectively. We have not been profitable since inception, and as of December 31, 2023, our accumulated deficit was $281.3 million. We expect to continue to incur net losses for the foreseeable future as we support the commercialization efforts of FUROSCIX in the United States, including expanding our sales and marketing organization, continuing research and development efforts, engaging in scale-up manufacturing and seeking regulatory approval for new product candidates and enhancements. Our financial results may fluctuate from quarter to quarter and will depend on, among other factors, the net sales of FUROSCIX, the scope and progress of our research and development efforts and timing of certain expenses.

COMPONENTS OF OUR RESULTS OF OPERATIONS

Product Revenues

Product revenues, net, consist of net sales of FUROSCIX. We initiated shipments of FUROSCIX to customers in the United States, which include specialty pharmacies, in February 2023. We recognize revenue for product received by our customers net of allowances for customer discounts, service fees, estimated returns and rebates.

Cost of Product Revenues

Cost of product revenues include costs related to the manufacturing of FUROSCIX, including third party manufacturing costs, packaging and freight, in addition to royalty expenses. We began capitalizing inventory upon FDA approval of FUROSCIX. All costs related to inventory for FUROSCIX prior to FDA approval were expensed as incurred and therefore not included in cost of revenues.

Research and Development Expenses

Research and development ("R&D") expenses consist of the cost of engineering, clinical trials, regulatory and medical affairs and quality assurance associated with developing our proprietary technology and product candidates. R&D expenses consist primarily of:

- employee-related expenses, including salaries, benefits, travel expense and stock-based compensation expense;
- cost of outside consultants who assist with technology development, regulatory affairs, clinical trials and medical affairs, and quality assurance;
- cost of clinical trial activities performed by third parties;
- cost of pre-approval pharmaceutical batch manufacturing; and
- cost of facilities and supplies used for internal research and development and clinical activities.

We expense R&D costs as incurred. Given the emphasis to date on our approved product FUROSCIX, our R&D expenses have not been allocated on a program-specific basis. In the future, we expect R&D expenses to

increase in absolute dollars as we continue to develop new products and enhance existing products and technologies. We anticipate that our expenses will increase significantly as we:

- continue to advance our pipeline programs beyond FUROSCIX;
- continue our current research and development activity;
- seek to identify additional research programs and additional product candidates;
- initiate preclinical testing and clinical trials for any product candidates we identify and develop, maintain, expand and protect our intellectual property portfolio; and
- hire additional research, clinical and scientific personnel.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses consist of employee-related expenses, including salaries, benefits, travel expense and stock-based compensation expense for personnel in executive, finance, commercial, field sales, human resources, facility operations and administrative functions. Other SG&A expenses include promotional activities, marketing, conferences and trade shows, professional services fees, including legal, audit and tax fees, insurance costs, general corporate expenses and allocated facilities-related expenses.

We anticipate that our SG&A expenses will increase as we continue to expand our corporate and commercial infrastructure to support the commercialization activities of FUROSCIX in the United States.

RESULTS OF OPERATIONS

Comparison of Years Ended December 31, 2022 and 2023

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

	YEAR ENDED DECEMBER 31,		INCREASE
	2022	2023	(DECREASE)
Product revenues, net	$ -	$ 13,593	$ 13,593
Operating expenses:			
Cost of product revenues	-	3,811	3,811
Research and development	15,533	11,809	(3,724)
Selling, general and administrative	20,624	53,369	32,745
Total operating expenses	36,157	68,989	32,832
Loss from operations	(36,157)	(55,396)	(19,239)
Other income	1,418	3,605	2,187
Interest income	1,203	5,104	3,901
Interest expense	(3,302)	(8,123)	4,821
Net loss	$ (36,838)	$ (54,810)	$ 17,972

Product revenues. Product revenues were $13.6 million for the year ended December 31, 2023, compared to no product revenues for the year ended December 31, 2022. The increase of $13.6 million was due to revenue generated from the commercial launch of FUROSCIX in February 2023.

Cost of product revenues. Cost of product revenues were $3.8 million for the year ended December 31, 2023, compared to no cost of product revenues for the year ended December 31, 2022. The increase of $3.8 million was due to revenue generated from the commercial launch of FUROSCIX in February 2023.

Research and development expenses. R&D expenses decreased $3.7 million to $11.8 million during the year ended December 31, 2023, compared to $15.5 million during the year ended December 31, 2022. This decrease was primarily attributable to a $2.1 million decrease in clinical study and medical affairs costs, a $1.3 million decrease in employee-related costs, a $0.4 million decrease in quality and regulatory consulting costs and a $0.2

million decrease in patent costs as we shifted in focus to commercialization of FUROSCIX. The decrease was partially offset by a $0.3 million increase in pharmaceutical development costs.

Selling, general and administrative expenses. SG&A expenses increased $32.7 million to $53.4 million during the year ended December 31, 2023, compared to $20.6 million during the year ended December 31, 2022. This increase was primarily attributable to a $20.4 million increase in employee-related costs, including compensation, benefits, travel and facilities allocations, a $10.7 million increase in commercial preparation costs, a $1.2 million increase in operations, quality, and regulatory costs, and a $0.9 million increase in legal costs. The increase was offset by a $0.5 million decrease in insurance costs.

Other income. Other income was $3.6 million for the year ended December 31, 2023, compared to $1.4 million during the year ended December 31, 2022. The increase in income of $2.2 million was primarily attributable to the fair value adjustment to the derivative liability in connection with the Oaktree Agreement (as defined below) that was recorded in 2023.

Interest income. Interest income increased $3.9 million to $5.1 million during the year ended December 31, 2023 compared to $1.2 million during the year ended December 31, 2022. This increase was primarily attributable to higher interest rates on and larger investment balances in our financial instruments during the year ended December 31, 2023.

Interest expense. Interest expense increased $4.8 million from the year ended December 31, 2022 to $8.1 million during the year ended December 31, 2023. This increase was due to higher term loan balances as a result of the Oaktree Agreement (as defined below) commencing in the fourth quarter of 2022, combined with the amortization of the debt discount associated with the instrument.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We have funded our operations from inception through December 31, 2023 primarily through the sale of shares of our common stock, through the private placement of our preferred stock and the incurrence of debt. From inception through December 31, 2023, we received net cash proceeds of $92.7 million from our initial public offering; $56.7 million from sales of our preferred stock; $48.6 million from borrowings under our previous term loan with SLR Investment Corp. and Silicon Valley Bank and our current term loan under the Oaktree Agreement in 2022, net; $13.5 million from sales of convertible notes; $50.2 million from our public offering of common stock in 2020; $46.6 million from our public offering of common stock in 2022; $14.4 million from the sale of common stock in our 2019 at-the-market offering; and $15.1 million from the sale of common stock in our 2021 at-the-market offering. As of December 31, 2023, we had cash and cash equivalents of $46.8 million and short-term investments of $29.2 million. Our cash and cash equivalents are maintained at a number of financial institutions in amounts that may exceed federally insured limits.

On March 23, 2021, we entered into an Open Market Sale Agreement (the "2021 ATM Agreement") with Cowen and Company LLC ("Cowen") to sell shares of our common stock, from time to time, with aggregate gross sales proceeds of up to $50.0 million, through an at-the-market equity offering program under which Cowen will act as our sales agent. As of December 31, 2023, we had received $15.1 million of net proceeds from the sale of shares of common stock pursuant to the 2021 ATM Agreement.

On October 13, 2022, we entered into the Oaktree Agreement which established a $100.0 million term loan facility, consisting of (i) $ 50.0 million funded immediately, (ii) $25.0 million that we may borrow in up to two draws on or prior to September 30, 2024 and (iii) $25.0 million that we may borrow on or prior to December 31, 2024. Our ability to draw the remaining $50.0 million is contingent upon reaching certain net sales revenue milestone targets prior to September 30, 2024 and December 31, 2024, respectively. Our contractual commitments under the Oaktree Agreement as of December 31, 2023 consist of an aggregate of $71.4 million in repayment obligations, inclusive of related interest amounts and final fee in the amount of $1.0 million. See “—Oaktree Loan and Security Agreement” for additional information regarding the Oaktree Agreement.

We expect to incur substantial additional expenditures in the near future to support our ongoing activities and our commercialization of FUROSCIX. We believe our existing cash, cash equivalents and short-term investments, including the available proceed from the first tranche of the Oaktree Agreement, will be sufficient to fund our operations through at least the next 12 months from the date of this Annual Report on Form 10-K. We expect our costs and expenses to increase in the future as we continue U.S. commercialization of FUROSCIX, including the expansion of our direct sales force, and as we continue to make substantial expenditures on research and development, including to increase our manufacturing capacity and for conducting clinical trials of our product candidates. In connection with such development plans and activities, if we determine that we need additional cash resources, we would seek to access such funds through a combination of public or private equity offerings or debt financings. Additionally, we continue to incur additional costs as a result of operating as a public company. Our future capital requirements will depend on many factors, including:

- the costs and expenses of expanding our U.S. sales and marketing infrastructure;
- the costs and expenses related to the manufacturing of FUROSCIX and our agreements with third-party manufacturers;
- the degree of success we experience in commercializing FUROSCIX;
- the revenue generated by sales of FUROSCIX and of other product candidates that may be approved;
- the pricing and reimbursement of FUROSCIX and of other product candidates that may be approved;
- the costs, timing and outcomes of clinical trials and regulatory reviews associated with our product candidates;
- the emergence of competing or complementary technological developments;
- the extent to which FUROSCIX is adopted by the healthcare community;
- the number and types of future products we develop and commercialize;
- the costs of preparing, filing and prosecuting patent applications and maintaining, enforcing and defending intellectual property-related claims; and
- the extent and scope of our general and administrative expenses.

Additional financing may not be available on a timely basis on terms acceptable to us, or at all. We may raise funds in equity, royalty-based or debt financings or enter into additional credit facilities in order to access funds for our capital needs. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution in their percentage ownership of our Company, and any new equity securities we issue could have rights, preferences and privileges senior to those of holders of our common stock. If we raise additional funds through royalty-based financing arrangements, we will likely agree to relinquish rights to potentially valuable future revenue streams and may agree to covenants that restrict our operations or strategic flexibility. Any debt financing obtained by us in the future would cause us to incur additional debt service expenses and could include restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and pursue business opportunities. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, we may terminate or delay the development of one or more of our products, delay clinical trials necessary to market our products, or delay establishment or expansion of sales and marketing capabilities or other activities necessary to commercialize our products. For example, the trading prices for our and other biopharmaceutical companies' securities have been highly volatile as a result of macroeconomic conditions and developments in our industry. As a result, we may face difficulties raising capital through sales of our securities and any such sales may be on unfavorable terms. Additionally, our ability to raise capital may be further impacted by global macroeconomic conditions including, for example, as a result of international political conflict and/or instability, including due to war or terrorism, supply chain issues and rising inflation and interest rates.

Oaktree Loan and Security Agreement

On October 13, 2022 (the "Closing Date"), we entered into a Credit Agreement and Guaranty (the "Oaktree Agreement") with, among others, the lenders from time to time party thereto (the "Lenders") and Oaktree Fund Administration, LLC, in its capacity as administrative agent for the Lenders (in such capacity, the "Agent"). The Oaktree Agreement establishes a $ 100.0 million term loan facility, consisting of (i) $50.0 million (the "Tranche A Loan") funded immediately, (ii) $25.0 million (the "Tranche B Loan") that we may borrow in up to two draws on or

prior to September 30, 2024 and (iii) $25.0 million (the “Tranche C Loan” and, together with the Tranche A Loan and the Tranche B Loan, collectively, the “Term Loan”) that we may borrow on or prior to December 31, 2024; provided, in the case of the Tranche B Loan and the Tranche C Loan, that we have achieved certain net sales revenue milestone targets described in the Oaktree Agreement. The Term Loan has a maturity date of October 13, 2027 (the “Maturity Date”). We used a portion of the proceeds of the Term Loan to prepay all outstanding loans under our existing credit facility with SLR Investment Corp. and Silicon Valley Bank and intend to use the remainder of the proceeds to support our commercialization efforts for FUROSCIX and other working capital and general corporate purposes, including the payment of fees and expenses associated with the Oaktree Agreement.

Borrowings under the Term Loan will bear interest at a rate per annum equal to three-month term Secured Overnight Financing Rate ("SOFR") (subject to a 1.00% floor and a 3.00% cap), plus an applicable margin of 8.75%, payable monthly in arrears. From and after achieving $100.0 million in trailing 12-month net sales of FUROSCIX, the applicable margin shall be reduced from 8.75% to 8.25% through the Maturity Date. For the first two years, we may elect to pay up to 3.00% of interest in-kind. We are also permitted to make quarterly interest-only payments until the third anniversary of the Closing Date, after which we will be required to make quarterly payments of interest, plus repay 5.00% of the outstanding principal of the Term Loan in quarterly installments until maturity (subject to certain exceptions).

The Oaktree Agreement contains customary representations, warranties and affirmative and negative covenants, including financial covenants requiring us to (i) maintain certain levels of cash and cash equivalents in accounts subject to a control agreement in favor of the Agent of at least $15.0 million at all times commencing from 30 days after the Closing Date and increasing to $20.0 million of cash and cash equivalents in such controlled accounts after we borrow the Tranche B Loan and (ii) meet minimum quarterly net sales revenue targets described in the Oaktree Agreement.

In connection with the Oaktree Agreement, we issued the Lenders warrants to purchase an aggregate of 516,345 shares of our common stock at an exercise price of $5.40 per share. The warrants are immediately exercisable, and the exercise period will expire 7 years from the date of issuance.

Prepayments of the loan, in whole or in part, will be subject to a prepayment fee which declines each year until the fourth anniversary date of the Closing Date, after which no prepayment fee is required. We are also required to pay an exit fee upon any payment or prepayment equal to 2.0% of the aggregate principal amount of the loans funded under the Oaktree Agreement.

In addition, the Oaktree Agreement contains customary events of default that could cause our indebtedness to become immediately due and payable. The lenders could declare the Company in default under its debt obligation upon the occurrence of any event that the lenders interpret as having a material adverse effect as defined under the Oaktree Agreement. Upon the occurrence and for the duration of an event of default, an additional interest rate equal to 2.0% per annum could apply to all obligations owed under the Oaktree Agreement. Among other loan covenant requirements, the Oaktree Agreement also requires the Company to provide an audit opinion of its annual financial statements not subject to any "going concern" or like qualification or exception.

SLR Investment Corp. and Silicon Valley Bank Term Loan

In May 2017, we entered into a loan and security agreement (the “2017 Loan Agreement”), with SLR Investment Corp (f/k/a Solar Capital Ltd.) and Silicon Valley Bank (together, the “Lenders”), for $10.0 million. The 2017 Loan Agreement had a maturity date of May 1, 2021. Debt issuance costs for the 2017 Loan Agreement were to be amortized to interest expense over the remaining term of the 2017 Loan Agreement using the effective-interest method.

In September 2019, we replaced the 2017 Loan Agreement with a new $20.0 million term loan with the Lenders (the “2019 Loan Agreement”). The restructured four-year term loan facility allowed for an expansion of the 2017 Loan Agreement. Some of the proceeds from the 2019 Loan Agreement were used to pay off the 2017 Loan Agreement including the final fee of $325,000. The 2019 Loan Agreement extended the term of the credit facility until September 17, 2023.

The 2019 Loan Agreement allowed us to voluntarily prepay all (but not less than all) of the outstanding principal at any time. A prepayment premium of 3% or 1% through the one-year anniversary and the two-year anniversary,

respectively, would be assessed on the outstanding principal. After the two-year anniversary, a 0.5% prepayment premium would be assessed on the outstanding principal. A final payment fee of $500,000 was due upon the earlier to occur of the maturity date or prepayment of such borrowings.

In connection with the Oaktree Agreement, we paid off all unpaid borrowings under the 2019 Loan Agreement on October 13, 2022, including the $500,000 final fee and a prepayment premium of $46,000.

2021 At-the-Market Issuance Sales Agreement

On March 23, 2021, we entered into the 2021 ATM Agreement with Cowen with respect to an at-the-market offering program (the "2021 ATM Program") under which we could offer and sell shares of our common stock (the "2021 ATM Shares"), having an aggregate offering price of up to $50.0 million through Cowen as our sales agent.
The offering and sale of 2021 ATM Shares are made pursuant to our shelf registration statement on Form S-3, which was declared effective by the SEC on April 29, 2021 (the “2021 Registration Statement”). We agreed to pay Cowen a commission up to 3.0% of the gross sales proceeds of such 2021 ATM Shares.

During the year ended December 31, 2022, we sold a total of 181,553 2021 ATM Shares under the 2021 ATM Program, in the open market, at a weighted average gross selling price of $6.33 per share for net proceeds of $1.1 million.

During the year ended December 31, 2023, we sold a total of 1,544,490 2021 ATM Shares under the 2021 ATM Program, in the open market, at a weighted average gross selling price of $9.32 per share for net proceeds of $14.0 million.

Sale of Common Stock

In November 2022, we completed an underwritten public offering of 6,620,000 shares of our common stock (the “2022 Offering Shares”), pursuant to the 2021 Registration Statement. The 2022 Offering Shares were sold at an offering price of $5.25 per share. In addition, a prefunded warrant to purchase up to 2,905,000 shares of common stock at a purchase price of $5.249 per underlying share was issued as part of the transaction. Net proceeds of the offering were $46.6 million, after deducting underwriting discounts, commissions and offering expenses.

CASH FLOWS

The following table summarizes our sources and uses of cash for each of the periods presented:

	YEAR ENDED DECEMBER 31,	
(in thousands)	**2022**	**2023**
Net cash (used in) provided by:		
Operating activities	$ (34,577)	$ (59,244)
Investing activities	(45,859)	19,965
Financing activities	77,229	14,850
Net decrease in cash, cash equivalents and restricted cash	$ (3,207)	$ (24,429)

Net Cash Used in Operating Activities

During the year ended December 31, 2023, net cash used in operating activities was $59.2 million, consisting primarily of a net loss of $54.8 million and a $6.3 million increase in net operating assets. This was offset by non-cash charges of $1.9 million. The increase in net operating assets is related to accounts receivable and inventory to support the launch of FUROSCIX. The non-cash charges primarily consisted of depreciation, amortization related to our right-of-use leased assets, stock-based compensation expense, non-cash interest expense related to amortization of debt discount associated with the Oaktree Agreement, the fair value adjustment to the derivative liability and accretion of premium on investments.

During the year ended December 31, 2022, net cash used in operating activities was $34.6 million, consisting primarily of a net loss of $36.8 million and a $0.4 million increase in net operating assets. This was offset by non-cash charges of $2.6 million. The non-cash charges primarily consisted of stock-based compensation expense, amortization of right-of-use leased assets, the fair value adjustment to the derivative liability and non-cash interest expense related to amortization of debt discount associated with the 2019 Loan Agreement and Oaktree Agreement.

Net Cash (Used in) Provided by Investing Activities

During the year ended December 31, 2023, net cash provided by investing activities was $20.0 million, consisting primarily of maturities of short-term investments, net of purchases.

During the year ended December 31, 2022, net cash used in investing activities was $45.9 million, consisting primarily of purchases of short-term investments, net of maturities.

Net Cash (Used in) Provided by Financing Activities

During the year ended December 31, 2023, net cash provided by financing activities was $14.9 million, consisting of proceeds from the 2021 ATM Agreement, purchases pursuant to our 2017 Employee Stock Purchase Plan and stock option exercises.

During the year ended December 31, 2022, net cash provided by financing activities was $77.2 million, consisting primarily of net proceeds of $47.3 million from the Oaktree Agreement, $46.6 million from the November 2022 public offering, net proceeds of $1.1 million from the 2021 ATM Program and $0.2 million in proceeds from stock option exercises and purchases of shares through the employee stock purchase plan. The proceeds were offset by the $18.0 million payment on the 2019 Loan Agreement, including the final fee, and $54,000 in tax obligations from the settlement of restricted stock units.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions for the reported amounts of assets, liabilities, revenue, expenses and related disclosures. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions and any such differences may be material.

While our significant accounting policies are more fully described in the notes to our consolidated financial statements appearing elsewhere in this Annual Report on Form 10-K, we believe the following discussion addresses our most critical accounting policies, which are those that are most important to our financial condition and results of operations and require our most difficult, subjective and complex judgments.

Accounts Receivable

Accounts receivable are recorded net of any estimated expected credit losses. Our measurement of expected credit losses is based on relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. To date, expected credit losses have not been material. Additionally, there have not been material changes in these estimates or assumptions pertaining to credit losses over the reporting periods presented. In the future, if there are material changes in the

underlying estimates and assumptions pertaining to credit losses, the financial statements could be materially impacted.

