

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

FORM 10-K

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: 001-36357

LIPOCINE INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

675 Arapeen Drive, Suite 202,
Salt Lake City, Utah
(Address of Principal Executive Offices)

99-0370688
(IRS Employer
Identification No.)

84108
(Zip Code)

801-994-7383

(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value \$0.0001 per share	LPCN	The NASDAQ Stock Market LLC

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange 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 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 (§220.405 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 Act). Yes No

Outstanding Shares

The aggregate market value of the common stock held by non-affiliates of the registrant was \$25.6 million as of June 30, 2023. For purposes of calculating the aggregate market value of shares of our common stock held by non-affiliates as set forth on the cover page of this Annual Report on Form 10-K, we have assumed that all outstanding shares are held by non-affiliates, except for shares held by each of our executive officers, directors and 10% or greater stockholders. However, this assumption should not be deemed to constitute an admission that all executive officers, directors and 10% or greater stockholders are, in fact, affiliates of our company, or that there are not other persons who may be deemed to be affiliates of our company. Further information concerning shareholdings of our officers, directors and principal stockholders is included or incorporated by reference in Part III, Item 12 of this Annual Report on Form 10-K.

As of March 5, 2024, the registrant had 5,315,830 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

None

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FORWARD-LOOKING STATEMENTS

THIS ANNUAL REPORT ON FORM 10-K, IN PARTICULAR “ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION,” AND “ITEM 1. BUSINESS,” CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, THAT INVOLVE RISKS AND UNCERTAINTIES. FORWARD-LOOKING STATEMENTS PROVIDE CURRENT EXPECTATIONS OF FUTURE EVENTS BASED ON CERTAIN ASSUMPTIONS AND INCLUDE ANY STATEMENT THAT DOES NOT DIRECTLY RELATE TO ANY HISTORICAL OR CURRENT FACT. FORWARD-LOOKING STATEMENTS MAY REFER TO SUCH MATTERS AS PRODUCTS, PRODUCT BENEFITS, PRE-CLINICAL AND CLINICAL DEVELOPMENT TIMELINES, CLINICAL AND REGULATORY EXPECTATIONS AND PLANS, REGULATORY DEVELOPMENTS AND REQUIREMENTS, THE RECEIPT OF REGULATORY APPROVALS, THE EXPECTATIONS FOR AND RESULTS OF CLINICAL TRIALS, PATIENT ACCEPTANCE OF LIPOCINE’S PRODUCTS, MANUFACTURING AND COMMERCIALIZATION OF LIPOCINE’S PRODUCTS, ANTICIPATED FINANCIAL PERFORMANCE, FUTURE REVENUES OR EARNINGS, BUSINESS PROSPECTS, PROJECTED VENTURES, NEW PRODUCTS AND SERVICES, ANTICIPATED MARKET PERFORMANCE, FUTURE EXPECTATIONS FOR LIQUIDITY AND CAPITAL RESOURCES NEEDS AND SIMILAR MATTERS. SUCH WORDS AS “MAY”, “WILL”, “EXPECT”, “CONTINUE”, “ESTIMATE”, “PROJECT”, “INTEND”, AND “POTENTIAL” AND SIMILAR TERMS AND EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD LOOKING STATEMENTS. FORWARD-LOOKING STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND OUR ACTUAL RESULTS MAY DIFFER SIGNIFICANTLY FROM THE RESULTS DISCUSSED IN THE FORWARD-LOOKING STATEMENTS. FACTORS THAT MIGHT CAUSE SUCH DIFFERENCES INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED IN PART I, ITEM 1A “RISK FACTORS” OF THIS FORM 10-K. EXCEPT AS REQUIRED BY APPLICABLE LAW, WE ASSUME NO OBLIGATION TO REVISE OR UPDATE ANY FORWARD-LOOKING STATEMENTS FOR ANY REASON.

There are a number of risks, uncertainties and other important factors that could cause our actual results to differ materially from the forward-looking statements contained in this Annual Report on Form 10-K. Such risks, uncertainties and other important factors include, among others, the risks, uncertainties and factors set forth in “Risk Factors,” and the following risks, uncertainties and factors:

- our and our licensee’s plans to develop and commercialize any products or future product candidates;
- our ongoing and planned clinical trials;
- the timing of and our ability to obtain regulatory approvals or fast track or orphan drug designation, breakthrough designation or IND clearance for any future product candidates;
- our ability to monetize non-core product candidates;
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing;
- the rate and degree of market acceptance and clinical utility of any products or future product candidates, if approved;
- significant competition in our industry;
- our intellectual property position;
- loss of key members of management;
- failure to successfully execute our strategy; and
- our failure to maintain effective internal controls.

There may be other factors that may cause our actual results to differ materially from the forward-looking statements, including factors disclosed in “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” You should evaluate all forward-looking statements made in this Annual Report on Form 10-K in the context of these risks and uncertainties.

We caution you that the risks, uncertainties and other factors referred to above may not contain all of the risks, uncertainties and other factors that are important to you. In addition, we cannot assure you that we will realize the results, benefits or developments that we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our business in the way expected. All forward-looking statements in this Annual Report on Form 10-K apply only as of the date made and are expressly qualified in their entirety by the cautionary statements included in this Annual Report on Form 10-K. We undertake no obligation to publicly update or revise any forward-looking statements to reflect subsequent events or circumstances.

ITEM 1. BUSINESS

General

Lipocine Inc. (“Lipocine” or the “Company”) is incorporated under the laws of the State of Delaware.

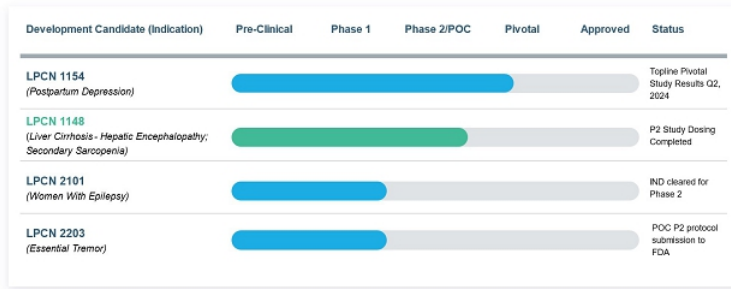
We are a biopharmaceutical company focused on leveraging our proprietary Lip’ral platform to develop differentiated products through the oral delivery of previously difficult to deliver molecules, focused on treating Central Nervous System (“CNS”) disorders. Our proprietary delivery technologies are designed to improve patient compliance and safety through orally available treatment options. Our primary development programs are based on oral delivery solutions for poorly bioavailable drugs. We have a portfolio of differentiated innovative product candidates that target high unmet needs for neurological and psychiatric CNS disorders, liver diseases, and hormone supplementation for men and women.

We entered into a license agreement for the development and commercialization of our product candidate, TLANDO®, an oral treatment indicated for testosterone replacement therapy (“TRT”) in adult males for conditions associated with a deficiency or absence of endogenous testosterone (primary or hypogonadotropic hypogonadism) comprised of testosterone undecanoate (“TU”). On January 12, 2024, we entered into a license agreement (the “Verity License Agreement”) with Gordon Silver Limited (“GSL”) and Verity Pharmaceuticals, Inc. (“Verity” or our “Licensee”), pursuant to which we granted to Verity an exclusive, royalty-bearing, sublicensable right and license to commercialize TLANDO for TRT in the U.S. and Canada. Any required post-marketing studies by the United States Food and Drug Administration (“FDA”) will also be the responsibility of our Licensee, Verity. On January 31, 2024, our license agreement with former licensee, Antares Pharma, Inc. (“Antares”), was terminated and the transition of the U.S. commercial rights for TLANDO from Antares to Verity was completed on February 1, 2024, for the distribution, marketing and sale of TLANDO. The Verity License Agreement also provides Verity with a license to develop and commercialize LPCN 1111 (also referred to as TLANDO XR), the Company’s potential next generation, once daily oral product candidate for testosterone replacement therapy comprised of testosterone tridecanoate (“TT”), in the U.S. and Canada.

Additional clinical development pipeline candidates include: LPCN 1154 for postpartum depression (“PPD”); LPCN 2101 for epilepsy; LPCN 2203 for essential tremor; and LPCN 1148 comprising a novel prodrug of testosterone, testosterone laurate (“TL”), for the management of decompensated cirrhosis. In addition to our CNS product candidates, we have non-core assets for which we expect to seek partnerships to enable further development for which we do not plan to devote significant resources to developing in the future. These non-core assets include TLANDO for territories outside of North America, LPCN 1148 which we intend to explore partnering upon completion of the Phase 2 study, LPCN 1144, an oral prodrug of androgen receptor modulator for the treatment of non-cirrhotic non-alcoholic steatohepatitis (“NASH”) which has completed Phase 2 testing; and LPCN 1107, potentially the first oral hydroxy progesterone caproate (“HPC”) product indicated for the prevention of recurrent preterm birth (“PTB”), which has completed a dose finding clinical study in pregnant women and has been granted orphan drug designation by the FDA.

The following charts summarize the status of our product candidate development programs:

Lipocine Clinical Development Pipeline



Lipocine Pipeline Assets – Non-Core Assets



Corporate Strategy

Our goal is to become a leading biopharmaceutical company focused on leveraging our proprietary Lip'ral drug delivery technology platform to develop differentiated products through oral delivery of previously difficult to deliver molecules for CNS disorders. The key components of our strategy are to:

Advance LPCN 1154 and other CNS product candidates. We intend to focus on the development of endogenous neuroactive steroids ("NAS") which have broad applicability in treating various CNS conditions where we can leverage our technology platform to develop highly differentiated oral therapeutics. Our priority is on the development of LPCN 1154, a fast-acting oral antidepressant for postpartum depression ("PPD") with potential for outpatient use.

Support our Licensee in commercialization of our licensed oral TRT option. We believe the TRT market needs a differentiated, convenient oral option. We have exclusively licensed rights to TLANDO to Verity for commercialization of TLANDO in the U.S. and Canada and have also exclusively licensed development and commercialization rights for LPCN 1111 in the U.S. and Canada to Verity. We plan to support our Licensee's efforts to effectively enable the availability of TLANDO to patients in a timely manner, in addition to receiving milestone and royalty payments associated with TLANDO commercialization as agreed to in the Verity License Agreement.

Develop partnership(s) to continue the advancement of non-core pipeline assets. We continuously strive to prioritize our resources in seeking partnerships of our pipeline assets. We are currently exploring partnering (i) LPCN 1144, our candidate for treatment of non-cirrhotic NASH, (ii) LPCN 1148, for the management of decompensated cirrhosis, and (iii) LPCN 1107, our candidate for prevention of pre-term birth. We are also exploring the possibility of licensing LPCN 1021 (known as TLANDO in the United States) to third parties outside the United States and Canada, although no licensing agreement has been entered into by the Company.

Our Development Pipeline Product Candidates

Our pipeline of clinical development candidates includes LPCN 1154 for postpartum depression ("PPD"), LPCN 2101 for epilepsy, LPCN 1148, an androgen therapy for the management of cirrhosis and LPCN 2203 for essential tremor. We will continue to explore other product development candidates targeting CNS indications with a significant unmet need. We will also continue efforts to enter into partnership arrangements for the continued development and/or marketing of LPCN 1144, LPCN 1148, and LPCN 1107 and for TRT assets (TLANDO and LPCN 1111) outside of the United States and Canada.

Our products are based on our proprietary Lip'ral drug delivery technology platform. Lip'ral-based TLANDO was approved by the FDA in March 2022. Lip'ral technology is a patented technology based on lipidic compositions which form an optimal dispersed phase in the gastrointestinal environment for improved absorption of insoluble drugs. The drug loaded dispersed phase presents the solubilized drug efficiently at the absorption site (gastrointestinal tract membrane) thus improving the absorption process and making the drug less dependent on physiological variables such as dilution, gastro-intestinal pH and food effects for absorption. Lip'ral-based formulation enables improved solubilization and higher drug-loading capacity, which can lead to improved bioavailability, reduced dose, faster and more consistent absorption, reduced variability, reduced sensitivity to food effects, improved patient compliance, and targeted lymphatic delivery where appropriate.

Oral Programs for CNS Disorders

Some preferred endogenous or naturally occurring NAS present in central nervous system act as positive allosteric modulators ("PAM") of the GABA_A receptor, the major biological target of the inhibitory neurotransmitter γ -aminobutyric acid ("GABA_A"). To improve oral delivery of these modulators, several synthetic NAS derivatives of endogenous GABA_A receptor PAMs, have been developed for therapeutic use in the past few decades.

We believe through utilization of our proprietary technology we may have the ability to enable effective oral delivery of endogenous GABA_A receptor PAMs which historically had been deemed to be not orally bioavailable. As a novel drug class, NAS have received considerable attention because of their potential to treat various neuropsychiatric conditions including depression, movement disorders, epilepsy, anxiety, and neurodegenerative diseases. We have conducted Phase 1 pharmacokinetic ("PK") studies for each of our three lead NAS candidates which have demonstrated promising PK results, safety, and tolerability, and we will continue to evaluate additional undisclosed CNS-focused candidates.

LPCN 1154: Product Candidate for PPD

Our most advanced NAS candidate is LPCN 1154, a non-invasive, oral formulation of the neuroactive steroid brexanolone which we are developing for the treatment of PPD. The FDA agreed with our proposal for establishing the efficacy of LPCN 1154 through a pivotal PK bridge to an approved IV infusion brexanolone via a 505(b)(2) NDA filing. The company has completed an oral PK study, a food effect study, and a pilot PK bridge study of LPCN 1154, as a prelude to a pivotal study using the scaled up "to be marketed" formulation required for NDA filing.

PPD

PPD (“Postpartum depression”), a type of major depressive disorder with onset either during pregnancy or within four weeks of delivery, refers to depression persisting up to 12 months after childbirth. PPD can be clinically segmented by the severity of symptoms and presence of a comorbidity, including epilepsy. Approximately 1 in 8 mothers suffers from PPD in the United States alone; this equates to approximately 500,000 women being affected by PPD annually.

Disease Overview - PPD

- PPD is distinct from the “baby blues,” a condition that up to 70% of all new mother’s experience; “baby blues” tend to be short-lived emotional conditions that do not interfere with daily activities.
- Symptoms of PPD include hallmarks of major depression, including, but not limited to, sadness, depressed mood, loss of interest, change in appetite, insomnia, sleeping too much, fatigue, difficulty thinking/concentrating, excessive crying, fear of harming the baby/oneself, and/or thoughts of death or suicide.
- During pregnancy, levels of endogenous NAS increase considerably along with levels of progesterone; however, they drop sharply postpartum. It has been hypothesized that the rapid perinatal decrease in circulating levels of endogenous NASs may be involved in the development of PPD. The first and only approved treatment option for PPD is an injectable containing endogenous NAS.
- Depression may persist long after child delivery. Additionally, approximately 40% of women relapse in subsequent pregnancies or on other occasions.
- Psychiatric comorbidities are common in patients with epilepsy. Patients with epilepsy are at high risk for major depressive disorders and PPD. Reported PPD rates are higher among women with epilepsy than the general population.

Associated Risk Factors

- Genetic: family history and/or previous experience of depression or other mood disorders
- Physiological: rapid changes in sex hormones, stress hormones, and thyroid hormone levels during and after delivery
- Environmental: stressful life events, changes in relationships at home and at work, and/or lack of familial support

Unmet Medical Need

We believe there is considerable unmet need within women with PPD due to lack of convenient and fast-acting oral therapies. Selective Serotonin Reuptake Inhibitors (“SSRIs”) have been the traditional first-line choice for women with severe PPD requiring weeks for onset of efficacy; therefore, a need for an oral treatment option with a faster onset of action remains a significant unmet need in treating PPD, especially in mothers with moderate to severe depression prone to harmful actions.

Injectable brexanolone (Zulresso™, SAGE Therapeutics) became the first FDA-approved treatment for postpartum depression. However, numerous factors limit the utilization of injectable brexanolone such as method of administration, cost, and safety concerns. In addition to Zulresso, SAGE Therapeutics received FDA approval for zuranolone (brand name ZURZUVAE™) in August, 2023 and Zurzuvae was launched commercially in December 2023. Zuranolone, a synthetic neuroactive steroid derivative, is an oral, once daily 14-day treatment for postpartum depression and is the first oral medication approved by the FDA for the treatment of postpartum depression. Per label, besides long terminal half-life of approximately 19.7 to 24.6 hours and dosage modifications needed for concomitant use with CYP3A4 modulators, warnings and precautions include CNS depressant effects, impaired ability to drive or engage in other potentially hazardous activities and embryo-fetal toxicity.

We believe LPCN 1154 targets the unmet need for robust rapid relief with 48-hour treatment duration through a convenient oral treatment candidate comprising bioidentical NAS with good tolerability.

LPCN 2101: NAS for Epilepsy

We are currently evaluating an additional NAS candidate, LPCN 2101, for women with epilepsy (“WWE”). We have completed pre-clinical and Phase 1 studies for LPCN 2101 which demonstrated promising PK results, safety and tolerability. In July 2022 our IND was accepted by the FDA for LPCN 2101 for adults with epilepsy and we plan to initiate a Phase 2 IND opening proof-of-concept study to evaluate the safety, tolerability, and efficacy of LPCN 2101 in 2024 subject to resource prioritization.

Disease Overview – Epilepsy

Epilepsy is defined by the 1) occurrence of at least two unprovoked seizures more than 24 hours apart, 2) occurrence of one unprovoked seizure and a probability of further seizures occurring over the next 10 years, and/or 3) diagnosis of an epilepsy syndrome. Patients with epilepsy are more likely to be comorbid with other conditions, including depression and anxiety. Patients with epilepsy have increased risk of mortality due to direct effects of seizures (e.g., status epilepticus, car accidents) and indirect effects of seizures (e.g., suicide, cardiovascular effects.)

Epilepsy is a disorder of the brain that causes seizures, affecting the physical, mental, and social well-being of persons, and is associated with a 2 to 3 times greater mortality rate compared with the general population. About 60-65% of epilepsy is idiopathic and about 30% of patients are refractory (i.e., epilepsy not well managed with currently available Anti-Seizure Medications (“ASMs”). Epilepsy is the most common neurological disorder during pregnancy.

It is estimated that approximately 900,000 child-bearing (“CB”) age women suffer from active epilepsy in the U.S. Women of CB age with epilepsy face many additional challenges due to hormonal influences on seizure activity and endocrine function throughout the different phases of their reproductive cycles. Elevated estrogen or decreased progesterone levels can exacerbate seizure frequency. Often, these women experience hormonal and endogenous NAS imbalances, coupled with fluctuations in the blood levels of ASMs that impact control of seizures, efficacy of oral contraceptives, any coexisting anxiety and/or depression and any associated sleep impairment. Epileptic patients are 5-20 times more likely to develop depression.

Clinical segmentation can be categorized by epilepsy type, comorbidities and patient subgroups. Categorization of focal epilepsy, generalized epilepsy, combined focal and generalized epilepsy, and unknown epilepsy can guide the choice of ASM. Special patient subgroups, including WWE of CB age and elderly patients, require special care and management of epilepsy. Comorbidities such as depression and anxiety may be co-treated with therapies that do not aggravate seizures and have no drug interaction with the ASM used for epilepsy. While lowest effective dose and monotherapy are preferred, management of patients with epilepsy is focused on controlling seizures, avoiding adverse events, and maintaining quality of life. Despite a wide range of ASMs available, about 30 % of all people with epilepsy still fail to respond to treatment effectively. Women with epilepsy face specific challenges throughout their lifespan because of seizures, ASMs, and hormonal fluctuations.

Women with epilepsy were once counseled to avoid pregnancy, but epilepsy is no longer considered a contraindication to pregnancy. Caregivers for WWE in the preconception phase either intending to start a family (planning pregnancy) or using contraception to prevent an unplanned pregnancy face significant challenges to balance seizure control efficacy with the selection and dosage of ASMs and ASM-related risks such as, among other risks, fetal-neonatal toxicity, contraception failure, and psychiatric side effects.

Several ASMs are known to have teratogenic effects on the developing fetus (converging evidence from registry studies indicates that teratogenic risks are highest with valproate, followed by carbamazepine and topiramate). Other commonly prescribed ASMs, including older generation agents, such as phenobarbital and phenytoin, have been associated with higher risks as compared with lamotrigine, levetiracetam, clonazepam and gabapentin (Vajda et al., 2014; Voinescu and Pennell, 2015). Moreover, risks associated with ASMs are considerable early in pregnancy; therefore, it is necessary that WWE of CB age undergo counseling, monitoring, and adjustment to the most appropriate ASM prior to becoming pregnant. It is preferable that WWE of CB age discuss seizure control with their doctor for at least 6 months before conception and, if possible, cease ASM therapy or use the lowest effective dose of a single anticonvulsant according to the type of epilepsy and the fetal toxicity of the ASM. Anxiety, depression, lack of adherence to ASM, and/or contraception failure may be experienced by women who are worried about unplanned pregnancy or are late in confirming pregnancy, planned or unplanned. ASMs can reduce the efficacy of oral contraceptives, compounding this problem.

Complex, multidirectional interactions between female hormones, seizures, and ASMs exist. Most hormones act as NAS and can thus modulate brain excitability. Any changes in endogenous or exogenous hormone levels can affect the occurrence of seizures, either directly or via PK interactions that modify the plasma levels of ASMs (Harden, 2008). The PK interactions between oral contraceptives and ASMs are bidirectional (Johnston and Crawford, 2014). The efficacy of hormonal contraception may be diminished for women taking CYP-P450 enzyme inducing ASMs. Epilepsy is not a medical condition in which contraceptives are contraindicated. Contraceptive failure, possibly related to ASMs, may be responsible for up to 1 in 4 unplanned pregnancies in WWE (~12.5% of all WWE pregnancies), versus a rate of 1% in healthy women.

Unmet need to treat WWE in CB age

It is estimated that approximately 900,000 CB age women suffer from active epilepsy in the U.S. Women of CB age with epilepsy face many additional challenges such as hormonal influences on seizure activity and endocrine function throughout the different phases of their reproductive cycles, and approximately 30% of patients with epilepsy cannot be efficiently controlled with available ASMs making consideration of newer pharmacological treatment development options important.

Managing uncontrolled seizures in WWE of CB age is the primary aim during preconception, pregnancy, and postpartum phases. Therefore, uncompromised ASM efficacy with acceptable variability and less or no drug-drug interactions achieved with lowest possible monotherapy dose to address fetal toxicity concerns remain highly unmet needs. Moreover, control of seizures including prevention of breakthrough seizures is critical when planning for pregnancy and also during pregnancy, as it can also lead to undesired falls or auto-accidents and compromise freedom to drive.

Select ASMs have the potential to induce contraception failures, reproductive hormone imbalance, anxiety, and depression. There remains an unmet need for an ASM without the aforementioned downsides, with no to low fetal-neonatal toxicity and without any breast-feeding concerns as well as potential to treat associated comorbidities.

While over 30 molecules have been approved for the treatment of epilepsy in the U.S., no epilepsy drug has been specifically approved for WWE of CB age. We believe our endogenous NASs as GABA_A PAMs, while targeting the goal of seizure control, also have the potential for additional benefits in psychiatric disorders comorbidities (e.g., anxiety and/or depression) and sleep impairment. Moreover, these oral endogenous NAS could potentially address some of the fetal toxicity concerns related to unplanned or planned pregnancy in WWE. ⁽¹⁾

(1) Ref: S.Bangar et al. *Functional Neurology* 2016; 31(3): 127-134; Reimers et al. *Seizure*. 2015 May; 28: 66-70.

LPCN 1148: Oral Product Candidate for the Management of Decompensated Cirrhosis

We are currently evaluating LPCN 1148 comprising testosterone laurate ("TL") for the management of decompensated cirrhosis. We believe LPCN 1148 targets unmet needs for subjects with cirrhosis including improvement in the quality of life of patients while on the liver transplant waiting list, prevention or reduction in the occurrence of new decompensation events such as hepatic encephalopathy ("HE"), and improvement in post liver transplant survival, including outcomes and costs.

We recently completed a Phase 2 proof of concept ("POC") study (NCT04874350) in male cirrhotic subjects to evaluate the therapeutic potential of LPCN 1148 for the management of sarcopenia. The Phase 2 POC study was a prospective, multi-center, randomized, placebo-controlled study in male sarcopenic cirrhotic patients. Subjects were initially randomized 1:1 to 1 of 2 arms. The treatment arm was an oral dose of LPCN 1148, and the second arm was a matching placebo. There were no restrictions on patients with respect to background therapies, including current standard of care, diet or exercise. The primary endpoint was a change in skeletal muscle index at week 24 with key secondary endpoints including change in liver frailty index, rates of breakthrough HE, and number of waitlist events, including all-cause mortality. Total treatment was 52 weeks, with 24-week placebo-controlled treatment subjects receiving LPCN 1148 in the 28-week open-label extension ("OLE") phase of the study for the duration of the study through week 52. In July 2023, we announced that the Phase 2 study met the study primary endpoint, increased skeletal muscle index (L3-SMI) relative to placebo (P<.01), in patients with cirrhosis. The study also demonstrated improvements in clinical outcomes such as prevention of new decomposition events including HE, rates of hospitalizations, and patient reported outcomes ("PROs"). LPCN 1148 was well-tolerated, with adverse event ("AE") rates and severities similar to placebo and no mortality was noted in the LPCN 1148 treatment group, nor were there any cases of drug-induced liver injury.

End of study results are expected by the end of the first quarter of 2024. Possible outcomes of interest from the Phase 2 study include continuation and/or extension of clinical outcomes observed after 24 weeks such as overall survival and new decompensation events (including HE and/or ascites occurrences), rates of survival to transplant, rates of hospitalizations, infections, etc., muscle changes such as muscle mass, body composition, myosteatosis (muscle fat), functional capacity changes such as liver frailty index ("LFI"), PROs, and biochemical markers including hematocrit for anemia status, albumin, creatinine/kidney function, etc. We plan to request a Type C meeting with the FDA to discuss the clinical development plan for LPCN 1148 in mid-2024.

Disease Overview – Cirrhosis

There are over 2 million cases of cirrhosis worldwide, with over 500,000 people living with decompensated cirrhosis in the U.S. and nonalcoholic fatty liver disease is the most rapidly increasing indication for liver transplant. 62% of those on the liver transplant (“LT”) waitlist are male and the economic burden (approximately \$812,500/transplant) is high and continues to increase. Each year about half of the approximately 17,000 people in U.S. on the LT waitlist undergo transplant, while nearly 3,000 patients either die or are removed from the list because they were “too sick to transplant.”

Liver cirrhosis is defined as the histological development of regenerative nodules surrounded by fibrous bands. Cirrhotic patients typically have a years-long silent, asymptomatic phase (compensated cirrhosis) until decreasing liver function and increasing portal pressure move the patient into the symptomatic phase (decompensated cirrhosis). Transition to decompensated cirrhosis is marked by clinical events including ascites, encephalopathy, jaundice, and/or variceal hemorrhage. Decompensated subjects survive on average less than 2 years. Common causes of liver cirrhosis include alcoholic liver disease, nonalcoholic fatty liver disease (“NAFLD”), chronic hepatitis B and C, primary biliary cirrhosis (“PBC”), primary sclerosing cholangitis (“PSC”) and cryptogenic.

Common complications in cirrhotic patients may include: compromised liver function, portal hypertension, varices in GI tract with internal bleeding, edema, ascites, hepatic encephalopathy, compromised immunity with post-transplant acute rejection risk, high sodium levels, increased bilirubin, low albumin level, insulin resistance with impaired peripheral uptake of glucose, depression, accelerated muscle disorder in the form of sarcopenia, myosteatosis, and frailty with compromised energetics, bone diseases (e.g., osteoporosis), high alkaline phosphatase (“ALP”), cachexia, malnutrition, weight loss (>5%), symptoms of hypogonadism such as abnormal hair distribution, anemia, sexual dysfunction, testicular atrophy, muscle wasting, fatigue, osteoporosis, gynecomastia, inflammation with elevated cytokines, and infection risk leading to hospital admissions and possibly death.