Revenue Recognition

We recognize revenue when our customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that we determine are within the scope of Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customer (“Topic 606”), we perform the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when we satisfy a performance obligation. We only apply the five-step model to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services we transfer to the customer. At contract inception, once the contract is determined to be within the scope of Topic 606, we assess the goods or services promised within each contract and determine those that are performance obligations and assess whether each promised good or service is distinct. We then recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when the performance obligation is satisfied. We have identified one performance obligation, the delivery of FUROSCIX to our customers. We have not incurred any incremental costs associated with obtaining contracts with customers. Our revenues consist solely of the sale of FUROSCIX to customers in the United States.

Product Net Sales: FUROSCIX was approved by the FDA on October 7, 2022. We launched sales of FUROSCIX in the first quarter of 2023 and our customers consist of specialty pharmacies (“SPs”) and specialty distributors ("SDs"). We recognize revenue from product sales at a point in time, typically upon receipt of product at the SPs and the SDs, the date at which the rights, title, interest and risk of loss are transferred. Revenues from product sales are recorded at the net sales price, which includes estimates of variable consideration that result from (a) sales discounts, (b) rebates (c) co-pay assistance, and (d) product returns. Reserves are established for the estimates of variable consideration based on the amounts earned or to be claimed on the related sales. The reserves for variable consideration are reflected as either as a reduction to the related account receivable or as an accrued liability, depending on how the consideration is settled. The amount of variable consideration that is included in the transaction price may be constrained and is included in net product revenues only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. Actual amounts of consideration ultimately received may differ from our estimates. If actual results vary from its estimates, we adjust these estimates, which would affect net product revenue and earnings in the period such variances become known. There have not been material changes in these estimates or assumptions pertaining to constraints on revenue recognition over the reporting periods presented. In the future, if there are material changes in the underlying estimates and assumptions pertaining to constraints on revenue recognition, the financial statements could be materially impacted.

Sales Discounts: Sales discounts are agreed-upon discounts, from negotiated contracts, taken directly off our sales invoices. Sales discounts are recorded as an offset to revenue based on contractual terms at the time revenue from the sale is recognized.

Rebates: Allowance for rebates include mandated discounts under the Medicaid Drug Rebate Program and the Medicare Part D prescription drug benefit, TRICARE program and contractual rebates with commercial payers. Rebates are amounts owed after the final dispensing of the product to a benefit plan participant and are based upon contractual agreements or statutory requirements. The allowance for rebates is based on contracted or statutory discount rates and expected utilization by benefit plan participants. Our estimates for expected utilization of rebates are based on utilization data received from the SPs since product launch. Rebates are generally invoiced and paid in arrears so that the accrual balance consists of an estimate of the amount expected to be incurred for the current quarter’s activity, plus an accrual balance for prior quarters’ unpaid rebates. If actual future rebates vary from estimates, we may need to adjust prior period accruals, which would affect revenue in the period of adjustment.

Co-Payment Assistance: We offer co-payment assistance to commercially insured patients meeting certain eligibility requirement. Co-payment assistance is accrued at the time of product sale to SPs based on estimated patient participation and average co-pay benefit to be paid per a claim. Our estimated amounts are compared to actual program participation and co-pay amounts paid using data provided by third-party administrators. If actual

amounts differ from the original estimates the assumptions being applied are updated and adjustment for prior period accruals will be adjusted in the current period.

Product Returns: Consistent with industry practice, we offer SPs and SDs limited product return rights for damages, shipment errors, and expiring product, provided that the return is within a specified period around the product expiration date as set forth in the applicable individual distribution agreement. We do not allow product returns for product that has been dispensed to a patient. As we receive inventory reports from the SPs and have the ability to control the amount of product that is sold to the SPs, we are able to make a reasonable estimate of future potential product returns based on this on-hand channel inventory data and sell-through data obtained from the SPs. Currently, sales to SDs are limited and there is no access to on-hand inventory or sell through data. As these arrangements mature, we will be able to utilize any data our SDs provide as part of this analysis. In arriving at our estimate, we also consider historical product returns, the underlying product demand, and industry data specific to the specialty pharmaceutical distribution industry.

Stock-Based Compensation Expense

We are required to determine the fair value of equity incentive awards and recognize compensation expense for all equity incentive awards, including employee stock options and restricted stock units. We recognize this expense over the requisite service period. In addition, we recognize stock-based compensation expense in the statements of operations based on awards expected to vest and, therefore, the amount of expense has been reduced for estimated forfeitures. We use the ratable straight-line method for expense attribution.

The valuation model we used for calculating the fair value of stock options for stock-based compensation expense is the Black-Scholes option-pricing model, or the Black-Scholes model. The Black-Scholes model requires us to make assumptions and judgments about the variables used in the calculation, including:

- *Expected term.* We do not believe we are able to rely on our historical exercise and post-vesting termination activity to provide accurate data for estimating the expected term for use in determining the fair value-based measurement of our options. Therefore, we have opted to use the “simplified method” for estimating the expected term of options, which is the average of the weighted-average vesting period and contractual term of the option.
- *Expected volatility.* Due to the lack of a public market for the trading of our common stock prior to our IPO and a lack of company specific historical volatility, we have determined the share price volatility for options granted based on an analysis of the volatility of a peer group of publicly traded companies. In evaluating similarity, we consider factors such as stage of development, risk profile, enterprise value and position within the industry.
- *Risk-free interest rate.* The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of the grant for zero-coupon U.S. Treasury notes with remaining terms similar to the expected term of the options.
- *Dividend rate.* We assumed the expected dividend to be zero as we have never paid dividends and have no current plans to do so.
- *Expected forfeiture rate.* We estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. We use historical data to estimate pre-vesting option forfeitures and record share-based compensation expense only for those awards that are expected to vest.
- *Service period.* We amortize all stock-based compensation over the requisite service period of the awards, which is generally the same as the vesting period of the awards. We amortize the stock-based compensation cost on a straight-line basis over the expected service periods.

Restricted stock units are valued at the fair market value per share of our common stock on the date of grant.

Research and Development Expenses

As part of the process of preparing our consolidated financial statements, we are required to estimate our accrued R&D expenses as of each balance sheet date. This process involves reviewing open contracts and purchase orders, communicating with our personnel to identify services that have been performed on our behalf and

estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of the actual cost. The majority of our service providers invoice us monthly in arrears for services performed or when contractual milestones are met. We make estimates of our accrued expenses as of each balance sheet date based on facts and circumstances known to us at that time. We periodically confirm the accuracy of our estimates with the service providers and make adjustments if necessary. The significant estimates in our accrued R&D expenses include the costs incurred for services performed by our vendors in connection with R&D activities for which we have not yet been invoiced.

We base our expenses related to R&D activities on our estimates of the services received and efforts expended pursuant to quotes and contracts with vendors that conduct R&D on our behalf. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows. There may be instances in which payments made to our vendors will exceed the level of services provided and result in a prepayment of the R&D expense. In accruing service fees, we estimate the time period over which services will be performed and the level of effort to be expended in each period. If the actual timing of the performance of services or the level of effort varies from our estimate, we adjust the accrual or prepaid accordingly. Advance payments for goods and services that will be used in future R&D activities are expensed when the activity has been performed or when the goods have been received rather than when the payment is made.

Although we do not expect our estimates to be materially different from amounts actually incurred, if our estimates of the status and timing of services performed differ from the actual status and timing of services performed, it could result in us reporting amounts that are too high or too low in any particular period. To date, there have been no material differences between our estimates of such expenses and the amounts actually incurred.

Derivative Liability

We evaluate our financial instruments for embedded features and bifurcate those features from the host instrument that meet the definition of a derivative if (i) the economic characteristics and risks of the embedded feature are not clearly and closely related to the host instrument, (ii) the hybrid instrument that embodies both the embedded feature and the host contract is not remeasured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (iii) a separate instrument with the same terms as the embedded feature would be considered a derivative instrument subject to the accounting requirements of derivative instruments.

We use judgment in determining the fair value of embedded features that are bifurcated from the host instrument and accounted for as derivative instruments at the date of issuance and at every balance sheet date thereafter. The valuation method used in the determination of fair value is based on the type of derivative instrument. At each balance sheet date, we remeasure our derivative instruments at fair value with adjustments to fair value recognized within other income (expense).

In connection with the Oaktree Agreement, we identified a number of derivatives that required bifurcation from the term loan as a compound derivative liability. The fair value of the embedded derivative liability was estimated using a hybrid between the discounted cash flow and Monte Carlo simulation methods, which required significant judgment. Assumptions included estimates of volatility, market yield, probability and timing of change in control, probability and timing of a going concern qualification, and net sales projections. We recorded an initial fair value of approximately $8.9 million at inception of the Oaktree Agreement. The fair value of the liability was $3.9 million as of December 31, 2023. The change in fair value between inception and December 31, 2023 was recognized as a gain within other income on our consolidated statement of operations and comprehensive loss.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risks related to changes in foreign currency exchange rates and interest rates.

We contract with vendors in foreign countries. As such, we have exposure to adverse changes in exchange rates of foreign currencies, principally the Swiss franc and the Euro, associated with our foreign transactions. We believe this exposure to be immaterial. We currently do not hedge against this exposure to fluctuations in exchange rates.

Our exposure to market risk also relates to interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates. As of December 31, 2023, our aggregate outstanding indebtedness was $50.0 million,

which bears interest per annum equal to three-month term SOFR (subject to a 1.00% floor and a 3.00% cap), plus applicable margin of 8.75%. Due to the cap on SOFR in our outstanding indebtedness and the current SOFR rate, an immediate 100 basis point change in interest rates would not have a material effect on the fair market value of our debt instruments.

We do not believe that inflation has had a material effect on our business. However, if our costs, in particular costs related to manufacture and supply, were to become subject to significant inflationary pressures, it may adversely impact our business, operating results and financial condition.

Item 8. Consolidated Financial Statements and Supplementary Data.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of scPharmaceuticals Inc.

Opinion on the Financial Statements
We have audited the accompanying consolidated balance sheets of scPharmaceuticals Inc. and its subsidiary (the Company) as of December 31, 2023 and 2022, the related consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's 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 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 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 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 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

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

Revenue Recognition
As described in Note 2 to the financial statements, revenue from product sales amounting to $13.6 million are recorded at the net sales price, which includes estimates for variable consideration that result from (a) sales discounts, (b) rebates, (c) co-pay assistance, and (d) product returns. Management estimates allowances for (1) sales discounts based upon agreed-upon discounts from negotiated contracts, (2) rebates based upon management estimates of dispensing of the product to a benefit plan participant and the corresponding contractual or statutory rates, (3) co-pay assistance based upon estimated patient participation and average co-pay benefit to be paid, and (4) product returns for products that customers are contractually permitted to return during a contractual allowable return period. Provisions for these allowances are recorded in the period in which the related revenue is recorded and are presented as an accrued liability in the Company's consolidated balance sheet. As of December 31, 2023, the Company has recorded accrued liabilities of $1.4 million relating to these estimates for variable consideration in revenue.

We identified the estimates for variable consideration in revenue relating to rebates and product return allowances as a critical audit matter due to their significance and the judgmental nature of the assumptions used by management in preparing the estimates. In particular, management is required to make estimates that include consideration of its history of paying rebates, historical and anticipated dispensing of product to eligible benefit plan patients and period end inventory held at its customers. Management is also required to estimate returns for products that are contractually within the allowable return period including consideration of historical product returns, the underlying product demand, and industry data specific to the specialty pharmaceutical distribution industry. The Company has a limited history upon which to base such estimates and changes in the estimated dispensing mix can have a material effect on the amount of estimates recorded. Auditing management's assumptions such as the estimated dispensing of product to eligible patients in various benefit plans and the product returns allowance rate was complex and required a high degree of auditor judgment and subjectivity when performing audit procedures and evaluating the audit evidence obtained.

Our audit procedures related to the Company's variable consideration adjustments to revenue for rebates and returns included the following, among others:

- We tested the completeness and accuracy of the report used in calculating rebates by tracing a sample of products sold to the underlying revenue transaction details and we confirmed the dispensing history and the December 31, 2023 inventory held by the Company's customers directly with customers on a sample basis
- We traced discount percentages used to calculate the rebate allowances to related statutory or contractual rates
- We evaluated the reasonableness of rebate allowances by reviewing actual history of rebates paid through December 31, 2023 and rebates billed to the Company subsequent to the balance sheet date to determine consistency with management's estimates
- We evaluated the reasonableness of the product return allowance by comparing the product returns allowance rate used by management to actual Company history and to available industry data and trends

Valuation of Derivative Liability

On October 13, 2022, the Company entered into a $100.0 million term loan consisting of $50.0 million of debt funded immediately with additional contingent borrowings in up to two draws of $25.0 million each, as described in Notes 9 and 10 to the consolidated financial statements. The Company concluded that the term loan contained embedded derivatives and determined that the embedded derivatives required bifurcation as one compound derivative liability. The Company recorded the derivative liability on its consolidated balance sheet at its fair value of approximately $3.9 million as of December 31, 2023. The Company also recorded a gain on its consolidated statement of operations and comprehensive loss of approximately $3.7 million to reflect the change in fair value of the derivative liability during the year ended December 31, 2023. To estimate the fair value of the derivative liability at December 31, 2023, the Company utilized a combination of a valuation model that discounts forecasted future cash flows expected to be generated and a valuation model that reflects the use of multiple probabilities.

We identified the valuation of the derivative liability as a critical audit matter because of the complexity of the valuation models, including the judgments made by management in estimating the fair value of the derivative liability. The valuation models used in determining the fair value of the derivative liability include inputs subject to management's judgment, including estimates of volatility, market yield, probability of a change of control or fundamental change, probability of a going concern qualification and net sales projections. This required subjective auditor judgment and an increased level of effort when performing audit procedures, including the involvement of valuation professionals with specialized skills and knowledge.

Our audit procedures related to the Company's valuation of the derivative liability included the following, among others:

- We evaluated significant assumptions used to calculate the fair value of the derivative liability including the estimate of the probability of a change of control or fundamental change, probability of a going concern qualification and net sales projections

- With the assistance of our fair value specialists, we tested the appropriateness of the methodology used in estimating the fair value of the embedded derivatives, including evaluating the reasonableness of the estimates for volatility and market yield and tested the mathematical accuracy of the resulting valuations

/s/ RSM US LLP

We have served as the Company's auditor since 2015.

Boston, Massachusetts
March 13, 2024

SCPHARMACEUTICALS INC.

Consolidated Balance Sheets
(in thousands, except share and per share data)

	DECEMBER 31, 2022	DECEMBER 31, 2023
Assets		
Current assets		
Cash and cash equivalents	$ 71,061	$ 46,814
Short-term investments	47,125	29,199
Restricted cash	182	—
Accounts receivable	—	4,489
Inventory	1,230	8,840
Prepaid expenses	2,282	2,436
Deposits and other current assets	1,428	1,160
Total current assets	123,308	92,938
Property and equipment, net	54	58
Right-of-use lease assets - operating, net	566	1,401
Deposits and other assets	267	82
Total assets	$ 124,195	$ 94,479
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 1,518	$ 4,001
Accrued expenses	5,289	8,901
Lease obligation - operating, short-term	567	176
Other current liabilities	42	56
Total current liabilities	7,416	13,134
Term loan, long-term	36,794	38,811
Derivative liability	7,517	3,857
Lease obligation - operating, long-term	7	1,282
Other liabilities	28	177
Total liabilities	51,762	57,261
Commitments and contingencies (Note 13)		
Stockholders' Equity		
Preferred stock, $0.0001 par value; 10,000,000 shares authorized and no shares issued and outstanding	—	—
Common stock; $0.0001 par value; 150,000,000 shares authorized at December 31, 2023; 34,257,916 and 35,968,510 shares issued and outstanding at December 31, 2022 and December 31, 2023, respectively	3	4
Additional paid-in capital	298,934	318,561
Accumulated deficit	(226,536)	(281,346)
Accumulated other comprehensive (loss) income	32	(1)
Total stockholders' equity	72,433	37,218
Total liabilities and stockholders' equity	$ 124,195	$ 94,479

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

SCPHARMACEUTICALS INC.

Consolidated Statements of Operations and Comprehensive Loss
(in thousands, except share and per share data)

	FOR THE YEAR ENDED DECEMBER 31,	
	2022	2023
Product revenues, net	$ -	$ 13,593
Operating expenses:		
Cost of product revenues	-	3,811
Research and development	15,533	11,809
Selling, general and administrative	20,624	53,369
Total operating expenses	36,157	68,989
Loss from operations	(36,157)	(55,396)
Other income	1,418	3,605
Interest income	1,203	5,104
Interest expense	(3,302)	(8,123)
Net loss	$ (36,838)	$ (54,810)
Net loss per share, basic and diluted	$ (1.30)	$ (1.42)
Weighted—average common shares outstanding, basic and diluted	28,358,502	38,513,747
Other comprehensive loss:		
Unrealized gain (loss) on short-term investments	$ 33	$ (33)
Comprehensive loss	$ (36,805)	$ (54,843)

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

SCPHARMACEUTICALS INC.

Consolidated Statements of Stockholders' Equity
(in thousands, except share data)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT				
At December 31, 2021	27,366,707	$ 3	$ 246,166	$ (189,698)	$ (1)	$ 56,470
Net loss	—	—	—	(36,838)	—	(36,838)
Issuance of common stock under at-the-market offering, net of issuance costs (Note 11)	181,553	—	1,114	—	—	1,114
Issuance of common stock and pre-funded warrants in common stock offering, net of issuance costs (Note 11)	6,620,000	—	46,645	—	—	46,645
Issuance of common stock upon exercise of stock options	11,756	—	44	—	—	44
Issuance of common stock purchased through employee stock purchase plan	45,938	—	173	—	—	173
Vesting of restricted stock	31,962	—	(54)	—	—	(54)
Issuance of warrants (Note 11)	—	—	2,008	—	—	2,008
Stock-based compensation	—	—	2,838	—	—	2,838
Unrealized gain on short term investments	—	—	—	—	33	33
At December 31, 2022	34,257,916	3	298,934	(226,536)	32	72,433
Net loss	—	—	—	(54,810)	—	(54,810)
Issuance of common stock under at-the-market offering, net of issuance costs (Note 11)	1,544,490	1	13,959	—	—	13,960
Issuance of common stock upon exercise of stock options	75,979	—	354	—	—	354
Issuance of common stock purchased through employee stock purchase plan	90,125	—	458	—	—	458
Stock-based compensation	—	—	4,856	—	—	4,856
Unrealized loss on short term investments	—	—	—	—	(33)	(33)
At December 31, 2023	35,968,510	$ 4	$ 318,561	$ (281,346)	$ (1)	$ 37,218

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

SCPHARMACEUTICALS INC.

Consolidated Statements of Cash Flows
(in thousands)

	FOR THE YEAR ENDED DECEMBER 31,	
	2022	2023
Cash flows from operating activities		
Net loss	$ (36,838)	$ (54,810)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation expense	37	24
Loss on disposal of property and equipment	—	11
Reduction in carrying value of operating right-of-use lease assets	431	602
Accretion on short-term investments	(244)	(2,112)
Stock-based compensation	2,838	4,856
Non-cash interest expense	884	2,166
Fair value adjustment to derivative liability	(1,335)	(3,660)
Changes in operating assets and liabilities		
Accounts receivable	—	(4,489)
Inventory	(1,230)	(7,609)
Prepaid expenses and other assets	(887)	221
Accounts payable, accrued expenses and other liabilities	1,767	5,556
Net cash flows used in operating activities	(34,577)	(59,244)
Cash flows from investing activities		
Purchases of property and equipment	(21)	(40)
Maturities of short-term investments	21,700	70,600
Purchases of short-term investments	(67,538)	(50,595)
Net cash flows (used in) provided by investing activities	(45,859)	19,965
Cash flows from financing activities		
Proceeds from common stock offering, net of underwriter discounts and offering costs	46,645	—
Proceeds from at-the-market offering, net	1,120	14,038
Proceeds from the exercise of stock options	44	354
Proceeds from employee stock purchase plan	173	458
Proceeds from term loan	47,301	—
Principal payments on term loan	(17,500)	—
Payment of term loan final fee	(500)	—
Settlement of restricted stock units for tax withholding obligations	(54)	—
Net cash flows provided by financing activities	77,229	14,850
Net decrease in cash	(3,207)	(24,429)
Cash, cash equivalents and restricted cash, beginning of year	74,450	71,243
Cash, cash equivalents and restricted cash, end of year	$ 71,243	$ 46,814
Supplemental cash flow information		
Interest paid	$ 2,555	$ 5,940
Taxes paid	190	248
Supplemental disclosure of non-cash activities		
Operating right-of-use asset received in exchange for lease obligations	—	1,437
Transfer of issuance costs from other noncurrent assets to equity	6	79

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

1. Description of Business and Basis of Presentation

Description of Business

scPharmaceuticals LLC was formed as a Limited Liability Company under the laws of the State of Delaware on February 19, 2013. On March 24, 2014, scPharmaceuticals LLC was converted to a Delaware Corporation and changed its name to scPharmaceuticals Inc. (“the Company”). The Company is a pharmaceutical company focused on developing and commercializing products that have the potential to optimize the delivery of infused therapies, advance patient care and reduce healthcare costs. The Company’s strategy is designed to enable the subcutaneous administration of therapies that have previously been limited to intravenous (“IV”) delivery. The Company’s headquarters and primary place of business is Burlington, Massachusetts.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”) and have been prepared on a basis which assumes that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The consolidated financial statements reflect the operations of the Company and its wholly-owned subsidiary, scPharmaceuticals Securities Corporation. All significant intercompany balances and transactions have been eliminated in consolidation.