HE, a significant decompensation event in patients with cirrhosis, is a brain dysfunction caused by liver insufficiency and/or portal systemic shunting. Because the damaged liver cannot function normally (as in cirrhosis), neurotoxins such as ammonia are inadequately removed from systemic circulation and travel to the brain, where they affect neurotransmission. This can cause episodes of HE, which may present as alterations in consciousness, cognition, and behavior that range from minimal to severe. Overt HE occurs in 30% to 40% of patients with cirrhosis at some point during the clinical course of their disease. As the burden of chronic liver disease and cirrhosis is increasing, the frequency of HE is also increasing.

LPCN 2203: Oral Product for Management of Essential Tremor

About Essential Tremor:

Essential Tremor (“ET”) is one of the most common movement disorders in the United States, affecting an estimated 7 million in the U.S. For ET patients, uncontrollable shaking of the hands, head, voice, or legs creates difficulty eating, dressing, writing, and pursuing other day-to-day tasks. The etiology of ET is largely unknown, but reduced GABAA receptor levels and decreased GABAergic activity have been observed in ET.

While ET is often associated with aging populations, ET can begin much earlier in life, with a progressive disease course that can eventually necessitate a care partner. Social anxiety and depressive symptoms can manifest in patients with ET as tremor severity increases and may negatively impact a patient’s ability to work and engage in hobbies. In an interview study of ET patients and care partners, the most common impacts on activities of daily living are pouring liquids and writing/typing (100%), and grooming/hygiene, drinking, dressing, eating, and reading (80-85%). Overall, 90% of participants noted the emotional impact of ET, with 75% reporting tremor-related worry or anxiety.

The only FDA approved pharmacological treatment for ET was approved more than 50 years ago, and the majority of patients with ET experience a sub-optimal response with standard-of-care treatments, highlighting numerous and compelling unmet needs in care such as daytime efficacy and improved tolerability, PRN or “as needed use” option, and a superior benefit-to-risk profile.

LPCN 2203 is an oral candidate for management of essential tremor comprising a bioidentical GABA modulating NAS. We have successfully completed oral pharmacokinetics with bioidentical GABA Modulating NAS and are planning to submit a protocol for a proof-of-concept phase 2 study for ET in the first half of 2024.^{(1) (2)}

(1) Ref: Louis ED, Ottman R. Tremor Other Kyperkinet Mov (NY). 2014;4:259.

(2) Ref: Gerbasi et.al. Patient experiences in essential tremor: Mapping functional impacts to existing measures using qualitative research. MDS 2023.

Our Partnership Pipeline Product Candidates

We continue to pursue opportunities for partnering arrangements for the continued development and/or marketing of LPCN 1144, LPCN 1148, LPCN 1107, in addition to TLANDO and LPCN 1111 outside of the U.S. and Canada. We do not currently anticipate conducting any further significant development activities with respect to these products and product candidates, without the participation of a partner. There can be no guarantee that we will be able to identify or enter into partnering arrangements on terms that are beneficial to us or at all. Even if we do enter into partnering arrangements, such arrangements may not be sufficient to successfully develop and commercialize these products.

TLANDO: An Oral Product for Testosterone Replacement Therapy

As previously described, under the Verity License Agreement, in January 2024 we granted to Verity an exclusive, royalty-bearing, sublicensable right and license to develop and commercialize TLANDO, our product for TRT, in the U.S. and Canada effective February 1, 2024. TLANDO received FDA approval on March 28, 2022. Any FDA requirement to conduct certain post-marketing studies will be the responsibility of our Licensee, Verity.

Proof-of-concept for TLANDO was initially established in 2006, and subsequently TLANDO was licensed in 2009 to Solvay Pharmaceuticals, Inc., which was then acquired by Abbott Products, Inc. (“Abbott”). Following a portfolio review associated with the spin-off of AbbVie Inc. by Abbott in 2011, the rights to TLANDO were reacquired by us. All obligations under the prior license agreement have been completed except that Lipocine will owe Abbott a perpetual 1% royalty on net sales of TLANDO. Such royalties are limited to \$1 million in the first 2 calendar years following product launch, after which period there is no cap on royalties and no maximum aggregate amount. If generic versions of any such product are introduced, then royalties are reduced by 50%. TLANDO was commercially launched on June 7, 2022. During the years ended December 31, 2023 and December 31, 2022, we incurred royalty expense of approximately \$34,000 and \$12,000, respectively, resulting from net sales of TLANDO.

Under the Pediatric Research Equity Act (“PREA”), since TLANDO received full FDA approval, under the Verity Licensing Agreement, Verity will need to address the PREA requirement to assess the safety and effectiveness of TLANDO in pediatric patients. The FDA may also require certain post-marketing studies to be conducted which will also be the responsibility of our Licensee, Verity.

Upon execution of the Verity License Agreement, Verity paid us an initial payment of \$2.5 million which was received on signing of the License Agreement and \$5 million received on February 1, 2024. Verity is also required to make an additional payment of \$2.5 million to us before January 1, 2025 and an additional payment of \$1 million to us before January 1, 2026. We are also eligible to receive milestone payments of up to \$259 million in the aggregate, depending on the achievement of certain sales milestones in a single calendar year and/or development milestones with respect to products licensed by Verity under the Verity License Agreement. In addition, we will receive tiered royalty payments at rates ranging from 12% to up to 18% of net sales of TLANDO in the United States and Canada.

We are exploring the possibility of licensing LPCN 1021 (known as TLANDO in the United States) to third parties outside the United States and Canada, although no licensing agreement has been entered into by the Company. If and when an agreement is made with a partner, such arrangement would likely be partially contingent upon obtaining local regulatory approval. No assurance can be given that any license agreement will be completed, or, if an agreement is completed, that such an agreement would be on terms favorable to us.

LPCN 1144: An Oral Prodrug of Bioidentical Testosterone Product Candidate for the Treatment of NASH

We are exploring the possibility of partnering LPCN 1144 to a third party, although no partnering agreement has been entered into by the Company. No assurance can be given that any license agreement will be completed, or, if an agreement is completed, that such an agreement would be on terms favorable to us.

Disease Overview – NASH

NASH is a more advanced state of non-alcoholic fatty liver disease (“NAFLD”) and can progress to a cirrhotic liver or liver failure, require liver transplant, and can result in hepatocellular carcinoma/ liver cancer, and death. Progression of NASH to end stage liver disease will soon surpass all other causes of liver failure requiring liver transplantation. Importantly, beyond these critical conditions, NASH and NAFLD patients additionally suffer heightened cardiovascular risk and, in fact, die more frequently from cardiovascular events than from liver disease. NAFLD/NASH is becoming more common due to its strong correlation with obesity and metabolic syndrome, including components of metabolic syndrome such as diabetes, cardiovascular disease and high blood pressure. In the U.S., 20% to 30% of the population is estimated to suffer from NAFLD and 15% to 20% percent of this group progress to NASH, which is a substantially large population that lacks effective therapy. NASH is a silent killer that affects millions in the U.S. Diagnoses have been on the rise and are expected to increase dramatically in the next decade. Approximately 50% of NASH patients are in adult males. In men, especially with comorbidities associated with NAFLD/NASH, testosterone deficiency has been associated with an increased accumulation of visceral adipose tissue and insulin resistance, which could be factors contributing to NAFLD/NASH. There is currently no approved therapy for the treatment of NASH although there are several drug candidates currently under development with many having clinical failures to date.

The critical pathophysiologic mechanisms underlying the development and progression of NASH include reduced ability to handle lipids, increased insulin resistance, injury to hepatocytes and liver fibrosis in response to hepatocyte injury. NASH patients have an excessive accumulation of fat in the liver resulting primarily from a caloric intake above and beyond energy needs. A healthy liver contains less than 5% fat, but a liver in someone with NASH can contain more than 20% fat. This abnormal liver fat contributes to the progression to NASH, a liver necro-inflammatory state that can lead to scarring, also known as fibrosis, and, for some, can progress to cirrhosis and liver failure.

Current Status

We have completed the *LiFT* Phase 2 clinical study in biopsy-confirmed non-cirrhotic NASH subjects. The *LiFT* clinical study was a prospective, multi-center, randomized, double-blind, placebo-controlled multiple-arm study in biopsy-confirmed hypogonadal and eugonadal male NASH subjects with grade F1-F3 fibrosis and a target NAFLD Activity Score ≥ 4 with a 36-week treatment period. The *LiFT* clinical study enrolled 56 biopsy confirmed NASH male subjects. Subjects were randomized 1:1:1 to one of three arms (Treatment A is a twice daily oral dose of 142 mg testosterone equivalent, Treatment B is a twice daily oral dose of 142 mg testosterone equivalent formulated with 217 mg of d-alpha tocopherol equivalent, and the third arm is twice daily matching placebo).

The primary endpoint of the *LiFT* clinical study was change in hepatic fat fraction via MRI-PDFF and exploratory liver fat/marker end points post 12 weeks of treatment. Additionally, key secondary endpoints post 36 weeks of treatment included assessment of histological change for NASH resolution and/or fibrosis improvement (biopsy) as well as liver fat data (MRI-PDFF). The *LiFT* clinical study was not powered to assess statistical significance of any of the secondary endpoints. Other important endpoints included the following: change in liver injury markers, anthropomorphic measurements, lipids, insulin resistance and inflammatory/fibrosis markers; as well as patient reported outcomes.

Treatments with LPCN 1144 post 12 weeks of treatment in the *LiFT* study resulted in robust liver fat reduction, assessed by MRI-PDFF, and showed improvement of liver injury markers with no observed tolerability issues.

Liver biopsies were performed at baseline ("BL") and after 36 weeks of treatment ("EOS"). Prespecified biopsy analyses included NASH Clinical Research Network ("CRN") scoring as well as a continuous paired ("Paired Technique") and digital technique ("Digital Technique-Fibrotest"). All biopsy analyses were performed on the same slides and the reads for the 3 techniques were done independently. Analysis sets included the NASH Resolution Set (all subjects that have BL and EOS biopsy with NASH at BL [NAS \geq 4 with lobular inflammation score \geq 1 and hepatocyte ballooning score \geq 1 at BL] (n=37)), the Biopsy Set (all subjects with baseline and EOS biopsies (n=44)), and the Safety Set (all randomized subjects (n=56)).

Both LPCN 1144 treatment arms met with statistical significance the pre-specified accelerated approval regulatory endpoint of NASH resolution with no worsening of fibrosis based on NASH CRN scoring. Additionally, both treatment arms showed substantial improvement of the observed NASH activity in steatosis, inflammation, and ballooning.

During the 36 weeks of treatment, LPCN 1144 was well tolerated with an overall safety profile comparable to placebo. Additionally, subjects were given the option to have access to LPCN 1144 through an open label extension ("OLE") study. The extension study enabled the collection of additional data on LPCN 1144 for up to a total of 72 weeks of therapy, as well as data for 36 weeks of therapy for those subjects on placebo in the *LiFT* study. Key results from the OLE study are as follows:

- LPCN 1144 was well tolerated over 72-week exposure with no observed safety signals;
- Liver injury markers were reduced and maintained with extended LPCN 1144 treatment; and
- Observed liver histology improvements support further development

In November 2021, the FDA granted Fast Track Designation to LPCN 1144 as a treatment for non-cirrhotic NASH. The Fast Track program is designed to accelerate the development and expedite the review of products, such as LPCN 1144, which are intended to treat serious diseases and for which there is an unmet medical need.

We had a written only response from FDA for a LPCN 1144 Type C meeting with the FDA in January 2022 to discuss the development path forward with LPCN 1144. The FDA acknowledged that the NDA submission of LPCN 1144 would be via 505(b)2 regulatory pathway and agreed that no additional non-clinical studies are needed to support an NDA submission. The FDA acknowledged that in the *LiFT* study subjects achieved improvements in key components associated with NASH histopathology after 36-weeks of treatment with LPCN 1144 in adult males and agreed that the proposed multicomponent primary surrogate endpoint is acceptable for seeking approval under the accelerated approval pathway. The FDA agreed that the proposed primary multicomponent surrogate endpoint, NASH resolution with no worsening of fibrosis, is acceptable for seeking approval under the accelerated approval pathway and the FDA recommended a Phase 3 trial with a study duration of 72 weeks. In July 2022, Lipocine held an End of Phase 2 meeting with FDA for LPCN 1144 in NASH. The FDA recommended a Phase 2 dose ranging study be conducted to identify the optimal dose prior to conducting a pivotal study. The FDA agreed to the proposed unique testosterone ester, testosterone laurate, for future clinical studies.

LPCN 1111: A Next-Generation Long-Acting Oral Product Candidate for TRT

As previously described, under the terms of the Verity License Agreement, we have licensed the development and commercialization rights to LPCN 1111 (TLANDO XR) in the U.S. and Canada to Verity. We will continue to explore the possibility of partnering LPCN 1111 with third parties outside the United States and Canada, although no partnering agreement has been entered into by the Company. No assurance can be given that any license agreement outside North America will be completed, or, if an agreement is completed, that such an agreement would be on terms favorable to us.

LPCN 1111 is a next-generation, novel ester prodrug of testosterone comprised of testosterone tridecanoate (“TT”) which uses our proprietary delivery technology to enhance solubility and improve systemic absorption. We completed a Phase 2b dose finding study in hypogonadal men in the third quarter of 2016. The primary objectives of the Phase 2b clinical study were to determine the starting Phase 3 dose of LPCN 1111 along with safety and tolerability of LPCN 1111 and its metabolites following oral administration of single and multiple doses in hypogonadal men. Good dose-response relationship was observed over the tested dose range in the Phase 2b study. Additionally, the target Phase 3 dose met primary and secondary end points. Overall, LPCN 1111 was well tolerated with no drug-related severe or serious adverse events reported in the Phase 2b study. All future development and commercialization of LPCN 1111 in the U.S. and Canada will be the responsibility of our Licensee, Verity.

LPCN 1107: An Oral Product Candidate for the Prevention of Preterm Birth

We are exploring the possibility of partnering LPCN 1107 to a third party, although no partnering agreement has been entered into by the Company. No assurance can be given that any partnership agreement will be completed, or, if an agreement is completed, that such an agreement would be on terms favorable to us.

We believe LPCN 1107 has the potential to become the first oral hydroxyprogesterone caproate (“HPC”) product indicated for the reduction of risk of PTB (delivery less than 37 weeks) in women with singleton pregnancy who have a history of singleton spontaneous PTB. Prevention of PTB is a significant unmet need as approximately 11% of all U.S. pregnancies result in PTB, a leading cause of neonatal mortality and morbidity.

Current Status

We have completed a multi-dose PK dose selection study in pregnant women. The objective of the multi-dose PK selection study was to assess HPC blood levels in order to identify the appropriate LPCN 1107 Phase 3 dose. The multi-dose PK dose selection study was an open-label, 4-period, 4-treatment, randomized, single and multiple dose PK study in pregnant women with 3 dose levels of LPCN 1107 and the IM HPC (Makena®). The study enrolled 12 healthy pregnant women (average age of 27 years) with a gestational age of approximately 16 to 19 weeks. Subjects received three dose levels of LPCN 1107 (400 mg BID, 600 mg BID, or 800 mg BID) in a randomized, crossover manner during the first 3 treatment periods and then received 5 weekly injections of HPC during the fourth treatment period. During each of the LPCN 1107 treatment periods, subjects received a single dose of LPCN 1107 on Day 1 followed by twice daily administration from Day 2 to Day 8. Following completion of the 3 LPCN 1107 treatment periods and a washout period, all subjects received 5 weekly injections of HPC. Results from this study demonstrated that average steady state HPC levels (Cav0-24) were comparable or higher for all 3 LPCN 1107 doses than for injectable HPC. Additionally, HPC levels as a function of daily dose were linear for the 3 LPCN 1107 doses. Also, unlike the injectable HPC, steady state exposure was achieved for all 3 LPCN 1107 doses within 7 days.

A traditional PK/PD based Phase 2 clinical study in the intended patient population is not expected to be required prior to entering into Phase 3. Therefore, based on the results of our multi-dose PK study we had an End-of-Phase 2 meeting and subsequent guidance meetings with the FDA to define a pivotal Phase 2b/3 development plan for LPCN 1107. However, these discussions may be updated based on recent developments with Covis' Makena® as described below. We have completed a food effect study to characterize the dosing regimen for the pivotal study. We plan to submit a pivotal clinical study protocol to the FDA.

The FDA has granted orphan drug designation to LPCN 1107 based on a major contribution to patient care. Orphan designation qualifies Lipocine for various development incentives, including tax credits for qualified clinical testing, and a waiver of the prescription drug user fee when we file our NDA.

Recent Competition Update

On October 5, 2020, the FDA's Center for Drug Evaluation and Research ("CDER") proposed that Makena be withdrawn from the market because the PROLONG trial failed to verify the clinical benefit of Makena and concluded that the available evidence does not show Makena is effective for its approved use.

The CDER issued AMAG Pharmaceuticals, the NDA holder at the time, a Notice of Opportunity for Hearing ("NOOH") to withdraw approval of Makena, for which AMAG Pharmaceuticals responded by requesting a hearing and providing detail on the company's position, recognizing clinicians' decade-long use of treatment with Makena and the public health implications of withdrawing approval. The FDA Commissioner held a public hearing with Covis October 17 through 19, 2022, which resulted in a 14-1 vote recommending removal of the product from the market. On October 31, 2022, Covis approached the CDER and outlined a plan of orderly withdrawal which would set a withdrawal timeframe sufficient for current patients to complete their courses of treatment. The CDER declined this proposal. On March 6, 2023, Covis announced its plan to voluntarily withdraw Makena from the market and submitted a request to the CDER for a minimum 21-week wind-down. On April 6, 2023, the FDA withdrew its approval of Makena and ordered the immediate withdrawal of Makena and several approved generic versions of the drug, making it unlawful for the drug to be distributed in the US. The FDA stated that in light of the unmet need for a treatment for preventing preterm birth and improving neonatal outcomes, it is imperative that the medical and scientific communities increase their efforts to find effective treatments and stated their hope that the decision to withdraw Makena will help galvanize further research. The FDA further stated their commitment to working together with patients, researchers, and drug developers to advance the development of safe and effective therapies that are urgently needed as a treatment for the prevention of preterm birth.

Research and Development

As disclosed in our development pipeline, we continue to build a diversified multi-asset pipeline of novel therapies. In 2023 and 2022, we spent \$10.2 million and \$8.6 million, respectively, on research and development.

Competition

Neuroactive Steroids Market overview

The unique potential mechanism of action ("MOA") of NAS presents an opportunity to treat a variety of CNS disorders. Accordingly, multiple NAS as GABA_A receptor PAMs are in active development for varied indications. Some companies engaged in development include SAGE Therapeutics, Inc., Marinus Pharmaceuticals, Praxis Precision Medicines, and Eliem Therapeutics.

Postpartum Depression

SAGE Therapeutics is currently marketing an injectable version of an endogenous neuroactive steroid, brexanolone, under the tradename of ZULRESSO™, for treatment in postpartum depression ("PPD"). In August 2023, the FDA approved ZURZUVAE (zuranolone) as an oral, once-daily, 14-day treatment for PPD. ZURZUVAE became commercially available in December 2023.

Cirrhosis Market Overview

Decompensated cirrhosis patients with sarcopenia exhibit significantly shorter overall survival than those without sarcopenia. There are no therapies specifically approved for sarcopenia or decompensated cirrhosis. Currently, the only curative therapy for decompensated cirrhosis is liver transplant; however, liver transplantation is very costly, limited by the supply of available donors, and has a high risk of post-operative complications.

Xifaxan® (rifaximin) is the only FDA-approved medicine indicated for the reduction in risk of overt hepatic encephalopathy (HE) recurrence in adults, a decompensation event typically associated with liver cirrhosis.

Currently, there are no FDA approved drugs to treat secondary sarcopenia in decompensated cirrhosis beyond treatment of the underlying conditions. Lipocine is a leader in pursuing treatment for subjects with decompensated cirrhosis with sarcopenia, however, there are candidates known to be under development for cirrhosis related indication(s).

GB 1211 (by Galecto), an oral galectin-3 inhibitor for advanced liver cirrhosis targeted for directly addressing fibrosis, targeted for initiation of a long-term cirrhosis trial in the first half of 2024, is in development being assessed in patients with moderate-to-severe cirrhosis (Child-Pugh classes B and C).

Reformulated Rifaximin SSD (by BAUSCH health) is in a Phase 3 study for Reduction of Early Decompensation in Cirrhosis with time to first occurrence of hepatic encephalopathy as the primary endpoint. Reportedly, a new drug application (“NDA”) is planned to be submitted 2026.

Testosterone Replacement Therapy Market Overview

The gel-based testosterone replacement products that are currently available include AbbVie’s AndroGel®, Lilly’s Axiron® Topical Solution and Endo’s Testim® and Fortesta® along with their respective authorized generics as well as the equivalent generic versions of each. Transdermal patches include Allergan’s Androderm®. Intramuscular forms of testosterone also exist although commercialized mostly in generic forms by multiple companies and in branded form as Aveed® by Endo. Additionally, Endo markets the buccal testosterone replacement therapy Striant® and the Testopel® implantable testosterone pellets, which it acquired from Auxillium in 2015. Antares Pharma, Inc. markets a sub-cutaneous weekly auto-injector testosterone therapy, Xyosted®. Acerus Pharmaceuticals markets an intranasal testosterone therapy, NATESTO®. Finally, Tolmar Pharmaceuticals markets an oral TRT, JATENZO®, which received FDA approval in March 2019 and Marius Pharmaceuticals markets an oral TU, KYZATREX®, which received FDA approval for treatment of those with Klinefelter’s Syndrome on August 22, 2022.

Currently, intramuscular injections have the highest market share in the testosterone replacement market in terms of annual prescriptions. While gels are also a widely used form of TRT, there is a risk of transference; additionally, the gels are messy to apply and have significant compliance issues leading to high rates of discontinuance among patients. Additionally, certain intramuscular injections have the potential to cause pulmonary embolisms as well as cause injection site reactions, scarring, pain and risk of infection in patients. We believe a safe and effective oral therapy could potentially increase patient convenience and compliance, while eliminating the testosterone transference risk associated with gels and injection site reaction of injectables.

The FDA has granted a therapeutic equivalence rating of AB to “generic” versions of approved products which have been approved via a 505(b)(2) NDA. In July 2014, the FDA granted the AB rating to Perrigo’s 1% testosterone gel drug product (NDA 203098) approved in January 2013, and a BX rating to Teva’s 1% gel drug product (NDA 202763) approved in February 2012. Each are versions of AbbVie’s AndroGel 1.0% and employed 505(b)(2) submissions citing AndroGel as their reference listed drugs. Teva’s version was found to be bioequivalent to AndroGel, hence the BX rating. Upsher-Smith Laboratories also received approval for a version of Endo’s Testim (Vogelxo™, NDA 204399) in June 2014 using the same pathway. In January of 2015, the FDA determined that Vogelxo™ is therapeutically equivalent to Testim and received an AB rating. In August 2015, the FDA granted AB rating to Perrigo’s 1.62% testosterone gel drug product (NDA 204268) which also received FDA approval in August 2015. Lilly and Acrux’s Axiron had patent expiry in February 2017. On July 6, 2017, Acrux confirmed that a generic version of Axiron® Topical Solution, 30 mg/1.5 mL (Testosterone Topical Solution, 30 mg/1.5 mL) has been launched in the United States by Perrigo Company plc. Acrux also confirmed the availability of an authorized generic version of Axiron in the United States, through a marketing and distribution agreement between Lilly and Company and a leading authorized generics company.

Other TRT Therapies in Development

Recently there has been increased interest in developing oral TRT's as well as testosterone therapies which are not considered testosterone replacement and as such will need to achieve efficacy endpoints in addition to endpoints related to serum testosterone levels that are required for testosterone replacement therapies.

We believe there remains a significant unmet need in TRT for a once-a-day convenient oral option. LPCN 1111 is targeted to meet this unmet need.

NASH Market Overview

There are currently no medications approved for the treatment of NASH. However, various therapeutics are used off-label for the treatment of NASH, including vitamin E (an antioxidant), insulin sensitizers (e.g., metformin, pioglitazone), antihyperlipidemic agents (e.g., gemfibrozil), pentoxifylline and ursodeoxycholic acid. There are several product candidates in Phase 3 or earlier clinical or preclinical development for the treatment of NASH, including *FGF21* stimulants such as *BIO89-100* (*89bio*), *Efruxifermin* (*EFX*; *Akero Therapeutics*), *FGF19* Analog: *Aldafermin* (*NGM Biopharmaceuticals*); *FXR* Agonists: *PXL065* (*Pxel*); *Vonafexor* (*EYP001*) (*Enyo Pharma*); *Glucagon-like Peptide-1* (*GLP-1*) Agonist: *Peroxisome Proliferator-activated Receptor* (*PPAR*) Regulator: *Lanifibranor* (*Inventiva*); *THR-β* Agonist: *VK2809* (*Viking Therapeutics*), and *Resmetirom* (*Madrigal Pharmaceuticals*).

Additional pharmaceutical and biotechnology companies with product candidates in development for the treatment of NASH include, *Boehringer Ingelheim GmbH*, *Bristol-Myers Squibb Company*, *Durect Corporation*, *Galectin Therapeutics Inc.*, *Galmed Pharmaceuticals Ltd.*, *Immuron Ltd.*, *Ionis Pharmaceuticals, Inc.*, *Islet Sciences, Inc.*, *MediciNova, Inc.*, *MiNA Therapeutics*, *NGM Biopharmaceuticals, Inc.*, *Novo Nordisk A/S*, *NuSirt Sciences Inc.*, *Viking Therapeutics, Inc.* and *Zyodus Pharmaceuticals (USA) Inc.* In December 2022, *Madrigal* announced achievement of liver histological improvement endpoints that the FDA proposed as reasonably likely to predict clinical benefit from the pivotal Phase 3 MAESTRO-NASH clinical trial of *resmetirom* for the treatment of NASH and liver fibrosis. *Madrigal* has submitted an NDA to the FDA and was granted Priority Review for *Resmetirom* for the treatment of non-cirrhotic NASH with liver fibrosis and has been assigned a PDUFA date of March, 14, 2024.

Hydroxyprogesterone caproate, or HPC, Preterm Birth, or PTB, Market Overview

PTB is defined as delivery before 37 weeks of gestation. The only approved therapy for prevention of PTB in women with a prior history of at least one preterm birth (approximately 145,000 pregnancies annually) which was a weekly intramuscular injection of HPC, marketed by *Covis* under the brand name *Makena*®, was pulled from the market effective April 6, 2023 because the PROLONG trial failed to verify the clinical benefit of *Makena*. The FDA concluded that the available evidence does not show *Makena* is effective for its approved use and withdrew its approval of *Makena* and ordered the immediate withdrawal of *Makena* and several approved generic versions of the drug, making it unlawful for the drug to be distributed in the US.

Intellectual Property

Drug Delivery Technologies for Lipophilic Drug Substances

Our patent portfolio is directed to various types of compositions and methods for delivery of lipophilic drugs, which are drugs that are soluble in lipids. Our FDA approved product, *TLANDO*, is an oral formulation of the lipophilic prodrug *TU*, utilizing our proprietary technology for improved delivery of lipophilic therapeutic agents.

As of March 7, 2024, our intellectual property patent portfolio consists of various issued patents and patent applications related to Oral *TU*, LPCN 1111, LPCN 1107, LPCN 1144/1148, and Neurosteroids/CNS treatments both in the U.S. and in multiple countries outside of the U.S.

We also hold license rights in fields other than cough and cold, to 2 U.S. patents and 1 U.S. application (and related foreign patents and applications) that we previously assigned to Spriaso LLC, which could be possibly used with future product candidates.