Liquidity

At December 31, 2023, the Company had cash, cash equivalents and short-term investments of $76.0 million and working capital of $79.8 million. During the year ended December 31, 2023, the Company incurred a net loss totaling $54.8 million and used cash in operating activities totaling $59.2 million. The Company expects to continue to incur losses and use cash in operating activities in 2024.

In October 13, 2022 (the "closing date"), the Company entered into a Credit Agreement and Guaranty (the "Oaktree Agreement") with, among others, the lenders from time to time party thereto (the "Lenders") and Oaktree Fund Administration, LLC, in its capacity as administrative agent for the Lenders (Note 10). In November 2022, the Company completed an underwritten public offering with net proceeds of $46.6 million (Note 11). In addition, the Company currently has an at-the-market offering program with Cowen and Company, LLC that has $34.5 million in capacity remaining at December 31, 2023 (Note 11).

The Company believes that, based on its current development plans and activities, its resources will be sufficient to satisfy its liquidity requirements for more than one year from the issuance date of these consolidated financial statements.

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Significant items subject to such estimates and assumptions include the determination of fair value of financial instruments, accounting policies for revenue recognition, accruals related to development costs and clinical activities, and the establishment of the tax valuation allowance. Actual results could differ from those estimates.

Foreign Currency Transactions

The functional currency of the Company is the U.S. dollar. Accordingly, gains and losses resulting from translating transactions denominated in currencies and balances of assets and liabilities outstanding at the balance sheet date, other than U.S. dollars, are included in net loss in the Statements of Operations and Comprehensive Loss.

Cash, Cash Equivalents and Restricted Cash

Cash, cash equivalents and restricted cash consists of bank deposits and money market accounts with financial institutions. Cash equivalents are carried at cost which approximates fair value due to their short-term nature and which the Company believes do not have a material exposure to credit risk. The Company considers all highly liquid investments with maturities of three months or less from the date of purchase to be cash equivalents. The Company places its cash and cash equivalents with institutions with high credit quality. However, at certain times such cash and cash equivalents may be in excess of Federal Deposit Insurance Corporation and Securities Investor Protection Corporation insurance limits. The Company has not experienced any losses with respect to these accounts.

As of December 31, 2022 , the Company classified $182,000 as restricted cash related to a letter of credit issued as a security deposit in connection with the Company's lease of its corporate office facilities (Note 13). As of December 31, 2023, this amount was reclassified to deposits as the funds were transferred upon the cancelation of its letter of credit. Cash, cash equivalents and restricted cash consists of the following (in thousands):

	December 31, 2022	December 31, 2023
Cash and cash equivalents	$ 71,061	$ 46,814
Restricted cash	182	-
Cash, cash equivalents and restricted cash	$ 71,243	$ 46,814

Accounts Receivable

Accounts receivable are recorded net of any estimated expected credit losses. The Company's measurement of expected credit losses is based on relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. To date, expected credit losses have not been material.

Concentration of Credit Risk

Financial instruments that subject the Company to credit risk primarily consist of cash and cash equivalents and short-term investments. The Company maintains its cash and cash equivalent balances with high-quality financial institutions and, consequently, the Company believes that such funds are subject to minimal credit risk. The Company's short-term investments consist of commercial paper, United States Treasury securities, corporate bonds and United States Government Agency securities. The Company has adopted an investment policy that limits the amounts the Company may invest in any one type of investment and requires all investments held by the Company to hold a minimum rating, thereby reducing credit risk exposure.

Customer and Supplier Concentration

The Company has a limited number of specialty pharmacy customers and distributors. As of December 31, 2023, 3 customers represent 99% of accounts receivable. For the year ended December 31, 2023, 2 customers represent 93% of revenue.

The Company depends on suppliers for raw materials, API, and other components that are subject to stringent FDA requirements. Some of these materials may only be available from one or a limited number of sources. Establishing additional or replacement suppliers may take a substantial period of time, as suppliers must be approved by the FDA. If the Company is unable to secure, on a timely basis, sufficient quantities of the materials

it depends on to manufacture its products, it could have a materially adverse effect on the Company's business, financial condition and results of operations.

Investments

The Company invests excess cash balances in available-for-sale debt securities. The Company determines the appropriate classification of these securities at the time they are acquired and evaluates the appropriateness of such classifications at each balance sheet date. The Company reports available-for-sale investments at fair value at each balance sheet date and includes any unrealized gains and losses in accumulated other comprehensive income (loss), a component of stockholders' equity. Realized gains and losses are determined using the specific identification method and are included in other income (expense). If any adjustment to fair value reflects a decline in the value of the investment, the Company considers all available evidence to evaluate the extent to which the decline is "other than temporary," including the intention to sell and, if so, marks the investment to market through a charge to the Company's consolidated statements of operations and comprehensive loss.

Inventory

Inventory is stated at the lower of cost and net realizable value and consists of raw materials, work-in-process and finished goods. The Company began capitalizing inventory costs following U.S. Food and Drug Administration ("FDA") approval of FUROSCIX on October 7, 2022. Inventory is sold on a first in, first out ("FIFO") basis. The Company periodically reviews inventory for expiry and obsolescence and writes it down accordingly, if necessary. Prior to FDA approval of FUROSCIX, the Company expensed all inventory-related costs, including that used for clinical development, to research and development ("R&D") costs in the period incurred.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") lease assets, current portion of lease obligations, and long term lease obligations on the Company's balance sheets.

ROU lease assets represent the Company's right to use an underlying asset for the lease term and lease obligations represent the Company's obligation to make lease payments arising from the lease. Operating ROU lease assets and obligations are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The ROU lease asset excludes lease incentives. The Company's lease terms include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Debt Issuance Costs

Debt issuance costs are amortized to interest expense using the effective interest rate method over the term of the debt. Debt issuance costs paid to the lender and third parties are reflected as a discount to the debt in the consolidated balance sheets.

Revenue Recognition

The Company recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that the Company determines are within the scope of Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customer ("Topic 606"), the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when the Company satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that it will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of Topic 606, the Company assesses the goods or services promised within each contract and determines those that are performance obligations and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the

transaction price that is allocated to the respective performance obligation when the performance obligation is satisfied. The Company has identified one performance obligation, the delivery of FUROSCIX to its customers. The Company has not incurred any incremental costs associated with obtaining contracts with customers. The Company's revenues consist solely of the sale of FUROSCIX to customers in the United States.

Product Net Sales

FUROSCIX was approved by the FDA on October 7, 2022. The Company launched sales of FUROSCIX in the first quarter of 2023 and its customers consist of specialty pharmacies ("SPs") and specialty distributors ("SDs"). The Company recognizes revenue from product sales at a point in time, typically upon receipt of product at the SPs and SDs, the date at which the rights, title, interest and risk of loss are transferred. Revenues from product sales are recorded at the net sales price, which includes estimates of variable consideration that result from (a) sales discounts, (b) rebates (c) co-pay assistance, and (d) product returns. Reserves are established for the estimates of variable consideration based on the amounts earned or to be claimed on the related sales. The reserves for variable consideration are reflected as either as a reduction to the related account receivable or as an accrued liability, depending on how the consideration is settled. The amount of variable consideration that is included in the transaction price may be constrained and is included in net product revenues only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. Actual amounts of consideration ultimately received may differ from the Company's estimates. If actual results vary from its estimates, the Company adjusts these estimates, which would affect net product revenue and earnings in the period such variances become known.

Sales Discounts: Sales discounts are agreed-upon discounts, from negotiated contracts, taken directly off the Company's sales invoices. Sales discounts are recorded as an offset to revenue based on contractual terms at the time revenue from the sale is recognized.

Rebates: Allowance for rebates include mandated discounts under the Medicaid Drug Rebate Program and the Medicare Part D prescription drug benefit, TRICARE program and contractual rebates with commercial payers. Rebates are amounts owed after the final dispensing of the product to a benefit plan participant and are based upon contractual agreements or statutory requirements. The allowance for rebates is based on contracted or statutory discount rates and expected utilization by benefit plan participants. The Company's estimates for expected utilization of rebates are based on utilization data received from the SPs since product launch. Rebates are generally invoiced and paid in arrears so that the accrual balance consists of an estimate of the amount expected to be incurred for the current quarter's activity, plus an accrual balance for prior quarters' unpaid rebates. If actual future rebates vary from estimates, the Company may need to adjust prior period accruals, which would affect revenue in the period of adjustment.

Co-Payment Assistance: The Company offers co-payment assistance to commercially insured patients meeting certain eligibility requirements. Co-payment assistance is accrued at the time of product sale to SPs based on estimated patient participation and average co-pay benefit to be paid per a claim. The Company's estimated amounts are compared to actual program participation and co-pay amounts paid using data provided by third-party administrators. If actual amounts differ from the original estimates the assumptions being applied are updated and adjustment for prior period accruals will be adjusted in the current period.

Product Returns: Consistent with industry practice, the Company offers SPs and SDs limited product return rights for damages, shipment errors, and expiring product, provided that the return is within a specified period around the product expiration date as set forth in the applicable individual distribution agreement. The Company does not allow product returns for product that has been dispensed to a patient. As the Company receives inventory reports from the SPs and has the ability to control the amount of product that is sold to the SPs, it is able to make a reasonable estimate of future potential product returns based on this on-hand channel inventory data and sell-through data obtained from the SPs. Currently, sales to SDs are limited and there is no access to on-hand channel inventory or sell through data. As these arrangements mature, the Company will utilize any data that they can provide as part of this analysis. In arriving at its estimate, the Company also considers historical product returns, the underlying product demand, and industry data specific to the specialty pharmaceutical distribution industry.

Research and Development Costs

Research and development costs are expensed as incurred. Nonrefundable advance payments, if any, for goods or services used in research and development are initially recorded as an asset and then recognized as an expense as the related goods are delivered or services are performed. Research and development expenses include contract services, consulting, salaries, materials and supplies and overhead.

Income Taxes

The Company accounts for income taxes in accordance with ASC 740 *Income Taxes* (“ASC 740”). Deferred tax assets and liabilities are recorded to reflect the impact of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured under enacted tax laws. A valuation allowance is required to offset any net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax asset will not be realized.

The Company provides reserves for potential payments of tax to various tax authorities related to uncertain tax positions. The tax benefits recorded are based on a determination of whether and how much of a tax benefit taken by the Company in its tax filings or positions is “more likely than not” to be realized following resolution of any uncertainty related to the tax benefit, assuming that the matter in question will be raised by the tax authorities. Potential interest and penalties associated with such uncertain tax positions are recorded as a component of income tax expense. At December 31, 2022 and 2023, the Company had no such accruals.

Stock-Based Compensation

Stock-based compensation expense for stock options is recognized based on the grant-date fair value using the Black-Scholes valuation model. Restricted stock units are valued at the fair market value per share of the Company’s common stock on the date of grant. The Company recognizes compensation expense only for those stock-based awards expected to vest after considering expected forfeitures. Cumulative compensation expense is at least equal to the compensation expense for vested awards. Stock-based compensation is recognized on a straight-line basis over the service period of each award.

Segments

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision-maker (“CODM”) in making decisions regarding resource allocation and assessing performance. The Company’s chief executive officer is the CODM, and he uses consolidated financial information in determining how to allocate resources and assess performance. The Company has determined that it operates in one segment.

Recently Issued Accounting Standards

In December 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update ("ASU") 2023-09, *Income Taxes* ("ASU 2023-09"), requiring entities to provide additional information in the income tax rate reconciliation and additional disclosures about income taxes paid. The new accounting guidance requires entities to disclose in their rate reconciliation table additional categories of information about federal, state and foreign income taxes and to provide more details about the reconciling items in some categories if the items meet a quantitative threshold. This guidance is effective for annual periods beginning after December 15, 2024, and should be applied prospectively, but entities have the option to apply it retrospectively for each period presented. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The Company is currently evaluating the impact of the adoption of ASU 2023-09 and does not expect adoption to have a material effect on the Company’s consolidated financial statements or disclosures.

3. Net Loss per Share

Basic net loss per share is calculated by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period without consideration of dilutive common stock equivalents. Diluted net loss per share is the same as basic net loss per common share, since the effects of potentially dilutive securities are anti-dilutive. Basic and diluted weighted average shares of common stock outstanding include the weighted average effect of outstanding pre-funded warrants for the purchase of shares of common stock for which the remaining unfunded exercise price is $0.001 per share.

Dilutive common stock equivalents are comprised of unexercised stock options outstanding under the Company's equity plan, unexercised warrants and unvested restricted stock.

The following table sets forth the computation of basic and diluted net loss per share of common stock (in thousands, except shares and per share data):

	For the year ended	
	December 31, 2022	December 31, 2023
Net loss	$ (36,838)	$ (54,810)
Weighted—average common shares outstanding, basic and diluted	28,358,502	38,513,747
Net loss per share, basic and diluted	$ (1.30)	$ (1.42)

The following table sets forth the outstanding potentially dilutive securities that have been excluded in the calculation of diluted net loss per share because their inclusion would be anti-dilutive (in common stock equivalent shares):

	For the year ended	
	December 31, 2022	December 31, 2023
Stock options to purchase common stock	4,008,177	4,681,326
Warrants to purchase common stock	516,345	516,345
Unvested restricted stock	—	368,411
	4,524,522	5,566,082

4. Investments

Cash in excess of the Company's immediate requirements is invested in accordance with the Company's investment policy that primarily seeks to maintain adequate liquidity and preserve capital.

A summary of the Company's available-for-sale classified investments as of December 31, 2022 and 2023 consisted of the following (in thousands):

	At December 31, 2022			
Investments - Current:	Cost Basis	Accumulated Unrealized Gains	Accumulated Unrealized Losses	Fair Value
Commercial paper	$ 16,741	$ -	$ -	$ 16,741
United States Treasury securities	15,768	7	-	15,775
United States Government Agency securities	14,584	25	-	14,609
Total	$ 47,093	$ 32	$ -	$ 47,125

	At December 31, 2023			
Investments - Current:	Cost Basis	Accumulated Unrealized Gains	Accumulated Unrealized Losses	Fair Value
United States Treasury securities	$ 13,967	$ 2	$ -	$ 13,969
Commercial paper	9,427	-	(2)	9,425
Corporate bonds	3,815	-	-	3,815
United States Government Agency securities	1,991	-	(1)	1,990
Total	$ 29,200	$ 2	$ (3)	$ 29,199

The amortized cost and fair value of the Company's available-for-sale investments, by contract maturity, as of December 31, 2023 consisted of the following (in thousands):

	Amortized Cost	Fair Value
Due in one year or less	$ 29,200	$ 29,199
Total	$ 29,200	$ 29,199

5. Inventory

The Company's inventory balance consists of the following (in thousands):

	As of December 31,	
	2022	2023
Raw materials	$ 1,201	$ 4,256
Work-in-process	29	4,188
Finished goods	—	396
	$ 1,230	$ 8,840

Inventory is stated at the lower of cost and net realizable value and consists of raw materials, work-in-process and finished goods. The Company began capitalizing inventory costs following FDA approval of FUROSCIX in October 2022 and has not recorded any significant inventory write-downs since that time. The Company currently uses a limited number of third-party contract manufacturing organizations ("CMOs") to produce its inventory.

6. Property and Equipment

Purchased property and equipment consist of the following as of December 31, 2022 and 2023 (in thousands):

	ESTIMATED USEFUL LIFE	2022	2023
Office equipment	5 years	$ 6	$ 31
Office furniture	7 years	126	64
Computer equipment	3 years	15	15
Leasehold improvements	Life of lease	95	9
		242	119
Less: Accumulated depreciation		(188)	(61)
Property and equipment, net		$ 54	$ 58

Depreciation expense for the years ended December 31, 2022 and 2023 was $37,000 and $24,000, respectively, and is included in operating expenses.

7. Accrued Expenses

Accrued expenses at December 31, 2022 and 2023 consist of (in thousands):

	2022	2023
Employee compensation and related costs	$ 2,754	$ 4,375
Sales allowances and related costs	-	1,418
Contract research and development	1,827	1,202
Consulting and professional service fees	603	945
Manufacturing costs	-	434
Royalty	-	249
Inventory in transit	-	150
Other	105	128
Total accrued expenses	$ 5,289	$ 8,901

8. Income Taxes

The Company accounts for income taxes in accordance with ASC 740, which requires an asset and liability approach for measuring deferred taxes based on temporary differences between the financial statement and tax bases of assets and liabilities existing at each balance sheet date using enacted tax rates for the years in which

taxes are expected to be paid or recovered. The tax benefit arising from the Company's net loss has been offset by an increase in the valuation allowance.

Accordingly, the Company had no net income tax provision or benefit during the years ended December 31, 2022 and 2023. Components of the net deferred tax assets at December 31, 2022 and 2023 are as follows (in thousands):

	2022	2023
Deferred tax assets:		
Federal net operating loss carryforwards	$ 17,252	$ 30,405
State net operating loss carryforwards	4,585	8,216
Research and development tax credits	4,214	4,729
Accrued liabilities	677	1,088
Stock-based compensation	1,329	1,814
Depreciation and amortization	324	3
Capitalized research and development costs	30,976	27,720
Lease liabilities	146	370
Total deferred tax assets	59,503	74,345
Deferred tax liabilities:		
Right-of-use lease assets	(144)	(355)
Other	(273)	(833)
Total deferred tax liabilities	$ (417)	$ (1,188)
Valuation allowance	$ (59,086)	$ (73,157)
Net deferred tax assets	$ —	$ —

At December 31, 2023, the Company had available federal net operating loss carryforwards of $17.5 million, which expire at various dates through 2037, and $127.3 million, which may be carried forward indefinitely. At December 31, 2023, the Company had available state net operating loss carryforwards of $147.1 million, which expire at various dates through 2043, and $1.8 million, which may be carried forward indefinitely. In assessing the realizability of net deferred tax assets, management considers whether it is more likely than not that the net deferred tax assets will be realized. The ultimate realization of net deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences representing future deductible amounts become deductible. Management has established a full valuation allowance against the net deferred tax assets at December 31, 2022 and 2023 since it is more likely than not that these future tax benefits will not be realized. During 2023, the valuation allowance increased by $14.1 million.

A reconciliation of the beginning and ending amount of the valuation allowance is as follows (in thousands):

	2022	2023
Beginning valuation allowance	$ 51,399	$ 59,086
Current year - increases	7,687	14,071
Ending valuation allowance	$ 59,086	$ 73,157

At December 31, 2023, the Company had federal and state research and development credit carryforwards of $3.9 million and $1.0 million, respectively. The net credit carryforwards may be used to offset future income taxes and expire at various dates through 2043. Under the provisions of the Internal Revenue Code ("IRC"), the net operating loss and tax credit carryforwards are subject to review and possible adjustment by the Internal Revenue Service and state tax authorities. Net operating loss and tax credit carryforwards may become subject to an annual limitation in the event of certain cumulative changes in the ownership interest of significant shareholders over a three-year period in excess of 50%, as defined under Sections 382 and 383 of the Internal Revenue Code, respectively, as well as similar state provisions. The Company had performed an IRC 382 study during 2017 which resulted in identifying an ownership change had occurred on the initial public offering date of 11/21/2017. For these reasons, in the event the Company experiences a change of control, they may not be able to utilize a material portion of the net operating losses or research and development credit carryforwards even if they attain profitability.

The Tax Cuts and Jobs Act ("TCJA") requires taxpayers to capitalize and amortize research and experimental ("R&D") expenditures under section 174 for tax years beginning after December 31, 2021. These rules became effective for the Company during the year ended December 31, 2022. As a result, for tax purposes, the Company has capitalized R&D costs of $13.6 million and $11.6 million for the years ended December 31, 2022 and 2023, respectively. The Company will amortize these costs for tax purposes over 5 years if the R&D was performed in the U.S. and over 15 years if the R&D was performed outside the U.S.

A reconciliation of income tax (expense) benefit at the statutory federal income tax rate and income taxes as reflected in the consolidated financial statements at December 31, 2022 and 2023 are as follows:

	2022	2023
Federal income tax at statutory rate	21.00 %	21.00 %
State income tax, net of federal benefit	4.28 %	8.65 %
Research and development credits	1.39 %	0.96 %
Book compensation related to stock options	(0.80)%	(1.00)%
Change in income tax rate	(4.93)%	(3.16)%
Other	(0.09)%	(0.01)%
Increase in valuation allowance	(20.87)%	(25.68)%
Permanent differences	—	(0.76)%
Effective tax rate	(0.02)%	— %

The Company files tax returns in the United States, Massachusetts and other states. The tax years 2019 through 2023 remain open to examination by major taxing jurisdictions to which the Company is subject, which are primarily the United States federal and Massachusetts. Carryforward attributes generated in years past may still be adjusted upon examination by the Internal Revenue Service or state tax authorities if they have or will be used in a future period. The Company is currently not under examination by the Internal Revenue Service or any other jurisdictions for any tax years. The Company recognizes both accrued interest and penalties related to unrecognized benefits in income tax expense. The Company has not recorded any interest or penalties on any unrecognized tax benefits since its inception.

A reconciliation of the beginning and ending amount of uncertain tax benefits is as follows (in thousands):

	2022	2023
Beginning uncertain tax benefits	$ 977	$ 1,106
Prior year - increases	—	28
Current year - increases	129	102
Ending uncertain tax benefits	$ 1,106	$ 1,236

9. Fair Value of Financial Instruments

The FASB ASC Topic, *Fair Value Measurements and Disclosures (*"ASC 820"*),* provides a fair value hierarchy, which classifies fair value measurements based on the inputs used in measuring fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the inputs that market participants would use in pricing the asset or liability and are developed based on the best information available in the circumstances. The fair value hierarchy applies only to the valuation inputs used in determining the reported fair value of the investments and is not a measure of the investment credit quality. The three levels of the fair value hierarchy are described below:

Level 1—Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2—Valuations based on quoted prices for similar assets or liabilities in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3—Valuations that require inputs that reflect the Company's own assumptions that are both significant to the fair value measurement and observable.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The carrying values of the Company's cash and restricted cash, prepaid expenses and deposits approximate their fair values due to their short-term nature. The carrying value of the Company's term loan payable was considered a reasonable estimate of fair value because the Company's interest rate is near current market rates for instruments with similar characteristics.

The following tables summarize the Company's assets and liabilities that are measured at fair value on a recurring basis and indicates the level of the fair value hierarchy utilized to determine such fair values (in thousands):

	As of December 31, 2022			
	TOTAL	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$ 65,875	$ 65,875	$ —	$ —
Total cash equivalents	65,875	65,875	—	—
Commercial paper	16,741	—	16,741	—
United States Treasury securities	15,775	15,775	—	—
United States Government Agency securities	14,609	—	14,609	—
Investments	47,125	15,775	31,350	—
Total	$ 113,000	$ 81,650	$ 31,350	$ —
Liabilities:				
Derivative liability	$ 7,517	$ —	$ —	$ 7,517
Total	$ 7,517	$ —	$ —	$ 7,517

	As of December 31, 2023			
	TOTAL	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$ 44,202	$ 44,202	$ —	$ —
Total cash equivalents	44,202	44,202	—	—
United States Treasury securities	13,969	13,969	—	—
Commercial paper	9,425	—	9,425	—
Corporate bonds	3,815	—	3,815	—
United States Government Agency securities	1,990	—	1,990	—
Investments	29,199	13,969	15,230	—
Total	$ 73,401	$ 58,171	$ 15,230	$ —
Liabilities:				
Derivative liability	$ 3,857	$ —	$ —	$ 3,857
Total	$ 3,857	$ —	$ —	$ 3,857

Changes in the fair value of the Company's Level 3 derivative liability for the year ended December 31, 2023 are as follows:

At December 31, 2022	$ 7,517
Change in fair value of derivative liability	(3,660)
At December 31, 2023	$ 3,857

The Oaktree Agreement contains embedded derivatives requiring bifurcation as a derivative instrument. The derivative liability related to the term loan is recorded and accounted for separately in the consolidated financial statements as one compound derivative liability, see Note 10 for additional details. The fair value of the embedded derivative liabilities associated with the term loan was estimated using a hybrid between the discounted cash flow and Monte Carlo simulation methods. This involves significant Level 3 inputs and assumptions including (i) the estimated probability and timing of a change in control and (ii) the probability-weighted net sales of FUROSCIX.

A summary of quantitative information about significant unobservable inputs (Level 3 inputs) used in measuring the Company's derivative liability that are categorized within Level 3 of the fair value hierarchy is as follows:

	December 31, 2022	December 31, 2023
Net sales discount rate	22.3%	20.7%
Net sales volatility	80.0%	70.0%
Risk-free rate	4.0%	3.9%
Recovery rate	80.0%	80.0%

10. Debt

The following table presents the carrying value of the Company's debt balance as of December 31, 2022 and 2023 (in thousands):

	DECEMBER 31, 2022	DECEMBER 31, 2023
Face value of term loans	$ 50,000	$ 50,000
Unamortized debt discount	(13,206)	(11,189)
Total debt, net	$ 36,794	$ 38,811
Less: short-term debt	—	—
Long-term debt	$ 36,794	$ 38,811

Oaktree Agreement

On October 13, 2022 (“Closing Date”), the Company entered into a Credit Agreement and Guaranty (the “Oaktree Agreement”) with Oaktree Fund Administration, LLC as administrative agent, and the lenders party thereto (collectively “Oaktree”) to borrow up to $100.0 million in three tranches with a maturity date of October 13, 2027.

The first tranche of $50.0 million was drawn immediately, with $9.8 million of the proceeds used to repay in full the outstanding loan and fees under the 2019 Loan Agreement with SLR Investment Corp. and Silicon Valley Bank and $2.7 million in fees and expenses incurred in connection with the financing, leaving $37.5 million in available proceeds from the first tranche. The ability to draw the remaining $50.0 million is contingent upon reaching certain net sales revenue milestone targets prior to September 30, 2024 and December 31, 2024, respectively.

The term loan initially bears interest at the three-month term Secured Overnight Financing Rate (“SOFR”) plus an applicable margin of 8.75% (with a SOFR floor of 1.00% and a 3.00% cap). Once FUROSCIX achieves at least $100.0 million in trailing 12-month net sales, the applicable margin will step down to 8.25%. The Company is required to make quarterly interest-only payments until the third anniversary of the Closing Date, after which the Company is required to make quarterly amortizing payments, with the remaining balance of the principal plus accrued and unpaid interest due at maturity.

In connection with entering into the Oaktree Agreement, the Company granted warrants to Oaktree to purchase up to an aggregate of 516,345 shares of the Company’s common stock at an exercise price of $5.40 per share. Upon inception, the Company evaluated the warrants and determined that they met all the requirements for equity classification under ASC 815. This transaction was accounted for as a detachable warrant at its fair value, using the relative fair value method, which is based on a number of unobservable inputs and is recorded as an increase to additional paid-in-capital on the consolidated statement of stockholder’s equity. The relative fair value of the warrants, $2.0 million, was reflected as a discount to the term loan and will be amortized over the life of the term loan using the effective interest method. The Company used the Black-Scholes option pricing model to determine the fair value of the warrants. Assumptions included the fair market value per share of common stock on the valuation date of $5.50, the exercise price per warrant equal to $5.40, the expected volatility of 77%, the risk-free interest rate of 4.11%, the contractual term of 7 years and the absence of a dividend. The warrants are immediately exercisable and the exercise period expires on October 13, 2029.

The Company identified a number of embedded derivatives that require bifurcation from the term loan and that were separately accounted for in the consolidated financial statements as one compound derivative liability. Certain of these embedded features include contingent interest rate reset upon event of default, contingent put options, including change in control and going concern provisions, and additional costs as a result of changes in law. These embedded features met the criteria requiring these to be bifurcated because they were not clearly and closely related to the host instrument in accordance with ASC 815-15 and the derivative liability is presented separately in the consolidated balance sheets as of December 31, 2022 and 2023. The fair value of the embedded derivative liabilities associated with the term loan was estimated using a hybrid between the discounted cash flow and Monte Carlo simulation methods. This involves significant Level 3 inputs and assumptions including an estimated probability and timing of a change in control. The Company re-evaluates this assessment each reporting period and any changes in estimated fair value is recorded as other income (expense). The initial recognition of the embedded derivative liability upon issuance of the Term Loan was $8.9 million. At December 31, 2022 and 2023, the fair value of the embedded derivative liability was $7.5 million and $3.9 million, respectively.

In connection with the issuance of the term loan, the Company recorded a debt discount of $13.6 million, inclusive of debt issuance costs, the derivative liability and the relative fair value of the warrants. The discount will be amortized over the life of the term loan using the effective interest method. For the years ended December 31, 2022 and 2023, the Company recorded $383,000 and $2.0 million, respectively, related to the amortization of the debt discount associated with the Oaktree Agreement.

Prepayments of the term loan, in whole or in part, will be subject to a prepayment fee which declines each year until the fourth anniversary date of the Closing Date, after which no prepayment fee is required. The Company is also required to pay an exit fee upon any payment or prepayment equal to 2.0% of the aggregate principal amount of the loans funded under the Oaktree Agreement. The Company recorded an additional debt discount of $1.0 million related to the exit fee. For the years ended December 31, 2022 and 2023, the Company recorded $28,000 and $149,000, respectively, related to the amortization of the exit fee associated with the Oaktree Agreement.

The Oaktree Agreement contains customary representations, warranties and affirmative and negative covenants, including financial covenants requiring the Company to (i) maintain unrestricted cash of at least $15.0 million at all times, increasing to $20.0 million upon accessing the second tranche of the term loan and (ii) meet minimum quarterly net sales revenue targets.

In addition, the Oaktree Agreement contains customary events of default that could cause the Company's indebtedness to become immediately due and payable. The lenders could declare the Company in default under its debt obligation upon the occurrence of any event that the lenders interpret as having a material adverse effect as defined under the Oaktree Agreement. Upon the occurrence and for the duration of an event of default, an additional interest rate equal to 2.0% per annum could apply to all obligations owed under the Oaktree Agreement. Among other loan covenant requirements, the Oaktree Agreement also requires the Company to provide an audit opinion of its annual financial statements not subject to any "going concern" or like qualification or exception.

SLR Investment Corp. and Silicon Valley Bank Term Loan

In May 2017, the Company entered into a loan and security agreement (the "2017 Loan Agreement"), with SLR Investment Corp. (f/k/a Solar Capital Ltd.) and Silicon Valley Bank, (together, the "Lenders") for $10.0 million. The 2017 Loan Agreement had a maturity date of May 1, 2021. Debt issuance costs for the 2017 Loan Agreement were to be amortized to interest expense over the remaining term of the 2017 Loan Agreement using the effective-interest method.

In September 2019, the Company replaced the 2017 Loan Agreement with a new $20.0 million term loan with the Lenders (the "2019 Loan Agreement"). The restructured four-year term loan facility allowed for an expansion of the 2017 Loan Agreement. Some of the proceeds from the 2019 Loan Agreement were used to pay off the 2017 Loan Agreement including the final fee of $325,000. The 2019 Loan Agreement extended the term of the credit facility until September 17, 2023. The payoff of the 2017 Loan Agreement was treated as a modification of the debt. Debt issuance costs for the 2019 Loan Agreement, including unamortized issuance costs for the 2017 Loan Agreement, would be amortized to interest expense over the remaining term of the 2019 Loan Agreement using the effective-interest method.

The 2019 Loan Agreement allowed the Company to voluntarily prepay all (but not less than all) of the outstanding principal at any time. A prepayment premium of 3% or 1% through the one-year anniversary and the two-year anniversary, respectively, would be assessed on the outstanding principal. After the two-year anniversary, a 0.5% prepayment premium would be assessed on the outstanding principal. A final payment fee of $500,000 was due upon the earlier to occur of the maturity date or prepayment of such borrowings.

In connection with the Oaktree Agreement, the Company paid off all unpaid borrowings under the 2019 Loan Agreement on October 13, 2022, including the $500,000 final fee and a prepayment premium of $46,000. For the year ended December 31, 2022, the Company recorded $341,000 related to the amortization of the debt discount associated with the 2019 Loan Agreement. For the year ended December 31, 2022, the Company recorded $132,000 related to the amortization of the final payment fee associated with the 2019 Loan Agreement.

As of December 31, 2023, future principal payments due under the Oaktree Agreement are as follows (in thousands):

Year ended:	
December 31, 2024	$ -
December 31, 2025	2,500
December 31, 2026	10,000
December 31, 2027	37,500
Total minimum principal payments	50,000

11. Stockholders' Equity

Common Stock

At December 31, 2022 and 2023, the Company had 150,000,000 shares of common stock authorized with a par value of $0.0001. There were 34,257,916 and 35,968,510 shares issued and outstanding at December 31, 2022 and 2023, respectively. Voting, dividend and liquidation rights of the holders of the common stock are subject to the Company's articles of incorporation, corporate bylaws and underlying shareholder agreements.

Reserved Shares

The Company has reserved 4,681,326 and 368,411 shares of common stock for the exercise of outstanding options to purchase common stock and for the vesting of RSUs respectively.

2021 At-the-Market Issuance Sales Agreement

On March 23, 2021, the Company entered into an Open Market Sale Agreement℠ (the "2021 ATM Agreement") with Cowen and Company, LLC ("Cowen") with respect to an at-the-market offering program (the "2021 ATM Program") under which the Company could offer and sell shares of its common stock (the "2021 ATM Shares"), having an aggregate offering price of up to $50.0 million through Cowen as its sales agent. The offering and sale of 2021 ATM Shares are made pursuant to the Company's shelf registration statement on Form S-3, which was declared effective by the SEC on April 29, 2021 (the "2021 Registration Statement").

The Company agreed to pay Cowen a commission up to 3.0% of the gross sales proceeds of such 2021 ATM Shares. The Company incurred $273,000 of legal, accounting, and other costs to establish and activate the 2021 ATM Program.

During the year ended December 31, 2022, the Company sold a total of 181,553 2021 ATM Shares under the 2021 ATM Agreement, in the open market, at a weighted average gross selling price of $6.33 per share for net proceeds of $1.1 million. The Company charged $6,000 in costs related to establishing and activating the program against additional paid in capital upon issuance of shares in 2022.

During the year ended December 31, 2023, the Company sold 1,544,490 2021 ATM Shares under the 2021 ATM Agreement at a weighted average gross selling price of $9.32 per share for net proceeds of $14.0 million. The Company charged $79,000 in costs related to establishing and activating the program against additional paid in capital upon issuance of shares in 2023.

Sale of Common Stock

In November 2022, the Company completed an underwritten public offering of 6,620,000 shares of its common stock (the "2022 Offering Shares"), pursuant to the 2021 Registration Statement. The 2022 Offering Shares were sold at an offering price of $5.25 per share. In addition, a prefunded warrant to purchase up to 2,905,000 shares of common stock at a purchase price of $5.249 per underlying share was issued as part of the transaction. The pre-funded warrants were accounted for as equity instruments. Net proceeds of the offering were $46.6 million, after deducting underwriting discounts, commissions and offering expenses.

Preferred Stock

At December 31, 2022 and 2023, the Company had 10,000,000 shares of preferred stock authorized with a par value of $0.0001 and no shares of preferred stock were issued or outstanding.

12. Stock-Based Compensation

Stock Options

In October 2017, the board of directors approved the 2017 Stock Option and Incentive Plan (the “2017 Stock Plan”) which became effective in November 2017, upon the closing of the Company’s IPO. The 2017 Stock Plan will expire in October 2027. Under the 2017 Stock Plan, the Company may grant incentive stock options, non-statutory stock options, restricted stock awards, RSUs and other stock-based awards. The Company’s 2014 Stock Incentive Plan (the “2014 Stock Plan”) terminated in November 2017 effective upon the completion of the Company’s IPO. No additional options will be granted under the 2014 Stock Plan. At December 31, 2023, there were 571,095 options outstanding under the 2014 Stock Plan.

At December 31, 2023, there were 7,402,457 shares of the Company’s common stock authorized for issuance under the 2017 Stock Plan, including 366,823 options that have been forfeited from the 2014 Stock Plan.

At December 31, 2023, there were 3,067,473 options available for issuance under the 2017 Stock Plan and 3,926,481 options outstanding and 368,411 RSUs outstanding.

On February 1, 2023, the Board of Directors of the Company adopted the 2023 Employment Inducement Award Plan (the "Inducement Plan") and, subject to the adjustment provisions of the Inducement Plan, reserved 500,000 shares of the Company’s common stock for issuance pursuant to equity awards granted under the Inducement Plan. At December 31, 2023, there were 316,250 options available for issuance under the Inducement Plan, and 183,750 options outstanding.

Awards granted under the 2017 Stock Plan and the Inducement Plan have a term of ten years. Vesting of awards under the 2017 Stock Plan and the Inducement Plan is determined by the compensation committee of the board of directors but is generally over one to four-year terms.

The fair value of options at date of grant was estimated using the Black-Scholes option-pricing model with the following assumptions:

	2022	2023
Risk-free interest rate	1.67%—4.18%	3.40%—4.67%
Expected dividend yield	0%	0%
Expected life	5.5—6.7 years	5.5—7.0 years
Expected volatility	70%—84%	77%—85%
Weighted-average grant date fair value	$ 3.18	$ 5.26

Due to the lack of a public market for the trading of the Company's common stock prior to its initial public offering and the lack of company-specific historical volatility, volatility was estimated using historical volatilities of similar companies. The expected life of the awards is estimated based on the simplified method, which calculates the expected life based upon the midpoint of the term of the award and the vesting period. The Company uses the simplified method because it does not have sufficient option exercise data to provide a reasonable basis upon which to estimate the expected term. The Company has no history of paying dividends nor does management expect to pay dividends over the contractual terms of these options. The risk-free interest rates are based on the United States Treasury yield curve in effect at the time of grant, with maturities approximating the expected life of the stock options.

The following table summarizes information about stock option activity during 2022 and 2023 (in thousands, except share and per share data):

	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING CONTRACTUAL TERM	AGGREGATE INTRINSIC VALUE
Outstanding, December 31, 2021	2,662,752	$ 6.26		
Granted	1,455,594	4.86		
Exercised	(11,756)	3.71		
Forfeited	(98,413)	6.73		
Outstanding, December 31, 2022	4,008,177	5.76		
Granted	1,004,632	7.38		
Exercised	(100,322)	4.94		
Forfeited	(231,161)	6.44		
Outstanding, December 31, 2023	4,681,326	$ 6.09	7.02	$ 4,216
Vested and exercisable, December 31, 2023	2,784,463	$ 5.87	5.93	$ 3,110
Vested and expected to vest, December 31, 2023	4,295,457	$ 6.09	6.87	$ 3,960

The following table summarizes information about RSU activity during 2022 and 2023:

	RSUs	AVERAGE GRANT DATE FAIR VALUE (IN DOLLARS PER SHARE)
RSUs outstanding, December 31, 2021	42,250	$ 3.25
Granted	—	—
Vested	(42,250)	3.25
Forfeited	—	—
RSUs outstanding, December 31, 2022	—	—
Granted	387,950	6.04
Vested	—	—
Forfeited	(19,539)	6.03
RSUs outstanding, December 31, 2023	368,411	$ 6.03

The number of RSUs vested includes shares of common stock withheld on behalf of employees to satisfy the minimum statutory tax withholding requirements.

During 2022 and 2023, the Company received $44,000 and $354,000, respectively, upon exercise of stock options. The intrinsic value of the options exercised in 2022 and 2023 was $17,000 and $244,000, respectively. 24,343 options were exercised on December 29, 2023 and the shares settled on January 2, 2024. Cash received on January 2, 2024 related to this exercise totaled $141,000. This share issuance will be recognized on the Company's Condensed Consolidated Statements of Stockholders' Equity for the quarter ending March 31, 2024.

Unrecognized compensation expense related to unvested options as of December 31, 2023 was $5.1 million and will be recognized over the remaining vesting periods of the underlying awards. The weighted-average period over which such compensation is expected to be recognized is 2.3 years. Unrecognized compensation expense related to unvested RSUs as of December 31, 2023 was $1.2 million and will be recognized over the remaining vesting periods of the underlying awards. The weighted-average period over which such compensation is expected to be recognized is 3.1 years.

During the three months ended June 30, 2023, as part of a severance arrangement, the Company extended the exercise period to six months for 111,532 vested options, with a weighted exercise price of $6.25, and recorded incremental stock-based compensation of $87,000.

Employee Stock Purchase Plan

In October 2017, the board of directors approved the 2017 Employee Stock Purchase Plan (“the ESPP”) which became effective in November 2017, upon the closing of the Company’s IPO. As part of the ESPP, eligible employees may acquire an ownership interest in the Company by purchasing common stock, at a discount, through payroll deductions. Eligible employees who elected to participate were able to participate in the ESPP beginning September 1, 2021.

During 2022 and 2023, 45,938 and 90,125 shares of common stock were issued under the ESPP, respectively. As of December 31, 2023, there were 1,257,566 shares of common stock available for issuance under the ESPP.