Additionally, we have 12 U.S. patents that we plan to list in the FDA Orange Book for TLANDO that are expected to expire between 2029 and 2041. If we or our Licensee are marketing the TLANDO product at the time the patents expire and have no other issued U.S. patents covering the product, then we will lose certain advantages that come with FDA Orange Book listing of patents and will no longer be able to prevent others in the U.S. from practicing the inventions claimed by the 12 patents.

We expect to file new patent applications in the future to further cover various aspects of our products and product development.

See Item 3 – Legal Proceedings, for a discussion of intellectual property related legal proceedings.

Government Regulation

The Regulatory Process for Drug Development

The production and manufacture of our product candidates and our research and development activities are subject to regulation by various governmental authorities around the world. In the United States, drugs and products are subject to regulation by the FDA. There are other comparable agencies in Europe and other parts of the world. Regulations govern, among other things, the research, development, testing, manufacture, quality control, approval, labeling, packaging, storage, record-keeping, promotion, advertising, distribution, post-approval monitoring and reporting, marketing and export and import of products. Applicable law requires licensing and registration of manufacturing and contract research facilities, carefully controlled research and testing of products, governmental review and/or approval of results prior to marketing therapeutic products. Additionally, adherence to good laboratory practices, or GLP, good clinical practices, or GCP, during clinical testing and current good manufacturing practices, or cGMP, during production is required. The system of new drug approval in the United States is generally considered to be the most rigorous in the world and is described in further detail below under “United States Pharmaceutical Product Development Process.”

United States Pharmaceutical Product Development Process

In the United States, the FDA regulates pharmaceutical products under the Federal Food, Drug and Cosmetic Act and the regulations it implements. The testing, production, sale, and promotion of pharmaceutical products are also subject to other federal, state and local statutes and regulations. The process of obtaining regulatory approvals and the subsequent compliance with appropriate federal, state, local and foreign statutes and regulations require the expenditure of substantial time and financial resources. Failure to comply with the applicable United States requirements at any time during the product development process, approval process or after approval, may subject an applicant to administrative or judicial sanctions. FDA sanctions could include refusal to approve pending applications, withdrawal of an approval, a clinical hold, warning letters, product recalls, product seizures, total or partial suspension of production or distribution injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties. Any agency or judicial enforcement action could have a material adverse effect on us.

It takes many years for a typical experimental drug to go from concept to approval. The process required by the FDA before a pharmaceutical product may be marketed in the United States generally includes the following:

- Completion of preclinical laboratory tests and animal studies. The latter often conducted according to GLPs or other applicable regulations, as well as synthesis and drug formulation development leading ultimately to clinical drug supplies manufactured according to cGMPs;
- Submission to the FDA of an IND, which must be submitted to the FDA and become effective before human clinical trials may begin in the United States;
- Performance of adequate and well-controlled human clinical trials according to the FDA’s current GCPs, to establish the safety and efficacy of the proposed pharmaceutical product for its intended use;
- Submission to the FDA of an NDA for a new pharmaceutical product;
- Satisfactory completion of an FDA inspection of the manufacturing facility or facilities where the pharmaceutical product is produced to assess compliance with the FDA’s cGMP to assure that the facilities, methods and controls are adequate to preserve the pharmaceutical product’s identity, strength, quality and purity;
- Potential FDA audit of the preclinical and clinical trial sites that generated the data in support of the NDA; and
- FDA review and approval of the NDA.

The lengthy process of seeking required approvals and the continuing need for compliance with applicable statutes and regulations require the expenditure of substantial resources and FDA approval is inherently uncertain.

Preclinical Studies: Prior to preclinical studies, a research phase takes place which involves demonstration of target and function, design, screening and synthesis of agonists or antagonists. Preclinical studies include laboratory evaluations of product chemistry, toxicity and formulation, as well as animal studies to evaluate efficacy and activity, toxic effects, PKs and metabolism of the pharmaceutical product candidate and to provide evidence of the safety, bioavailability and activity of the pharmaceutical product candidate in animals. The conduct of the preclinical safety evaluations must comply with federal regulations and requirements including GLPs. The results of the formal IND-enabling preclinical studies, together with manufacturing information, analytical data, any available clinical data or literature as well as the comprehensive descriptions of proposed human clinical studies, are then submitted as part of the IND application to the FDA.

The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA places the IND on a clinical hold within that 30-day time period. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. The FDA may also impose clinical holds on a pharmaceutical product candidate at any time before or during clinical trials due to safety concerns or non-compliance. Accordingly, we cannot be certain that submission of an IND will result in the FDA allowing clinical trials to begin, or that, once begun, issues will not arise that suspend or terminate such clinical trial.

Clinical Trials: Clinical trials involve the administration of the pharmaceutical product candidate to healthy volunteers or patients under the supervision of qualified investigators, generally physicians not employed by the sponsor. Clinical trials are conducted under protocols detailing, among other things, the objectives of the clinical trial, dosing procedures, subject selection and exclusion criteria, and the parameters to be used to monitor subject safety. Each protocol must be submitted to the FDA if conducted under a U.S. IND. Clinical trials must be conducted in accordance with the FDA's GCP requirements. Further, each clinical trial must be reviewed and approved by an independent institutional review board, or IRB, or ethics committee at or servicing each institution at which the clinical trial will be conducted. An IRB or ethics committee is charged with protecting the welfare and rights of trial participants and considers such items as whether the risks to individuals participating in the clinical trials are minimized and are reasonable in relation to anticipated benefits. The IRB or ethics committee also approves the informed consent form that must be provided to each clinical trial subject or his or her legal representative and must monitor the clinical trial until completed.

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

Phase 1 Clinical Trials: Phase 1 clinical trials are usually first-in-man trials, take approximately 1 to 2 years to complete and are generally conducted on a small number of healthy human subjects to evaluate the drug's activity, schedule and dose, PKs and pharmacodynamics. However, in the case of life-threatening diseases, such as cancer, the initial Phase 1 testing may be done in patients with the disease. These trials typically take longer to complete and may provide insights into drug activity.

Phase 2 Clinical Trials: Phase 2 clinical trials can take approximately 1 to 3 years to complete and are carried out on a relatively small to moderate number of patients (as compared to Phase 3) in a specific indication. The pharmaceutical product is evaluated to preliminarily assess efficacy, to identify possible adverse effects and safety risks, and to determine optimal dose, regimens, PKs, pharmacodynamics and dose response relationships. This phase also provides additional safety data and serves to identify possible common short-term side effects and risks in a larger group of patients. Phase 2 clinical trials sometimes include randomization of patients.

Phase 3 Clinical Trials: Phase 3 clinical trials take approximately 2 to 5 years to complete and involve tests on a much larger population of patients (several hundred to several thousand patients) suffering from the targeted condition or disease. These studies usually include randomization of patients and blinding of both patients and investigators at geographically dispersed test sites (multi-center trials). These trials are undertaken to further evaluate dosage, clinical efficacy and safety and are intended to establish the overall risk/benefit ratio of the product and provide an adequate basis for product labeling. Generally, 2 adequate and well-controlled Phase 3 clinical trials are required by the FDA for approval of an NDA or foreign authorities for approval of NDAs.

Post-approval studies, or Phase 4 clinical trials, may be conducted after initial marketing approval. These studies are used to gain additional experience from the treatment of patients in the intended therapeutic indication and may be required by the FDA as a condition of approval.

Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA, and written IND safety reports must be submitted to the FDA and the investigators for serious and unexpected adverse events or for any finding from tests in laboratory animals that suggests a significant risk for human subjects. Phase 1, Phase 2 and Phase 3 clinical trials may not be completed successfully within any specified period, if at all. The FDA or the sponsor or, if used, its data safety and monitoring board 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 or ethics committee 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 or ethics committee's requirements or if the pharmaceutical product has been associated with unexpected serious harm to patients.

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

U.S. Pharmaceutical Review and Approval Process

New Drug Application: Upon completion of pivotal Phase 3 clinical studies, the sponsor assembles all the product development, preclinical and clinical data along with descriptions of the manufacturing process, analytical tests conducted on the chemistry of the pharmaceutical product, proposed labeling and other relevant information, and submits it to the FDA as part of an NDA. The submission or application is then reviewed by the regulatory body for approval to market the product. This process typically takes 8 months to 1 year to complete. The FDA may refuse to approve an NDA if the applicable regulatory criteria are not satisfied or may require additional clinical data or other data and information. Even if such data and information is submitted, the FDA may ultimately decide that the NDA does not satisfy the criteria for approval. If a product receives regulatory approval, the approval may be limited to specific diseases and dosages or the indications for use may otherwise be limited, which could restrict the commercial value of the product. Further, the FDA may require that certain contraindications, warnings or precautions be included in the product labeling.

Orphan Drug Designation

Under the Orphan Drug Act, the FDA may grant orphan drug designation to drugs intended to treat a rare disease or condition, which is generally a disease or condition that affects fewer than 200,000 individuals in the United States, or more than 200,000 individuals in the United States and for which there is no reasonable expectation that the cost of developing and making available in the United States a drug for this type of disease or condition will be recovered from sales in the United States for that drug. Orphan drug designation must be requested before submitting an NDA. If the FDA grants orphan drug designation, the FDA then discloses publicly the identity of the therapeutic agent and its potential orphan use. Orphan drug designation does not convey any advantage in or shorten the duration of the regulatory review and approval process.

If a product that has orphan drug designation subsequently receives the first FDA approval for the disease for which it has such designation, the product is entitled to orphan product exclusivity, which means that the FDA may not approve any other applications to market the same drug for the same indication, except in very limited circumstances, for 7 years. Orphan drug exclusivity, however, could also block the approval of one of our products for seven years if a competitor obtains approval of the same drug as defined by the FDA or if our drug candidate is determined to be contained within the competitor's product for the same indication or disease.

Priority Review

Priority Review is a designation for an NDA after it has been submitted to the FDA for review. Reviews for NDAs are designated as either "Standard" or "Priority." A Standard designation sets the target date for completing all aspects of a review and the FDA taking an action on 90% of applications (i.e., approve or not approve) at 12 months after the date it was submitted for drugs considered new molecular entities and at 10 months after the date it was submitted for drugs considered non-new molecular entities. A Priority designation sets the target date for the FDA action on 90% of applications at eight months after submission for drugs considered new molecular entities and at 6 months after submission for drugs considered non-new molecular entities. A Priority designation is intended for those products that address unmet medical needs.

Accelerated Approval

Accelerated Approval or Subpart H Approval is a program described in the NDA regulations that is intended to make promising products for life threatening diseases available on the basis of evidence of effect on a surrogate endpoint prior to formal demonstration of patient benefit. A surrogate marker is a measurement intended to substitute for the clinical measurement of interest, usually prolongation of survival in oncology that is considered likely to predict patient benefit. The approval that is granted may be considered a provisional approval with a written commitment to complete clinical studies that formally demonstrate patient benefit.

Post-Approval Requirements

Any pharmaceutical products for which we may receive FDA approval are subject to continuing regulation by the FDA, including, among other things, record-keeping requirements, reporting of adverse experiences with the product, providing the FDA with updated safety and efficacy information, product sampling and distribution requirements, complying with certain electronic records and signature requirements and complying with the FDA promotion and advertising requirements, which include, among others, standards for direct-to-consumer advertising, prohibitions on promoting pharmaceutical products for uses or in patient populations that are not described in the pharmaceutical product's approved labeling (known as "off-label use"), industry-sponsored scientific and educational activities and promotional activities involving the internet. Failure to comply with the FDA requirements can have negative consequences, including adverse publicity, enforcement letters from the FDA, mandated corrective advertising or communications with doctors and civil or criminal penalties.

The FDA also may require post-marketing testing, known as Phase 4 testing, risk evaluation and mitigation strategies and surveillance to monitor the effects of an approved product or place conditions on an approval that could restrict the distribution or use of the product.

21st Century Cures Act

The 21st Century Cures Act (Public Law No. 144-255) was enacted on December 13, 2016. This sweeping legislation makes significant changes to the way that FDA approves new drugs and medical devices. Among other things, the legislation calls on the FDA to consider new types of data, such as patient experience data, in its drug approval process. The legislation also permits drug manufacturers to utilize new types of clinical trial designs in order to collect data in the drug approval process. The intent of many of the statute's provisions are to speed the approval of new drugs and medical devices. Whether the 21st Century Cures Act realizes these goals will depend on the adoption of new FDA regulations, policy guidance and FDA approval practices, many of which the agency has not yet proposed or issued.

Other Healthcare Laws and Compliance Requirements

In the United States, our activities are potentially subject to regulation by various federal, state and local authorities in addition to the FDA, including, but not limited to, the Centers for Medicare and Medicaid Services and other divisions of the United States government, including the U.S. Federal Communications Commission, the Department of Health and Human Services, the U.S. Department of Justice and individual U.S. Attorney offices within the Department of Justice, and state and local governments. For example, if a drug product is reimbursed by Medicare, Medicaid, or other federal or state healthcare programs, our Company, including our sales, marketing and scientific/educational grant programs, among others, must comply with federal healthcare laws, including, but not limited to, the federal Anti-Kickback Statute, false claims laws, civil monetary penalties laws, healthcare fraud and false statement provisions and data privacy and security provisions under the Health Insurance Portability and Accountability Act, or HIPAA, the Physician Payment Sunshine Act, and any analogous state laws. If a drug product is reimbursed by Medicare or Medicaid, pricing and rebate programs must comply with, as applicable, the Medicaid rebate requirements of the Omnibus Budget Reconciliation Act of 1990 (“OBRA”), and the Medicare Prescription Drug Improvement and Modernization Act of 2003. Among other things, OBRA requires drug manufacturers to pay rebates on prescription drugs to state Medicaid programs and empowers states to negotiate rebates on pharmaceutical prices, which may result in prices for our future products that will likely be lower than the prices we might otherwise obtain. Additionally, the Patient Protection and Affordable Care Act as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, “ACA”) substantially changes the way healthcare is financed by both governmental and private insurers. Among other cost containment measures, ACA establishes: an annual, nondeductible fee on any entity that manufactures or imports certain branded prescription drugs and biologic agents; a new Medicare Part D coverage gap discount program; and a new formula that increases the rebates a manufacturer must pay under the Medicaid Drug Rebate Program. There may continue to be additional proposals relating to the reform of the U.S. healthcare system, in the future, some of which could further limit coverage and reimbursement of drug products. If drug products are made available to authorized users of the Federal Supply Schedule of the General Services Administration, additional laws and requirements may apply.

Additionally, to the extent that any of our products are sold in a foreign country, we may be subject to similar foreign laws and regulations, which may include, for instance, applicable post-marketing requirements, including fraud and abuse, privacy and transparency laws.

Pharmaceutical Coverage, Pricing and Reimbursement

In the United States and markets in other countries, sales of any products for which we receive regulatory approval for commercial sale will depend in part on the availability of coverage and adequate reimbursement from third-party payers, including government health administrative authorities, managed care providers, private health insurers and other organizations. In the United States, private health insurers and other third-party payers often provide reimbursement for products and services based on the level at which the government (through the Medicare or Medicaid programs) provides reimbursement for such treatments. Third-party payers are increasingly examining the medical necessity and cost-effectiveness of medical products and services in addition to their safety and efficacy and, accordingly, significant uncertainty exists as to the coverage and reimbursement status of newly approved therapeutics. In particular, in the United States, the European Union and other potentially significant markets for our product candidates, government authorities and third-party payers are increasingly attempting to limit or regulate the price of medical products and services, particularly for new and innovative products and therapies, which has resulted in lower average selling prices. Further, the increased emphasis on managed healthcare in the United States and on country and regional pricing and reimbursement controls in the European Union will put additional pressure on product pricing, reimbursement and usage, which may adversely affect our future product sales and results of operations. These pressures can arise from rules and practices of insurers and managed care organizations, judicial decisions and governmental laws and regulations related to Medicare, Medicaid and healthcare reform, pharmaceutical reimbursement policies and pricing in general. As a result, coverage and adequate third-party reimbursement may not be available for our products to enable us to realize an appropriate return on our investment in research and product development.

The Inflation Reduction Act of 2022 (Pub. L. No. 117-169) was signed into law on August 16, 2022, and includes a number of provisions aimed at lowering prescription drug costs and reducing government spending on drugs. This includes a requirement that the Department of Health and Human Services negotiate a “maximum fair price” with drug manufacturers for certain single-source brand drugs or biologics without generic or biosimilar competitors that are covered under Medicare Part D and Part B. This pricing will begin in 2026 for Medicare Part D and 2028 for Medicare Part B. An excise tax is imposed on drug manufacturers that fail to comply with the required negotiation process. In addition, the law requires drug manufacturers to pay a rebate to the federal government if the price for almost all drugs covered under Medicare Part D (starting in 2022), and single-source drug or biologics covered under Medicare B (starting in 2023), increase greater than the inflation rate. The rebate amount equals the number of drug units sold in Medicare multiplied by the amount the drug’s price exceeds the inflation-adjusted price. The law also modifies the Medicare Part D benefit structure to cap the amount beneficiaries must spend on drug costs and increase the discounts manufacturers are required to pay. The Inflation Reduction Act of 2022 signals an increased desire to control the prices and costs associated with pharmaceutical products. In recent years, state laws have been enacted to lower prescription drug costs and prices. In some states, such as Colorado and Maryland, a drug affordability board was created to identify specific drugs that are particularly costly or otherwise create affordability challenges. These drug affordability boards have authority to either implement or recommend upper payment limits for these drugs. This legislation, as well as any future statutes or regulations at the federal or state level, may impact reimbursement for our product candidates and may challenge our ability to realize an appropriate return on our investment in research and product development.

The market for our product candidates for which we may receive regulatory approval will depend significantly on access to third-party payers' drug formularies or lists of medications for which third-party payers provide coverage and reimbursement. 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 otherwise restrict patient access to a branded drug when a less-costly generic equivalent or other alternative is available. In addition, because each third-party payer individually approves coverage and reimbursement levels, obtaining coverage and adequate reimbursement is a time-consuming and costly process. We would be required to provide scientific and clinical support for the use of any product to each third-party payer separately with no assurance that approval would be obtained, and we may need to conduct expensive pharmacoeconomic studies in order to demonstrate the cost-effectiveness of our products. This process could delay the market acceptance of any of our product candidates for which we may receive approval and could have a negative effect on our future revenues and operating results. We cannot be certain that our product candidates will be considered cost-effective. If we are unable to obtain coverage and adequate payment levels for our product candidates from third-party payers, physicians may limit how much or under what circumstances they will prescribe or administer them, and patients may decline to purchase them. This in turn could affect our ability to successfully commercialize our products and impact our profitability, results of operations, financial condition, and future success.

Related Party Transaction

On July 23, 2013, we entered into assignment/license and services agreements with Spriaso, an entity that is majority-owned by Mahesh V. Patel, Gordhan Patel, John W. Higuchi, Dr. William I. Higuchi, and their affiliates. Mahesh V. Patel is our President and Chief Executive Officer. Mr. Higuchi is a member of our Board of Directors and Gordhan Patel and Dr. Higuchi, former Board members, were each members of our Board of Directors at the date the license and agreements were entered into.

Under the assignment agreement, we assigned and transferred to Spriaso all of our rights, title and interest in our intellectual property for the cough and cold field. In addition, Spriaso was assigned all rights and obligations under our product development agreement with a co-development partner. In exchange, we would be entitled to receive a potential cash royalty of 20% of the net proceeds received by Spriaso, up to a maximum of \$10 million. Spriaso also granted back to us an exclusive license to such intellectual property to develop products outside of the cough and cold field. The assignment agreement will expire upon the expiration of all of Spriaso's payment obligations thereunder and the expiration of all of the licensed patents thereunder. Spriaso has the right to terminate the assignment agreement with 30 days written notice. We have the right to terminate the assignment agreement upon the complete liquidation or dissolution of Spriaso, unless the assignment agreement is assigned to an affiliate or successor of Spriaso.

Under the services agreement, we agreed to provide facilities and up to 10% of the services of certain employees to Spriaso for a period of time. The agreement to provide services expired in 2021; however, it may be extended upon written agreement of Spriaso and us. Additionally, Spriaso filed its first NDA in 2014, and as an affiliated entity of Lipocine, it used up the one-time waiver of user fees for a small business submitting its first human drug application to FDA.

Employees

As of December 31, 2023, we had 17 full time employees and we also utilize the services of consultants on a regular basis. Twelve employees are engaged in drug development activities and five are in general and administration functions and the majority of our employees work out of our Salt Lake City facility. The Company continually evaluates the business need and opportunity and balances in house expertise and capacity with outsourced expertise and capacity. Currently, we outsource substantial clinical trial work to clinical research organizations and certain drug manufacturing to contract manufacturers. None of our employees are represented by labor unions or covered by collective bargaining agreements and we consider our relations with our employees to be good.

We strive toward having a diverse team of employees and are committed to equality, inclusion and workplace diversity.

Reverse Stock Split

On May 10, 2023, our Board approved a reverse stock split of 1-for-17. We filed the Amendment to its Certificate of Incorporation with the Secretary of the State of Delaware on May 10, 2023, and the Amendment became effective at 5:00 pm Eastern Time on May 11, 2023. Our shares began trading on a split-adjusted basis on the Nasdaq Capital Market commencing upon market open on May 12, 2021. The par value of the common stock and preferred stock was not adjusted as a result of the reverse stock split. All common stock and per share amounts in the financial statements have been retroactively adjusted for all periods presented to give effect to the reverse stock splits.

Available Information

Our website address is www.lipocine.com. We make available free of charge on the Investor Relations portion of our website, ir.lipocine.com, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. The SEC maintains an internet website that contains reports, proxy and information statements, and other information that we file electronically, which can be found at <http://www.sec.gov>.

ITEM 1A. RISK FACTORS

We have identified the following risks and uncertainties that may have a material adverse effect on our business, financial condition, results of operations and future growth prospects. Our business could be harmed by any of these risks. The risks and uncertainties described below are not the only ones we face. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. In assessing these risks, you should also refer to the other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and related notes.

Risk Factors Summary

Our business operations are subject to numerous risks, factors and uncertainties, including those outside of our control, that could cause our actual results to be harmed, including risks regarding the following:

Risks Relating to Our Business and Industry

- the timelines of our clinical trials;
- the early stage of development of LPCN 1154, LPCN 2101, LPCN 2203, LPCN 1148, LPCN 1144, LPCN 1111 and LPCN 1107;
- the early stage of development of our research and development programs and processes and the risk of competition;
- there can be no assurance as to our ability to file an NDA for LPCN 1154 for postpartum depression or our ability to utilize the streamlined approval pathway under 505(b)(2);
- the regulatory requirements for our product candidates and the possibility that regulatory approval will not be received;
- the commercial success of our licensed product candidate, TLANDO;
- the possibility that T-replacement therapies could be found to create, or could be perceived to create, health risks;
- any possible failure to obtain adequate healthcare reimbursement for our products;
- competition in the TRT market, including the entrance of generic TRTs into the market;
- our Licensee's ability to commercialize TLANDO may be limited;
- successful commercialization of our product candidates internally or through collaborators;
- the possibility that we may never receive regulatory approval to market our products outside the United States;
- the stringent government regulations concerning the clinical testing of our products;
- the market's acceptance of our products;
- physicians and patients using other products may not switch to our product;
- the possibility that regulatory agencies could find that we have improperly promoted off-label uses;
- any possible failure to comply with federal and state healthcare laws;
- our ability to retain our chief executive officer and other key executives and to attract, retain and motivate qualified personnel;
- difficulties in managing the growth of the Company;
- re-importation of drugs from foreign countries into the United States by our competitors;
- any product liability claims;
- any failure to comply with the Controlled Substances Act;
- the defense and resolution of any litigation;
- cyber security risks;

Risks Related to Our Dependence on Third Parties

- our reliance on third-party contractors and service providers for the execution of some aspects of our development programs;
- our reliance on contract research organizations or other third parties to assist us in conducting clinical trials;
- our reliance on suppliers for the active and inactive ingredients for our products;
- our ability to establish successful collaborations for our products;

Risks Related to Ownership of Our Common Stock

- our stock price's reaction to the results and timing of clinical trials, regulatory and other decisions;
- the effectiveness of our internal control over financial reporting;
- the cost and expense to comply with the requirements of being a public company;
- the volatility of our share price;
- fluctuations in the value of our warrants outstanding from the November 2019 Offering;
- the possibility of delisting of our securities from the Nasdaq Capital Market;
- anti-takeover provisions in our amended and restated certificate of incorporation and our amended and restated bylaws, as well as provisions of Delaware law and our stockholder rights plan;
- the right of the holders of the common warrants issued in the November 2019 Offering to receive the Black Scholes value of the warrants in the event of a fundamental transaction;
- our decision not to pay dividends on our common stock;
- our management and directors' ability to exert influence over our affairs;
- volatility in the trading price of our common stock;
- any failure of securities or industry analysts to publish accurate research about our business;

Risks Relating to Our Financial Position and Capital Requirements

- our need for and ability to obtain substantial additional capital in the future;
- potential dilution to our existing stockholders from raising any additional capital;
- our inability to predict when we will generate product revenues or achieve profitability;
- our incurrence of significant operating losses;
- any fluctuation in our operating results;

Risks Relating to Our Intellectual Property

- our ability to protect our intellectual property;
- our ability to obtain additional protection under the Drug Price Competition and Patent Term Restoration Act;
- the possibility of incurring substantial costs as a result of litigation or other proceedings relating to patent and other intellectual property rights, or our inability to protect our rights to our products and technology;
- the cost and expense, and any unfavorable outcomes, resulting from any claims for infringing intellectual property rights of third parties;
- the fact that we do not have patent protection for our product candidates in a significant number of countries;
- our ability to comply with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies; and
- the possibility that we may be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

Risks Relating to Our Business and Industry

The timelines and costs of our clinical trials may be impacted by numerous factors and any delays may adversely affect our ability to execute our current business strategy.

Our expectations regarding the success of our product candidates, including our clinical candidates and lead compounds, and our business are based on projections which may not be realized for many scientific, business or other reasons. We therefore cannot assure investors that we will be able to adhere to our current schedule. We set goals that forecast the accomplishment of objectives material to our success: selecting clinical candidates, product candidates, failures in research, the inability to identify or advance lead compounds, identifying target patient groups or clinical candidates, the timing and completion of clinical trials, and anticipated regulatory approval. The actual timing of these events can vary dramatically due to factors such as available capital resources, slow enrollment of subjects in studies, uncertainties in scale-up, manufacturing and formulation of our compounds, failures in research, the inability to identify clinical candidates, failures in our clinical trials, requirements for additional clinical trials and uncertainties inherent in the regulatory approval process and regulatory submissions. Decisions by our partners or collaborators may also affect our timelines and delays in achieving manufacturing capacity. The length of time necessary to complete clinical trials and to submit an application for marketing approval by applicable regulatory authorities may also vary significantly based on the type, complexity and novelty of the product candidate involved, as well as other factors. In addition, the development of our product candidates will require significant capital resources and we may not be able to raise sufficient additional capital to fund continued development. Further, we may choose to allocate available capital resources to development of product candidates that do not ultimately achieve commercialization.

LPCN 1154 is still in development and may not be further developed or achieve commercialization for a variety of reasons.

LPCN 1154 is still in development and we plan to conduct a pivotal trial in 2024. There can be no assurance as to the results of the pivotal trial or the timing or completion of any NDA filing relating to LPCN 1154 for postpartum depression. In particular, there can be no assurance that we are able to complete required trials in a timely manner or demonstrate efficacy or meet the requirements of a 505(b)(2) pathway and we may be required to undertake additional clinical studies prior to filing an NDA for LPCN 1154. We are exploring the possibility of partnering LPCN 1154 to a third party for commercialization, however we may not be able to identify potential partners or successfully enter into partnership arrangements on terms favorable to us, if at all. If we are unable to successfully partner or otherwise develop LPCN 1154, LPCN 1154 may never be successfully commercialized.

LPCN 2101 is in a very early stage of development and may not be further developed for a variety of reasons.