The Company recorded stock-based compensation expense in the following expense categories of its accompanying consolidated statements of operations and comprehensive loss for employees, directors and non-employees during the years ended December 31, 2022 and 2023 as follows (in thousands):

	2022	2023
Research and development	$ 1,050	$ 1,446
Selling, general and administrative	1,788	3,410
Total	$ 2,838	$ 4,856

13. Commitments and Contingencies

Operating Leases

The Company entered into noncancelable operating leases for office facilities located in Lexington, Massachusetts and Burlington, Massachusetts through December 31, 2022 and November 30, 2023, respectively. These leases were terminated as of December 31, 2023.

In September 2023, the Company entered into a sublease agreement, pursuant to which the Company agreed to sublease office space for its new headquarters in Burlington, Massachusetts, under a non-cancelable operating lease, which expires on August 31, 2029.

Rent expense under the operating leases totaled $0.5 million and $0.6 million for the years ended December 31, 2022 and 2023, respectively.

Certain leases provide for increases in future minimum annual rental payments as defined in the lease agreements. The leases generally also include real estate taxes and common area maintenance charges in the annual rental payments.

Pursuant to the terms of its lease agreement for the Company's former headquarters in Burlington, Massachusetts, the Company obtained a letter of credit in the amount of approximately $182,000 as security on the lease obligation. During the year ended December 31, 2023, the Company replaced the letter of credit with a $182,000 cash deposit which is included in deposits and other current assets on the balance sheet.

Short-term leases are leases having a term of twelve months or less. The Company recognizes short-term leases on a straight-line basis and does not record a related lease asset or liability for such leases.

The following is a maturity analysis of the annual undiscounted cash flows reconciled to the carrying value of the operating lease liabilities as of December 31, 2023 (in thousands):

Year ended:	
December 31, 2024	$ 339
December 31, 2025	341
December 31, 2026	349
December 31, 2027	358
December 31, 2028	367
Thereafter	249
Total minimum lease payments	2,003
Less imputed interest	(545)
Total	$ 1,458

	2022	2023
Lease cost:		
Operating lease cost	$ 505	$ 692
Short-term lease cost	37	22
Sublease income	(47)	-
Total lease cost	$ 495	$ 714
Other information		
Cash paid for amounts included in the measurement of liabilities	$ 551	$ 625
Operating cash flows from operating leases	$ (57)	$ 50
Weighted-average remaining lease term - operating leases	0.9 years	5.6 years
Weighted-average discount rate - operating leases	10.1%	11.7%

In July 2021, the Company signed a lease agreement for a new office facility located in Salem, New Hampshire. The lease commenced on September 1, 2021 and had an initial term of 12 months with an optional extension term through August 2023 which was exercised. In June 2023, the Company extended the lease through August 2024. The lease is considered short-term and is being recognized on a straight-line basis.

Research and Development Agreements

As part of the Company's research and development efforts, the Company enters into research and development agreements with unrelated companies. These agreements contain varying terms and provisions which include fees and milestones to be paid by the Company. Some of these agreements also contain provisions which require the Company to make payments for exclusivity in the development of products in the area of loop diuretics.

Contingencies

The Company follows subtopic 450-20 of the FASB ASC to report accounting for contingencies.

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, and an estimate of the range of possible losses, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

14. 401(k) Savings Plan

In July 2014, the Company established a defined contribution savings plan under Section 401(k) of the Internal Revenue Code covering all of its employees. Employees may make contributions by withholding a percentage of their salary. The plan includes an employer match equal to 100% on the first 3% of deferred compensation and an additional 50% on the next 2% of deferred compensation. During the years ended December 31, 2022 and 2023, the Company has recognized compensation expense of $340,000 and $712,000, respectively, for the employer match contribution.

15. Subsequent Events

The Company considers events or transactions that occur after the balance sheet date but prior to the issuance of the financial statements to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. The Company evaluated subsequent events through the issuance date of the financial statements and concluded that no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Limitations on Effectiveness of Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive and financial officer, evaluated, as of the end of the period covered by this Annual Report on Form 10-K, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). In making this evaluation, our management considered the material weakness in our internal control over financial reporting described below. Based on such evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of December 31, 2023.

Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. In connection with the preparation of our financial statements for this Annual Report on Form 10-K, management identified a material weakness related to the controls, processes and procedures over the fair value accounting associated with the embedded derivative liability in connection with the Oaktree Agreement. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources" for a description of the Oaktree Agreement. Specifically, the calculation performed by our third-party valuation specialist during the fourth quarter of fiscal 2023 as it relates to fair value accounting for the liability included errors resulting in an overstatement in the fair value of the liability. We made adjustments necessary to properly reflect the fair value of the derivative liability in the financial statements included in this Annual Report on Form 10-K for the period ended December 31, 2023. There were no changes to previously released financial results as a result of this material weakness.

Notwithstanding the material weakness, we believe that our financial statements contained in this Annual Report on Form 10-K fairly present our financial position, results of operations and cash flows for the periods covered by this report in all material respects.

Our management, with the oversight of our audit committee, has initiated steps and plans to take additional measures to remediate the underlying causes of the material weakness, which we currently believe will be primarily through revising precision level of management review controls and gaining additional assurance regarding our outside service providers' quality control procedures. It is possible that we may determine that additional remediation steps will be necessary in the future.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Our management assessed the effectiveness of our internal control over financial reporting as of the end of the period covered by this Annual Report on Form 10-K. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework (2013 framework). Based on its assessment, management concluded that, as of December 31, 2023, our internal

control over financial reporting was not effective based on those criteria and the material weakness identified above.

Attestation Report of the Independent Registered Public Accounting Firm
This Annual Report on Form 10-K does not include an attestation report of our registered public accounting firm because we are a non-accelerated filer.

Changes in Internal Control over Financial Reporting
Other than the material weakness described above, there were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

(a) Disclosure in lieu of reporting on a Current Report on Form 8-K

None.

(b) Insider Trading Arrangements and Policies.

During the three months ended December 31, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information about our Directors

The following table presents information concerning our board of directors as of the date of March 12, 2024:

Name	Age	Position at scPharmaceuticals
John H. Tucker	61	President, Chief Executive Officer and Director
Jack A. Khattar	62	Chairman of the Board and Director
William T. Abraham, M.D.	64	Director
Mette Kirstine Agger	59	Director
Minnie Baylor-Henry	76	Director
Sara Bonstein	43	Director
Frederick Hudson	78	Director
Leonard D. Schaeffer	78	Director
Klaus Veitinger, M.D., Ph. D.	62	Director

John H. Tucker has served as our President, Chief Executive Officer and Director since January 2017. From 2016 to 2017, Mr. Tucker served as Chief Executive Officer of Algal Scientific, a biotechnology company and from 2014 to 2016, Mr. Tucker served as Chief Executive Officer of Alcresta Therapeutics, a developer of enzyme-based products for patients with acute and chronic diseases. From 2013 to 2014, Mr. Tucker served as Chief Executive Officer of the North American business of Nelson Bach U.S. Prior to that, he served as Senior Vice President and Chief Commercial Officer of Incline Therapeutics from 2012 through its acquisition by The Medicines Company in 2013. Prior to Incline, Mr. Tucker served as Senior Vice President, Commercial Operations at AMAG Pharmaceuticals. From 2002 to 2011, Mr. Tucker served in senior executive operations and commercial roles at Basilea Pharmaceuticals and Indevus Pharmaceuticals. Mr. Tucker also held several sales and development roles at ALZA, a global pharmaceutical company, and at Johnson & Johnson. Mr. Tucker served on the board of directors of Eleusis Ltd., a privately-held clinical stage life science company, from July 2021 until it was acquired in October of 2022. Mr. Tucker holds a B.A. from Plymouth State College and an M.B.A. from New Hampshire College. We believe Mr. Tucker is qualified to serve on our board of directors because of his extensive and broad range of experience in business and healthcare product development, including previous experience growing companies in the pharmaceutical industry.

Jack A. Khattar has served as a member of our board of directors since June 2016 and as Chair of our board of directors since November 2017. Mr. Khattar is the founder of Supernus Pharmaceuticals, a pharmaceutical company, where he has served as President, Chief Executive Officer and Secretary and a Director since 2005. From 1999 to 2005, Mr. Khattar served in various positions as a board member, President and Chief Executive Officer of Shire Laboratories Inc., the drug delivery subsidiary of Shire plc. From 1999 to 2004, he also served as a member of Shire plc's executive committee. Prior to that, Mr. Khattar served as an executive officer and the Chairman of the management committee at CIMA Labs Inc. (CIMA), a drug delivery company where he was also responsible for business development, corporate alliances and strategic planning. Prior to joining CIMA in 1995, Mr. Khattar held several marketing and business development positions at Merck & Co., Novartis, Playtex and Kodak in various locations, including the United States, Europe and the Middle East. Mr. Khattar currently serves on the boards of directors of Navitor Pharmaceuticals, LLC, a privately-held pharmaceutical company, is the Chairman of the board of directors of Cognition Therapeutics Inc. , a publicly-traded pharmaceutical company, and serves on the advisory board of New Rhein Healthcare, a private equity firm. Mr. Khattar earned his degrees in Marketing with a BBA from American University of Beirut and an MBA from the Wharton School of the University of Pennsylvania. We believe that Mr. Khattar's leadership, executive, managerial, business and pharmaceutical company experience, along with his more than 30 years of industry experience in the development and commercialization of pharmaceutical products and drug delivery technologies, qualify him to be a director.

William T. Abraham, MD, FACP, FACC, FAHA, FESC, FRCPE has served as a member of our board of directors since February 2021. Dr. Abraham is a College of Medicine Distinguished Professor at The Ohio State University, where he has worked since October 2002, and a noted Heart Failure Specialist. He is a consultant to industry in drug and device development for cardiovascular disorders and has served as Chief Medical Officer of V-Wave

Ltd. since 2019. Dr. Abraham has been in various leadership positions at the Ohio State University Wexner Medical Center since October 2002. Dr. Abraham previously held faculty appointments at the University of Colorado, the University of Cincinnati and the University of Kentucky. Dr. Abraham's research interests include the role of the kidney in heart failure, neurohormonal mechanisms in heart failure, sleep-disordered breathing in heart failure and clinical drug and device trials in heart failure and cardiac transplantation. He has received grants from the National Institutes of Health, the American College of Cardiology and the Aetna Quality Care Foundation and has served as principal investigator in more than 100 clinical drug and device trials. In addition to authoring more than 1,500 original papers, abstracts, book chapters and review articles, Dr. Abraham has co-edited a leading textbook on heart failure entitled *Heart Failure: A Practical Approach to Treatment*. He serves on the editorial boards of several major journals and as a scientific reviewer for such publications as *Circulation*, the *European Heart Journal*, and the *Journal of the American College of Cardiology*. Dr. Abraham has been recognized as one of the 'Best Doctors in America' for 20 consecutive years. He was named as one of The World's Most Influential Scientific Minds and named to the Highly Cited Researchers list by Clarivate Analytics (formerly Thomson Reuters). In 2022, Dr. Abraham received the Pioneer Award from the Heart Failure Society of America, given to an innovator in the field of heart failure. In 2017, he received the Distinguished Scientist Award from the American College of Cardiology. Dr. Abraham is a member of the board of directors of Cardionomic, Inc. Dr. Abraham received his M.D. from Harvard Medical School before completing a residency in internal medicine and fellowships in cardiology and heart failure/cardiac transplantation at the University of Colorado Health Sciences Center. He is board-certified in internal medicine and advanced heart failure and transplant cardiology. We believe Dr. Abraham is qualified to serve on our board of directors because of his extensive medical, academic and industry experience and achievement in cardiology and heart failure.

Mette Kirstine Agger has served as a member of our board of directors since March 2014. From 2009 to 2022, Ms. Agger served as a managing partner of Lundbeckfonden Ventures, a life science venture fund that she founded. Prior to that, Ms. Agger co-founded 7TM Pharma A/S, a biotech company engaged in therapeutic drug discovery and development, in 2000, and served as its CEO from founding to 2009. Prior to founding 7TM Pharma, Ms. Agger was part of the management team of NeuroSearch A/S, a drug research and development company. She started her carrier as patent attorney in private practice. Ms. Agger has served and currently serves on numerous boards of both in private and public companies, including on the board of Lexeo Therapeutics, a gene therapy company targeting orphan diseases since 2020. Ms. Agger previously served as board member of the public companies Veloxis A/S from 2010 to January 2020, Imara Therapeutics, Inc. from 2015 to June 2021, and Trevi Therapeutics, Inc. from July 2017 to June 2019. Ms. Agger graduated with an M.Sc. in Biology from the University of Copenhagen and has an M.B.A. from Henley Business School University of Reading. We believe Ms. Agger is qualified to serve on our board of directors because of her industry experience, intellectual property knowledge and her experience of serving on the board of directors for several biopharmaceutical and medtech companies.

Minnie Baylor-Henry has served as a member of our board of directors since July 2018. Ms. Baylor-Henry has served as the President of B-Henry & Associates, a consulting firm focused on providing regulatory and compliance strategy services to life sciences companies, since April 2015. Prior to assuming her current role, she was the Worldwide Vice-President for Regulatory Affairs for Johnson & Johnson's Medical Devices & Diagnostics January 2011 until March 2015, where she was directly responsible for coordinating the regulatory strategy for the approval of a wide portfolio of products globally, ranging from contact lens to sterilization products. Prior to that, Ms. Baylor-Henry was a National Director for Regulatory & Capital Markets Consulting at Deloitte & Touche and before that was an executive with Johnson & Johnson's pharmaceutical and consumer sectors from 1999 to 2008. She also worked for the U.S. Food & Drug Administration from 1991 to 1999. Ms. Baylor-Henry is recognized as a leader in the area of food and drug laws, and regulations and is a frequent speaker on food and drug law topics. She has received numerous awards and recognitions in this area. Ms. Baylor-Henry previously served on the board of directors of PolarityTE, Inc. from December 2018 to September 2021 and Paratek Pharmaceuticals from June 2021 to September 2023, and currently serves on the boards of directors of Apyx Medical, since August 2019, and Latheus Holdings, Inc., since February 2022. Ms. Baylor-Henry received her Pharmacy degree from Howard University's College of Pharmacy and her law degree from Catholic University's Columbus School of Law. We believe Ms. Baylor-Henry is qualified to serve on our board of directors because of her industry experience including relevant regulatory affairs experience in medical devices, pharmaceutical products, including combination products in the private and public sectors.

Sara Bonstein has served as a member of our board of directors since July 2020. Ms. Bonstein has served as Chief Financial Officer of Insmed Incorporated, a public biopharmaceutical company, since January 2020 and is responsible for Insmed's key financial functions, including accounting, financial planning and analysis,

procurement, and investor relations. Ms. Bonstein has more than two decades of operational and financial leadership in the life sciences industry. Prior to joining Insmed, Ms. Bonstein served as the Chief Financial Officer and Chief Operating Officer at OncoSec Medical from July 2018 to January 2020 and as the Chief Financial Officer at Advaxis, Inc. from January 2017 to May 2018. She also previously held positions of increasing responsibility at Eli Lilly & Company and Johnson & Johnson. Ms. Bonstein has served on the board of directors of Xilio Therapeutics, Inc. since August 2021. Ms. Bonstein is a Six Sigma Black Belt and in 2016 was named CFO of the Year – Healthcare Organization and Forty under 40 by NJBiz. She holds a BS in Finance from The College of New Jersey and an M.B.A. from Rider University. Ms. Bonstein has served on the board of directors of Xilio Therapeutics, Inc. since August 2021. We believe that Ms. Bonstein is qualified to serve on our board of directors because of her expertise and experience in finance and industry.

Frederick M. Hudson has served as a member of our board of directors since June 2018. Mr. Hudson retired as a partner in charge of the health care audit practice for the Washington-Baltimore business unit of the accounting firm of KPMG, LLP on January 1, 2006, after a 37-year career with the firm. Since November 2010, he has been a director and audit committee chair of the board of directors of Supernus Pharmaceuticals, Inc. Mr. Hudson previously served on the boards of directors of several private companies and non-profit organizations, including GBMC Healthcare, Inc. and its affiliate, Greater Baltimore Medical Center, Inc., the Board of Financial Administration of the Catholic Archdiocese of Baltimore, Educate, Inc., the Board of Trustees of the Maryland Historical Society, Woodhaven Holding Corporation and Paradigm Management Services, LLC. Mr. Hudson received a B.S. in Accounting from Loyola University Maryland and is a Certified Public Accountant (retired). We believe that Mr. Hudson's extensive accounting and health care audit experience, and experience on other boards of directors and board committees qualify him to serve as a member of our board of directors.

Leonard D. Schaeffer has served as a member of our board of directors since 2014. He has served as a partner of North Bristol Partners, a privately held consulting company, since 2006. From 2007 to 2011, Mr. Schaeffer served as the chairman of the Board of Surgical Care Affiliates, LLC, then a privately held company operating a national network of ambulatory surgical centers and surgical hospitals. He has served as a senior advisor to Whistler Capital Partners since March 2022. Mr. Schaeffer formerly served as chairman of the board of WellPoint Inc. from 2004 to 2005 (now Elevance Health), then the largest health insurance company in the United States, chairman and chief executive officer of WellPoint Health Networks Inc. from 1992 to 2005, and chairman and chief executive officer of Blue Cross of California from 1989 to 2004, having joined its board in 1986. He also served as a director of Allergan, Inc., a publicly traded specialty pharmaceutical company, from 1993 to 2011, and as a director of Amgen, Inc., a publicly traded biotechnology company, from 2004 to 2013. Mr. Schaeffer also served on the board of Walgreens Boots Alliance, a publicly traded pharmaceutical manufacturing, wholesale and distribution holding company from June 2015 to October 2019. While serving in the federal government from 1978 to 1980, Mr. Schaeffer was Administrator of the Health Care Financing Administration (now CMS) and was responsible for the United States Medicare and Medicaid programs. Mr. Schaeffer was named the Judge Robert Maclay Widney Chair and Professor at the University of Southern California (USC) in 2007 and, since 2000, has served on the board of the Brookings Institution where he is Vice Chair. He joined the Board of Trustees at USC in 2013, and the Board of Fellows of Harvard Medical School in 2003. He joined the USC Health System Board in 2013 and was named chairman in 2020. Mr. Schaeffer was elected a member of the National Academy of Medicine of the National Academy of Sciences in 1997. He established the Leonard D. Schaeffer Center for Health Policy and Economics at USC in 2009 and has chaired its advisory board ever since. In 2024, he established the Schaeffer Institute for Public Policy & Government Service at USC. Mr. Schaeffer earned his A.B. in Economics from Princeton University. We believe that Mr. Schaeffer is qualified to serve on our board of directors because of his industry experience and his decades-long track record of serving in leadership positions on various boards.

Klaus Veitinger, MD, PhD has served as a member of our board of directors since November 2017. Dr. Veitinger joined OrbiMed in 2007 as a Venture Partner and is focused on venture investments in the therapeutic space. Since joining OrbiMed, he has served or currently serves on the boards of numerous public and private OrbiMed portfolio companies. Previously, Dr. Veitinger was the Chief Executive Officer of Schwarz Pharma Inc. with responsibility for the U.S. and Asia businesses culminating in the ultimate sale of the Schwarz Group. For seven years he was a Director of PhRMA. Dr. Veitinger previously served on the board of directors of Tricida Therapeutics, Inc. from October 2013 to June 2023. He received his medical degree and his doctorate (Ph.D.) from the University of Heidelberg and earned his M.B.A. at INSEAD in France. We believe that Dr. Veitinger is qualified to serve on our board of directors due to his management and investment experience in the life sciences sector and medical and scientific background.

Executive Officers

The following table presents information concerning our executive officers as of March 12, 2024:

Name	Age	Position
John H. Tucker	61	President, Chief Executive Officer and Director
Rachael Nokes	49	Chief Financial Officer

See above for Mr. Tucker's biography.

Rachael Nokes joined us in September 2014 and has served as our Chief Financial Officer since December 2022. Ms. Nokes served as our Senior Vice President of Finance from May 2018 to December 2022 and as our Vice President of Finance from September 2014 to May 2018. Prior to joining the Company, from 2009 to 2014, Ms. Nokes served as Director of Accounting at BG Medicine, then a publicly held medical device company. Prior to that, from 2001 to 2009, she served in various accounting and finance positions at BG Medicine. From 1998 to 2001, Ms. Nokes held accounting and finance positions at Corning Lasertron and Oak Industries (acquired by Corning). Prior to Oak Industries, Ms. Nokes was an auditor at PriceWaterhouse LLP (now PriceWaterhouseCoopers LLP). Ms. Nokes holds a B.S. in Accounting from Boston College and an M.S. in Finance from Bentley University.

There are no family relationships between or among any of our directors or executive officers. The principal occupation and employment during the past five years of each of our directors was carried on, in each case except as specifically identified above, with a corporation or organization that is not a parent, subsidiary or other affiliate of us. There is no arrangement or understanding between any of our directors and any other person or persons pursuant to which he or she is to be selected as a director.

Code of Business Conduct and Ethics

We are committed to the highest standards of integrity and ethics in the way we conduct our business. Our board of directors adopted a Code of Business Conduct and Ethics, which applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Our Code of Business Conduct and Ethics establishes our policies and expectations with respect to a wide range of business conduct, including the preparation and maintenance of our financial and accounting information, our compliance with laws, and possible conflicts of interest.

Under our Code of Business Conduct and Ethics, each of our directors and employees is required to report suspected or actual violations to the extent permitted by law. In addition, we have adopted separate procedures concerning the receipt and investigations of complaints relating to accounting or audit matters. These procedures have been adopted by the board of directors and are administered by our audit committee.

A current copy of our Code of Business Conduct and Ethics is posted on the Corporate Governance section of our website, which is located at www.scpharmaceuticals.com. If we make any amendments to, or grant any waivers from, the Code of Business Conduct and Ethics for any officer or director, we will disclose the nature of such amendment or waiver as required by law or the rules of Nasdaq on our website.

Stockholder Recommendations

Stockholders may submit recommendations for director candidates to the nominating and corporate governance committee by sending the individual's name and qualifications to our Corporate Secretary at scPharmaceuticals Inc., 25 Mall Rd., Suite 203, Burlington, MA 01803, who will forward all recommendations to the nominating and corporate governance committee. In the event there is a vacancy, and assuming that appropriate biographical and background material has been provided on a timely basis, the nominating and corporate governance committee will evaluate any candidates recommended by stockholders against the same criteria and pursuant to the same policies and procedures applicable to the evaluation of candidates proposed by directors or management.

Audit Committee

We have a separately-designated standing audit committee ("Audit Committee") that consists of Mr. Hudson, Ms. Bonstein and Ms. Baylor-Henry, and which is chaired by Mr. Hudson. Our board of directors has determined that each member of the audit committee is "independent" for audit committee purposes as that term is defined in the applicable SEC and Nasdaq rules, and each audit committee member has sufficient knowledge in financial and auditing matters to serve on the audit committee. Our board of directors has designated Mr. Hudson as an "audit committee financial expert," as defined under the applicable rules of the SEC.

Item 11. Executive Compensation.

Summary Compensation Table

The following table provides information regarding the total compensation for services rendered in all capacities that was earned during the fiscal years ended December 31, 2023 and December 31, 2022 by our named executive officers. Mr. Tucker and Ms. Nokes were the Company's only executive officers with respect to the 2023 fiscal year.

Name and Principal Position	Year	Salary ($)	Share Awards ($) [1]	Option Awards ($) [2]	Non-Equity Incentive Plan Compensation ($) [3]	All Other Compensation ($) [4]	Total ($)
John H. Tucker	2023	603,500	409,323	447,779	362,100	15,960	1,838,662
President and Chief Executive Officer	2022	580,250	-	683,162	319,200	12,752	1,595,364
Rachael Nokes	2023	400,000	71,838	78,554	160,000	13,804	724,196
Chief Financial Officer	2022	362,284	-	554,354	121,500	12,670	1,050,808

(1) Amounts reflect the grant date fair value of share awards granted in 2023 calculated in accordance with ASC Topic 718. For information regarding assumptions underlying the valuation of equity awards, see the notes to our audited financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2023. These amounts reflect the accounting cost and do not correspond to the actual value that may be recognized by the named executive officers upon vesting of the share awards.

(2) Amounts reflect the grant date fair value of option awards granted in 2023 and 2022, calculated in accordance with ASC Topic 718. For information regarding assumptions underlying the valuation of equity awards, see notes 2 and 12 to our audited financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2023. These amounts reflect the accounting cost and do not correspond to the actual value that may be recognized by the named executive officers upon exercise of the stock options.

(3) The 2023 amounts reported represent incentive bonuses earned for performance with respect to fiscal year 2023 and paid in February 2024. The incentive bonuses awarded with respect to fiscal year 2023 were paid pursuant to the 2023 Bonus Plan and amounts were determined based upon the achievement of Company performance objectives related to regulatory achievements, lifecycle management, fiscal management, and operational execution for the year ended December 31, 2023.

(4) The amounts reported in this column for 2023 include the following:

Executive Officer	Company Matching Contribution to 401(k) Plan Account ($)	Group Term Life Premiums ($)
John H. Tucker	13,188	2,772
Rachael Nokes	13,174	630

Compensation Overview

This compensation overview, which should be read together with the compensation tables set forth above, provides information regarding our executive compensation program for employees at the level of senior vice president or above for 2023. John H. Tucker, our president and chief executive officer, and Rachael Nokes, our chief financial officer, are referred to as our named executive officers for 2023.

Setting Executive Compensation

Our board of directors and compensation committee review executive compensation annually. In setting executive base salaries and bonuses and granting equity incentive awards, we consider compensation for comparable positions in peer companies and the market, historical compensation levels of our executives, individual performance as compared to our expectations and objectives, our desire to motivate our employees to achieve short-term and long-term results that are in the best interests of our stockholders, and a long-term commitment to our Company.

Our compensation committee reviews and discusses management's annual compensation proposal with the chief executive officer for all of our employees at the level of senior vice president or above other than the chief executive officer. Based on those discussions, without members of management present, the compensation committee approves the compensation of our executive officers and certain other senior employees. We retain the services of Pearl Meyer, as external compensation consultants and consider Pearl Meyer's input on certain matters we deem appropriate. Pearl Meyer served at the discretion of the compensation committee and did not provide any other services to the Company during fiscal year 2023 other than those for which they were engaged by the compensation committee. Our compensation committee requires that its compensation consultants be independent of Company management and performs an annual assessment of the compensation consultants' independence to determine whether the consultants are independent. Our compensation committee has determined that Pearl Meyer is independent and that its work has not raised any conflict of interests.

We have not adopted any formal guidelines for allocating total compensation between long-term and short-term compensation, cash compensation and non-cash compensation, or among different forms of non-cash compensation.

Role of the Compensation Committee

The compensation committee, which is comprised entirely of independent directors, reviews the compensation packages for our named executive officers, including an analysis of all elements of compensation separately and in the aggregate.

In reviewing and approving these matters, our compensation committee considers such matters as it deems appropriate, including our commercial, financial and operating performance, the alignment of the interests of our executive officers and our stockholders and our ability to attract and retain qualified and committed individuals, as well as the executive's performance, experience, responsibilities and the compensation of executive officers in similar positions at comparable companies.

Specific achievements and performance metrics considered in 2023 included:

- continued advancement of our lead programs including the successful commercial launch of FUROSCIX®;
- maintaining budgetary alignment and ending the year within budget;
- advancing key lifecycle initiatives;
- continued oversight of our management team; and
- maintaining budgetary oversight of employee retention and reduction in benefit plans.

Role of Management

Our chief executive officer assists the compensation committee in identifying the key performance and incentive measures that may be used in setting annual cash performance bonus opportunities and also provides input on key contributors and performers within the Company so as to ensure their compensation accurately reflects their responsibilities, performance, experience levels and expected future contributions. Although our chief executive officer does not participate in decisions involving his own compensation, his recommendations and input are often taken into consideration by the compensation committee when making compensation decisions.

Role of Compensation Consultant

Our compensation committee has engaged Pearl Meyer, an independent executive compensation consultant, to provide guidance with respect to the development and implementation of our compensation programs.

Our compensation committee requires that its compensation consultants be independent of Company management. We do not believe the retention of, and the work performed by Pearl Meyer creates any conflicts of interest. During 2023, Pearl Meyer did not provide services to us other than the services to our compensation committee described in this proxy statement.

In 2023, Pearl Meyer assisted the compensation committee as follows:

- preparing competitive compensation analyses and recommendations for the Company's executive management team, including our named executive officers and senior vice presidents, and
- providing consulting support for 2023 executive compensation actions.

Employment Arrangements with Our Named Executive Officers

We entered into employment agreements with each of our named executive officers, Mr. Tucker and Ms. Nokes, on November 17, 2017 and December 12, 2019, respectively. These employment agreements provide for "at will" employment.

John H. Tucker

Effective upon the closing of our initial public offering in November 2017, we entered into a second amended and restated employment agreement with Mr. Tucker, pursuant to which Mr. Tucker is entitled to receive an annual base salary and an annual target bonus equal to 50% of his annual base salary (currently 60%) based upon our board of directors' assessment of Mr. Tucker's performance and our attainment of targeted goals as set by the board of directors in its sole discretion. This employment agreement also contains provisions related to a confidentiality, inventions assignment, non-competition and non-solicitation, pursuant to which Mr. Tucker agrees to refrain from disclosing our confidential information during or at any time following his employment with us and from competing with us or soliciting our employees or customers during his employment and for 12 months following termination of his employment.

Mr. Tucker's second amended and restated employment agreement provides that, in the event that his employment is terminated by us without "cause" or by him for "good reason," subject to the execution and effectiveness of a separation agreement and release, he will be entitled to receive (i) an amount equal to (x) 12 months of base salary plus his average target incentive compensation received for the three preceding fiscal years, payable on our normal payroll cycle if such termination is not in connection with a "change in control" or (y) 18 months if such termination is in connection with a "change in control," and (ii) reimbursement of COBRA premiums for health benefit coverage for him and his immediate family in an amount equal to the monthly employer contribution that we would have made to provide health insurance to Mr. Tucker had he remained employed with us for up to (x) 12 months following termination if such termination is not in connection with a "change in control" or (y) 18 months if such termination is in connection with a "change in control." In addition, if within 12 months following a "change in control," Mr. Tucker is terminated by us without "cause" or he resigns for

“good reason,” all time-based stock options and other time-based stock-based awards held by Mr. Tucker will accelerate and vest immediately.

Rachael Nokes

Effective December 12, 2019, we entered into an employment agreement with Ms. Nokes, pursuant to which Ms. Nokes is entitled to receive an annual base salary and an annual target bonus equal to 30% of her annual based salary based upon our compensation committee’s assessment of Ms. Nokes’ performance and our attainment of targeted goals as set by the board of directors in its sole discretion. In connection with Ms. Nokes’ appointment as our Chief Financial Officer, Ms. Nokes’ base salary was increased to $400,000 and her annual performance-based target bonus was increased to 40% of her annual base salary. This employment agreement supersedes an offer that was effective as of June 18, 2014. Ms. Nokes also entered into a Nondisclosure, Noncompetition, and Assignment of Intellectual Property Agreement, on June 26, 2014 (the “NDA”). The NDA is unamended and unaffected by the employment agreement and remains enforceable and in full effect in accordance with its terms. This NDA contains provisions related to confidentiality, inventions assignment, non-competition and non-solicitation, pursuant to which Ms. Nokes agrees to refrain from disclosing our confidential information during or at any time following her employment with us and from competing with us or soliciting our employees or customers during her employment and for 12 months following termination of her employment.

Ms. Nokes’ employment agreement provides that, in the event that her employment is terminated by us without “cause” or by her for “good reason,” subject to the execution and effectiveness of a separation agreement and release, she is entitled to receive (i) an amount equal to 9 months of base salary (if such termination is not in connection with a “change in control”) or 12 months of base salary plus her average target incentive compensation received for the three preceding fiscal years (if such termination is in connection with a “change in control”), payable on our normal payroll cycle, and (ii) reimbursement of COBRA premiums for health benefit coverage for her and her immediate family in an amount equal to the monthly employer contribution that we would have made to provide health insurance to Ms. Nokes if she had remained employed with us for up to 12 months following termination. In addition, Ms. Nokes’ employment agreement provides that if within 12 months following a “change in control,” Ms. Nokes is terminated by us without “cause” or she resigns for “good reason,” all time-based stock options and other time-based stock-based awards held by Ms. Nokes will accelerate and vest immediately.

Elements of Compensation

Base salary

Our compensation committee reviews the base salaries of employees at the level of senior vice president and above, from time to time and makes adjustments as it determines to be reasonable and necessary to reflect the scope of an executive officer's performance, contributions, responsibilities, experience, prior salary level, position (in the case of a promotion) and market conditions.

During 2023, the annual base salaries of Mr. Tucker and Ms. Nokes were $603,500 and $400,000, respectively. Effective January 1, 2024, Mr. Tucker and Ms. Nokes' annual base salaries were increased to $663,800 and $439,950, respectively.

Annual performance bonuses

We also believe that a significant portion of our executives' cash compensation should be based on the attainment of business goals established by our board of directors or the compensation committee. Each of our named executive officers participated in our 2023 Senior Executive Cash Incentive Bonus Plan (“2023 Bonus Plan”). The 2023 Bonus Plan provides for formula-based incentive payments based upon the achievement of certain corporate performance goals and objectives approved by our board of directors and compensation committee, respectively. We typically establish bonus targets for our named executive officers and conduct an annual performance review process to serve as the basis for determining eligibility for any such bonuses. Among the key parameters that typically are the basis for such bonus determinations are our achievement of overall corporate goals . With respect to performance in fiscal year 2023, the target bonus opportunity as a percentage of base salary for each of Mr. Tucker and Ms. Nokes was 60% and 40%, respectively.

All final bonus payments to our named executive officers, if any, are determined by our compensation committee, which retains full discretion to adjust individual bonus awards based on the achievement of corporate performance objectives, and may also adjust bonus awards based on other factors in their discretion.

For 2023, the corporate performance objectives generally fell into the categories of commercial achievements, regulatory achievements, lifecycle management, fiscal management, and operational execution. The compensation committee determined the Company met corporate goals at 99.75%. For 2023, based on achievement of goals at these levels, we awarded performance bonuses to Mr. Tucker and Ms. Nokes in the amounts of $362,100 and $160,000, respectively.

Equity-based compensation

Equity-based compensation is an integral part of our overall compensation program. Providing named executive officers with the opportunity to create significant wealth through stock ownership is a powerful tool to attract and retain highly-qualified executives, achieve strong long-term stock price performance, align our executives' interests with those of our stockholders and provide a means to build real ownership in the Company. In addition, the vesting feature of our equity grants contributes to executive retention. We have historically granted equity awards to our employees, including our named executive officers, in the form of options to purchase shares of our common stock, restricted stock units and performance-based grant options.

During the fiscal year ended December 31, 2023, we granted stock options and restricted share unit awards to each of our named executive officers, as shown in more detail in the “Outstanding Equity Awards at Fiscal Year-End 2023” table below. No performance-based option grants were made in 2023.

401(k) Plan

We maintain a 401(k) retirement plan that is intended to be a tax-qualified defined contribution plan under Section 401(k) of the Internal Revenue Code. All participants’ interests in their contributions are 100% vested when contributed. Pre- and post-tax contributions are allocated to each participant's individual account and are then invested in selected investment alternatives according to the participant’s directions. All of our employees are eligible to participate in the 401(k) plan beginning on the first day of the calendar month after commencement of their employment. The 401(k) plan includes a salary deferral arrangement pursuant to which participants may elect to reduce their current compensation by up to the statutorily prescribed limit, equal to $22,500 (an additional $6,500 in contributions is allowed for participants age 50 and over) in 2023, and have the amount of the reduction contributed to the 401(k) plan. We also match employee contributions to the 401(k) plan equal to 100% on the first 3% of compensation deferred as an elective deferral and an additional 50% on the next 2% of compensation deferred as an elective deferral.

Health and Welfare Benefits

All of our full-time employees, including our executive officers, are eligible to participate in certain medical, disability and life insurance benefit programs offered by us. We pay the premiums for term life insurance and disability for all of our employees, including our executive officers. We do not sponsor any qualified or non-qualified defined benefit plans for any of our employees or executives.

Outstanding Equity Awards at Fiscal Year-End 2023

The following table provides information with respect to outstanding stock options and grants of unvested restricted share unit awards outstanding held by each of our named executive officers as of December 31, 2023. All stock options reported in the table below were granted pursuant to either our 2014 Plan or our 2017 Plan.

		Option Awards				Share Awards		
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Share or Share Units That Have Not Vested (#)		Market Value of Shares or Share Units That Have Not Vested ($)
John H. Tucker						66,665	(18)	417,990
	3/7/2017 (1)	496,674	—	3.81	3/7/2027			
	1/17/2018 (2)	100,000	—	12.23	1/17/2028			
	2/25/2019 (3)	84,500	—	3.25	2/25/2029			
	1/10/2020 (4)	124,843	2,657	5.81	1/10/2030			
	1/25/2021 (5)	81,703	86,372	7.06	1/25/2031			
	1/31/2022 (6)	119,312	129,688	4.31	1/31/2032			
	1/19/2023 (7)	—	100,000	6.14	1/19/2033			
Rachael Nokes						11,700	(19)	73,359
	9/17/2014 (8)	10,445	—	1.66	9/17/2024			
	3/13/2015 (9)	10,445	—	8.12	3/13/2025			
	4/17/2017 (10)	6,426	—	3.81	4/17/2027			
	1/17/2018 (11)	17,000	—	12.23	1/17/2028			
	7/17/2018 (12)	13,850	—	4.88	7/17/2028			
	1/10/2020 (13)	43,572	928	5.81	1/10/2030			
	1/25/2021(14)	35,875	13,325	7.06	1/25/2031			
	1/31/2022(15)	26,210	28,490	4.31	1/31/2032			
	12/15/2022(16)	21,437	64,313	6.48	12/15/2032			
	1/19/2023 (17)	—	17,550	6.14	1/19/2033			

(1) On March 7, 2017, Mr. Tucker was awarded an option to purchase 496,674 shares of our common stock under our 2014 Plan. The shares underlying this option vested as follows: 25% of the shares subject to the option vested on January 30, 2018 (the first anniversary of Mr. Tucker's commencement of employment) and the remaining shares vested in 36 equal monthly installments on the first day of each month thereafter, subject to Mr. Tucker's continued service through each vesting date.

(2) On January 17, 2018, Mr. Tucker was awarded an option to purchase 100,000 shares of our common stock under our 2017 Plan. The shares underlying this option vested as follows: 25% of the shares subject to the option on January 17, 2019 (the first anniversary of the grant date) and the remaining shares in 36 equal monthly installments on the first day of each month thereafter, subject to Mr. Tucker's continued service.

(3) On February 25, 2019, Mr. Tucker was awarded an option to purchase 84,500 shares of our common stock under our 2017 Plan. The shares underlying this option vested as follows: 50% upon the submission of a New Drug Application for FUROSCIX on June 30, 2020 and 50% upon the FDA approval of the New Drug Application for FUROSCIX on October 7, 2022.

(4) On January 10, 2020, Mr. Tucker was awarded an option to purchase 255,000 shares of our common stock under our 2017 Plan. 127,500 shares underlying this option vest as follows: 63,750 vest upon receiving FDA approval of the New Drug Application within 10 months of submission and 63,750 vest upon the Company achieving $33 million in cumulative net sales within the first 24 months following the launch of FUROSCIX following approval within 10 months of submission. The remaining 127,500 vest as follows: 25% of the shares subject to the option vested on January 10, 2021 (the first anniversary of the grant date) and the remaining shares vest in 36 equal monthly installments on the first day of each month thereafter, subject to Mr. Tucker's continued service. The 63,750 shares underlying the option that were eligible to vest upon the receipt of FDA approval of the New Drug Application within 10 months of submission and the 63,750 shares underlying the option that were eligible to vest upon the Company achieving $33M in cumulative net sales within the first 24 months following the launch of FUROSCIX following approval within 10 months of submission were terminated and cancelled as of April 30, 2021 because approval of the New Drug Application did not occur within the 10 month period following submission.

(5) On January 25, 2021, Mr. Tucker was awarded an option to purchase 224,100 shares of our common stock under our 2017 Plan. 112,050 shares underlying this option vest as follows: 56,025 vest upon receiving FDA approval of the New Drug Application within 18 months of grant date and 56,025 vest upon achieving a cumulative net sales goal for the first 12 months post launch. The remaining 112,050 vest as follows: 25% of the shares subject to the option vested on January 25, 2022 (the first anniversary of the grant date) and the remaining shares vest in 36 equal monthly installments on the first day of each month thereafter, subject to Mr. Tucker's continued service. The 56,025 shares underlying the option that were eligible to vest upon receiving FDA approval of the New Drug Application within 18 months of grant date were terminated and cancelled as of July 25, 2022 because the approval date of the New Drug Application did not occur within the 18 month period following the grant date.

(6) On January 31, 2022, Mr. Tucker was awarded an option to purchase 249,000 shares of our common stock under our 2017 Plan. The shares underlying this option vest as follows: 25% of the shares subject to the option vested on January 31, 2023 (the first anniversary of the grant date) and the remaining shares vest in 36 equal monthly installments on the first day of each month thereafter, subject to Mr. Tucker's continued service.

(7) On January 19, 2023, Mr. Tucker was awarded an option to purchase 100,000 shares of our common stock under our 2017 Plan. The shares underlying this option vest as follows: 25% of the shares subject to the option vested on January 1, 2024 and the remaining shares vest in 36 equal monthly installments on the first day of each month thereafter, subject to Mr. Tucker's continued service.