Our oral NAS comprising program LPCN 2101 is in a very early stage of development and consequently the risk that we may fail to commercialize LPCN 2101 and related products is high. We have only conducted Phase 1 clinical studies of LPCN 2101 and the ultimate regulatory or technical success of the neuroactive steroids under investigation in these programs is uncertain. The current limited pre-clinical and phase 1 results we have observed may not be replicated in larger studies, future PK, Phase 2, or pivotal studies with a potential "to be marketed formulation". We may not be able to further test in-clinic in a timely manner or at all due to other regulatory hurdles.

In addition, our oral NAS product candidate LPCN 2101 may not be effective in treating WWE or any other indications or may not have differentiation from competitive products on the market or in development. We may expend significant resources before determining that these programs are not viable candidates for regulatory approval and commercialization.

LPCN 2203 is in an early stage of development and may not be further developed for a variety of reasons.

Our oral NAS comprising programs (including LPCN 2203) are in a very early stage of development and consequently the risk that we may fail to commercialize LPCN 2203 and related products is high. We have only conducted Phase 1 clinical studies with the active pharmaceutical ingredient in LPCN 2203 and the ultimate regulatory or technical success of the neuroactive steroids under investigation in these programs is uncertain. The current limited pre-clinical and Phase 1 results we have observed may not be replicated in larger studies, future PK, Phase 2, or pivotal studies. We may not be able to further test in-clinic in a timely manner or at all due to other regulatory hurdles.

In addition, our oral NAS product candidate LPCN 2203 may not be effective in treating ET or may not have differentiation from competitive products on the market or in development. We may expend significant resources before determining that these programs are not viable candidates for regulatory approval and commercialization.

LPCN 1148 is in a very early stage of development for management of liver cirrhosis in male patients and while there are no therapies specifically approved by the FDA for secondary sarcopenia or cirrhosis beyond treatment of underlying conditions, there are candidates known to be under development for cirrhosis related indication(s).

LPCN 1148 is in a very early stage of development and consequently the risk that we may fail to commercialize or partner LPCN 1148 and related products is high. This development program is susceptible to technical failures in future clinical studies and regulatory hurdles for further testing and/or meeting the FDA's needs for NDA filing or approval. The result of the Phase 2 study may not be indicative of ultimate success in a larger Phase 2/3 clinical study and, although we are exploring the possibility of partnering LPCN 1148 to a third party for further development and commercialization, we may not be able to identify potential partners or successfully enter into partnership arrangements on terms favorable to us, if at all. While we believe there is a potential to gain Orphan Drug Designation for an indication or condition in male liver cirrhosis, the FDA may not grant such designation which could adversely impact development or the commercial potential of LPCN 1148.

LPCN 1111 is in a very early stage of development and may not be further developed for a variety of reasons.

LPCN 1111 is in a very early stage of development. We have completed a Phase 2a and Phase 2b study in hypogonadal men. Future studies may not have clinical results that support continued development and/or a path towards regulatory approval and commercialization.

In addition, the active ingredient in LPCN 1111 has only been manufactured on a small scale. Further, our Licensee may choose not to engage in further development of LPCN 1111 or, if developed, to effectively commercialize LPCN 1111 in the U.S. or Canada. In addition, the anticipated Phase 3 program for an NDA filing for LPCN 1111 could be very long and expensive, and LPCN 1111 may never be successfully further developed or commercialized.

LPCN 1107 is in a very early stage of development and may not be further developed for a variety of reasons.

LPCN 1107 is in a very early stage of development and consequently, although we are exploring the possibility of partnering LPCN 1107 to a third party for further development and commercialization, we may not be able to identify potential partners or successfully enter into partnership arrangements on terms favorable to us, if at all. If we are unable to successfully partner LPCN 1107, LPCN 1107 may never be successfully commercialized. In particular, we have only conducted three Phase 1 clinical studies with this product candidate. Our completed Phase 1 clinical studies may not be predictive of safety concerns that may arise in pregnant women or demonstrate that LPCN 1107 has an adequate safety profile to warrant further development. These factors can impact the timing of and our ability to continue development or partner LPCN 1107.

In addition, a number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in late-stage clinical trials, even after achieving positive results in early-stage development. Accordingly, our results from our Phase 1a, our Phase 1b and our multi-dose PK dose selection studies may not be predictive of the results we may obtain from further studies and trials.

The FDA has concluded that Makena, based on Makena's failed definitive PROLONG study, a competing product with the same active ingredient and similar target indication, is ineffective and has withdrawn Makena from the market. It is entirely possible that any pivotal study on LPCN 1107 may require a placebo-controlled trial design. Therefore, we and/or our partner may face significant challenges in patient recruitment for a placebo-controlled trial, be faced with significant resource investment to conduct additional trials, and face potential perceived risk of efficacy failure in a pivotal study resulting in no further development of LPCN 1107.

LPCN 1144 is in a very early stage of development and may not be further developed for a variety of reasons.

LPCN 1144 is in a very early stage of development and consequently the risk that we fail to commercialize LPCN 1144 and related products is high. In particular, we have announced topline primary and key secondary endpoint results from our Phase 2 *LiFT* and open label extension clinical studies.

Although our results from the *LiFT* and open label extension clinical study results were positive for NASH resolution with no worsening of fibrosis, these results may not be indicative of ultimate success in a larger Phase 2/3 clinical study with required FDA endpoints and populations needed for regulatory approval of LPCN 1144 for the treatment of NASH.

In addition, a number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in late-stage clinical trials, even after achieving positive results in early-stage development. The FDA currently insists on histopathology endpoints for diagnosis and assessment of efficacy of treatment for NASH with LPCN 1144 in a pivotal trial. Accordingly, our results from our *LiFT* study may not be predictive of the results we may obtain from further studies and trials.

Several factors could significantly affect the prospects for LPCN 1144, including factors relating to the regulatory approval, competitive landscape and clinical development challenges for LPCN 1144. The anticipated Phase 3 programs for an NDA filing for LPCN 1144 will be very long and resource intensive. Although we are exploring the possibility of partnering LPCN 1144 to a third party for further development and commercialization, we may not be able to identify potential partners or successfully enter into partnership arrangements on terms favorable to us, if at all. If we are unable to successfully partner LPCN 1144, LPCN 1144 may never be successfully commercialized.

Our research and development programs and processes are at an early stage of development, which makes it difficult to evaluate our business and prospects or predict if or when we will successfully commercialize or partner our product candidates.

Our operations to date have primarily been limited to conducting research and development activities under license and collaboration agreements. Our current portfolio consists of product candidates at various clinical stages of development in addition to our out-licensed product TLANDO. We have never marketed or commercialized a drug product. Consequently, any predictions about our future performance may not be as accurate as they could be if we were further along our commercialization path. In addition, as a pre-commercial stage business, we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors.

Our clinical product candidates are at an early stage of development and will require significant further investment and regulatory approvals prior to marketing and commercialization. As such, our product development processes for LPCN 1154, LPCN 2101, LPCN 2203, and LPCN 1148, in addition to LPCN 1111, LPCN 1144, and LPCN 1107 are very risky and uncertain, and our product candidates may fail to advance beyond the current study. Even if we obtain required financing, we cannot ensure successful product development or that we will obtain regulatory approval or successfully commercialize or partner any of our product candidates and generate product revenues.

All of our clinical candidates will be subject to extensive regulation which can be costly and time consuming, cause delays or prevent approval of the products for commercialization.

Our clinical development of LPCN 1154, LPCN 2101, LPCN 2203, LPCN 1148, LPCN 1144, and LPCN 1107 and any future product candidates is subject to extensive regulations by the FDA. Product development is a very lengthy and expensive process and can vary significantly based upon the product candidate's novelty and complexity. Regulations are subject to change and regulatory agencies have significant discretion in the approval process.

Numerous statutes and regulations govern human testing and the manufacture and sale of human therapeutic products in the United States. Such legislation and regulation bears upon, among other things, the approval of protocols and human testing, the approval of manufacturing facilities, safety of the product candidates, testing procedures and controlled research, review and approval of manufacturing, preclinical and clinical data prior to marketing approval including adherence to cGMP during production and storage as well as regulation of marketing activities including advertising and labeling.

In order to obtain regulatory clearance for the commercial sale of any of our product candidates, we must demonstrate through preclinical studies and clinical trials that the potential product is safe and efficacious for use in humans for each target indication. Obtaining approval of any of our product candidates is an extensive, lengthy, expensive and uncertain process, and the FDA may delay, limit or deny approval for many reasons, including:

- we may not be able to demonstrate that the product candidate is safe and effective to the satisfaction of the FDA;
- the results of our clinical trials may not meet the level of statistical or clinical significance required by the FDA for marketing approval;
- the FDA may disagree with the number, design, size, conduct or implementation of our clinical trials;
- the contract research organization that we retain to manage our clinical trials may take actions outside of our control that materially adversely impact our clinical trials;
- the FDA may not find the data from preclinical studies and clinical trials sufficient to demonstrate that a particular product candidate's clinical and other benefits outweigh its safety risks;
- the FDA may disagree with our interpretation of data from our preclinical studies and/or clinical trials or may require that we conduct additional trials;
- the FDA may not accept data generated at our clinical trial sites;
- if an NDA, once submitted, is reviewed by an Advisory Committee, the FDA may have difficulties scheduling an Advisory Committee meeting in a timely manner or the Advisory Committee may recommend against approval of our application or may recommend that the FDA require, as a condition of approval, additional preclinical studies or clinical trials, limitations on approved labeling or distribution and use restrictions;
- the FDA may require development of a REMS as a condition of approval;
- the FDA may require longer or additional duration of stability data on the clinical lots prior to initiation of further clinical trials; and
- the FDA may identify deficiencies in the formulation or stability of our product candidates or products, or relating to our manufacturing processes or facilities, or in the processes and facilities of the contract manufacturing organization ("CMO"), our suppliers, or other third parties that may be utilized in the production supply chain of our products.

Preclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their product candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain FDA approval for their products.

No assurance can be given that current regulations relating to regulatory approval will not change or become more stringent. The FDA may also require that we amend clinical trial protocols and/or run additional trials in order to provide additional information regarding the safety, efficacy or equivalency of any compound for which we seek regulatory approval. Moreover, any regulatory approval of a drug which is eventually obtained may entail limitations on the indicated uses for which that drug may be marketed. Furthermore, product approvals may be withdrawn or limited in some way if problems occur following initial marketing or if compliance with regulatory standards is not maintained. The FDA could become more risk averse to any side effects or set higher standards of safety and efficacy prior to reviewing or approving a product. This could result in a product not being approved.

We are dependent on the commercial success of our licensed product, TLANDO, for royalty revenue and potential milestone payments.

TLANDO is currently our only product that has completed Phase 3 clinical trials. On February 1, 2024, we transitioned the commercialization of TLANDO to Verity from our previous licensee Antares. In January 2024, we entered into the Verity License Agreement with Verity, pursuant to which we granted Verity an exclusive, royalty-bearing, sublicensable right and license to develop and commercialize our TLANDO product with respect to TRT in the U.S. and Canada. None of our other products have been approved for sale. Therefore, at this stage, our ability to realize revenue depends on TLANDO's successful commercialization. The commercial success of TLANDO depends almost entirely on Verity's commercialization efforts and we have very limited ability to influence Verity's efforts, including the amount and timing of resources they devote, if any, to the commercialization of TLANDO. On March 29, 2022, the FDA granted approval to TLANDO for testosterone replacement therapy in adult males indicated for conditions associated with a deficiency or absence of endogenous testosterone: primary hypogonadism (congenital or acquired) and hypogonadotropic hypogonadism (congenital or acquired). Our ability to realize royalty revenue, will depend on the commercialization efforts of Verity. If Verity is not able to successfully commercialize TLANDO, we may not realize any royalty revenue under the Verity License Agreement and our business could be adversely affected. Additionally, regulatory approval of TLANDO may be withdrawn and the failure to maintain regulatory approvals would prevent TLANDO from being marketed and could have a material adverse effect on our business.

Under the PREA, our licensing partner, Verity, will need to address the PREA requirement to assess the safety and effectiveness of TLANDO in pediatric patients. The FDA required certain post-marketing studies including: (i) conducting an appropriately designed label comprehension and knowledge study that assesses patient understanding of key risk messages in the Medication Guide for TLANDO and (ii) conducting an appropriately designed one-year trial to evaluate development of adrenal insufficiency with chronic TLANDO therapy. Verity is responsible for conducting these post-marketing studies. The ramifications of the results of these studies conducted by Verity, or the ramifications of Verity's inability or unwillingness to conduct these studies, are unknown to us and would be the between Verity and the FDA.

In the event that we seek regulatory approval of TLANDO outside the United States and Canada, such markets have requirements for approval of drug candidates with which we must comply prior to marketing. Obtaining regulatory approval for marketing of TLANDO in one country does not ensure we will be able to obtain regulatory approval in other countries but a failure or delay in obtaining regulatory approval in one country may have a negative effect on the regulatory process in other countries.

If T-replacement therapies are found, or are perceived, to create health risks, our ability to realize any revenue from TLANDO and LPCN 1111 could be materially adversely affected, and our business could be harmed. Physicians and patients may be deterred from prescribing and using T-replacement therapies, which could depress demand for TLANDO and compromise the successful commercialization of TLANDO.

Certain publications have suggested potential health risks associated with T-replacement therapy, such as increased cardiovascular disease risk, including increased risk of heart attack or stroke, fluid retention, sleep apnea, breast tenderness or enlargement, increased red blood cells, development of clinical prostate disease, including prostate cancer, and the suppression of sperm production. These potential health risks are described in various articles, including the following publications:

- a 2014 publication in PLOS ONE, which found that, compared to the one year prior to beginning T-replacement therapy, the risk of heart attack doubled 90 days after the start of T deficiency treatment in older men regardless of their history of heart disease and was two to three times higher in men younger than 65 with a history of heart disease;
- a 2013 publication in the *Journal of the American Medical Association*, which reported that hypogonadal men receiving T-replacement therapy developed a 30% increase in the risk of stroke, heart attack and death; and
- a 2013 publication in BMC Medicine, which concluded that exogenous T increased the risk of cardiovascular-related events, particularly in trials not funded by the pharmaceutical industry.

Prompted by these events, the FDA announced on January 31, 2014, that it will investigate the risk of stroke, heart attack, and death in men taking FDA-approved testosterone products and that the FDA would hold a T-class Advisory Committee meeting on September 17, 2014, to discuss this topic further. The FDA has also asked health care professionals and patients to report side effects involving prescription testosterone products to the agency.

Following the FDA's announcement, the Endocrine Society, a professional medical organization, released a statement in February 2014 in support of further studies regarding the risks and benefits of FDA-approved T-replacement products for men with age-related T deficiency. Specifically, the Endocrine Society noted that large-scale randomized controlled trials are needed to determine the risks and benefits of T-replacement therapy in older men. In addition, the Endocrine Society recommended that patients should be informed of the potential cardiovascular risks in middle-aged and older men associated with T-replacement therapies. Also following the FDA's announcement, Public Citizen, a consumer advocacy organization, petitioned the FDA to add a "black box" warning about the increased risks of heart attacks and other cardiovascular dangers to the product labels of all T-replacement therapies. In addition, this petition urged the FDA to delay its decision date on approving Aveed, a long-acting T-injectable developed by Endo, which was subsequently approved by the FDA in March 2014. In July 2014, the FDA responded to the Public Citizen petition and denied the petition. Additionally, in June 2014 the FDA announced that it would require the manufacturers of testosterone drugs to update the warning label to include blood clots including deep vein thrombosis and pulmonary embolism.

At the T-class Advisory Committee meeting held on September 17, 2014, the Advisory Committee discussed (i) the identification of the appropriate patient population for whom T-replacement therapy should be indicated and (ii) the potential risk of major adverse cardiovascular events, defined as non-fatal stroke, non-fatal myocardial infarction and cardiovascular death associated with T-replacement therapy. At the meeting, 16 of the 21 members of the Advisory Committee voted that the FDA should require sponsors of testosterone products to conduct a post marketing study (e.g. observational study or controlled clinical trial) to further assess the potential cardiovascular risk. Further, 12 of these voted that such post marketing study be required only if the T-replacement therapy is also approved for age-related hypogonadism.

The Advisory Committee also held a meeting on September 18, 2014, to evaluate the safety and efficacy of JATENZO® (previously Rextoro), an oral TU submitted to the FDA by Clarus for the proposed indication of T-replacement therapy. 18 of the 21 members of the Advisory Committee voted that the overall benefit/risk profile of JATENZO® was not acceptable to support approval for T-replacement therapy. The Advisory Committee agreed that an oral TU as a T-replacement therapy is promising and that it would be of great value to patients to have an oral treatment option, but they did not believe the current JATENZO® data supported approval.

On March 3, 2015, the FDA issued a safety announcement addressing the Advisory Committee's recommendations and communicated its expectations related to label revisions and additional clinical requirements.

The FDA's safety assessment recommended the following label modifications/restrictions in the indicated population for T-replacement therapy:

- limiting use of T-replacement products to men who have low testosterone caused by certain medical conditions;
- prior to initiating use of T-replacement products, confirm diagnosis of hypogonadism by ensuring that serum testosterone has been measured in the morning on at least two separate days and that these concentrations are below the normal range;
- adding cautionary language stating that the safety and efficacy of TRT products with age-related hypogonadism have not been established; and
- adding cautionary language stating that some studies have shown an increased risk of myocardial infarction and stroke associated with use of T-replacement products.

On March 29, 2022, the FDA approved TLANDO. As part of their approval, the FDA required the inclusion of certain warnings and precautions in our labeling for TLANDO, including a "black box warning," including warnings relating to blood pressure increases and an indication that the safety and efficacy of TLANDO in males less than 18 years has not been established. These warnings may deter physicians and patients from using TLANDO, which could adversely affect our business.

The FDA has also required that certain post-marketing studies be conducted to (i) assess patient understanding of key risks relating to TLANDO and (ii) evaluate development of adrenal insufficiency with chronic TLANDO therapy. Verity is responsible for conducting these post-marketing studies. Negative outcomes from such studies could adversely affect the ability of Verity to successfully commercialize TLANDO, which would adversely affect our ability to realize royalty revenue under the Verity License Agreement.

If we fail to obtain adequate healthcare reimbursement for our products, our revenue-generating ability will be diminished and there is no assurance that the anticipated market for our products will be sustained.

We believe that there could be many different applications for products successfully derived from our technologies and that the anticipated market for products under development could continue to expand. However, due to competition from existing or new products, potential changes to the class TRT label by the FDA and the yet to be established commercial viability of our products, no assurance can be given that these beliefs will prove to be correct. Physicians, patients, formularies, payors or the medical community in general may not accept or utilize any products that we or our collaborative partners may develop. Other drugs may be approved during our clinical testing which could change the accepted treatments for the disease targeted and make our compound obsolete.

Our ability to commercialize our products with success may depend, in part, on the extent to which coverage and adequate reimbursement to patients for the cost of such products and related treatment will be available from governmental health administration authorities, private health coverage insurers and other organizations, as well as the ability of private payors to pay for or afford our drugs. Adequate third-party coverage may not be available to patients to allow us to maintain price levels sufficient for us to realize an appropriate return on our investment in product development.

Coverage and adequate reimbursement from governmental healthcare programs, such as Medicare and Medicaid, and commercial payers can be critical to new product acceptance. Coverage decisions may depend upon clinical and economic standards that disfavor new drug products when more established or lower cost therapeutic alternatives are already available or subsequently become available. Additionally, current manufacturers of drug products may have agreements with payors that may limit the ability of new products to get on formulary or require a step edit with an existing product before reimbursement of a new product will occur. Even if we obtain coverage for our products, the resulting reimbursement payment rates might not be adequate or may require co-payments that patients find unacceptably high. Patients are less likely to use our products unless coverage is provided and reimbursement is adequate to cover a significant portion of the cost of our products. Payers may require a more arduous prior authorization process as a condition to payment for TRT therapy. This could adversely affect the market for TRT products.

In the United States and in many other countries, pricing and/or profitability of some or all prescription pharmaceuticals and biopharmaceuticals are subject to varying degrees of government control. Healthcare reform and controls on healthcare spending may limit the price we charge for any products and the amounts thereof that we can sell. In particular, in the United States, the federal government and private insurers have changed and have considered ways to change, the manner in which healthcare services are provided. In March 2010, ACA became law in the United States. ACA substantially changes the way healthcare is financed by both governmental and private insurers and significantly affects the healthcare industry. The provisions of ACA of importance to our potential product candidates include the following:

- an annual, nondeductible fee on any entity that manufactures or imports certain branded prescription drugs and biologic agents;
- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program;
- expansion of healthcare fraud and abuse laws, including the False Claims Act and the Anti-Kickback Statute, new government investigative powers, and enhanced penalties for noncompliance;
- a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% 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 beginning in 2014 and by adding new mandatory eligibility categories for certain individuals with specified income levels, thereby potentially increasing manufacturers' Medicaid rebate liability;
- expansion of the entities eligible for discounts under the Public Health Service pharmaceutical pricing program;
- new requirements to report annually certain financial arrangements with physicians, certain other healthcare professionals, and teaching hospitals;
- a new requirement to annually report drug samples that manufacturers and distributors provide to licensed practitioners, pharmacies of hospitals and other healthcare entities; 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.

In addition, other legislative changes have been proposed and adopted since ACA was enacted. On August 2, 2011, the Budget Control Act of 2011, created, among other things, measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least \$1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. This includes aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, starting in 2013. On January 2, 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, reduced Medicare payments to several providers and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. The Medicare Access and CHIP Reauthorization Act of 2015 was signed into law on April 16, 2015 and implemented the most significant change in Medicare reimbursement since the ACA was enacted. This 2015 law authorizes a new Medicare pay-for-performance reimbursement system for physicians, which will reward physicians for performance on metrics related to quality of care, resource use, meaningful use of electronic medical records, and clinical practice improvement activities. The Bipartisan Budget Act was enacted on November 2, 2015, and among provisions, restricts the types of facilities that may receive hospital reimbursement under Medicare. These new laws may result in additional reductions in Medicare and other healthcare funding, which could have a material adverse effect on our customers and accordingly, our financial operations.

Any reduction in reimbursement from Medicare and other government programs may result in a similar reduction in payments from private payers. In the future, the U.S. government may institute further controls and different reimbursement schemes and limits on Medicare and Medicaid spending or reimbursement that may affect the payments we could collect from sales of any products in the United States.

The Department of Health and Human Services Office of Inspector General issued final regulations on November 30, 2020 to eliminate safe harbor protection under the anti-kickback statute for drug price reductions that pharmaceutical manufacturers pay to Medicare and Medicaid plan sponsors and their pharmacy benefit managers. The proposal reflects a clear intent to substantially alter many of the current drug discount and services compensation practices among pharmaceutical manufacturers and Medicare and Medicaid managed care organizations and their pharmacy benefit managers. The proposal also reflects a skepticism that current drug discount and compensation practices among manufacturers and pharmacy benefit managers are sufficiently transparent to health plans to ensure that all appropriate cost reductions and value is passed through to health plans and reflected in lower health plans costs and lower premiums for beneficiaries. The Infrastructure Investment and Jobs Act enacted in 2021 delayed the potential effective date of the proposal until January 1, 2026, and the Inflation Reduction Act of 2022 further delayed potential implementation of the rule until 2032. If the regulation becomes effective, it could result in lower prices for pharmaceutical products in general.

The Centers for Medicare and Medicaid Services issued an interim final rule on November 20, 2020, that would tie prices for certain drugs under Medicare Part B to the lowest price for those drugs available in certain countries that are members of the Organization for Economic Co-operation and Development. This rule was rescinded in December 2021. If resurrected, any similar proposal could result in lower prices for pharmaceutical products in general.

The Inflation Reduction Act of 2022 (Pub. L. No. 117-169) was signed into law on August 16, 2022 and includes a number of provisions aimed at lowering prescription drug costs and reducing government spending on drugs. This includes a requirement that the Department of Health and Human Services negotiate a "maximum fair price" with drug manufacturers for certain single-source brand drugs or biologics without generic or biosimilar competitors that are covered under Medicare Part D and Part B. This pricing will begin in 2026 for Medicare Part D and 2028 for Medicare Part B. An excise tax is imposed on drug manufacturers that fail to comply with the required negotiation process. In August 2023 the Biden Administration released the first round of drugs subject to this new Medicare Drug Pricing Negotiation Program. In addition, the law requires drug manufacturers to pay a rebate to the federal government if the price for almost all drugs covered under Medicare Part D (starting in 2022), and single-source drug or biologics covered under Medicare B (starting in 2023), increase greater than the inflation rate. The rebate amount equals the number of drug units sold in Medicare multiplied by the amount the drug's price exceeds the inflation-adjusted price. The law also modifies the Medicare Part D benefit structure to cap the amount beneficiaries must spend on drug costs and increase the discounts manufacturers are required to pay. The Inflation Reduction Act of 2022 signals an increased desire to control the prices and costs associated with pharmaceutical products. A number of states have adopted drug affordability legislation which permits a drug affordability board to implement or recommend upper payment limits for drugs identified as posing affordability challenges. This legislation, as well as any future statutes or regulations at the federal or state level, may impact reimbursement for our product candidates and may challenge our ability to realize an appropriate return on our investment in research and product development. Any further legislative or administrative action to reduce reimbursement or health benefits to beneficiaries under the Medicare or Medicaid program could affect the payment we could collect from sale of any product in the United States.

There is substantial competition in the TRT market, which may result in others discovering, developing or commercializing products before or more successfully than us or our licensing partner.

We expect to face significant competition for any of our product candidates, if approved. In particular, TLANDO competes in the T-replacement therapies market, which is competitive and currently dominated by the sale of T-gels and T-injectables. Receipt of future potential payments under our licensing agreement will depend, in large part, on our licensing partner's ability to obtain an adequate share of the market. Potential competitors in North America, Europe and elsewhere include major pharmaceutical companies, specialty pharmaceutical companies, biotechnology firms, universities and other research institutions and government agencies. Other pharmaceutical companies may develop oral T-replacement therapies that compete with TLANDO. For example, because TU is not a patented compound and is commercially available to third parties, it is possible that competitors may design methods of TU administration that would be outside the scope of the claims of either our issued patents or our patent applications. This would enable their products to effectively compete with TLANDO, which could have a negative effect on potential payments under our licensing agreement.

The following T-replacement therapies currently on the market in the United States compete with TLANDO:

- Oral-T, such as Jatenzo and Kyzatrek;
- T-gels, such as AndroGel (marketed by Abbvie) and Perrigo's AB-rated 1% generic of AndroGel, Teva's 1% generic of AndroGel, Testim and its generics (marketed by Endo Health Solutions, or Endo), and Fortesta and its generics (marketed by Endo);
- T-injectables, including a subcutaneous auto-injector, XYOSTED, marketed by Antares Pharma, Inc.;
- Branded, longer-acting injectables, such as Aveed (marketed by Endo);
- T-nasals, such as Natesto (marketed by Acerus);
- methyl-T, such as Methitest (marketed by Impax) and Testred (marketed by Valeant);
- transdermal patches, such as Androderm (marketed by Allergan);
- buccal patches, such as Striant (marketed by Endo);
- generic testosterone enanthate intra-muscular injectables;
- authorized generic and generic T-gels; and
- subcutaneous injectable pellets, such as Testopel (marketed by Endo).

On March 27, 2019, Clarus' product JATENZO®, an oral TU product, was approved by the FDA and also received three years of marketing exclusivity. On February 10, 2020, Clarus announced that JATENZO® has been launched and is commercially available. The FDA approved TLANDO on March 29, 2022, following the expiration of the exclusivity period granted to Clarus with respect to JATENZO®. In October 2022, Clarus' assets, including JATENZO®, were purchased by Tolmar Pharmaceuticals Inc. in bankruptcy proceedings.

We are also aware of other pharmaceutical companies that have T-replacement therapies or testosterone therapies in development that may be approved for marketing in the United States or outside of the United States.