(8) On September 17, 2014, Ms. Nokes was awarded an option to purchase 10,445 shares of our common stock under our 2014 Plan. The shares underlying this option vested as follows: 25% of the shares subject to the option vested on September 17, 2015 (the first anniversary of the grant date) and the remaining shares vested in 36 equal monthly installments on the first day of each month thereafter, subject to Ms. Nokes' continued service.

(9) On March 13, 2015, Ms. Nokes was awarded an option to purchase 10,445 shares of our common stock under our 2014 Plan. The shares underlying this option vested as follows: 25% of the shares subject to the option vested on March 13, 2016 (the first anniversary of the grant date) and the remaining shares vested in 36 equal monthly installments on the first day of each month thereafter, subject to Ms. Nokes' continued service.

(10) On April 17, 2017, Ms. Nokes was awarded an option to purchase 6,426 shares of our common stock under our 2014 Plan. The shares underlying this option vested as follows: 25% of the shares subject to the option vested on April 17, 2018 (the first anniversary of the grant date) and the remaining shares vested in 36 equal monthly installments on the first day of each month thereafter, subject to Ms. Nokes' continued service.

(11) On January 17, 2018, Ms. Nokes was awarded an option to purchase 17,000 shares of our common stock under our 2017 Plan. The shares underlying this option vested as follows: 25% of the shares subject to the option vested on January 17, 2019 (the first anniversary of the grant date) and the remaining shares vested in 36 equal monthly installments on the first day of each month thereafter, subject to Ms. Nokes' continued service.

(12) On July 17, 2018, Ms. Nokes was awarded an option to purchase 13,850 shares of our common stock under our 2017 Plan. The shares underlying this option vested as follows: 25% of the shares subject to the option vested on July 17, 2019 (the first anniversary of the grant date) and the remaining shares vested in 36 equal monthly installments on the first day of each month thereafter, subject to Ms. Nokes' continued service.

(13) On January 10, 2020, Ms. Nokes was awarded an option to purchase 55,500 shares of our common stock under our 2017 Plan. 11,000 shares underlying this option vest upon receiving FDA approval of the New Drug Application within 10 months of submission. The remaining 44,500 vest as follows: 25% of the shares subject to the option vested on January 10, 2021 (the first anniversary of the grant date) and the remaining shares vest in 36 equal monthly installments on the first day of each month thereafter, subject to Ms. Nokes' continued service. The 11,000 shares underlying the option that were eligible to vest upon the receipt of FDA approval of the New Drug Application within 10 months of submission will be terminated and cancelled as of April 30, 2021 because approval of the New Drug Application did not occur within the 10 month period following submission.

(14) On January 25, 2021, Ms. Nokes was awarded an option to purchase 49,200 shares of our common stock under our 2017 Plan. The shares underlying this option vest as follows: 25% of the shares subject to the option vested on January 25, 2022 (the first anniversary of the grant date) and the remaining shares vest in 36 equal monthly installments on the first day of each month thereafter, subject to Ms. Nokes' continued service.

(15) On January 31, 2022, Ms. Nokes was awarded an option to purchase 54,700 shares of our common stock under our 2017 Plan. The shares underlying this option vest as follows: 25% of the shares subject to the option vested on January 31, 2023 (the first anniversary of the grant date) and the remaining shares vest in 36 equal monthly installments on the first day of each month thereafter, subject to Ms. Nokes' continued service.

(16) On December 15, 2022, Ms. Nokes was awarded an option to purchase 85,750 shares of our common stock under our 2017 Plan. The shares underlying this option vest as follows: 25% of the shares subject to the option vested on December 15, 2023 (the first anniversary of the grant date) and the remaining shares vest in 36 equal monthly installments on the first day of each month thereafter, subject to Ms. Nokes' continued service.

(17) On January 19, 2023, Ms. Nokes was awarded an option to purchase 17,550 shares of our common stock under our 2017 Plan. The shares underlying this option vest as follows: 25% of the shares subject to the option vested on January 1, 2024 and the remaining shares vest in 36 equal monthly installments on the first day of each month thereafter, subject to Ms. Nokes' continued service.

(18) Share units vest as follows: 25% of the shares subject to the award vested on January 1, 2024. The remaining shares vest in 3 remaining annual installments on the first day of January, such that all awards are vested as of January 1, 2027, subject to Mr. Tucker's continued service.

(19) Share units vest as follows: 25% of the shares subject to the award vested on January 1, 2024. The remaining shares vest in 3 remaining annual installments on the first day of January, such that all awards are vested as of January 1, 2027, subject to Ms. Nokes' continued service.

Director Compensation

The following table provides information for the year ended December 31, 2023, regarding all compensation awarded to, earned by or paid to each person who served as a non-employee member of our board of directors during any portion of that year. Other than as set forth in the table and described more fully below, we did not pay any compensation, make any equity awards or non-equity awards to, or pay any other compensation to any of the non-employee members of our board of directors in 2023. Mr. Tucker, who is also our president and chief executive officer, receives no compensation for his service as director, and the compensation

received by Mr. Tucker as an employee during 2023 is presented in the 2023 Summary Compensation Table below.

Name	Fees Earned or Paid in Cash ($)[1]	Option Awards ($)[2][3]	Total ($)
Jack A. Khattar	90,000	137,047	227,047
Leonard D. Schaeffer	47,500	137,047	184,547
Klaus Veitinger M.D., Ph.D.	50,000	137,047	187,047
Frederick Hudson	60,000	137,047	197,047
Minnie Baylor-Henry	50,000	137,047	187,047
Sara Bonstein	50,000	137,047	187,047
William T. Abraham, M.D.	45,000	137,047	182,047
Mette Kirstine Agger	52,500	137,047	189,547

(1) Includes amounts earned and paid pursuant to our non-employee director compensation policy.

(2) The amounts reported represent the aggregate grant-date fair value of stock options awarded to the directors in 2023, calculated in accordance with Financial Accounting Standards Board, Accounting Standards Codification Topic 718 ("ASC Topic 718"). For information regarding the assumptions underlying the valuation of equity awards, see the notes to our audited financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2023, which are incorporated by reference herein. This amount does not correspond to the actual value that may be recognized by the named director upon exercise of the applicable awards.

(3) The following table sets forth the aggregate number of shares of common stock underlying option awards outstanding for each non-employee director as of December 31, 2023:

Name	Number of Shares
Jack A. Khattar	75,235
Leonard D. Schaeffer	73,495
Klaus Veitinger M.D., Ph.D.	86,377
Frederick Hudson	74,396
Minnie Baylor-Henry	74,396
Sara Bonstein	62,148
William T. Abraham, M.D.	82,500
Mette Kirstine Agger	17,300

Our board of directors adopted a non-employee director compensation policy that is designed to provide a total compensation package that enables us to attract and retain, on a long-term basis, highly-qualified non-employee directors. In 2023, our board of directors increased the amount of cash compensation our non-executive chairman

may earn in a fiscal year. Under the policy, all non-employee directors are paid cash compensation as set forth below for the fiscal year ended December 31, 2023 and on a go forward basis.

	Annual Retainer ($)
Board of Directors:	
Non-Executive Chairman	75,000
Other Non-Employee Directors	40,000
Audit Committee:	
Committee Chairman	20,000
Other Committee Members	10,000
Compensation Committee:	
Committee Chairman	15,000
Other Committee Members	7,500
Nominating and Corporate Governance Committee:	
Committee Chairman	10,000
Other Committee Members	5,000

In addition, upon initial election to our board of directors, each non-employee director will be granted 34,600 options on the date of such director's election or appointment to the board of directors, which will vest in the following manner, subject to continued service through such vesting date(s): 33% shall vest on the first anniversary of grant, and the remainder shall vest in equal monthly installments over the following two years. On the date of each annual meeting of the Company's stockholders, each non-employee director who is re-elected to the board at such meeting will be granted 19,750 options (increased from 17,300 options in 2023), which shall vest in full upon the earlier to occur of the first anniversary of the date of grant or the date of the next annual meeting.All such options will be granted at fair market value on the date of grant.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth certain information known to us regarding the beneficial ownership of our common stock as of February 29, 2024, for:

- each person known by us to be the beneficial owner of more than 5% of our common stock;
- our named executive officers;
- each of our directors and director nominees; and
- all executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Except as noted by footnote, and subject to community property laws where applicable, we believe, based on the information provided to us, that the persons and entities named in the table below have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

The table lists applicable percentage ownership based on 36,054,409 shares of common stock outstanding as of February 29, 2024. Options to purchase shares of our common stock, or other rights held by such person, that are currently exercisable or that are exercisable within 60 days of February 29,2024, are deemed to be beneficially owned by the persons holding these options or rights for the purpose of computing

percentage ownership of that person, but are not treated as outstanding for the purpose of computing any other person's ownership percentage.

Name and Address of Beneficial Owner [1]	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned
5% Stockholders:		
OrbiMed Advisors LLC [2]	5,559,528	15.42%
Rubric Capital Management LP [3]	3,500,000	9.71%
Lundbeckfond Invest A/S [4]	3,183,986	8.83%
Entities associated with AIGH Capital Management, LLC [5]	3,106,795	8.62%
Entities associated with Sun Pharmaceutical Industries Limited [6]	2,167,679	6.01%
BlackRock, Inc. [7]	1,863,439	5.17%
Named Executive Officer, Other Executive Officers and Directors:		
John H. Tucker [8]	1,156,487	3.11%
Frederick Hudson [9]	57,096	*
Jack A. Khattar [10]	62,935	*
Leonard D. Schaeffer [11]	156,748	*
Klaus Veitinger, M.D. [12]	69,077	*
Minnie Baylor-Henry [13]	57,096	*
Sara Bonstein [14]	44,848	*
William T. Abraham, M.D. [15]	65,200	*
Rachael Nokes [16]	218,128	*
Mette Kirstine Agger	-	*
All executive officers and directors as a group (10 persons) [17]	1,887,615	4.97%

(1) Unless otherwise indicated, the address for each beneficial owner is c/o scPharmaceuticals Inc., 25 Mall Rd., Suite 203, Burlington, MA 01803.

(2) The information reported is based on a Schedule 13D/A filed with the SEC on November 29, 2022. Consists of (i) 5,328,328 shares of common stock held by OrbiMed Private Investments VI, L.P. (“OPI VI”) and (ii) 231,200 shares of common stock held by Orbimed Genesis Master Fund, L.P. (“Genesis Master Fund”). OrbiMed Capital GP VI LLC (“GP VI”) is the sole general partner of OPI VI. OrbiMed Genesis GP LLC (“OrbiMed Genesis”) is the general partner of Genesis Master Fund. OrbiMed Advisors LLC (“OrbiMed Advisors”) is the managing member of GP VI and OrbiMed Genesis. GP VI and OrbiMed Advisors has shared voting and dispositive power with respect to the shares held by OPI VI and as a result may be deemed to have beneficial ownership of such shares, and OrbiMed Genesis and OrbiMed Advisors has shared voting and dispositive power with respect to the 231,200 shares held by Genesis Master Fund and as a result may be deemed to have beneficial ownership of such shares. The address of these entities is 601 Lexington Avenue, 54th floor, New York, New York 10022.

(3) The information reported is based on a Schedule 13G filed with the SEC on February 12, 2024. Consists of 3,500,000 shares of common stock held by Rubric Capital Management LP (“Rubric”). David Rosen is the managing member of Rubric Capital Management and the general partner of Rubric Capital. Rubric and Mr. Rosen have shared voting and dispositive power over such shares. The address of Rubric and Mr. Rosen is 155 East 44th St., Suite 1630, New York, NY 10017.

(4) The information reported is based on a Schedule 13G filed with the SEC on February 14, 2018. Consists of 3,183,986 shares of common stock issuable upon conversion of preferred stock held by Lundbeckfond Invest A/S. The board of directors and Lene Skole, the chief executive officer of Lundbeckfond Invest A/S has shared voting and dispositive power over the shares held by Lundbeckfond Invest A/S. Mette Kirstine Agger, a member of our board of directors, is a managing partner at Lundbeckfonden Ventures, which is an affiliate of Lundbeckfond Invest A/S. The address of Lundbeckfond Invest A/S is Scherfigsvej 7, DK-2100 København Ø.

(5) The information reported is based on a Schedule 13G/A filed with the SEC on February 7, 2024. Consists of 3,106,795 shares of common stock held by AIGH Investment Partners, L.L.C. (“AIGH LLC”), of which AIGH Capital Management, LLC (“AIGH LP”) is an advisor or sub-advisor. Orin Hirschman is the managing member of AIGH LP and president of AIGH LLC. AIGH LP and Mr.

Hirschman have sole voting and dispositive power over such shares. The address of AIGH LLC, AIGH LP and Mr. Hirschman is 6006 Berkeley Avenue, Baltimore, Maryland 21209.

(6) The information reported is based on a Schedule 13D/A filed with the SEC on June 3, 2020. Consists of (i) 1,810,536 shares of common stock held by Sun Pharmaceutical Industries, Inc. ("Sun Pharmaceutical Industries") and (ii) 357,143 shares of common stock held by Sun Pharma (Netherlands) B.V. ("Sun Pharma Netherlands"). The board of directors of Sun Pharmaceutical Industries Limited ("Sun Pharma") and Dilip S. Shanghvi, the controlling shareholder of Sun Pharma, has shared voting and investment power over the 2,167,679 shares owned by Sun Pharmaceutical Industries or Sun Pharma Netherlands. The address of Sun Pharma is c/o Sun House, 201 B/1, Wester Express Highway, Goregaon (E), Mumbai, Maharashtra (India) – 400 063.

(7) The information reported is based on a Schedule 13G filed with the SEC on February 2, 2024. Consists of 1,863,439 shares of common stock held by BlackRock, Inc. ("BlackRock"). Blackrock has sole dispositive power over such shares, and sole voting power over 1,848,211 shares. The address of BlackRock is 50 Hudson Yards, New York, NY 10001.

(8) Consists of 90,648 shares of common stock and 1,065,839 shares of common stock underlying options exercisable within 60 days of February 29, 2024.

(9) Consists of 57,096 shares of common stock underlying options exercisable within 60 days of February 29, 2024.

(10) Consists of 5,000 shares of common stock and 57,935 shares of common stock underlying options exercisable within 60 days of February 29, 2024.

(11) Consists of 43,104 shares of common stock held by Schaeffer Holdings LLC, 57,449 shares of common stock held by Mr. Schaeffer and 56,195 shares of common stock underlying options exercisable within 60 days of February 29, 2024.

(12) Consists of 69,077 shares of common stock underlying options exercisable within 60 days of February 29, 2024.

(13) Consists of 57,096 shares of common stock underlying options exercisable within 60 days of February 29, 2024.

(14) Consists of 44,848 shares of common stock underlying options exercisable within 60 days of February 29, 2024.

(15) Consists of 65,200 shares of common stock underlying options exercisable within 60 days of February 29, 2024.

(16) Consists of 11,791 shares of common stock and 206,337 shares of common stock underlying options exercisable within 60 days of February 29, 2024.

(17) Includes an aggregate of (i) 1,679,623 shares of common stock underlying options exercisable within 60 days of February 29, 2024 held and (ii) 207,992 shares of common stock owned by ten current executive officers and directors.

Equity Compensation Plan Information

The following table sets forth information as of December 31, 2023 regarding shares of common stock that may be issued under our equity compensation plans, consisting of our 2014 Stock Option Plan (the "2014 Plan"), our 2017 Stock Option and Incentive Plan (the "2017 Plan"), our 2017 Employee Stock Purchase Plan (the

“2017 ESPP”) and our 2023 Employee Inducement Plan (the "Inducement Plan"). Since the closing of our initial public offering in November 2017, no additional equity awards have been or will be made under our 2014 Plan.

Plan Category	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 approved by stockholders	4,865,987	(1)	$ 6.05	(2)	4,325,039	(3)
Equity compensation plans not approved by stockholders	183,750	(4)	$ 7.19	(5)	316,250	(6)

(1) Consists of options to purchase 4,497,576 shares of common stock outstanding under our equity compensation plans, including options to purchase 571,095 shares of common stock outstanding under our 2014 Plan and options to purchase 3,926,481 shares of common stock outstanding under our 2017 Plan and 368,411 shares of common stock subject to restricted stock units outstanding under our 2017 Plan.

(2) Reflects the weighted average exercise price of the options to purchase 4,497,576 shares of common stock outstanding under our stockholder approved equity compensation plans.

(3) Consists of shares available for future issuance under the 2017 Plan and the 2017 ESPP. As of December 31, 2023, 3,067,473 shares of common stock were available for issuance under the 2017 Plan and 1,257,566 shares of common stock were available for issuance under the 2017 ESPP.

(4) Consists of options to purchase 183,750 shares of common stock outstanding under our Inducement Plan.

(5) Reflects the weighted average exercise price of the options to purchase 183,750 shares of common stock outstanding under our Inducement Plan.

(6) Consists of shares available for future issuance under the Inducement Plan.

The 2017 Plan provides that the total number of shares of common stock reserved for issuance thereunder will automatically increase on January 1st of each year ending on (and including) January 1, 2027, in an amount equal to 4.0% of the total number of shares of common stock outstanding on December 31st of the preceding year. In addition, the 2017 ESPP provides that the total number of shares of common stock reserved for issuance thereunder will automatically increase on January 1st of each year ending on (and including) January 1, 2027, in an amount equal to the lesser of (i) 1.0% of the total number of shares of common stock outstanding on December 31st of the preceding year, and (ii) 205,000 shares of common stock; or such lesser number of shares of common stock as determined by our board of directors.

Accordingly, on January 1, 2024, the number of shares of common stock available for issuance under the 2017 Plan and the ESPP increased by 1,438,740 shares and 205,000 shares, respectively, pursuant to these provisions. These increases are not reflected in the table above.

In addition, on January 31, 2023, our board of directors adopted our Inducement Plan providing for the issuance of up to 500,000 shares of our common stock as “inducement awards” in accordance with Rule 5635(c)(4) of the Nasdaq Listing Standards. The Inducement Plan was not approved by our security holders.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Certain Relationships and Transactions with Related Parties

Other than the compensation agreements and other arrangements described in "Executive Compensation" and elsewhere in this Annual Report on Form 10-K and the relationships and transactions described below, there was no transaction or series of transactions in the last two completed fiscal years to which we were or will be a party in which the amount involved exceeded or will exceed $120,000 and in which any director, executive officer, holder of more than five percent of our capital stock or any member of their immediate families had or will have a direct or indirect material interest.

Indemnification Agreements

We have entered into agreements to indemnify our directors and executive officers. These agreements will, among other things, require us to indemnify these individuals for certain expenses (including attorneys' fees), judgments, fines and settlement amounts reasonably incurred by such person in any action or proceeding, including any action by or in our right, on account of any services undertaken by such person on behalf of our Company or that person's status as a member of our board of directors to the maximum extent allowed under Delaware law.

Policies for Approval of Related Party Transactions

Our board of directors has adopted a written related party transactions policy that such transactions must be approved by our audit committee. Pursuant to this policy, the audit committee has the primary responsibility for reviewing and approving or disapproving "related party transactions," which are transactions between us and related persons in which the aggregate amount involved exceeds or may be expected to exceed $120,000 and in which a related person has or will have a direct or indirect material interest. For purposes of this policy, a related person is defined as a director, executive officer, nominee for director, or greater than 5% beneficial owner of our common stock, in each case since the beginning of the most recently completed year, and their immediate family members.

Independence of the Board of Directors

Consistent with our corporate governance guidelines and Nasdaq rules, our board of directors has determined that, as of the date of this Annual Report on Form 10-K, all of the members of our board of directors excluding John H. Tucker, our president and chief executive officer, are "independent." In addition, all members of the audit, compensation and nominating and corporate governance committees, satisfy the applicable independence criteria of the SEC and Nasdaq.

Item 14. Principal Accounting Fees and Services.

Our independent public accounting firm is RSM US LLP, Boston, MA PCAOB Auditor ID 49.

The following table sets forth the fees billed by RSM US LLP for audit, audit-related, tax and all other services rendered to the Company for fiscal years 2023 and 2022:

	2023	2022
Audit Fees	$ 236,884	$ 233,367
Audit-Related Fees	118,650	90,300
Tax Fees	29,400	27,827
All Other Fees	—	—
Total	$ 384,934	$ 351,494

Audit Fees. Audit fees consist of fees billed for the audit of our annual financial statements and the review of the interim financial statements.

Audit-Related Fees. Audit-related fees consist of fees billed for services that are normally provided in connection with registration statements.

Tax Fees. Tax fees consist of aggregate fees for tax compliance and tax advice, including the review and preparation of our various jurisdictions' income tax returns.

The audit committee has adopted a policy (the “Pre-Approval Policy”) that sets forth the procedures and conditions pursuant to which audit and non-audit services proposed to be performed by the independent auditor may be pre-approved. Unless a type of service has been pre-approved pursuant to the Pre-Approval Policy, it must be separately pre-approved by the audit committee before it may be provided by the independent auditor. Any proposed services exceeding pre-approved cost levels or budgeted amounts will also require separate pre-approval by the audit committee. The audit committee pre-approved all services performed by RSM US LLP since the pre-approval policy was adopted.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) Documents filed as a part of this Report:

(1) Consolidated Financial Statements—Included in Item 8 of this Annual Report on Form 10-K.

Report of Independent Registered Public Accounting Firm	88
Consolidated Financial Statements:	
Consolidated Balance Sheets as of December 31, 2022 and 2023	91
Consolidated Statement of Operations and Comprehensive Loss for the Years Ended December 31, 2022 and 2023	92
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2022 and 2023	93
Consolidated Statements of Cash Flows for the Years Ended December 31, 2022 and 2023	94
Notes to Consolidated Financial Statements	95

(2) Financial Statement Schedules

All financial statement schedules have been omitted because they are not applicable, not required or the information required is shown in the financial statements or the notes thereto.

(3) Index to Exhibits.

Exhibit Number	Description
3.1	Second Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-38293) filed on November 21, 2017)
3.2	Amended and Restated By-laws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-38293) filed on November 21, 2017)
3.3	Amendment No. 1 to the Company's Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-38293) filed on June 10, 2020)
3.4	Amendment No. 2 to the Company's Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-38293) filed on March 12, 2021)
4.1	Amended and Restated Investors' Rights Agreement among the Registrant and certain of its stockholders, dated December 22, 2016 (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-221077) filed on October 23, 2017)
4.2	Form of Warrant, dated October 13, 2022, issued by the Registrant to certain lenders, together with a schedule of warrant holders (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-38293) filed on October 14, 2022)
4.3	Form of Pre-Funded Warrant (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-38293) filed on November 23, 2022)
4.4	Description of Registered Securities (incorporated by reference to the Registrant's Annual Report on Form 10-K (File No. 001-38293) filed on March 23, 2021)
10.1#	2014 Stock Incentive Plan, as amended, and forms of award agreements thereunder (incorporated by reference to the Registrant's Registration Statement on Form S-1 (File No. 333-221077) on October 23, 2017)

10.2#	2017 Stock Option and Incentive Plan and forms of award agreements thereunder (incorporated by reference to the Registrant's Registration Statement on Form S-1/A (File No. 333-221077) filed on November 7, 2017)
10.3#	Senior Executive Cash Incentive Bonus Plan (incorporated by reference to the Registrant's Registration Statement on Form S-1/A (File No. 333-221077) filed on November 7, 2017)
10.4#	2017 Employee Stock Purchase Plan (incorporated by reference to the Registrant's Registration Statement on Form S-1/A (File No. 333-221077) filed on November 7, 2017)
10.5#	2023 Employment Inducement Award Plan and form of award agreement thereunder (incorporated by reference to Exhibit 10.5 to the Registrant's Annual Report on Form 10-K (File No. 001-38293) filed on March 22, 2023.
10.6#*	Amended and Restated Non-Employee Director Compensation Policy
10.7#	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form S-1/A (File No. 333-221077) filed on November 7, 2017)
10.8	Sublease Agreement, dated as of August 31, 2023, by and between the Registrant and 89 Degrees, Inc. (d/b/a Iris Concise) (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-38293) filed on September 20, 2023.
10.9	Credit Agreement and Guaranty, dated October 13, 2022, by and among the Registrant, the subsidiary guarantors from time to time party thereto, the lenders from time to time party thereto and Oaktree Fund Administration, LLC, as administrative agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-38293) filed on October 14, 2022)
10.10#	Amended and Restated Employment Agreement, by and between the Registrant and John H. Tucker (incorporated by reference to Exhibit 10.11 to the Registrant's Annual Report on Form 10-K (File No. 001-38293) filed on March 22, 2023)
10.11#	Employment Agreement, by and between the Registrant and Rachael Nokes (incorporated by reference to Exhibit 10.9 to the Registrants Annual Report on Form 10-K (File No. 00138293) filed on March 24, 2020)
10.12†	Development Agreement, by and between the Registrant and West Pharmaceutical Services, Inc., dated January 28, 2019 (incorporated by reference to Exhibit 10.2 to the Registrants Quarterly Report on Form 10-Q (File No. 00138293) filed on May 8, 2019)
10.13†	Supply Agreement, dated August 15, 2020, by and between West Pharmaceutical Services, Inc. and the Registrant (incorporated by reference to Exhibit 10.1 to the Registrants Quarterly Report on Form 10-Q (File No. 00138293) filed on November 16, 2020)
21.1	Subsidiaries of the Registrant (incorporated by reference to Exhibit 21.1 to the Registrant's Annual Report on Form 10-K (File No. 001-38293) filed on March 22, 2022)
23.1*	Consent of RSM US LLP, Independent Registered Public Accounting Firm
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97.1*	Policy for Recovery of Erroneously Awarded Compensation

101*	Inline XBRL Document Set for the consolidated financial statements and accompanying notes in Part II, Item 8, Financial Statements and Supplementary Data of this Annual Report on Form 10-K
104*	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.)

* Filed herewith.
† Portions of this exhibit (indicated by asterisks) have been omitted in compliance with Regulation S-K Item 601(b)(10)(iv).
# Indicates a management contract or any compensatory plan, contract or arrangement.
** This certification will not be deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent specifically incorporated by reference into such filing.

Item 16. Form 10-K Summary.

Not applicable.

SIGNATURES

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

SCPHARMACEUTICALS INC.

Date: March 13, 2024

By: /s/ John H. Tucker
John H. Tucker
President and Chief Executive Officer

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 in the capacities and on the dates indicated.

Name	Title	Date
/s/ John H. Tucker **John H. Tucker**	Director, President, and Chief Executive Officer (Principal Executive Officer)	March 13, 2024
/s/ Rachael Nokes **Rachael Nokes**	Chief Financial Officer (Principal Financial and Accounting Officer)	March 13, 2024
/s/ Jack A. Khattar **Jack A. Khattar**	Chairman of the Board	March 13, 2024
/s/ William T. Abraham, M.D. **William T. Abraham, M.D.**	Director	March 13, 2024
/s/ Mette Kirstine Agger **Mette Kirstine Agger**	Director	March 13, 2024
/s/ Minnie V. Baylor-Henry **Minnie V. Baylor-Henry**	Director	March 13, 2024
/s/ Sara Bonstein **Sara Bonstein**	Director	March 13, 2024
/s/ Frederick Hudson **Frederick Hudson**	Director	March 13, 2024
/s/ Leonard D. Schaeffer **Leonard D. Schaeffer**	Director	March 13, 2024
/s/ Klaus Veitinger, M.D., Ph.D **Klaus Veitinger, M.D., Ph.D.**	Director	March 13, 2024

Exhibit 10.6

SCPHARMACEUTICALS INC.

AMENDED AND RESTATED
NON-EMPLOYEE DIRECTOR COMPENSATION POLICY

The purpose of this Amended and Restated Non-Employee Director Compensation Policy (this "Policy") of scPharmaceuticals Inc. (the "Company"), is to provide a total compensation package that enables the Company to attract and retain, on a long-term basis, high-caliber directors who are not employees or officers of the Company or its subsidiaries (each, a "Non-Employee Director"). In furtherance of the purpose stated above, all Non-Employee Directors shall be paid compensation for services provided to the Company as set forth below, unless such Non-Employee Director declines the receipt of such cash or equity compensation by written notice to the Company:

Cash Retainers

Annual Retainer for Board Membership: $40,000 for general availability and participation in meetings and conference calls of our Board of Directors.

Additional Annual Retainer for Non-Executive Chair of the Board: $35,000
Additional Retainers for Committee Membership:

Audit Committee Chair: $20,000

Audit Committee member: $10,000

Compensation Committee Chair: $15,000

Compensation Committee member: $7,500

Nominating and Corporate Governance Committee Chair: $10,000

Nominating and Corporate Governance Committee member: $5,000

Note: Chair and committee member retainers are in addition to retainers for members of the Board of Directors.

All retainers are paid quarterly in arrears, pro-rated based on the number of actual days served by the director during such calendar quarter.

Equity Retainers

Initial Award: An initial, one-time equity award (the "Initial Award") of an option to purchase 34,600 shares of the Company's common stock, par value $0.0001 per share ("Common Stock"), to each new Non-Employee Director (who is initially elected or appointed to the Board of Directors after the Effective Date (as defined below)) upon his or her election or

appointment to the Board of Directors, which shall vest 33% on first anniversary of grant, then the remainder shall vest ratably monthly, provided, however, that all vesting shall cease if the director resigns from the Board of Directors or otherwise ceases to serve as a director of the Company. Such stock option shall have a per share exercise price equal to the Fair Market Value (as defined in the Company's 2017 Stock Option and Incentive Plan (the "Plan")) of the Company's Common Stock on the date of grant.

Annual Award: On each date of the Company's Annual Meeting of Stockholders following the Effective Date (the "Annual Meeting"), each continuing Non-Employee Director, other than a director receiving an Initial Award at such Annual Meeting, will receive an annual equity award (the "Annual Award") of an option to purchase 19,750 shares of Common Stock, which shall vest in full upon the earlier to occur of the first anniversary of the date of grant or the date of the next Annual Meeting; provided, however, that all vesting shall cease if the director resigns from the Board of Directors or otherwise ceases to serve as a director, unless the Board of Directors determines that the circumstances warrant continuation of vesting. Such stock option shall have a per share exercise price equal to the Fair Market Value (as defined in the Plan) of the Company's Common Stock on the date of grant.

Limits on Non-Employee Director Compensation

The limits on Non-Employee Director compensation contained in the Plan or in any other documents or policy, if any, shall govern the compensation to be provided under this Policy. To the extent the compensation to be paid or provided under this Policy to a Non-Employee Director would exceed such limits, the compensation shall be automatically reduced to the extent necessary to ensure it complies with such limits.

Expenses

The Company will reimburse reasonable travel and related business expenses that a Non-Employee Director incurs for attendance at all meetings of the Board and applicable meetings of committees, to the extent incurred and substantiated in accordance with the policies, practices and procedures of the Company as in effect from time to time.

This Policy has been amended and restated in its entirety, effective as of January 1, 2023 ("Effective Date") and was amended on March 5, 2024.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Nos. 333-221677, 333-227071, 333-229122, 333-237361, 333-254636, 333-263762, 333-270757 and 333-270758) on Form S-8 and the Registration Statement (No. 333-254637) on Form S-3 of scPharmaceuticals Inc. of our report dated March 13, 2024, relating to the consolidated financial statements of scPharmaceuticals Inc. and its subsidiary, appearing in this Annual Report on Form 10-K of scPharmaceuticals Inc. for the year ended December 31, 2023.

/s/ RSM US LLP

Boston, Massachusetts
March 13, 2024

Exhibit 31.1

CERTIFICATION

I, John H. Tucker, certify that:

1. I have reviewed this Annual Report on Form 10-K of scPharmaceuticals Inc.;

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

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

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

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

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

5. The registrant's other certifying officer(s) 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 13, 2024

By: /s/ John H. Tucker

John H. Tucker
President and Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Rachael Nokes, certify that:

1. I have reviewed this Annual Report on Form 10-K of scPharmaceuticals Inc.;

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

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

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

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

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

5. The registrant's other certifying officer(s) 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 13, 2024

By: /s/ Rachael Nokes

Rachael Nokes

Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

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

In connection with the Annual Report on Form 10-K of scPharmaceuticals Inc. (the "Company") for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John H. Tucker, President and Chief Executive Officer (Principal Executive Officer), hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: March 13, 2024

By: /s/ John H. Tucker

John H. Tucker
President and Chief Executive Officer (Principal Executive Officer)

Exhibit 32.2

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

In connection with the Annual Report on Form 10-K of scPharmaceuticals Inc. (the "Company") for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Rachael Nokes, Chief Financial Officer (Principal Financial Officer), hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: March 13, 2024

By: /s/ Rachael Nokes

Rachael Nokes
Chief Financial Officer (Principal Financial Officer)

Exhibit 97.1

SCPHARMACEUTICALS INC.

POLICY FOR RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

scPharmaceuticals Inc. (the "***Company***") has adopted this Policy for Recovery of Erroneously Awarded Compensation (the "***Policy***"), effective as of October 2, 2023 (the "***Effective Date***"). Capitalized terms used in this Policy but not otherwise defined herein are defined in Section 11.

1. Persons Subject to Policy

This Policy shall apply to current and former Officers of the Company. Each Officer shall be required to sign an acknowledgment pursuant to which such Officer will agree to be bound by the terms of, and comply with, this Policy; however, any Officer's failure to sign any such acknowledgment shall not negate the application of this Policy to the Officer.

2. Compensation Subject to Policy

This Policy shall apply to Incentive-Based Compensation received on or after the Effective Date. For purposes of this Policy, the date on which Incentive-Based Compensation is "received" shall be determined under the Applicable Rules, which generally provide that Incentive-Based Compensation is "received" in the Company's fiscal period during which the relevant Financial Reporting Measure is attained or satisfied, without regard to whether the grant, vesting or payment of the Incentive-Based Compensation occurs after the end of that period.

3. Recovery of Compensation

In the event that the Company is required to prepare a Restatement, the Company shall recover, reasonably promptly, the portion of any Incentive-Based Compensation that is Erroneously Awarded Compensation, unless the Committee has determined that recovery would be Impracticable. Recovery shall be required in accordance with the preceding sentence regardless of whether the applicable Officer engaged in misconduct or otherwise caused or contributed to the requirement for the Restatement and regardless of whether or when restated financial statements are filed by the Company. For clarity, the recovery of Erroneously Awarded Compensation under this Policy will not give rise to any person's right to voluntarily terminate employment for "good reason," or due to a "constructive termination" (or any similar term of like effect) under any plan, program or policy of or agreement with the Company or any of its affiliates.

4. Manner of Recovery; Limitation on Duplicative Recovery

The Committee shall, in its sole discretion, determine the manner of recovery of any Erroneously Awarded Compensation, which may include, without limitation, reduction or cancellation by the Company or an affiliate of the Company of Incentive-Based Compensation, Erroneously Awarded Compensation or solely time-vesting equity awards, reimbursement or

repayment by any person subject to this Policy of the Erroneously Awarded Compensation, and, to the extent permitted by law, an offset of the Erroneously Awarded Compensation against other compensation payable by the Company or an affiliate of the Company to such person. Notwithstanding the foregoing, unless otherwise prohibited by the Applicable Rules, to the extent this Policy provides for recovery of Erroneously Awarded Compensation already recovered by the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 or Other Recovery Arrangements, the amount of Erroneously Awarded Compensation already recovered by the Company from the recipient of such Erroneously Awarded Compensation may be credited to the amount of Erroneously Awarded Compensation required to be recovered pursuant to this Policy from such person.

5. Administration

This Policy shall be administered, interpreted and construed by the Committee, which is authorized to make all determinations necessary, appropriate or advisable for such purpose. The Board of Directors of the Company (the "***Board***") may re-vest in itself the authority to administer, interpret and construe this Policy in accordance with applicable law, and in such event references herein to the "Committee" shall be deemed to be references to the Board. Subject to any permitted review by the applicable national securities exchange or association pursuant to the Applicable Rules, all determinations and decisions made by the Committee pursuant to the provisions of this Policy shall be final, conclusive and binding on all persons, including the Company and its affiliates, equityholders and employees. The Committee may delegate administrative duties with respect to this Policy to one or more directors or employees of the Company, as permitted under applicable law, including any Applicable Rules.

6. Interpretation

This Policy shall be interpreted and applied in a manner that is consistent with the requirements of the Applicable Rules, and to the extent this Policy is inconsistent with such Applicable Rules, it shall be deemed amended to the minimum extent necessary to ensure compliance therewith.

7. No Indemnification; No Liability

The Company shall not indemnify or insure any person against the loss of any Erroneously Awarded Compensation pursuant to this Policy, nor shall the Company directly or indirectly pay or reimburse any person for any premiums for third-party insurance policies that such person may elect to purchase to fund such person's potential obligations under this Policy. None of the Company, an affiliate of the Company or any member of the Committee or the Board shall have any liability to any person as a result of actions taken under this Policy.

8. Application; Enforceability

Except as otherwise determined by the Committee or the Board, the adoption of this Policy does not limit, and is intended to apply in addition to, any other clawback, recoupment, forfeiture or similar policies or provisions of the Company or its affiliates, including any such policies or

provisions of such effect contained in any employment agreement, bonus plan, incentive plan, equity-based plan or award agreement thereunder or similar plan, program or agreement of the Company or an affiliate or required under applicable law (the "***Other Recovery Arrangements***"). The remedy specified in this Policy shall not be exclusive and shall be in addition to every other right or remedy at law or in equity that may be available to the Company or an affiliate of the Company.

9. Severability

The provisions in this Policy are intended to be applied to the fullest extent of the law; provided, however, to the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

10. Amendment and Termination

The Board or the Committee may amend, modify or terminate this Policy in whole or in part at any time and from time to time in its sole discretion. This Policy will terminate automatically when the Company does not have a class of securities listed on a national securities exchange or association.

11. Definitions

"***Applicable Rules***" means Section 10D of the Exchange Act, Rule 10D-1 promulgated thereunder, the listing rules of the national securities exchange or association on which the Company's securities are listed, and any applicable rules, standards or other guidance adopted by the Securities and Exchange Commission or any national securities exchange or association on which the Company's securities are listed.

"***Committee***" means the committee of the Board responsible for executive compensation decisions comprised solely of independent directors (as determined under the Applicable Rules), or in the absence of such a committee, a majority of the independent directors serving on the Board.

"***Erroneously Awarded Compensation***" means the amount of Incentive-Based Compensation received by a current or former Officer that exceeds the amount of Incentive-Based Compensation that would have been received by such current or former Officer based on a restated Financial Reporting Measure, as determined on a pre-tax basis in accordance with the Applicable Rules.

"***Exchange Act***" means the Securities Exchange Act of 1934, as amended.

"***Financial Reporting Measure***" means any measure determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures derived wholly or in part from such measures, including GAAP, IFRS and non- GAAP/IFRS financial measures, as well as stock or share price and total equityholder return.

"***GAAP***" means United States generally accepted accounting principles.

"***IFRS***" means international financial reporting standards as adopted by the International Accounting Standards Board.

"***Impracticable***" means (a) the direct costs paid to third parties to assist in enforcing recovery would exceed the Erroneously Awarded Compensation; provided that the Company has
(i) made reasonable attempts to recover the Erroneously Awarded Compensation, (ii) documented such attempt(s), and (iii) provided such documentation to the relevant listing exchange or association, (b) to the extent permitted by the Applicable Rules, the recovery would violate the Company's home country laws pursuant to an opinion of home country counsel; provided that the Company has (i) obtained an opinion of home country counsel, acceptable to the relevant listing exchange or association, that recovery would result in such violation, and (ii) provided such opinion to the relevant listing exchange or association, or (c) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and the regulations thereunder.

"***Incentive-Based Compensation***" means, with respect to a Restatement, any compensation that is granted, earned, or vested based wholly or in part upon the attainment of one or more Financial Reporting Measures and received by a person: (a) after such person began service as an Officer; (b) who served as an Officer at any time during the performance period for that compensation; (c) while the Company has a class of its securities listed on a national securities exchange or association; and (d) during the applicable Three-Year Period.

"***Officer***" means each person who serves as an executive officer of the Company, as defined in Rule 10D-1(d) under the Exchange Act.

"***Restatement***" means an accounting restatement to correct the Company's material noncompliance with any financial reporting requirement under securities laws, including restatements that correct an error in previously issued financial statements (a) that is material to the previously issued financial statements or (b) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

"***Three-Year Period***" means, with respect to a Restatement, the three completed fiscal years immediately preceding the date that the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare such Restatement, or, if earlier, the date on which a court, regulator or other legally authorized body directs the Company to prepare such Restatement. The "Three-Year Period" also includes any transition period (that results from a change in the Company's fiscal year) within or immediately following the three completed fiscal years identified in the preceding sentence. However, a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months shall be deemed a completed fiscal year.

ACKNOWLEDGMENT AND CONSENT TO
POLICY FOR RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

The undersigned has received a copy of the Policy for Recovery of Erroneously Awarded Compensation (the "Policy") adopted by scPharmaceuticals Inc. (the "Company").

For good and valuable consideration, the receipt of which is acknowledged, the undersigned agrees to the terms of the Policy and agrees that compensation received by the undersigned may be subject to reduction, cancellation, forfeiture and/or recoupment to the extent necessary to comply with the Policy, notwithstanding any other agreement to the contrary. The undersigned further acknowledges and agrees that the undersigned is not entitled to indemnification in connection with any enforcement of the Policy and expressly waives any rights to such indemnification under the Company's organizational documents or otherwise.

_____ _____

Date Signature

_____

Name

_____

Title