Based on publicly available information, we believe that several other T-replacement therapies that would be competitive with TLANDO are in varying stages of development. These therapies include T-gels, oral-T, an aromatase inhibitor, a new class of drugs called Selective Androgen Receptor Modulators and hydroalcoholic gel formulations of dihydrotestosterone ("DHT").

In light of the competitive landscape above, TLANDO will not be the only oral TRT to market, which may significantly affect the market acceptance and commercial success of TLANDO.

Furthermore, many of our potential competitors have substantially greater financial, technical, and human resources than we do and significantly greater experience in the discovery and development of drug candidates, obtaining FDA and other marketing approvals of products and the commercialization of those products. Accordingly, our competitors may be more successful than we may be in obtaining FDA approval for drugs and achieving widespread market acceptance. Our competitors' drugs may be more effective, or more effectively marketed and sold, than our products and may render our products obsolete or non-competitive before we can recover the expenses of developing and commercializing them. We anticipate that we will face intense and increasing competition as new drugs enter the market and advanced technologies become available. Failure to successfully compete in this market could materially and negatively impact our business and operations.

Our Licensee's ability to commercialize TLANDO may be limited.

Our Licensee partner's ability to commercialize TLANDO is uncertain. Our Licensee's ability to successfully commercialize TLANDO is contingent upon numerous factors including, among other things, the completion of post-marketing studies, the availability of supplies, commercial acceptance by patients, the medical community, and third-party payors, and the resources that our Licensee devotes to the commercialization of TLANDO. If our Licensee is unable to successfully commercialize TLANDO at scale, our business and operations could be adversely affected.

We will not be able to successfully commercialize our product candidates without establishing sales, marketing and market access capabilities internally or through collaborators.

We currently do not have sales, marketing and market access staff. If and when any of our product candidates are commercialized, we may not be able to find suitable sales and marketing staff and collaborators for our product candidates. The outside collaborators we work with, including Verity under the Verity License Agreement with respect to TLANDO, may not be adequate or successful and any collaborators could terminate or materially reduce the effort they direct to our products. The development of collaborations or an internal sales force and marketing, market access and sales capability will require significant capital, management resources and time. The cost of establishing such a sales force may exceed any potential product revenues and our marketing, market access and sales efforts may be unsuccessful. If we are unable to develop an internal marketing, market access and sales capability or if we are unable to enter into a marketing and sales arrangement with a third party on acceptable terms, we may be unable to successfully commercialize our product candidates.

Even if we receive marketing approval in the United States, we may never receive regulatory approval to market our products outside the United States, which could reduce the size of our potential markets and have a material adverse impact on our business.

In order to market any products outside of the United States, we must establish and comply with numerous and varying regulatory requirements of other countries regarding safety and efficacy.

Approval procedures vary among countries and can involve additional product candidate testing and additional administrative review periods. The time required to obtain approvals in other countries might differ from that required to obtain FDA approval. The marketing approval process in other countries may include all of the risks detailed above regarding FDA approval in the United States as well as other risks. In particular, in many countries outside of the United States, products must receive pricing and reimbursement approval before the product can be commercialized. This can result in substantial delays in such countries. Marketing approval in one country does not ensure marketing approval in another, but a failure or delay in obtaining marketing approval in one country may have a negative effect on the regulatory process in others. Failure to obtain marketing approval in other countries or any delay or setback in obtaining such approval would impair our ability to market our products in such foreign markets. Any such impairment would reduce the size of our potential markets, which could have an adverse impact on our business, results of operations and prospects.

We are subject to stringent government regulations concerning the clinical testing of our products and will continue to be subject to government regulation of any product that receives regulatory approval.

Numerous statutes and regulations govern human testing and the manufacture and sale of human therapeutic products in the United States and other countries where we intend to market our products. Such legislation and regulation bears upon, among other things, the approval of clinical study protocols and human testing of our products, the approval of manufacturing facilities, testing procedures and controlled research, the review and approval of manufacturing, preclinical and clinical data prior to marketing approval, including adherence to cGMP during production and storage, and marketing activities including advertising and labeling.

Clinical trials may be delayed or suspended at any time by us or by the FDA or by other similar regulatory authorities if it is determined at any time that patients may be or are being exposed to unacceptable health risks, including the risk of death, or if compounds are not manufactured under acceptable cGMP conditions or with acceptable quality. Current regulations relating to regulatory approval may change or become more stringent. The agencies may also require additional clinical trials to be run in order to provide additional information regarding the safety, efficacy or equivalency of any compound for which we seek regulatory approval. Moreover, any regulatory approval of a drug which is eventually obtained may entail limitations on the indicated uses for which that drug may be marketed. Furthermore, product approvals may be withdrawn or limited in some way if problems occur following initial marketing or if compliance with regulatory standards is not maintained. Regulatory agencies could become more risk adverse to any side effects or set higher standards of safety and efficacy prior to reviewing or approving a product. This could result in a product not being approved.

If we, or any future marketing collaborators or CMOs, fail to comply with applicable regulatory requirements, we may be subject to sanctions including fines, product recalls or seizures and related publicity requirements, injunctions, total or partial suspension of production, civil penalties, suspension or withdrawals of previously granted regulatory approvals, warning or untitled letters, refusal to approve pending applications for marketing approval of new products or of supplements to approved applications, import or export bans or restrictions, and criminal prosecution and penalties. Any of these penalties could delay or prevent the promotion, marketing or sale of our products.

The successful commercialization of our product candidates and ability to generate significant revenue will depend on achieving market acceptance.

Even if our product candidates are successfully developed and receive regulatory approval, they may not gain market acceptance among physicians, patients, healthcare payers such as private insurers or governments and other funding parties and the medical community. The degree of market acceptance for our products, if approved, will depend on a number of factors, including:

- the relative convenience and ease of administration, including as compared to alternative treatments and competitive therapies;
- the prevalence and severity of any adverse side effects;
- limitations or warnings contained in the labeling approved by the FDA;
- availability of alternative treatments, including a number of competitive therapies already approved or expected to be commercially launched in the near future;
- distribution and use restrictions imposed by the FDA or agreed to by us as part of a mandatory REMS or voluntary risk management plan;
- pricing and cost effectiveness;
- the effectiveness of our or any future collaborators' sales and marketing strategies;
- our ability to increase awareness of our products through marketing efforts;
- our ability to obtain sufficient third-party coverage or reimbursement; and
- the willingness of patients to pay out-of-pocket in the absence of third-party coverage.

If our product candidates are approved but do not achieve an adequate level of acceptance by physicians, healthcare payors and patients, we may not generate sufficient revenue from our products and we may never become or remain profitable. In addition, our efforts to educate the medical community and third-party payors on the benefits of our products may require significant resources and may never be successful.

Even if we obtain marketing approval for our products, physicians and patients using existing products may choose not to switch to our products.

Physicians often show a reluctance to switch their patients from existing drug products even when new and potentially more effective and convenient treatments enter the market. Also, physicians may be reluctant to switch patients if adequate reimbursement for new products is not available. In addition, patients often acclimate to the brand or type of drug product that they are currently taking and do not want to switch unless their physicians recommend switching products or they are required to switch drug treatments due to lack of reimbursement for existing drug treatments and only if the new product has adequate reimbursement. The existence of either or both of physician or patient reluctance in switching to our products would have an adverse effect on our operating results and financial condition.

The FDA and other regulatory agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses. If we are found to have improperly promoted off-label uses, we may become subject to significant liability.

The FDA and other regulatory agencies strictly regulate the promotional claims that may be made about prescription products, such as our product candidates. In particular, a product may not be promoted for uses that are not approved by the FDA or such other regulatory agencies as reflected in the product's approved labeling. The FDA may impose further requirements or restrictions on the distribution or use of our product candidates as part of a REMS plan, such as limiting prescribing to certain physicians or medical centers that have undergone specialized training, limiting treatment to patients who meet certain safe-use criteria and requiring treated patients to enroll in a registry. If we receive marketing approval for our product candidates, physicians may nevertheless prescribe our products to their patients in a manner that is inconsistent with the approved label. If we are found to have promoted such off-label uses, we may become subject to significant liability, including potential liability under federal civil and criminal false claims acts. The federal government has levied large civil and criminal fines against companies for alleged improper promotion and has enjoined several companies from engaging in off-label promotion. The FDA has also requested that companies enter into consent decrees or permanent injunctions under which specified promotional conduct is changed or curtailed.

If we fail to comply with federal and state healthcare laws, including fraud and abuse and health information privacy and security laws, we could face substantial penalties and our business, results of operations, financial condition and prospects could be adversely affected.

As a pharmaceutical company, even though we do not and will not control referrals of healthcare services or bill directly to Medicare, Medicaid or other third-party payers, certain federal and state healthcare laws and regulations pertaining to fraud and abuse and patients' rights are and will be applicable to our business. We could be subject to healthcare fraud and abuse and patient privacy regulation by both the federal government and the states in which we conduct our business. The laws that may affect our ability to operate include:

- the federal Anti-Kickback Statute, which constrains our marketing practices, educational programs, pricing policies, and relationships with healthcare providers or other entities, by prohibiting, among other things, soliciting, receiving, offering or paying remuneration, directly or indirectly, to induce, or in return for, either the referral of an individual or the purchase or recommendation of an item or service reimbursable under a federal healthcare program, such as the Medicare and Medicaid programs;
- federal civil and criminal false claims laws and civil monetary penalty laws, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payers that are false or fraudulent;
- HIPAA, which among other things created new federal criminal statutes that prohibit executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;
- the federal Physician Payments Sunshine Act, which, among other things, requires manufacturers of drugs, devices, biologics and medical supplies for which payment is available under certain federal healthcare programs to report annually information related to "payments or other transfers of value" made to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, and ownership and investment interests held by certain healthcare professionals and their immediate family members;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, and its implementing regulations, which imposes certain requirements relating to the privacy, security, breach notification, and transmission of individually identifiable health information; and
- state and foreign 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 payer, including commercial insurers, and state and foreign laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Because of the breadth of these laws and the narrowness of available statutory and regulatory exceptions, it is possible that some of our business activities could be subject to challenge under one or more of such laws. To the extent that any of our product candidates is ultimately sold in countries other than the United States, we may be subject to similar laws and regulations in those countries. If we or our operations are found to be in violation of any of the laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including civil, criminal and administrative penalties, damages, fines, disgorgement, exclusion from participating in government healthcare programs, contractual damages, reputational harm and the curtailment or restructuring of our operations. Any penalties, damages, fines, curtailment or restructuring of our operations could materially adversely affect our ability to operate our business and our financial results. Although compliance programs can mitigate the risk of investigation and prosecution for violations of these laws, the risks cannot be entirely eliminated. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. Moreover, achieving and sustaining compliance with applicable federal and state privacy, security and fraud laws may prove costly.

The Department of Health and Human Services Office of Inspector General proposed new regulations on February 6, 2019 to eliminate safe harbor protection under the anti-kickback statute for drug price reductions that pharmaceutical manufacturers pay to Medicare and Medicaid plan sponsors and their pharmacy benefit managers. The proposal reflects a clear intent to substantially alter many of the current drug discount and services compensation practices among pharmaceutical manufacturers and Medicare and Medicaid managed care organizations and their pharmacy benefit managers. The proposal also reflects a skepticism that current drug discount and compensation practices among manufacturers and pharmacy benefit managers are sufficiently transparent to health plans to ensure that all appropriate cost reductions and value is passed through to health plans and reflected in lower health plans costs and lower premiums for beneficiaries. If the proposal is finalized, it could result in lower prices for pharmaceutical products in general. The Infrastructure Investment and Jobs Act enacted in 2021 delayed the potential effective date of the proposal until January 1, 2026, and the Inflation Reduction Act of 2022 further delayed potential implementation of the rule until 2032. If the regulation becomes effective, it could result in lower prices for pharmaceutical products in general.

Any further legislative or administrative action to reduce reimbursement or health benefits to beneficiaries under the Medicare or Medicaid program could affect the payment we could collect from sale of any product in the United States.

Our future success depends on our ability to retain our chief executive officer and other key executives and to attract, retain and motivate qualified personnel.

We are highly dependent on Dr. Mahesh V. Patel and the other principal members of our executive team. Employment with our executives and other employees are "at will", meaning that there is no mandatory fixed term and their employment with us may be terminated by us or by them for any or no reason. The loss of the services of any of our executives or other key employees might impede the achievement of our research, development and commercialization objectives. Recruiting and retaining qualified scientific personnel and accounting personnel will also be critical to our success. We may not be able to attract and retain qualified personnel on acceptable terms, or at all, given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific personnel from universities and research institutions. Failure to succeed in clinical trials may make it more challenging to recruit and retain qualified scientific personnel.

In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our development and commercialization strategy. Our consultants and advisors may be employed by employers other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us.

Federal legislation and actions by state and local governments may permit re-importation of drugs from foreign countries into the United States, including foreign countries where the drugs are sold at lower prices than in the United States, which could materially adversely affect our operating results.

Our licensing partner may face competition for TLANDO from lower priced T-replacement therapies from foreign countries that have placed price controls on pharmaceutical products. The Medicare Prescription Drug Improvement and Modernization Act of 2003 contains provisions that may change U.S. importation laws and expand pharmacists' and wholesalers' ability to import lower priced versions of an approved drug and competing products from Canada, where there are government price controls. These changes to U.S. importation laws will not take effect unless and until the Secretary of Health and Human Services certifies that the changes will pose no additional risk to the public's health and safety and will result in a significant reduction in the cost of products to consumers. The Secretary of Health and Human Services has not yet announced any plans to make this required certification.

A number of federal legislative proposals have been made to implement the changes to the U.S. importation laws without any certification and to broaden permissible imports in other ways. Even if the changes do not take effect, and other changes are not enacted, imports from Canada and elsewhere may continue to increase due to market and political forces, and the limited enforcement resources of the FDA, U.S. Customs and Border Protection and other government agencies. For example, Pub. L. No. 111-83, which was signed into law in October 2009, provides appropriations for the Department of Homeland Security for the 2010 fiscal year, expressly prohibits U.S. Customs and Border Protection from using funds to prevent individuals from importing from Canada less than a 90-day supply of a prescription drug for personal use, when the drug otherwise complies with the Federal Food, Drug, and Cosmetic Act. Further, several states and local governments have implemented importation schemes for their citizens, and, in the absence of federal action to curtail such activities, we expect other states and local governments to launch importation efforts.

The importation of foreign products that compete with our products could have an adverse effect on our revenue and profitability.

We may become subject to the risk of product liability claims.

We face an inherent risk of product liability as a result of the clinical testing of our product candidates and will face an even greater risk on commercialized products. Human therapeutic products involve the risk of product liability claims and associated adverse publicity. Currently, the principal risks we face relate to patients in our clinical trials, who may suffer unintended consequences. Claims might be made by patients, healthcare providers or pharmaceutical companies or others. We may be sued if any product we develop allegedly causes injury or is found to be otherwise unsuitable during product testing, manufacturing, marketing or sale.

For example, to our knowledge, HPC has not been administered orally in a published clinical trial in any pregnant woman for the prevention of PTB. We cannot be certain of the safety profile upon single oral or multiple oral administration of LPCN 1107 to the patient or the fetus and its long term side effects on the mother as well as the child because (i) oral performance of LPCN 1107 may be substantially different from efficacy and/or safety standpoint compared to previously commercialized intramuscular HPC, Makena, and (ii) oral delivery of HPC could have a very different PK and/or pharmacodynamic profile that has never been experienced with non-oral administration of HPC, thus having its own significant liability exposure independent of known safety of non-oral HPC in humans.

Any product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability and a breach of warranties. Claims could also be asserted under state consumer protection acts. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities or be required to limit commercialization of our product candidates, if approved. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for our product candidates;
- injury to our reputation;
- withdrawal of clinical trial participants;
- initiation of investigations by regulators;
- costs to defend the related litigation;
- a diversion of management's time and our resources;
- substantial monetary awards to trial participants or patients;
- product recalls, withdrawals or labeling, marketing or promotional restrictions;
- loss of revenues from product sales; and
- the inability to commercialize any of our product candidates, if approved.

We may not have or be able to obtain or maintain sufficient and affordable insurance coverage, and without sufficient coverage any claim brought against us could have a materially adverse effect on our business, financial condition or results of operations. We run clinical trials through investigators that could be negligent through no fault of our own and which could affect patients, cause potential liability claims against us and result in delayed or stopped clinical trials. We are required in many cases by contractual obligations, to indemnify collaborators, partners, third party contractors, clinical investigators and institutions. These indemnifications could result in a material impact due to product liability claims against us and/or these groups. We currently carry \$3.0 million in product liability insurance, which we believe is appropriate for our clinical trials. Although we maintain such insurance, any claim that may be brought against us could result in a court judgment or settlement in an amount that is not covered, in whole or in part, by our insurance or that is in excess of the limits of our insurance coverage. Our insurance policies also have various exclusions, and we may be subject to a product liability claim for which we have no coverage. We will have to pay any amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts.

Testosterone is a Schedule III substance under the Controlled Substances Act and any failure to comply with this Act or its state equivalents would have a negative impact on our business.

Testosterone is listed by the U.S. Drug Enforcement Agency, or DEA, as a Schedule III substance under the Controlled Substances Act of 1970. The DEA classifies substances as Schedule I, II, III, IV or V substances, with Schedule I substances considered to present the highest risk of substance abuse and Schedule V substances the lowest risk. Scheduled substances are subject to DEA regulations relating to manufacturing, storage, distribution and physician prescription procedures. For example, all regular Schedule III drug prescriptions must be signed by a physician and may not be refilled more than six months after the date of the original prescription or more than five times unless renewed by the physician.

Entities must register annually with the DEA to manufacture, distribute, dispense, import, export and conduct research using controlled substances. In addition, the DEA requires entities handling controlled substances to maintain records and file reports, follow specific labeling and packaging requirements, and provide appropriate security measures to control against diversion of controlled substances. Failure to follow these requirements can lead to significant civil and/or criminal penalties and possibly even lead to a revocation of a DEA registration. Individual states also have controlled substances laws. State controlled substances laws often mirror federal law, however because the states are separate jurisdictions, they may schedule products separately. While some states automatically schedule a drug when the DEA does so, in other states there must be rulemaking or legislative action, which could delay commercialization.

Products containing controlled substances may generate public controversy. As a result, these products may have their marketing approvals withdrawn. State and Federal legislatures and administrative agencies may take additional action to combat a perceived misuse or overuse of such products.

We may have to dedicate resources to the defense and resolution of litigation.

Securities legislation in the United States makes it relatively easy for stockholders to sue companies. This can lead to frivolous lawsuits which take substantial time, money, resources and attention or force us to settle such claims rather than seek adequate judicial remedy or dismissal of such claims. Historically, securities class action litigation has often been brought against a company following a decline in the market price of its securities. Biotechnology and pharmaceutical companies, including us, have experienced significant stock price volatility in recent years, increasing the risk of such litigation. As we defend class action lawsuits or future patent infringement actions should they be filed, or if we are required to defend future actions brought by shareholders, we may be required to pay substantial litigation costs and managerial attention and financial resources may be diverted from business operations even if the outcome is in our favor. In addition, while our insurance carrier may cover the costs of settling claims, the Company's capital resources are critical to its continued operations, and the payment of litigation settlements and associated legal fees diverts these capital resources away from our operations, even if such amounts do not have a material impact on our financial statements.

On November 14, 2019, the Company and certain of its officers were named as defendants in a purported shareholder class action lawsuit, *Solomon Abady v. Lipocine Inc. et al.*, 2:19-cv-00906-PMW, filed in the United District Court for the District of Utah. The complaint alleges that the defendants made false and/or misleading statements and/or failed to disclose that our filing of the NDA for TLANDO to the FDA contained deficiencies and as a result the defendants' statements about our business and operations were false and misleading and/or lacked a reasonable basis in violation of federal securities laws. The lawsuit seeks certification as a class action (for a purported class of purchasers of the Company's securities from March 27, 2019 through November 8, 2019), compensatory damages in an unspecified amount, and unspecified equitable or injunctive relief. We have insurance that covers claims of this nature. The Company filed a motion to dismiss the class action lawsuit on July 24, 2020. In response, the plaintiffs filed their response to the motion to dismiss the class action lawsuit on September 22, 2020 and the Company filed its reply to its motion to dismiss on October 22, 2020. A hearing on the motion to dismiss occurred on January 12, 2022. On April 14, 2023, a judgment was issued ordering the case dismissed with prejudice and closure of the action. Although this outcome was in favor of our current and former officers and directors, we incurred litigation costs and expended managerial resources defending ourselves against these allegations. In addition, there can be no assurance that we will not experience similar claims in the future.

Additionally on April 2, 2019, we filed a lawsuit against Clarus in the United States District Court in Delaware alleging that Clarus's JATENZO® product infringes six of Lipocine's issued U.S. patents: 9,034,858; 9,205,057; 9,480,690; 9,757,390; 6,569,463; and 6,923,988. Clarus answered the complaint and asserted counterclaims of non-infringement and invalidity. We answered Clarus's counterclaims on April 29, 2019. On February 11, 2020, we voluntarily dismissed allegations of patent infringement for expired U.S. Patent Nos. 6,569,463 and 6,923,988 in an effort to streamline the issues and associated costs for dispute. The Court held a scheduling conference on August 15, 2019, a claim construction hearing on February 11, 2020 and a summary judgment hearing on January 15, 2021. In May 2021, the Court granted Clarus' motion for Summary Judgment, finding the asserted claims of Lipocine's U.S. patents 9,034,858; 9,205,057; 9,480,690; and 9,757,390 invalid for failure to satisfy the written description requirement of 35 U.S.C. § 112. Clarus still had remaining claims before the Court. On July 13, 2021, we entered into a Global Agreement with Clarus which resolved all outstanding claims of this litigation. Under the terms of the settlement, we agreed to pay Clarus \$4.0 million, payable as follows: \$2.5 million immediately, \$1.0 million on July 13, 2022 and \$500,000 on July 13, 2023. In April 2022, we amended the Global Agreement with Clarus in an Amended Settlement Agreement and we agreed to settle the payments due in July 2022 and 2023 for \$1,250,000 rather than the \$1,500,000 total future payments due under the terms of the Global Agreement agreed to in 2021. The payment of this and other settlement payments divert capital resources away from our operations, which may adversely affect our business.

Cyber security risks and the failure to maintain the integrity of company, employee or guest data could expose us to data loss, litigation and liability, and our reputation could be significantly harmed.

We collect and third parties collaborating on our clinical trials collect and retain large volumes of data, including personally identifiable information regarding clinical trial participants and others, for business purposes, including for regulatory, research and development and commercialization purposes, and our collaborators' various information technology systems enter, process, summarize and report such data. We also maintain personally identifiable information about our employees. The integrity and protection of our Company, employee and clinical data is critical to our business. We are subject to significant security and privacy regulations, as well as requirements imposed by government regulation. Maintaining compliance with these evolving regulations and requirements could be difficult and may increase our expenses. In addition, a penetrated or compromised data system or the intentional, inadvertent or negligent release or disclosure of data could result in theft, loss or fraudulent or unlawful use of company, employee or clinical data which could harm our reputation, disrupt our operations, or result in remedial and other costs, fines or lawsuits.

Risks Related to Our Dependence on Third Parties

We may enter into license agreements and/or collaborations with third parties for the development and commercialization of our drug candidates. If those collaborations, including, without limitation, our license arrangement with Verity for the development and commercialization of TLANDO, are not successful, we may not be able to capitalize on the market potential of these drug candidates and may have to alter our development and commercialization plans for our products.

Our drug development programs for our product candidates will require substantial additional cash to fund expenses. We have not yet established any collaborative arrangements relating to the development or commercialization of LPCN 1154, LPCN 2101, LPCN 2203, LPCN 1144, LPCN 1148, or LPCN 1107. We have entered into the Verity License Agreement for TLANDO and LPCN 1111 with respect to TRT in the U.S. We intend to continue to develop our product candidates in the United States with or without a partner although our ability to advance these product candidates will depend on our capital resources and/or our ability to find a suitable partner to further develop our product candidates. In order to commercialize our TLANDO product candidates in the United States and Canada, we have partnered with Verity with respect to TLANDO and LPCN 1111 and we will likely look to establish partnership arrangements with respect to the development of some of our other product candidates. We may also seek to enter into collaborative arrangements to develop and commercialize our product candidates outside the United States. We will face significant competition in seeking appropriate collaborators and these collaborations are complex and time-consuming to negotiate and document. We may not be able to negotiate collaborations on acceptable terms or in a timely manner, or at all. If that were to occur, we may have to curtail the development or delay commercialization of our product candidates in certain geographies, reduce the scope of our sales or marketing activities, reduce the scope of our development plans, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to increase our expenditures to fund development or commercialization activities either inside or outside of the United States on our own, we may need to obtain additional capital, which may not be available to us on acceptable terms, or at all.

To the extent we have, and if we do enter into any further such arrangements with any third parties, we will likely have limited control over the amount and timing of resources that our partners dedicate to the development or commercialization of our product candidates. On January 12, 2024, we entered into the Verity License Agreement with Verity, pursuant to which we granted to Verity an exclusive, royalty-bearing, sublicensable right and license to develop and commercialize our TLANDO and LPCN 1111 products with respect to TRT in the U.S. and Canada. Consequently, our ability to generate any revenues from TLANDO with respect to TRT in the U.S. and Canada depends on the efforts of Verity to commercialize TLANDO. We have very limited control over the amount and timing of resources that Verity dedicates to these efforts.

Our ability to generate revenues from this and other collaborative arrangements will depend on our collaborators' abilities and efforts to successfully perform the functions agreed to with them in these arrangements. License agreements and/or collaborations involving our drug candidates, such as our agreement with Verity, pose numerous risks to us, including the following:

- partners have significant discretion in determining the efforts and resources that they will apply to these efforts and may not perform their obligations as expected;
- partners may de-emphasize or not pursue development and commercialization of our drug candidates or may elect not to continue or renew development or commercialization programs based on clinical trial results, changes in the partners' strategic focus, including as a result of a sale or disposition of a business unit or development function, or available funding or external factors such as an acquisition that diverts resources or creates competing priorities;
- partners may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a drug candidate, repeat or conduct new clinical trials or require a new formulation of a drug candidate for clinical testing;
- partners could independently develop, or develop with third parties, products that compete directly or indirectly with our products or drug candidates if the partners believe that competitive products are more likely to be successfully developed or can be commercialized under terms that are more economically attractive than ours;
- partners may not be able to acquire and maintain supplier and manufacturer relationships necessary to successfully commercialize our products;
- a partner with marketing and distribution rights to multiple products may not commit sufficient resources to the marketing and distribution of our product relative to other products;
- partners may not properly obtain, maintain, defend or enforce our intellectual property rights or may use our proprietary information and intellectual property in such a way as to invite litigation or other intellectual property related proceedings that could jeopardize or invalidate our proprietary information and intellectual property or expose us to potential litigation or other intellectual property related proceedings;

- disputes may arise between our partners and us that result in the delay or termination of the research, development or commercialization of our products or drug candidates or that result in costly litigation or arbitration that diverts management attention and resources;
- agreements may be terminated and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable drug candidates;
- agreements may not lead to development or commercialization of drug candidates in the most efficient manner or at all; and
- if a partner of ours were to be involved in a business combination, the continued pursuit and emphasis on our product development or commercialization program could be delayed, diminished or terminated.

If our license arrangements with Verity, or any future license or collaboration we may enter into, if any, are not successful, our business, financial condition, results of operations, prospects and development and commercialization efforts may be adversely affected. Any termination or expiration of the Verity License Agreement, or any future license or collaboration we may enter into, if any, could adversely affect us financially or harm our business reputation, development and commercialization efforts.

We rely upon third-party contractors and service providers for the execution of some aspects of our development programs. Failure of these collaborators to provide services of a suitable quality and within acceptable timeframes may cause the delay or failure of our development programs.

We outsource certain functions, tests and services to contract research organizations (“CROs”), medical institutions and collaborators; and also outsource manufacturing to collaborators and/or contract manufacturers (“CMOs”). We also rely on third parties for quality assurance, clinical monitoring, clinical data management and regulatory expertise. We may also engage a CRO to run all aspects of a clinical trial on our behalf. There is no assurance that such individuals or organizations will be able to provide the functions, tests, drug supply or services as agreed upon or in a quality fashion. Any failure to do so could cause us to suffer significant delays in the development of our products or processes.

Due to our reliance on CROs or other third parties to assist us or who have historically assisted us in conducting clinical trials, we will be unable to directly control all aspects of our clinical trials.

We engaged a CRO to conduct our SOAR, DV and DF Phase 3 clinical studies for TLANDO, as well as the ABPM study for TLANDO. Additionally, we utilized a CRO for the Phase 2 *LiFT* clinical study for LPCN 1144, the Phase 2 clinical study for LPCN 1148 and the pilot and future pivotal studies for LPCN 1154. As a result, we have less direct control over the conduct of our clinical trials, the timing and completion of the trials and the management of data developed through the trials than if we were relying entirely upon our own staff. Communicating with outside parties can also be challenging, potentially leading to mistakes as well as difficulties in coordinating activities. Outside parties, including CROs, may:

- have staffing difficulties or disruptions;
- fail to comply with contractual obligations;
- experience regulatory compliance issues;
- undergo changes in priorities or may become financially distressed;
- form relationships with other entities, some of which may be our competitors; or
- manufacturing capacity limitations.

These factors may materially adversely affect their willingness or ability to conduct our trials in a manner acceptable to us. We may experience unexpected cost increases that are beyond our control.

Moreover, the FDA requires us to comply with GCP’s 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. Our reliance on third parties that we do not control does not relieve us of these responsibilities and requirements.

Problems with the timeliness or quality of the work of a CRO may lead us to seek to terminate the relationship and use an alternative service provider. However, making this change may be costly and may delay our trials, and contractual restrictions may make such a change difficult or impossible. If we must replace any CRO that is conducting our clinical trials, our trials may have to be suspended until we find another CRO that offers comparable services. The time that it takes us to find alternative organizations may cause a delay in the commercialization of our product candidates or may cause us to incur significant expenses to replicate data that may be lost. Although we do not believe that any CRO on which we may rely will offer services that are not available elsewhere, it may be difficult to find a replacement organization that can conduct our trials in an acceptable manner and at an acceptable cost. Any delay in or inability to complete our clinical trials could significantly compromise our ability to secure regulatory approval of our product candidates and preclude our ability to commercialize them, thereby limiting or preventing our ability to generate revenue from their sales.

We and our Licensee rely on a single supplier for our supply of testosterone esters, the active pharmaceutical ingredient of TLANDO, LPCN 1111, LPCN 1148, and LPCN 1144, and the loss of this supplier could harm our business.

We and our Licensee rely on a single third-party supplier for our supply of testosterone esters, the active pharmaceutical ingredient of TLANDO, LPCN 1111, LPCN 1148, and LPCN 1144. Since there are only a limited number of testosterone esters suppliers in the world, if this supplier ceases to provide us with testosterone esters, we or our Licensee may be unable to procure testosterone esters on commercially favorable terms and/or may not be able to obtain testosterone esters in a timely manner. Furthermore, the limited number of suppliers of testosterone esters may provide such companies with greater opportunity to raise their prices. If we or our Licensee are unable to obtain testosterone esters in a timely manner and/or in sufficient quantities, our ability to develop, and potentially commercialize, LPCN 1111, LPCN 1148, and LPCN 1144 may be adversely affected. In addition, any increase in price for testosterone esters will likely reduce our potential gross margins for LPCN 1148 and LPCN 1144.

We rely on limited suppliers for our supply of NAS, the active pharmaceutical ingredients of LPCN 1154, LPCN 2101, and LPCN 2203 and the loss of these limited suppliers could harm our business.

We rely on a limited third-party supplier for our supply of NAS, the active pharmaceutical ingredients of LPCN 1154, LPCN 2101, and LPCN 2203. Since there are only a limited number of NAS suppliers in the world, if a supplier ceases to provide us with NAS, we may be unable to procure NAS on developmental or commercially favorable terms. Furthermore, the limited number of suppliers of NAS may provide such suppliers with a greater opportunity to raise their prices. If we are unable to obtain NAS in a timely manner and/or in sufficient quantities, our ability to develop LPCN 1154, LPCN 2101, and LPCN 2203 may be adversely affected.

If we do not establish successful collaborations, we may have to alter our development and commercialization plans for our products.

Our drug development programs for our product candidates will require substantial additional cash to fund expenses. We have not yet established any collaborative arrangements relating to the development or commercialization of LPCN 1148, LPCN 1144, or LPCN 1107. We intend to continue to develop some of our product candidates in the United States without a partner although our ability to advance these product candidates will depend on our capital resources. However, in order to commercialize our product candidates in the United States, we will likely look to establish a partnership or co-promotion arrangement with an established pharmaceutical company that has a sales force, collaborate on the establishment of an internal sales force or build an internal sales force on our own. We may also seek to enter into collaborative arrangements to develop and commercialize our product candidates outside the United States. We will face significant competition in seeking appropriate collaborators and these collaborations are complex and time-consuming to negotiate and document. We may not be able to negotiate collaborations on acceptable terms or in a timely manner, or at all. If that were to occur, we may have to curtail the development or delay commercialization of our product candidates in certain geographies, reduce the scope of our sales or marketing activities, reduce the scope of our commercialization plans, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to increase our expenditures to fund development or commercialization activities either inside or outside of the United States 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 are successful in entering into collaborative arrangements and any of our collaborative partners do not devote sufficient time and resources to a collaboration arrangement with us, we may not realize the potential commercial benefits of the arrangement, and our results of operations may be materially adversely affected. In addition, if any future collaboration partner were to breach or terminate its arrangements with us, the development and commercialization of our product candidates could be delayed, curtailed or terminated because we may not have sufficient financial resources or capabilities to continue development and commercialization of our product candidates on our own in such locations.

Risks Related to Ownership of Our Common Stock

Our stock price could decline significantly based on the results and timing of clinical trials, and/or regulatory and other decisions affecting our product candidates.

Results of clinical trials and preclinical studies of our current and potential product candidates may not be viewed favorably by us or third parties, including the FDA or other regulatory authorities, investors, analysts and potential collaborators. The same may be true of how we design the clinical trials of our product candidates and regulatory decisions affecting those clinical trials. Pharmaceutical company stock prices have declined significantly when such results and decisions were unfavorable or perceived negatively or when a product candidate did not otherwise meet expectations. The final results from our clinical development programs may be negative, may not meet expectations or may be perceived negatively. The designs of our clinical trials (which may change significantly and be more expensive than currently anticipated depending on our clinical results and regulatory decisions) may also be viewed negatively by third parties. We may not be successful in completing these clinical trials on our projected timetable, if at all. In addition, we may never achieve FDA approval for any of our product candidates other than TLANDO, which could cause our stock price to decline significantly and have other significant adverse effects on our business.

If we do not maintain effective internal controls over financial reporting in the future, the accuracy and timeliness of our financial reporting may be adversely affected.

The Sarbanes-Oxley Act requires, among other things, that we assess the effectiveness of our internal control over financial reporting annually and disclosure controls and procedures quarterly. In particular, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. If material weaknesses are identified in the future or we are not able to comply with the requirements of Section 404 in a timely manner, our reported financial results could be materially misstated, we could receive an adverse opinion regarding our internal controls over financial reporting from our accounting firm, and we could be subject to investigations or sanctions by regulatory authorities, which would require additional financial and management resources, and the market price of our stock could decline.

We incur significant expenses in order to comply with the requirements of being a public company in the United States.

As a public company, we incur significantly more legal, accounting and other expenses than as a private company. In addition, the Sarbanes-Oxley Act of 2002 and rules subsequently implemented by the SEC and U.S. stock exchanges impose numerous requirements on public companies, including requiring changes in corporate governance practices. Also, the Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and operating results. Our management and other personnel will need to devote a substantial amount of time to compliance with these laws and regulations. These requirements have increased and will continue to increase our legal, accounting, and financial compliance costs and have made and will continue to make some activities more time consuming and costly.

Our share price is expected to be volatile and may be influenced by numerous factors that are beyond our control.

A low share price and low market valuation may make it difficult to raise sufficient additional cash due to the significant dilution to current stockholders. Market prices for shares of biotechnology and biopharmaceutical companies such as ours are often volatile. The market price of our common stock may fluctuate significantly in response to a number of factors, most of which we cannot control, including:

- the success of the commercialization of TLANDO;
- plans for, costs of, progress of and results from clinical trials of our product candidates;
- the failure of our product candidates to receive FDA approval;
- regulatory uncertainty in the TRT class;
- FDA Advisory Committee meetings and related recommendations including meetings convened on the TRT class or on similar companies;
- announcements by the FDA that may impact on-going clinical studies related to safety or efficacy of TRT products;
- product approval and potential FDA required labeling language and/or Phase 4 study commitments;
- announcements of new products, technologies, commercial relationships, acquisitions or other events by us or our competitors;
- our ability to license our products to third parties;
- failure to engage with collaborators or build an internal sales force to commercialize our products should a product candidate other than TLANDO receive FDA approval;
- the success or failure of other TRT products or non-testosterone based testosterone therapy products;

- failure of our products, if approved, to achieve commercial success;
- fluctuations in stock market prices and trading volumes of similar companies;
- general market conditions and overall fluctuations in U.S. equity markets;
- variations in our quarterly operating results;
- changes in our financial guidance or securities analysts' estimates of our financial performance;
- changes in accounting principles;
- sales of large blocks of our common stock, including sales by our executive officers, directors and significant stockholders;
- additions or departures of key personnel;
- discussion of us or our stock price by the press and by online investor communities;
- our cash balance; and
- other risks and uncertainties described in these risk factors.

In recent years, the stock of other biotechnology and biopharmaceutical companies has experienced extreme price fluctuations that have been unrelated to the operating performance of the affected companies. There can be no assurance that the market price of our shares of common stock will not experience significant fluctuations in the future, including fluctuations that are unrelated to our performance. These fluctuations may result due to macroeconomic and world events, national or local events, general perception of the biotechnology industry or to a lack of liquidity. In addition, other biotechnology companies or our competitors' programs could have positive or negative results that impact their stock prices and their results, or stock fluctuations could have a positive or negative impact on our stock price regardless of whether such impact is direct or not.

Stockholders may not agree with our business, scientific, clinical, commercial, or financial strategy, including additional dilutive financings, and may decide to sell their shares or vote against shareholder proposals. Such actions could materially impact our stock price. In addition, portfolio managers of funds or large investors can change or change their view on us and decide to sell our shares. These actions could have a material impact on our stock price. In order to complete a financing, or for other business reasons, we may elect to consolidate our shares of common stock. Investors may not agree with these actions and may sell our shares. We may have little or no ability to impact or alter such decisions.

The stock prices of many companies in the biotechnology industry have experienced wide fluctuations that have often been unrelated to the operating performance of the companies. Following periods of volatility in the market price of a company's securities, securities class action litigation often has been initiated against a company. For example, on July 1, 2016, the Company and certain of its officers were named as defendants in a purported shareholder class action lawsuit, *David Lewis v. Lipocine Inc., et al.*, filed in the United States District Court for the District of New Jersey. This initial action was followed by additional lawsuits also filed in the District of New Jersey. *David Lewis v. Lipocine Inc., et al.* was ultimately settled. Additionally on November 14, 2019, the Company and certain of its officers were named as defendants in a purported shareholder class action lawsuit, *Solomon Abady v. Lipocine Inc. et al.*, 2:19-cv-00906-PMW, filed in the United District Court for the District of Utah. This initial action was followed by additional lawsuits also filed in the United States District Court for the District of Utah. Any future class action litigation that may be initiated against us may result in us incurring substantial costs and our management's attention may be diverted from our operations, which could significantly harm our business. In addition, such litigation could lead to increased volatility in our share price.

The value of our warrants outstanding from the November 2019 Offering is subject to potentially material increases and decreases based on fluctuations in the price of our common stock.

In November 2019, we completed a public offering of common stock and warrants to purchase common stock (the "November 2019 Offering"). Gross proceeds from the November 2019 Offering were approximately \$6.0 million. In the November 2019 Offering, the Company sold (i) 614,706 Class A Units, with each Class A Unit consisting of one share of common stock and a common stock warrant to purchase one share of common stock, and (ii) 91,177 Class B Units, with each Class B Unit consisting of one pre-funded warrant to purchase one share of a common stock and one common stock warrant to purchase one share of common stock at a price of \$8.50 per Class A Unit and \$8.4998 per Class B Unit. The pre-funded warrants were issued in lieu of common stock in order to ensure the purchaser did not exceed certain beneficial ownership limitations. The pre-funded warrants were immediately exercisable at an exercise price of \$0.0017 per share, subject to adjustment. Additionally, the common stock warrants were immediately exercisable at an exercise price of \$8.50 per share and expire on November 17, 2024. As of December 31, 2023, there were 64,362 warrants from the November 2019 offering outstanding.

We account for the common stock warrants as a derivative instrument, and changes in the fair value of the warrants are included under other income (expense) in the Company's statements of operations for each reporting period. As of December 31, 2023, the aggregate fair value of the warrant liability included in the Company's consolidated balance sheet was approximately \$17,000. We use the Black-Scholes option pricing model to determine the fair value of the warrants. As a result, the option-pricing model requires the input of several assumptions, including the stock price volatility, share price and risk-free interest rate. Changes in these assumptions can materially affect the fair value estimate. While the liability may only result from a change of control at a point in time, we ultimately may incur amounts significantly different than the carrying value of the liability.

We may not be able to maintain our listing on the NASDAQ Capital Market, which would adversely affect the price and liquidity of our common stock.

As a small capitalization pharmaceutical company, the price of our common shares has been, and is likely to continue to be, highly volatile. Any announcements concerning us or our competitors, clinical trial results, quarterly variations in operating results, introduction of new products, delays in the introduction of new products or changes in product pricing policies by us or our competitors, acquisition or loss of significant customers, partners and suppliers, changes in earnings estimates or our ratings by analysts, regulatory developments, or fluctuations in the economy or general market conditions, among other factors, could cause the market price of our common shares to fluctuate substantially. There can be no assurance that the market price of our common shares will not decline below its current price or that it will not experience significant fluctuations in the future, including fluctuations that are unrelated to our performance.

Currently our common stock is quoted on the NASDAQ Capital Market under the symbol "LPCN". We must satisfy certain minimum listing maintenance requirements to maintain the NASDAQ Capital Market quotation, including certain governance requirements and a series of financial tests relating to stockholders' equity or net income or market value, public float, number of market makers and stockholders, market capitalization, and maintaining a minimum bid price of \$1.00 per share.

If Nasdaq delists our common stock from trading on its exchange and we are not able to list our securities on another national securities exchange, we expect our securities could be quoted on an over-the-counter market. If this were to occur, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- reduced liquidity for our securities;
- a determination that our common stock is a "penny stock" which will require brokers trading in our common stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities;
- a limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

The National Securities Markets Improvement Act of 1996, which is a federal statute, prevents or preempts the states from regulating the sale of certain securities, which are referred to as "covered securities." If our common stock continues to be listed on NASDAQ, our common stock will be a covered security. Although the states are preempted from regulating the sale of our securities, the federal statute does allow the states to investigate companies if there is a suspicion of fraud, and, if there is a finding of fraudulent activity, then the states can regulate or bar the sale of covered securities in a particular case.

Anti-takeover provisions in our amended and restated certificate of incorporation and our amended and restated bylaws, as well as provisions of Delaware law and our stockholder rights plan, might discourage, delay or prevent a change in control of our Company or changes in our Board of Directors or management and, therefore, depress the trading price of our common stock.

Our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law contain provisions that may depress the market price of our common stock by acting to discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares of our common stock. These provisions may also prevent or frustrate attempts by our stockholders to replace or remove members of our Board of Directors or our management. Our corporate governance documents include provisions:

- limiting the ability of our stockholders to call and bring business before special meetings and to take action by written consent in lieu of a meeting;

- requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our Board of Directors;
- authorizing blank check preferred stock, which could be issued with voting, liquidation, dividend and other rights superior to our common stock; and
- limiting the liability of, and providing indemnification to, our directors and officers.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which limits the ability of stockholders owning in excess of 15% of our outstanding voting stock from engaging in certain business combinations with us. Any provision of our amended and restated certificate of incorporation, amended and restated bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

Additionally, on November 5, 2021, we adopted an amended and restated stockholder rights plan that would cause substantial dilution to, and substantially increase the costs paid by, a stockholder who attempts to acquire us on terms not approved by our board. The intent of the stockholder rights plan is to protect our stockholders' interests by encouraging anyone seeking control of our Company to negotiate with our board. However, our stockholder rights plan could make it more difficult for a third party to acquire us without the consent of our board, even if doing so may be beneficial to our stockholders. This plan may discourage, delay or prevent a tender offer or takeover attempt, including offers or attempts that could result in a premium over the market price of our common stock. This plan could reduce the price that stockholders might be willing to pay for shares of our common stock in the future. Furthermore, the anti-takeover provisions of our stockholder rights plan may entrench management and make it more difficult to replace management even if the stockholders consider it beneficial to do so.

The common warrants issued in the November 2019 Offering include a right to receive the Black Scholes value of the warrants in the event of a fundamental transaction, which payment would be senior to our common stock.

The common warrants issued in the November 2019 Offering provide that, in the event of a "fundamental transaction," including, among other things, a merger or consolidation of the Company or sale of all or substantially all of the Company's assets, the holders of such warrants have the option to require the Company to pay to such holders an amount of cash equal to the Black Scholes value of the warrants. Such amount would be payable prior to any payments to holders of our common stock. The payment of such amount could result in common stockholders and other warrant holders not receiving any consideration if we were to liquidate, dissolve or wind up, either voluntarily or involuntarily. In addition, the existence of such right may reduce the value of our common stock, make it harder for us to sell shares of common stock in offerings in the future, or prevent or delay a change of control.

We have no current plans to pay dividends on our common stock and investors must look solely to stock appreciation for a return on their investment in us.

We do not anticipate paying any cash dividends on our common stock in the foreseeable future. We currently intend to retain all future earnings to fund the development and growth of our business. Any payment of future dividends will be at the discretion of our board of directors and will depend on, among other things, our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations that the board of directors deems relevant. Investors may need to rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize a return on their investment. Investors seeking cash dividends should not purchase our common stock.

Our management and directors will be able to exert influence over our affairs.

As of December 31, 2023, our executive officers and directors beneficially owned approximately 5.9% of our common stock. These stockholders, if they act together, may be able to influence our management and affairs and all matters requiring stockholder approval, including significant corporate transactions. This concentration of ownership may have the effect of delaying or preventing a change in control and might affect the market price of our common stock.

The market price of our common stock has been volatile over the past year and may continue to be volatile.

The market price and trading volume of our common stock has been volatile over the past year, and it may continue to be volatile. During 2023, our common stock has traded as low as \$2.36 and as high as \$9.86 per share. We cannot predict the price at which our common stock will trade in the future, and it may decline. The price at which our common stock trades may fluctuate significantly and may be influenced by many factors, including our financial results; developments generally affecting our industry; general economic, industry and market conditions; the depth and liquidity of the market for our common stock; investor perceptions of our business; reports by industry analysts; announcements by other market participants, including, among others, investors, our competitors, and our customers; regulatory action affecting our business; and the impact of other "Risk Factors" discussed herein and in our Annual Report. In addition, changes in the trading price of our common stock may be inconsistent with our operating results and outlook. The volatility of the market price of our common stock may adversely affect investors' ability to purchase or sell shares of our common stock.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. We currently only have limited securities and industry analysts providing research coverage of our Company and may never obtain additional research coverage by securities and industry analysts. If no additional securities or industry analysts commence coverage of our Company or if current securities analyst coverage of our Company ceases, the trading price for our stock could be negatively impacted. If the analysts downgrade our stock or publish inaccurate or unfavorable research about our business, our stock price would likely decline. If analysts cease coverage of us or fail to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price and trading volume to decline.

Risks Relating to Our Financial Position and Capital Requirements

We will need substantial additional capital in the future. If additional capital is not available, we will have to delay, reduce or cease operations.

We will need to raise additional capital to continue to fund our operations. Our future capital requirements may be substantial and will depend on many factors including:

- market conditions for raising capital, particularly for life science companies;
- current and future clinical trials for our product candidates, including for LPCN 1154, LPCN 2101, LPCN 2203 and LPCN 1148;
- regulatory actions of the FDA;
- the scope, size, rate of progress, results and costs of completing ongoing clinical trials and development plans with our product candidates;
- the cost, timing and outcomes of our efforts to obtain marketing approval for our product candidates in the United States;
- payments received under any current or future license agreements, strategic partnerships or collaborations;
- the cost of filing, prosecuting and enforcing patent claims;
- the costs associated with commercializing our product candidates if we receive marketing approval for product candidates other than TLANDO, including the cost and timing of developing internal sales and marketing capabilities or entering into strategic collaborations to market and sell our products;
- the costs of on-going and future litigation; and
- funding additional product line expansions.

We believe that our existing capital resources, together with interest thereon, will be sufficient to meet our projected operating requirements through at least March 31, 2025. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect. While we believe we have sufficient liquidity and capital resources to fund our projected operating requirements through at least March 31, 2025, we will need to raise additional capital at some point through the equity or debt markets or through out-licensing activities, either before or after March 31, 2025, to support our operations, the on-going clinical development of our product candidates, and compliance with regulatory requirements. If the Company is unsuccessful in raising additional capital, its ability to continue as a going concern will become a risk. Further, our operating plan may change, and we may need additional funds to meet operational needs and capital requirements for product development, regulatory compliance, and clinical trial activities sooner than planned. In addition, our capital resources may be consumed more rapidly if we pursue additional clinical studies for LPCN 1154, LPCN 2101, LPCN 2203, LPCN 1148, LPCN 1144, and LPCN 1107. Conversely, our capital resources could last longer if we reduce expenses, reduce the number of activities currently contemplated under our operating plan or if we terminate or suspend on-going clinical studies.

Funding may not be available to us on favorable terms, or at all. Also, market conditions may prevent us from accessing the debt and equity capital markets, including sales of our common stock through the ATM Offering (as defined below). If we are unable to obtain adequate financing when needed, we may have to delay, reduce the scope of or suspend one or more of our clinical studies, research and development programs or, if any of our product candidates other than TLANDO receive approval from the FDA, commercialization efforts. We may seek to raise any necessary additional capital through a combination of public or private equity offerings, including the ATM Offering, debt financings, collaborations, strategic alliances, licensing arrangements and other marketing and distribution arrangements. These arrangements may not be available to us or available on terms favorable to us. To the extent that we raise additional capital through marketing and distribution arrangements, other collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our product candidates, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us. If we do raise additional capital through public or private equity offerings, the ownership interest of our existing stockholders will be diluted, and the terms of these securities may include liquidation or other preferences, warrants or other terms that adversely affect our stockholders' rights or further complicate raising additional capital in the future. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we are unable, for any reason, to raise needed capital, we will have to reduce costs, delay research and development programs, liquidate assets, dispose of rights, commercialize products or product candidates earlier than planned or on less favorable terms than desired, or reduce or cease operations.

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

We may seek additional capital through a combination of private and public equity offerings, debt financings, collaborations, and strategic and licensing arrangements. To the extent that we raise additional capital through the sale of common stock or securities convertible or exchangeable into common stock, current stockholders' ownership interest in the Company will be diluted. In addition, the terms may include liquidation or other preferences that materially adversely affect their rights as a stockholder. Debt financing, if available, would increase our fixed payment obligations and may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through collaboration, strategic alliance and licensing arrangements with third parties, we may have to relinquish valuable rights to our product candidates, our intellectual property, future revenue streams or grant licenses on terms that are not favorable to us.

We cannot predict when we will generate product revenues and may never achieve or maintain profitability.

Our ability to become profitable depends upon our ability to generate revenue from product sales and/or licensing agreements. To date, we have not generated any significant revenue from product sales of TLANDO or our other drug candidates in the current pipeline, and we do not know when, or if, we will generate significant revenue from product sales. Our ability to generate revenue depends on a number of factors, including, but not limited to, our ability to:

- other than for TLANDO in the U.S., obtain U.S. and foreign marketing approval for our product candidates;
- commercialize our product candidates by developing a sales force and/or entering into licensing agreements or collaborations with partners/third parties, either before or after obtaining marketing approval for our product candidates; and
- achieve market acceptance of our product candidates in the medical community and with third-party payors.

Even if our product candidates other than TLANDO are approved for commercial sale, we expect to incur significant costs as we prepare to commercialize them. Even if we receive FDA approval for our product candidates, they may not be commercially successful drugs. We may not achieve profitability soon after generating product sales, if ever. If we are unable to generate product revenue, we will not become profitable and may be unable to continue operations without continued funding.

Accordingly, the likelihood of our success must be evaluated in light of many potential challenges and variables associated with an early-stage drug development company, many of which are outside of our control, and past operating or financial results should not be relied on as an indication of future results. If one or more of our product candidates is approved for commercial sale and we retain commercial rights, we anticipate incurring significant costs associated with commercializing any such approved product candidate. Therefore, even if we are able to generate revenues from the sale of any approved product, we may never become profitable. Because of the numerous risks and uncertainties associated with pharmaceutical product development, we are unable to predict the timing or amount of expenses and when we will be able to achieve or maintain profitability, if ever.

We have incurred significant operating losses in most years since our inception and anticipate that we will incur continued losses for the foreseeable future.

We have focused a significant portion of our efforts on developing TLANDO and more recently on our oral neuroactive steroids LPCN 1154 and LPCN 2101, LPCN 1148, and LPCN 1144. We have funded our operations to date through sales of our equity securities, debt, and payments received under our license and collaboration arrangements. We have incurred losses in most years since our inception. As of December 31, 2023, we had an accumulated deficit of \$199.8 million. Substantially all of our operating losses resulted from costs incurred in connection with our research and development programs and from general and administrative costs associated with our operations. These losses, combined with expected future losses, have had and will continue to have an adverse effect on our stockholders' equity and working capital. We expect our research and development expenses to increase in connection with clinical trials associated with our oral neuroactive steroids LPCN 1154, LPCN 2101, LPCN 2203, and LPCN 1148, and LPCN 1144 and LPCN 1107, if further clinical trials are initiated. As a result, we expect to continue to incur significant operating losses for the foreseeable future as we evaluate further clinical development of LPCN 1154, LPCN 2101, LPCN 2203, LPCN 1148, LPCN 1144, and LPCN 1107 and our other programs and continued research efforts. Because of the numerous risks and uncertainties associated with developing pharmaceutical products, we are unable to predict the extent of any future losses or when we will become profitable, if at all.

Our operating results may fluctuate significantly, and any failure to meet financial expectations may disappoint securities analysts or investors and result in a decline in the price of our securities.

We have a history of operating losses. Our operating results have fluctuated in the past and are likely to do so in the future. These fluctuations could cause our share price to decline. Due to fluctuations in our operating results, we believe that period-to-period comparisons of our results are not indicative of our future performance. It is possible that in some future quarter or quarters, our operating results will be above or below the expectations of securities analysts or investors. In this case, the price of our securities could decline.

Risks Relating to Our Intellectual Property

Our success depends in part on our ability to protect our intellectual property. It is difficult and costly to protect our proprietary rights and technology, and we may not be able to ensure their protection.

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

The patent positions of pharmaceutical, biopharmaceutical and related companies can be highly uncertain and involve complex legal and factual questions for which important legal principles remain unresolved. No consistent policy regarding the breadth of claims allowed in patents in these fields has emerged to date in the United States. There have been changes regarding how patent laws are interpreted, and both the United States Patent and Trademark Office (“USPTO”) and Congress have enacted radical changes to the patent system. We cannot accurately predict future changes in the interpretation of patent laws or changes to patent laws which might be enacted into law. Those changes may materially affect our patents, our ability to obtain patents and/or the patents and applications of our collaborators and licensors. The patent situation in these fields outside the United States is even more uncertain. 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 or narrow the scope of our patent protection. Accordingly, we cannot predict the breadth of claims that may be allowed or enforced in the patents we own or which we license or third-party patents.

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 a competitive advantage. For example:

- others may be able to make or use compounds that are the same or similar to the pharmaceutical compounds used in our product candidates but that are not covered by the claims of our patents;
- the Active Pharmaceutical Ingredients (“APIs”) in our licensed product TLANDO and current product candidates LPCN 1154, LPCN 1148, LPCN 1144, LPCN 1111, and LPCN 1107 are, or may soon become, commercially available in generic drug products, and no patent protection may be available without regard to formulation or method of use;
- we may not be able to detect infringement against our owned or licensed patents, which may be especially difficult for manufacturing processes or formulation patents;
- we might not have been the first to make the inventions covered by our issued patents or pending patent applications or those we license;
- we might not have been the first to file patent applications for these inventions;
- others may independently develop similar or alternative technologies or duplicate any of our technologies;
- it is possible that our pending patent applications or those of our licensor will not result in issued patents;
- it is possible that there are dominating patents to any of our product candidates of which we are not aware;
- it is possible that there are prior public disclosures that could invalidate our patents, or parts of our patents, of which we are not aware;
- it is possible that others may circumvent our owned or licensed patents;

- it is possible that there are unpublished applications or other patent applications maintained in secrecy that may issue later than our patents/applications but may have priority dates that are earlier than our priority dates and may have claims covering our products or technology similar to ours;
- the laws of foreign countries may not protect our proprietary rights to the same extent as the laws of the United States;
- the claims of our owned or licensed issued patents or patent applications, if and when issued, may not cover our product candidates;
- our issued patents or those of our licensor may not provide us with any competitive advantages, or may be narrowed in scope, be held invalid or unenforceable as a result of legal challenges by third parties;
- our licensor or licensees as the case may be, who have access to our patents, may attempt to enforce our owned or licensed patents, which if unsuccessful, may result in narrower scope of protection of our owned or licensed patents or our owned or licensed patents becoming invalid or unenforceable;
- we may not develop additional proprietary technologies for which we can obtain patent protection; or
- the patents of others may have an adverse effect on our business.

We also may rely on trade secrets to protect our technology, especially where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect, and we have limited control over the protection of trade secrets used by our collaborators and suppliers. Although we use reasonable efforts to protect our trade secrets, our employees, consultants, contractors, outside scientific collaborators and other advisors may unintentionally or willfully disclose our information to competitors. Enforcing a claim that a third party illegally obtained and is using for 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. If our confidential or proprietary information is divulged to or acquired by third parties, including our competitors, our competitive position in the marketplace will be harmed and our ability to successfully penetrate our target markets could be severely compromised.

If any of our owned or licensed patents are found to be invalid or unenforceable, or if we are otherwise unable to adequately protect our rights, it could have a material adverse impact on our business and our ability to commercialize or license our technology and products. Additionally, we currently do not have patent protection for some of our product candidates in many countries, including large territories such as India, Russia, and China, and we will be unable to prevent unauthorized third parties from using our intellectual property in those countries unless we can file patent applications and obtain patents in those countries that cover our product candidates. Likewise, our United States patents covering certain technology used in our product candidates, including TLANDO, are expected to expire on various dates through 2041. Upon the expiration of these patents, we will lose the right to exclude others from practicing these inventions to the extent that at those times we have no additional issued patents to protect our product candidates, including TLANDO. Additionally, if these are our only patents listed in the FDA Orange Book, should we have an FDA-approved and marketed product at that time, their expiration will mean that we lose certain advantages that come with Orange Book listing of patents. The expiration of these patents could also have a similar material adverse effect on our business, results of operations, financial condition and prospects. Moreover, if we are unable to commence or continue any action relating to the defense of our patents, we may be unable to protect our product candidates.

If we do not obtain additional protection under the Drug Price Competition and Patent Term Restoration Act and similar foreign legislation by extending the patent terms and obtaining data exclusivity for our product candidates, our business may be materially harmed.

Depending upon the timing, duration and specifics of FDA marketing approval of our product candidates, one or more of our U.S. patents may be eligible for limited patent term restoration under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Act. The Hatch-Waxman Act permits a patent restoration term of up to five years as compensation for patent term lost during product development and the FDA regulatory review process. However, we may not be granted an extension because of, for example, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents or competitor's prior product launch or otherwise failing to satisfy applicable requirements. Moreover, the applicable time period or the scope of patent protection afforded could be less than we request. If we are unable to obtain patent term extension or restoration or the term of any such extension is less than we request, our competitors may obtain approval of competing products following our patent expiration, and our ability to generate revenues could be materially adversely affected.

We may incur substantial costs as a result of litigation or other proceedings relating to patent and other intellectual property rights, and we may be unable to protect our rights to our products and technology.

If we or our collaborators choose to go to court to stop a third party from using the inventions claimed in our owned or licensed patents, that third party may ask a court to rule that the patents are invalid and should not be enforced against that third party. These lawsuits are expensive and would consume time and other resources, including financial resources, even if we were successful in stopping the infringement of these patents. In addition, there is a risk that a court will decide that these patents are not valid or not enforceable and that we do not have the right to stop others from using the inventions.

There is also the risk that, even if the validity of these patents is not challenged or is upheld, the court will refuse to stop the third party on the ground that such third-party's activities do not infringe on our owned or licensed patents. In addition, the U.S. Supreme Court has changed and continues to change some standards relating to the granting of patents and assessing the validity of patents. As a consequence, issued patents may be found to contain invalid claims according to the newly revised standards. Some of our owned or licensed patents may be subject to challenge and subsequent invalidation or significant narrowing of claim scope in a reexamination or other proceeding before the USPTO, or during litigation, under the revised criteria which make it more difficult to obtain or maintain patents.

While our in-licensed patents and applications are not currently used in our product candidates, should we develop other product candidates that are covered by this intellectual property, we may rely on our licensor to file and prosecute patent applications and maintain patents and otherwise protect the intellectual property we license from them. Our licensor has retained the first right, but not the obligation, to initiate an infringement proceeding against a third-party infringer of the intellectual property licensed to us, and enforcement of our in-licensed patents or defense of any claims asserting the invalidity or unenforceability of these patents would also be subject to the control or cooperation of our licensor. It is possible that our licensor's defense activities may be less vigorous than had we conducted the defense ourselves.

We also license our patent portfolio, including U.S. and foreign patents and patent applications that cover TLANDO and our other product candidates, to third parties for their respective products and product candidates. Under our agreements with our licensees, we have the right, but not the obligation, to enforce our current and future licensed patents against infringers of our licensees. In certain cases, our licensees may have primary enforcement rights and we have the obligation to cooperate. In the event of an enforcement action against infringers of our licensees, our licensees might not have the interest or resources to successfully preserve the patents, the infringers may countersue, and as a result our patents may be found invalid or unenforceable or of a narrower scope of coverage and leave us with no patent protection for TLANDO and our other product candidates.

We may be subject to a third-party pre-issuance submission of prior art to the USPTO, or become involved in opposition, derivation, reexamination, inter partes review, post-grant review or interference proceedings challenging our owned or licensed patent rights or the patent rights of others. An adverse determination in any such submission, proceeding or litigation could reduce the scope of, or invalidate, our owned or licensed patent rights, allow third parties to commercialize our technology or products and compete directly with us, without payment to us, or result in our inability to manufacture or commercialize products without infringing third party patent rights. In addition, if the breadth or strength of protection provided by our patents and patent applications is threatened, it could dissuade companies from collaborating with us to license, develop or commercialize current or future product candidates and impair our ability to raise needed capital.

If we are required to defend patent infringement actions brought by other third parties, or if we sue to protect our own patent rights or otherwise to protect our proprietary information and to prevent its disclosure, we may be required to pay substantial litigation costs and managerial attention and financial resources may be diverted from business operations even if the outcome is in our favor.

If we are sued for infringing intellectual property rights of third parties, it will be costly and time consuming, and an unfavorable outcome in that litigation would have a material adverse effect on our business.

Our commercial success depends upon our ability and the ability of our collaborators to develop, manufacture, market and sell our product candidates and use our proprietary technologies without infringing the proprietary rights of third parties. Numerous U.S. and foreign patents and pending patent applications, which are owned by third parties, exist in the fields relating to our product candidates. As the biotechnology, pharmaceutical, and related industries expand and more patents are issued, the risk increases that others may assert that our product or product candidates infringe the patent rights of others. Moreover, it is not always clear to industry participants, including us, which patents cover various types of drugs, products or their formulations or methods of use. Thus, because of the large number of patents issued and patent applications filed in our fields, there may be a risk that third parties may allege they have patent rights encompassing our product, product candidates, technology, or methods. For example, on November 2, 2015, Clarus Therapeutics Holdings, Inc. (Clarus) filed a complaint against us in the United States District Court for the District of Delaware alleging that TLANDO would infringe the Clarus 428 Patent, and the complaint sought damages, declaratory and injunctive relief. On October 6, 2016, United States District Court of the District of Delaware granted our motion to dismiss the lawsuit filed by Clarus, because at the time there was no actionable infringement on Clarus' 428 patent.

In addition, there may be issued patents of third parties of which we are currently unaware, that are infringed or are alleged to be infringed by our product candidates or proprietary technologies. Because some patent applications in the United States may be maintained in secrecy until the patents are issued, because patent applications in the United States and many foreign jurisdictions are typically not published until eighteen months after filing, and because publications in the scientific literature often lag behind actual discoveries, we cannot be certain that others have not filed patent applications for technology covered by our or our licensor's patents or our pending applications, or that we were the first to invent the technology. Our competitors may have filed, and may in the future file, patent applications covering our products or technology similar to ours. Any such patent application may have priority over our owned or licensed patent applications or patents, which could further require us to obtain rights to issued patents covering such technologies. If another party has filed a U.S. patent application on inventions similar to those owned or licensed by us, we may have to participate in an interference proceeding declared by the USPTO to determine priority of invention in the United States. If another party has an allowed reason to question the validity of our owned or licensed U.S. patents, the third party can request that the USPTO reexamine the patent claims, which may result in a loss of scope of some claims or a loss of the entire patent. In addition to potential infringement claims, interference and reexamination proceedings, we may become a party to patent opposition proceedings in the European Patent Office or post-grant proceedings in the United States where either our patents are challenged, or we are challenging the patents of others. The costs of these proceedings could be substantial, and it is possible that such efforts would be unsuccessful, for example if the other party had independently arrived at the same or similar invention prior to our invention, resulting in a loss of our U.S. patent position with respect to such inventions. We may be exposed to, or threatened with, future litigation by third parties having patent or other intellectual property rights alleging that our product candidates and/or proprietary technologies infringe their intellectual property rights. These lawsuits are costly and could adversely affect our results of operations and divert the attention of managerial and technical personnel. There is a risk that a court would decide that we or our commercialization partners are infringing the third party's patents and would order us or our partners to stop the activities covered by the patents. In addition, there is a risk that a court will order us or our partners to pay the other party damages for having violated the other party's patents.

If a third-party's patent was found to cover our product candidates, proprietary technologies or their uses, we or our collaborators could be enjoined by a court and required to pay damages and could be unable to commercialize any one or more of our product candidates or use our proprietary technologies unless we or they obtain a license to the patent. A license may not be available to us or our collaborators on acceptable terms, if at all. In addition, during litigation, the patent holder could obtain a preliminary injunction or other equitable relief which could prohibit us from making, using or selling our products, technologies or methods pending a trial on the merits, which could be years away.

There is a substantial amount of litigation involving patent and other intellectual property rights in the biotechnology, pharmaceutical, and related industries generally. If a third-party claims that we or our collaborators infringe its intellectual property rights, we may face a number of issues, including, but not limited to:

- infringement and other intellectual property claims which, regardless of merit, may be expensive and time-consuming to litigate and may divert our management's attention from our core business;
- substantial damages for infringement, which we may have to pay if a court decides that the product at issue infringes on or violates the third party's rights, and if the court finds that the infringement was willful, we could be ordered to pay treble damages and the patent owner's attorneys' fees;
- a court prohibiting us from selling or licensing the product unless the third-party licenses its product rights to us, which it is not required to do;
- if a license is available from a third party, we may have to pay substantial royalties, upfront fees and/or grant cross-licenses to intellectual property rights for our products; and
- redesigning our products or processes so they do not infringe, which may not be possible or may require substantial monetary expenditures and time.

Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. In addition, any uncertainties resulting from the initiation and continuation of any litigation could have a material adverse effect on our ability to raise the funds necessary to continue our operations or otherwise have a material adverse effect on our business, results of operations, financial condition, and prospects.

Although we own worldwide rights to our product candidates, we do not have patent protection for the product candidates in a significant number of countries, and we will be unable to prevent infringement in those countries.

Our patent portfolio related to our product candidates includes patents in the United States and other foreign countries. The covered technology and the scope of coverage varies from country to country. For those countries where we do not have granted patents, we have no ability to prevent the unauthorized use of our intellectual property, and third parties in those countries may be able to make, use, or sell products identical to, or substantially similar to our product candidates.

Obtaining and maintaining our 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/annuity fees on our owned or licensed patents and patent applications are due to be paid to respective patent offices in several stages over the lifetime of the patents and applications. In addition, the USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. There are situations in which noncompliance 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. In such an event, our competitors might be able to enter the market and this circumstance would have a material adverse effect on our business.

We also may rely on trade secrets and confidentiality agreements to protect our technology and know-how, especially where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect, and we have limited control over the protection of trade secrets used by our collaborators and suppliers. Although we use reasonable efforts to protect our trade secrets, our employees, consultants, contractors, outside scientific collaborators, and other advisors may unintentionally or willfully disclose our information to competitors. Enforcing a claim that a third party 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. If our confidential or proprietary information is divulged to or acquired by third parties, including our competitors, our competitive position in the marketplace will be harmed and our ability to successfully generate revenues from our product candidates, if approved by the FDA or other regulatory authorities, could be adversely affected.

We may be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

As is common in the biotechnology, pharmaceutical and related industries, we employ individuals who were previously employed at other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although no claims against us are currently pending, we may be subject to claims that these employees or we have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management, which would adversely affect our financial condition.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Risk Management and Strategy

We regularly assess risks from cybersecurity threats, monitor our information systems for potential vulnerabilities, and test those systems pursuant to our cybersecurity policies, processes, and practices, which are integrated into our overall risk management program. To protect our information systems from cybersecurity threats, we use various security tools that are designed to help identify, escalate, investigate, resolve, and recover from security incidents in a timely manner. Our board of directors assesses risks based on probability and potential impact to key business systems and processes as part of our overall risk management program overseen by the board of directors. Risks that are considered high are incorporated into our overall risk management program. We collaborate with third parties to assess the effectiveness of our cybersecurity prevention and response systems and processes and to assist in the identification, verification, and validation of cybersecurity risks, as well as to support associated mitigation plans when necessary. We have also developed a third-party cybersecurity risk management process to conduct due diligence on external entities, including those that perform cybersecurity services. Cybersecurity threats, including those resulting from any previous cybersecurity incidents, have not materially affected our Company, including our business strategy, results of operations, or financial condition. Refer to the risk factor captioned "*Cyber security risks and the failure to maintain the integrity of company, employee or guest data could expose us to data loss, litigation and liability, and our reputation could be significantly harmed*" in Part I, Item 1A. "Risk Factors" for additional details regarding cybersecurity risks and potential impacts on our business.

Governance

Our board of directors oversees our risk management process, including as it pertains to cybersecurity risks, which focuses on the most significant risks we face in the short-, intermediate-, and long-term timeframe. Management is responsible for the operational oversight of company-wide cybersecurity strategy, policy, and standards across relevant departments to assess and help prepare us to address cybersecurity risks. Meetings of our board of directors include discussions and presentations from management regarding specific risk areas throughout the year, including, among others, those relating to cybersecurity threats, and reports from management on our enterprise risk profile on an annual basis. The board of directors reviews our cybersecurity risk profile with management on a periodic basis using key performance and/or risk indicators. These key performance indicators are metrics and measurements designed to assess the effectiveness of our cybersecurity program in the prevention, detection, mitigation, and remediation of cybersecurity incidents. We take a risk-based approach to cybersecurity and have implemented cybersecurity policies throughout our operations that are designed to address cybersecurity threats and incidents.

ITEM 2. PROPERTIES

Our corporate headquarters are located in a leased facility in Salt Lake City, Utah. Our lease expires on February 28, 2025. We believe that our existing facility is suitable and adequate and that we have sufficient capacity to meet our current anticipated needs.

ITEM 3. LEGAL PROCEEDINGS

On April 2, 2019, we filed a lawsuit against Clarus in the United States District Court for the District of Delaware alleging that Clarus's JATENZO® product infringes six of Lipocine's issued U.S. patents: 9,034,858; 9,205,057; 9,480,690; 9,757,390; 6,569,463; and 6,923,988. However, on February 11, 2020, we voluntarily dismissed allegations of patent infringement for expired U.S. Patent Nos. 6,569,463 and 6,923,988 in an effort to streamline the issues and associated costs for dispute. Clarus answered the complaint and asserted counterclaims of non-infringement and invalidity. We answered Clarus's counterclaims on April 29, 2019. The Court held a scheduling conference on August 15, 2019, a claim construction hearing on February 11, 2020, and a summary judgment hearing on January 15, 2021. In May 2021, the Court granted Clarus' motion for summary judgment, finding the asserted claims of Lipocine's U.S. patents 9,034,858; 9,205,057; 9,480,690; and 9,757,390 invalid for failure to satisfy the written description requirement of 35 U.S.C. § 112. Clarus still had remaining claims before the Court. On July 13, 2021, we entered into the Global Agreement with Clarus which resolved all outstanding claims of this litigation as well as the on-going United States Patent and Trademark Office ("USPTO") Interference No. 106,128 between the parties (as described below). Under the terms of the Global Agreement, Lipocine agreed to pay Clarus \$4.0 million payable as follows: \$2.5 million immediately, \$1.0 million on July 13, 2022, and \$500,000 on July 13, 2023. On July 15, 2021, the Court dismissed with prejudice Lipocine's claims and Clarus' counterclaims. In April 2022, we agreed to an amendment to Section 3.1 of the Global Agreement with Clarus pursuant to which we agreed to settle the payments due in July 2022 and 2023 for \$1,250,000 rather than the \$1,500,000 total future payments due. No future royalties are owing from either party.

On November 14, 2019, we and certain of our officers were named as defendants in a purported shareholder class action lawsuit, *Solomon Abady v. Lipocine Inc. et al.*, 2:19-cv-00906-PMW, filed in the United District Court for the District of Utah. The complaint alleges that the defendants made false and/or misleading statements and/or failed to disclose that our filing of the NDA for TLANDO to the FDA contained deficiencies and as a result the defendants' statements about our business and operations were false and misleading and/or lacked a reasonable basis in violation of federal securities laws. The lawsuit seeks certification as a class action (for a purported class of purchasers of the Company's securities from March 27, 2019, through November 8, 2019), compensatory damages in an unspecified amount, and unspecified equitable or injunctive relief. We have insurance that covers claims of this nature. The retention amount payable by us under our policy is \$1.25 million. On April 14, 2023, a judgment was issued ordering the case dismissed with prejudice and closure of the action.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

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

Market Information

Our common stock is quoted on The NASDAQ Capital Market under the symbol "LPCN".

Holders

As of March 5, 2024, there were approximately 87 holders of record of our common stock. This number does not include an undetermined number of stockholders whose stock is held in "street" or "nominee" name.

Dividends

We do not anticipate paying any cash dividends on our common stock in the foreseeable future. We intend to retain any future earnings to finance growth and development and therefore do not anticipate paying cash dividends in the foreseeable future.

ITEM 6. RESERVED

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

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes thereto and other financial information included elsewhere in this report.

As used in the discussion below, "we," "our," and "us" refers to the historical financial results of Lipocine.

Forward Looking Statements

This section and other parts of this report contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve risks and uncertainties. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward-looking statements may refer to such matters as products, product benefits, pre-clinical and clinical development timelines, clinical and regulatory expectations and plans, anticipated financial performance, future revenues or earnings, business prospects, projected ventures, new products and services, anticipated market performance, future expectations for liquidity and capital resources needs and similar matters. Such words as "may", "will", "expect", "continue", "estimate", "project", and "intend" and similar terms and expressions are intended to identify forward looking statements. Forward-looking statements are not guarantees of future performance and our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part I, Item 1A (Risk Factors) of this Form 10-K. Except as required by applicable law, we assume no obligation to revise or update any forward-looking statements for any reason.

Overview of Our Business

We are a biopharmaceutical company focused on leveraging our proprietary Lip^{ral} platform to develop differentiated products through the oral delivery of previously difficult to deliver molecules, focused on treating Central Nervous System ("CNS") disorders. Our proprietary delivery technologies are designed to improve patient compliance and safety through orally available treatment options. Our primary development programs are based on oral delivery solutions for poorly bioavailable drugs. We have a portfolio of differentiated innovative product candidates that target high unmet needs for neurological and psychiatric CNS disorders, liver diseases, and hormone supplementation for men and women.

We entered into a license agreement for the development and commercialization our product candidate, TLANDO®, an oral testosterone replacement therapy ("TRT") comprised of testosterone undecanoate ("TU"). On January 12, 2024, we entered into a license agreement (the "Verity License Agreement") with Verity Pharmaceuticals, Inc. ("Verity" or our "Licensee"), pursuant to which we granted to Verity an exclusive, royalty-bearing, sublicensable right and license to develop and commercialize the TLANDO product for TRT in the U.S. and Canada. Any FDA required post-marketing studies will also be the responsibility of our Licensee, Verity. On March 28, 2022, the FDA approved TLANDO as a TRT in adult males for conditions associated with a deficiency of endogenous testosterone, also known as hypogonadism. On June 7, 2022, our former commercial partner Antares (a wholly owned subsidiary of Halozyme) announced the commercial launch of TLANDO, an oral treatment indicated for testosterone replacement therapy in adult males for conditions associated with a deficiency or absence of endogenous testosterone (primary or hypogonadotropic hypogonadism).

Additional clinical development pipeline candidates include: LPCN 1154 for postpartum depression (“PPD”); LPCN 2101 for epilepsy; and LPCN 2203 for essential tremor. In addition to our CNS product candidates, we have assets for which we expect to seek partnerships to enable further development including TLANDO for territories outside of North America, LPCN 1148 comprising a novel prodrug of testosterone, and testosterone laurate (“TL”), for the management of decompensated cirrhosis, LPCN 1144, an oral prodrug of androgen receptor modulator for the treatment of non-cirrhotic non-alcoholic steatohepatitis (“NASH”) which has completed Phase 2 testing; and LPCN 1107, potentially the first oral hydroxy progesterone caproate (“HPC”) product indicated for the prevention of recurrent preterm birth (“PTB”), which has completed a dose finding clinical study in pregnant women and has been granted orphan drug designation by the FDA.

To date, we have funded our operations primarily through the sale of equity securities, debt and convertible debt and through up-front payments, research funding and royalty and milestone payments from our license and collaboration arrangements. We have not generated any revenues from product sales and while we expect to generate royalties from our Licensee’s sales of TLANDO, we do not expect to generate revenue from product sales from our other product candidates unless and until approval.

We have incurred losses in most years since our inception. As of December 31, 2023, we had an accumulated deficit of \$199.8 million. Income and losses fluctuate year to year, primarily depending on the nature and timing of research and development occurring on our product candidates. Our net loss was \$16.4 million for the year ended December 31, 2023, compared to \$10.8 million for the year ended December 31, 2022. Substantially all of our operating losses resulted from expenses incurred in connection with our product candidate development programs, our research activities and general and administrative costs associated with our operations.

We expect to continue to incur significant expenses and operating losses for the foreseeable future as we:

- subject to resource availability, conduct further development of our other product candidates, including LPCN 1154, LPCN 2101, LPCN 2203, and LPCN 1148;
- continue our research efforts;
- research new products or new uses for our existing products;
- maintain, expand and protect our intellectual property portfolio; and
- provide general and administrative support for our operations.

To fund future long-term operations, including the potential commercialization of any of our product candidates, we will need to raise additional capital. The amount and timing of future funding requirements will depend on many factors, including capital market conditions, regulatory requirements and commercial success of TLANDO, regulatory requirements related to our other product development programs, the timing and results of our ongoing development efforts, the potential expansion of our current development programs, potential new development programs, our ability to license and/or partner our products to third parties, the pursuit of various potential commercial activities and strategies associated with our development programs and related general and administrative support. We anticipate that we will seek to fund our operations through public or private equity or debt financings or other sources, such as potential license, partnering and collaboration agreements. We cannot be certain that anticipated additional financing will be available to us on favorable terms, in amounts sufficient to fund our operations, or at all. Although we have previously been successful in obtaining financing through public and private equity securities offerings and our license and collaboration agreements, there can be no assurance that we will be able to do so in the future.

Corporate Strategy

Our goal is to become a leading biopharmaceutical company focused on leveraging our proprietary Lip’ral drug delivery technology platform to develop differentiated products through oral delivery of previously difficult to deliver molecules for CNS disorders. The key components of our strategy are to:

Advance LPCN 1154 and other CNS product candidates. We intend to focus on the development of endogenous neuroactive steroids (“NAS”) which have broad applicability in treating various CNS conditions where we can leverage our technology platform to develop highly differentiated oral therapeutics. Our priority is on the development of LPCN 1154, a fast-acting oral antidepressant for postpartum depression (“PPD”) with potential for outpatient use.

Support our Licensee in commercialization of our licensed oral TRT option. We believe the TRT market needs a differentiated, convenient oral option. We have exclusively licensed rights to TLANDO to Verity for commercialization of TLANDO in the U.S. and Canada. We plan to support our Licensee's efforts to effectively enable the availability of TLANDO to patients in a timely manner, in addition to receiving milestone and royalty payments associated with TLANDO commercialization as agreed to in the Verity License Agreement.

Develop partnership(s) to continue the advancement of non-core pipeline assets. We continuously strive to prioritize our resources in seeking partnerships of our pipeline assets. We are currently exploring partnering of our liver programs LPCN 1144, our candidate for treatment of non-cirrhotic NASH and LPCN 1148 for the management of decompensated cirrhosis, and LPCN 1107, our candidate for prevention of pre-term birth. We are exploring the possibility of licensing LPCN 1021 (known as TLANDO in the United States) and LPCN 1111 to third parties outside the United States and Canada, although no licensing agreement has been entered into by the Company.

Financial Operations Overview

Revenue

To date, we have not generated any revenues from product sales and do not expect to do so until one of our product candidates receives approval from the FDA. Revenues to date have been generated substantially from license fees, royalty and milestone payments and research support from our licensees. Since our inception through December 31, 2023, we have generated \$41.9 million in revenue under our various license and collaboration arrangements and from government grants. We have entered into the Verity License Agreement with the potential for revenue from future milestones and royalties, but we may never generate revenues from any of our clinical or preclinical development programs or licensed products as we may never succeed in obtaining regulatory approval or commercializing any of these product candidates.

Research and Development Expenses

Research and development expenses consist primarily of salaries, benefits, stock-based compensation and related personnel costs, fees paid to external service providers such as contract research organizations and contract manufacturing organizations, contractual obligations for clinical development, clinical sites, manufacturing and scale-up for late-stage clinical trials, formulation of clinical drug supplies, and expenses associated with regulatory submissions. Research and development expenses also include an allocation of indirect costs, such as those for facilities, office expense and depreciation of equipment based on the ratio of direct labor hours for research and development personnel to total direct labor hours for all personnel. We expense research and development expenses as incurred. Since our inception, we have spent approximately \$147.2 million in research and development expenses through December 31, 2023.

On January 12, 2024, we entered into the Verity License Agreement, pursuant to which we granted to Verity an exclusive, royalty-bearing, sublicensable right and license to develop and commercialize our TLANDO product for TRT in the U.S. and Canada. Any FDA required post-marketing studies will also be the responsibility of our Licensee, Verity. On March 28, 2022, TLANDO was approved by the FDA as a TRT in adult males for conditions associated with a deficiency of endogenous testosterone, also known as hypogonadism. On January 31, 2024, our license agreement with former licensee, Antares Pharma, Inc. ("Antares"), was terminated and the transition of the U.S. commercial rights for TLANDO from Antares to Verity was completed on February 1, 2024, for the distribution, marketing and sale of TLANDO. The Verity License Agreement also provides Verity with a license to develop and commercialize TLANDO XR (LPCN 1111), the Company's potential next generation, once daily oral product candidate for testosterone replacement therapy comprised of testosterone tridecanoate ("TT"), in the U.S. and Canada.

We expect to continue to incur significant costs as we develop our other product candidates, including our CNS product candidates as well as the development of any future pipeline product candidates.

In general, the cost of clinical trials may vary significantly over the life of a project as a result of uncertainties in clinical development, including, among others:

- the number of sites included in the trials;
- the length of time required to enroll suitable subjects;

- the duration of subject follow-ups;
- the length of time required to collect, analyze and report trial results;
- the cost, timing and outcome of regulatory review; and
- potential changes by the FDA in clinical trial and NDA filing requirements.

Future research and development expenditures are subject to numerous uncertainties regarding timing and cost to completion, including, among others:

- the timing and outcome of regulatory filings and FDA reviews and actions for product candidates;
- our dependence on third-party manufacturers for the production of satisfactory finished product for registration and launch should regulatory approval be obtained on any of our product candidates;
- the potential for future license or co-promote arrangements for our product candidates, when such arrangements will be secured, if at all, and to what degree such arrangements would affect our future plans and capital requirements; and
- the effect on our product development activities of actions taken by the FDA or other regulatory authorities.

A change of outcome for any of these variables with respect to the development of our product development candidates could mean a substantial change in the costs and timing associated with these efforts, could require us to raise additional capital, and may require us to reduce operations.

Given the stage of clinical development and the significant risks and uncertainties inherent in the clinical development, manufacturing and regulatory approval process, we are unable to estimate with any certainty the time or cost to complete the development of LPCN 1154, LPCN 2101, LPCN 2203, LPCN 1148, LPCN 1144, LPCN 1111, LPCN 1107 and other product candidates. Clinical development timelines, the probability of success and development costs can differ materially from expectations and results from our clinical trials may not be favorable. If we are successful in progressing LPCN 1154, LPCN 2101, LPCN 2203 or other future product candidates into later stage development, we will require additional capital. The amount and timing of our future research and development expenses for these product candidates will depend on the pre-clinical and clinical success of both our current development activities and potential development of new product candidates, as well as ongoing assessments of the commercial potential of such activities. We will continue efforts to enter into partnership arrangements for the continued development and/or marketing of LPCN 1144, LPCN 1148, LPCN 1107 and for TLANDO and LPCN 1111 outside of the U.S. and Canada.

We expect research and development expenses to increase in the future as we complete on-going clinical studies, including the studies for our CNS product candidates and as we conduct future clinical studies, including when and if we conduct Phase 2 clinical studies with our development product candidates and when and if we conduct Phase 3 clinical studies with LPCN 1144, LPCN 1148, and LPCN 1107. We are exploring the possibility of licensing LPCN 1144, LPCN 1148, and LPCN 1107, although we have not entered into a licensing agreement and no assurance can be given that any license agreement will be completed, or, if an agreement is completed, that such an agreement would be on terms favorable to us. If we are unable to raise additional capital or obtain non-dilutive financing, we may need to reduce research and development expenses in order to extend our ability to continue as a going concern.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related benefits, including stock-based compensation related to our executive, finance, business development, and support functions. Other general and administrative expenses include rent and utilities, travel expenses, professional fees for auditing, tax, legal and various other services.

General and administrative expenses also include expenses for the cost of preparing, filing and prosecuting patent applications and maintaining, enforcing and defending intellectual property-related claims.

We expect that general and administrative expenses will increase in the future as we continue as a public company, including legal and consulting fees, accounting and audit fees, director fees, directors' and officers' insurance premiums, fees for investor relations services and enhanced business and accounting systems, litigation costs, professional fees and other costs. However, if we are unable to raise additional capital, we may need to reduce general and administrative expenses in order to extend our ability to continue as a going concern.

Other Expense (Income), Net

Other expense (income), net consists primarily of interest income earned on our cash, cash equivalents and marketable investment securities, imputed interest on minimum royalties under the license agreement we had with Antares, which was terminated January 31, 2024, gains on our warrant liability and gains on our litigation liability.

Results of Operations

Comparison of the Years Ended December 31, 2023 and 2022

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

	Years Ended December 31,		Variance
	2023	2022	
Revenue	\$ (2,850,818)	\$ 500,000	\$ (3,350,818)
Research and development expenses	10,175,251	8,556,888	1,618,363
General and administrative expenses	4,904,888	4,062,487	842,401
Interest and investment income	1,366,940	572,578	794,362
Interest expense	-	(27,098)	27,098
Unrealized gain on warrant liability	212,690	565,940	(353,250)
Gain on litigation settlement	-	250,000	(250,000)
Income tax expense	(755)	(681)	(74)

Revenue

We recognized a net reversal of variable consideration revenue of \$2.9 million during the year ended December 31, 2023, compared to revenue of \$500,000 during the year ended December 31, 2022. Net reversal of variable consideration revenue in 2023 was mainly attributable to the reversal of variable consideration revenue recognized for minimum guaranteed royalties in 2021 under the license agreement with Antares, offset by \$110,000 in license revenue payments received from Spriaso under a licensing agreement in the cough and cold field. License revenue in 2022 was related to a non-refundable cash fee of \$500,000 received from Antares for consideration of a 90-day extension to exercise its option to license LPCN 1111. On June 30, 2022, Antares' option to license TLANDO XR expired and was not exercised. On October 2, 2023, the Company received notice from Antares of Antares' termination of the Antares License Agreement which stated that the Antares License Agreement will terminate effective January 31, 2024. On January 12, 2024, the Company entered into the Verity License Agreement with Verity. Upon termination of the Antares License Agreement, all rights and licenses granted by the Company to Antares under the Antares License Agreement terminated and all rights in TLANDO were transferred to the Company's new licensing partner, Verity.

Research and Development Expenses

We recorded research and development expenses of \$10.2 million and \$8.6 million, respectively, for the years ended December 31, 2023 and 2022. The increase in research and development expenses during the year ended December 31, 2023 was primarily due to a \$1.2 million increase in contract research organization expense related to our LPCN 1154 clinical studies, a \$591,000 increase in TLANDO manufacturing related costs, a \$560,000 increase related to our Phase 2 POC study in male patients with cirrhosis with LPCN 1148, and a \$537,000 increase in personnel expense primarily resulting from additional headcount. These increases are offset by a \$600,000 decrease related to LPCN 1111 scale up costs in 2022, a \$416,000 decrease in contract research organization expense and outside consulting costs related to the LPCN 1144 *LiFT* Phase 2 clinical study in NASH subjects, a \$144,000 decrease in our LPCN 1107 clinical study, and a \$123,000 decrease in other research and development activities.

General and Administrative Expenses

We recorded general and administrative expenses of \$4.9 million and \$4.1 million, respectively, for the years ended December 31, 2023 and 2022. The increase in general and administrative expenses during the year ended December 31, 2023 was primarily due to a \$374,000 increase in business development and strategic advisory services related expenses, a \$217,000 increase in legal fees relating to corporate matters such as our reverse stock split, potential licensing partnerships, and corporate strategy, a \$219,000 increase in personnel related costs, a \$188,000 increase in franchise taxes resulting from our increase in authorized shares and reverse stock split, a \$133,000 increase in director fees, a \$41,000 increase in other general and administrative expenses and a \$22,000 increase in royalty expense relating to the net sales of TLANDO. These increases were offset by a \$222,000 decrease in corporate insurance expense, a \$138,000 decrease related to the recruitment of two additional directors, and a \$8,000 decrease in our various consulting and professional fees.

Interest and Investment Income

The increase in interest and investment income during the year ended December 31, 2023 was due to higher interest rates in 2023 compared to 2022, despite declining cash and marketable investment securities balances quarter over quarter in 2023.

Interest Expense

The decrease in interest expense during the year ended December 31, 2023 is due to a decrease in interest expense on our Loan and Security Agreement with SVB, mainly as a result of lower principal balances in 2023 compared to 2022 as the SVB loan matured and was paid in full in June of 2022.

Unrealized Loss (Gain) on Warrant Liability

We recorded gains of \$213,000 and \$566,000, respectively, on warrant liability during the years ended December 31, 2023 and 2022 related to the change in the fair value of outstanding common stock warrants issued in the November 2019 Offering. The gains in 2023 and 2022 were attributable to a decrease in the value of warrants outstanding as of December 31, 2023 as compared to December 31, 2022, and a decrease in the value of warrants outstanding as of December 31, 2022 as compared to December 31, 2021. These decreases in value were due to a decrease in our stock price and a shorter term remaining on the outstanding warrants. There were no common stock warrants from the November 2019 Offering exercised during 2023 or 2022. The warrants are classified as a liability due to a provision contained within the warrant agreement which allows the warrant holder the option to elect to receive an amount of cash equal to the value of the warrants as determined in accordance with the Black-Scholes option pricing model with certain defined assumptions upon a change of control. The warrant liability will continue to fluctuate in the future based on inputs to the Black-Scholes model including our current stock price, the remaining life of the warrants, the volatility of our stock price, the risk-free interest rate and the number of common stock warrants outstanding.

Litigation Settlement

During the year ended December 31, 2022, we recorded a gain on the settlement of litigation liability of \$250,000 as a result of the April 2022 Amendment to Global Agreement with Clarus ("Amended Settlement Agreement"). The Amended Settlement Agreement settled the payments due in July 2022 and 2023 for \$1,250,000 rather than the \$1,500,000 total future payments due under the terms of the Global Agreement agreed to in 2021. Under the terms of the Global Agreement we entered into in 2021, we had agreed to pay Clarus \$4.0 million payable as follows: \$2.5 million which was paid in July 2021, \$1.0 million which was to be paid on July 13, 2022 and \$500,000 which was to be paid on July 13, 2023. No future royalties are owing from either party. On July 15, 2021, the Court dismissed with prejudice the Company's claims and Clarus' counterclaims.

Liquidity and Capital Resources

Since our inception, our operations have been primarily financed through sales of our equity securities, debt and payments received under our license and collaboration arrangements. We have devoted our resources to funding research and development programs, including discovery research, preclinical and clinical development activities. We have incurred operating losses in most years since our inception and we expect to continue to incur operating losses into the foreseeable future as we advance clinical development of LPCN 1154, LPCN 2101, LPCN 2203 and any other product candidate, including continued research efforts.

As of December 31, 2023, we had \$22.0 million of unrestricted cash, cash equivalents and marketable investment securities compared to \$32.5 million at December 31, 2022.

On January 12, 2024, we entered into the Verity License Agreement with Verity, pursuant to which we granted to Verity an exclusive, royalty-bearing, sublicensable right and license to develop and commercialize our TLANDO product with respect to TRT in the U.S. and Canada. Upon execution of the Verity License Agreement in January 2024 and upon transition of the commercialization of TLANDO from Antares to Verity in February 2024, Verity paid to us initial payments of \$2.5 million and \$5 million, respectively. Verity has also agreed to make additional payments to us of \$2.5 million before January 1, 2025 and \$1 million before January 1, 2026. The Verity License Agreement also provides Verity with a license to develop and commercialize TLANDO XR (LPCN 1111), the Company's potential next generation, once daily oral product candidate for testosterone replacement therapy comprised of testosterone tridecanoate ("TT"), in the U.S. and Canada. We are also eligible to receive milestone payments of up to \$259 million in the aggregate, depending on the achievement of certain development milestones and sales milestones in a single calendar year with respect to all products licensed by Verity under the Verity License Agreement. In addition, we receive tiered royalty payments at rates ranging from percentages of 12% up to 18% of net sales of all products licensed to Verity in the United States and Canada. Our ability to realize benefits from the Verity License Agreement, including milestone and royalty payments, is subject to a number of risks. We may not realize milestone or royalty payments in anticipated amounts, or at all.

On March 6, 2017, we entered into a sales agreement (“Sales Agreement”) with Cantor Fitzgerald & Co. (“Cantor”) pursuant to which we may issue and sell, from time to time, shares of our common stock having an aggregate offering price of up to the amount we have registered on an effective registration statement pursuant to which the offering is being made. We currently have registered up to \$50.0 million for sale under the Sales Agreement, pursuant to our Registration Statement on Form S-3 (the “Form S-3”), through Cantor as our sales agent. Cantor may sell our common stock by any method permitted by law deemed to be an “at the market offering” as defined in Rule 415(a)(4) of the Securities Act of 1933, as amended, including sales made directly on or through the NASDAQ Capital Market or any other existing trade market for our common stock, in negotiated transactions at market prices prevailing at the time of sale or at prices related to prevailing market prices, or any other method permitted by law. Cantor uses its commercially reasonable efforts consistent with its normal trading and sales practices and applicable law and regulations to sell these shares. We pay Cantor 3.0% of the aggregate gross proceeds from each sale of shares under the Sales Agreement. We have also provided Cantor with customary indemnification rights.

We are not obligated to make any sales of our common stock under the Sales Agreement. The offering of our common stock pursuant to the Sales Agreement will terminate upon the termination of the Sales Agreement as permitted therein. We and Cantor may each terminate the Sales Agreement at any time upon ten days’ prior notice.

As of December 31, 2023, we had sold an aggregate of 964,711 shares at a weighted-average sales price of \$34.52 per share under the At the Market Offering (the “ATM Offering”) for aggregate gross proceeds of \$33.3 million and net proceeds of \$32.1 million, after deducting sales agent commission and discounts and our other offering costs. During the year ended December 31, 2023, we sold 81,000 shares of our common stock pursuant to the ATM Offering at a weighted-average sales price of \$5.36 per share, resulting in net proceeds of approximately \$405,000, under the Sales Agreement which is net of approximately \$24,000 in expenses. During the year ended December 31, 2022, we did not sell any shares of our common stock pursuant to the ATM Offering. As of December 31, 2023, we had \$40.8 million available for sale under the Sales Agreement. However, as of November 22, 2023, we are subject to General Instruction I.B.6 of Form S-3 which limits the amounts that we may sell under the registration statement. As a result of such limitations, we have currently registered the offer and sale of shares of common stock pursuant to the Sales Agreement having an aggregate offering price of up to \$5.3 million.

We believe that our existing capital resources, together with interest thereon, will be sufficient to meet our projected operating requirements through at least March 31, 2025 which include on-going clinical studies for LPCN 1154 and/or LPCN 2101 or LPCN 2203 and research and development activities and compliance with regulatory requirements. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect if additional activities are performed by us including new clinical studies for LPCN 1148, LPCN 1144, and/or LPCN 1107. While we believe we have sufficient liquidity and capital resources to fund our projected operating requirements through at least March 31, 2025, we will need to raise additional capital at some point through the equity or debt markets or through additional out-licensing activities, either before or after March 31, 2025, to support our operations. If we are unsuccessful in raising additional capital as necessary, our ability to continue as a going concern will be limited. Further, our operating plan may change, and we may need additional funds to meet operational needs and capital requirements for product development, regulatory compliance and clinical trial activities sooner than planned. In addition, our capital resources may be consumed more rapidly if we pursue additional clinical studies for LPCN 1154, LPCN 2101, LPCN 2203, LPCN 1148, LPCN 1144, and/or LPCN 1107. Conversely, our capital resources could last longer if we reduce expenses, reduce the number of activities currently contemplated under our operating plan or if we terminate, modify or suspend on-going clinical studies. We can raise capital pursuant to the Sales Agreement but may choose not to issue common stock if our market price is too low to justify such sales in our discretion. There are numerous risks and uncertainties associated with the development and, subject to approval by the FDA, commercialization of our product candidates. There are numerous risks and uncertainties impacting our ability to enter into collaborations with third parties to participate in the development and potential commercialization of our product candidates. We are unable to precisely estimate the amounts of increased capital outlays and operating expenditures associated with our anticipated or unanticipated clinical studies and ongoing development efforts. All of these factors affect our need for additional capital resources. To fund future operations, we will need to ultimately raise additional capital and our requirements will depend on many factors, including the following:

- the scope, rate of progress, results and cost of our clinical studies, preclinical testing and other related activities for all of our product candidates, including LPCN 1154, LPCN 2101 and LPCN 2203, LPCN 1148, LPCN 1144, LPCN 1107;

- the cost of manufacturing clinical supplies, and establishing commercial supplies, of our product candidates and any products that we may develop;
- the cost and timing of establishing sales, marketing and distribution capabilities, if any;
- the terms and timing of any collaborative, licensing, settlement and other arrangements that we may establish;
- the number and characteristics of product candidates that we pursue;
- the cost, timing and outcomes of regulatory approvals;
- the timing, receipt and amount of sales, profit sharing or royalties, if any, from our potential products;
- the cost of preparing, filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- the extent to which we acquire or invest in businesses, products or technologies, although we currently have no commitments or agreements relating to any of these types of transactions; and
- the extent to which we grow significantly in the number of employees or the scope of our operations.

Funding may not be available to us on favorable terms, or at all. Also, market conditions may prevent us from accessing the debt and equity capital markets, including sales of our common stock through the Sales Agreement. If we are unable to obtain adequate financing when needed, we may have to delay, reduce the scope of or suspend one or more of our clinical studies, research and development programs or, if any of our product candidates receive approval from the FDA, commercialization efforts. We may seek to raise any necessary additional capital through a combination of public or private equity offerings, including the Sales Agreement, debt financings, collaborations, strategic alliances, licensing arrangements and other marketing and distribution arrangements. These arrangements may not be available to us or available on terms favorable to us. To the extent that we raise additional capital through marketing and distribution arrangements, other collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our product candidates, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us. If we do raise additional capital through public or private equity offerings, the ownership interest of our existing stockholders will be diluted, and the terms of these securities may include liquidation or other preferences, warrants or other terms that adversely affect our stockholders' rights or further complicate raising additional capital in the future. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we are unable, for any reason, to raise needed capital, we will have to reduce costs, delay research and development programs, liquidate assets, dispose of rights, commercialize products or product candidates earlier than planned or on less favorable terms than desired or reduce or cease operations.

Sources and Uses of Cash

The following table provides a summary of our cash flows for the years ended December 31, 2023 and 2022:

	Years Ended December 31,	
	2023	2022
Cash used in operating activities	\$ (11,865,991)	\$ (11,968,819)
Cash provided by investing activities	13,084,686	14,293,707
Cash provided by (used in) financing activities	404,567	(2,126,944)

Net Cash Used in Operating Activities

During each of the years ended December 31, 2023 and 2022, net cash used in operating activities was \$11.9 and \$12.0 million, respectively.

Net cash used in operating activities during 2023 and 2022 was primarily attributable to cash outlays to support on-going operations, including research and development expenses and general and administrative expenses. During 2023, we were performing activities mainly related to our LPCN 1154 clinical studies and our LPCN 1148 Phase 2 POC Study in male subjects with cirrhosis. During 2022, we were performing activities related to our Phase 2 POC study in male subjects with cirrhosis with LPCN 1148, our PK and food effect studies with LPCN 1154 and LPCN 1107, and the LPCN 1111 manufacturing scale up.

Net Cash Provided by Investing Activities

During the year ended December 31, 2023, net cash provided by investing activities was \$13.1 million and during the year ended December 31, 2022, net cash used in investing activities was \$14.3 million.

Net cash provided by investing activities during 2023 and 2022 was primarily the result of the maturity of marketable investment securities, net of \$36.0 million and \$59.5 million, respectively. There were \$13,000 and \$134,000 in capital expenditures for the years ended December 31, 2023 and 2022, respectively.

Net Cash Provided by (Used In) Financing Activities

During the year ended December 31, 2023, net cash provided by financing activities was \$405,000 and during the year ended December 31, 2022 net used in financing activities was \$2.1 million.

Net cash provided by financing activities during the year ended December 31, 2023, was related to the sale of 81,000 shares of our common stock under our ATM Offering, less associated costs. Net cash used in financing activities during the year ended December 31, 2022 was mainly due to loan repayments of \$1.7 million and payment of the Final Payment Charge of \$650,000 related to the SVB Loan and Security Agreement, offset by \$211,000 in cash provided by proceeds from stock option exercises.

Contractual Commitments and Contingencies

Long-Term Debt Obligations and Interest on Debt

On January 5, 2018, we entered into a Loan and Security Agreement with SVB pursuant to which SVB agreed to lend us \$10.0 million. The principal borrowed under the Loan and Security Agreement bore interest at a rate equal to the Prime Rate plus one percent per annum, which interest was payable monthly. The loan matured on June 1, 2022 and the outstanding principal, interest and Final Payment Charge were paid in full.

Purchase Obligations

We enter into contracts and issue purchase orders in the normal course of business with clinical research organizations for clinical trials and clinical and commercial supply manufacturing and with vendors for preclinical research studies, research supplies and other services and products for operating purposes. These contracts generally provide for termination on notice and are cancellable obligations.

Operating Leases

In August 2004, we entered into an agreement to lease our facility in Salt Lake City, Utah consisting of office and laboratory space which serves as our corporate headquarters. On January 24, 2024, we modified and extended the lease through February 28, 2025.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements which we have prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). In preparing our financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We have identified the following accounting policies that we believe require application of management's most subjective judgments, often requiring the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Our actual results could differ from these estimates and such differences could be material.

While our significant accounting policies are described in more detail in Note 2 of our annual financial statements included in this filing, we believe the following accounting policies to be critical to the judgments and estimates used in the preparation of our financial statements.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* with amendments in 2015 (ASU 2015-14) and 2016 (ASU 2016-8, ASU 2016-10, ASU 2016-12 and ASU 2016-20). The updated standard is a new comprehensive revenue recognition model that requires revenue to be recognized in a manner that depicts the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. The guidance also requires disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. We adopted this pronouncement effective January 1, 2017. We recognized net reversal of variable consideration revenue of \$2.9 million during the year ended December 31, 2023, and license revenue of \$500,000 during the year ended December 31, 2022. Net reversal of variable consideration revenue in 2023 was mainly attributable to the reversal of variable consideration revenue recognized for minimum guaranteed royalties in 2021 under the license agreement with Antares, offset by \$110,000 in license revenue payments received from Spriaso under a licensing agreement in the cough and cold field. License revenue in 2022 was related to a non-refundable cash fee of \$500,000 received from Antares for consideration of a 90-day extension to exercise its option to license LPCN 1111. On June 30, 2022, Antares' option to license TLANDO XR expired and was not exercised.

We may provide research and development services under collaboration arrangements to advance the development of jointly owned products. We record the expenses incurred and reimbursed on a net basis in research and development expense.

As of December 31, 2023, we do not have any active collaboration agreements.

Research and Development Expenses

We make estimates of our accrued expenses as of each balance sheet date in our financial statements based on the facts and circumstances known to us at that time. Our expense accruals for contract research, contract manufacturing and other contract services are based on estimates of the fees associated with services provided by the contracting organizations. Payments under some of the contracts we have with such parties depend on factors such as successful enrollment of patients, site initiation and the completion of clinical trial milestones. 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 possible, we obtain information regarding unbilled services directly from these service providers. However, we may be required to estimate these services based on other information available to us. If we underestimate or overestimate the activity or fees associated with a study or service at a given point in time, adjustments to research and development expenses may be necessary in future periods. Subsequent changes in estimates may result in a material change in our accruals.

Stock-Based Compensation

We recognize stock-based compensation expense for grants of stock option awards, restricted stock units and restricted stock under our Incentive Plan to employees, nonemployees and nonemployee members of our board of directors based on the grant-date fair value of those awards. The grant-date fair value of an award is generally recognized as compensation expense over the award's requisite service period. In addition, in the past we have granted performance-based stock option awards and restricted stock grants, which vest based upon our satisfying certain performance conditions. Potential compensation cost, measured on the grant date, related to these performance options will be recognized only if, and when, we estimate that these options will vest, which is based on whether we consider the options' performance conditions to be probable of attainment. Our estimates of the number of performance-based options that will vest will be revised, if necessary, in subsequent periods.

We use the Black-Scholes model to compute the estimated fair value of stock option awards. Using this model, fair value is calculated based on assumptions with respect to (i) expected volatility of our common stock price, (ii) the periods of time over which employees and members of the board of directors are expected to hold their options prior to exercise (expected term), (iii) expected dividend yield on the common stock, and (iv) risk-free interest rates. Stock-based compensation expense also includes an estimate, which is made at the time of grant, of the number of awards that are expected to be forfeited. This estimate is revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

As of December 31, 2023, there was \$455,000 of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the Company's stock option plan.

Warrant Liability

In connection with the November 2019 public offering, we issued warrants to purchase common stock. The warrants require us to pay such holders an amount of cash in the event of a fundamental transaction, as defined in the warrant agreement. As the cash payment is at the option of the warrant holder, we account for the common stock warrants as a liability, which is adjusted to fair value each reporting period as well as upon exercise of such warrants. The Company estimates the fair value of the warrant liability based on a hypothetical payout associated with a fundamental transaction. The fair value estimate utilizes a pricing model and unobservable inputs. Unlike the fair value of other assets and liabilities which are readily observable and therefore more easily independently corroborated, the warrants are not actively traded, and fair value is determined based on significant judgments regarding models, unobservable inputs and valuation methodologies.

As of December 31, 2023 and 2022, the warrant liability was \$17,000 and \$230,000, respectively.

Accounting Standards Issued Not Adopted

None.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

LIPOCINE INC.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Lipocine Inc.

Opinion on the Consolidated Financial Statements

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

Basis for Opinion

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

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

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

Critical Audit Matter

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

Revenue Recognition

The Company entered into a license agreement during 2021 that includes a license fee, guaranteed minimum royalties, ongoing sales royalties, milestone payments and transfer of materials. On October 2, 2023, the licensee provided notice that the contract would be terminated effective January 31, 2024, resulting in a reversal of a portion of the variable consideration revenue that had been previously recognized.

Management is required to determine the transaction price and allocate the transaction price to the performance obligations in the license agreement. Management is also required to make estimates of when achievement of a particular milestone becomes probable. Milestone payments are included in the transaction price when it becomes probable that such inclusion would not result in a significant revenue reversal. A reversal of variable consideration is recorded in the period that the change becomes known.

We identified revenue recognition as a critical audit matter because of the significant judgment by management in determining the transaction price and allocating the transaction price to the performance obligations as well as the accounting treatment of the constrained revenue resulting from the termination of the license agreement. This in turn led to a high degree of auditor judgment and effort in performing procedures and evaluating audit evidence related to the judgments made by management.

Our audit procedures for auditing revenue included the following procedures, among others:

- We obtained and read the material license and royalty agreements.
- We tested management's determination of the transaction price and the allocation of the transaction price to the performance obligations.
- We evaluated the reasonableness of management's judgments and estimates.

/s/ Tanner LLC

We have served as the Company's auditor since 2018
Salt Lake City, Utah
March 7, 2024

LIPOCINE INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,771,758	\$ 3,148,496
Marketable investment securities	17,263,788	29,381,410
Accrued interest income	52,254	80,427
Contract asset - current portion	-	579,428
Prepaid and other current assets	773,424	945,319
Total current assets	22,861,224	34,135,080
Contract asset - non-current portion	-	3,252,500
Property and equipment, net of accumulated depreciation of \$1,182,191 and \$1,153,530 respectively	116,095	131,589
Other assets	23,753	23,753
Total assets	\$ 23,001,072	\$ 37,542,922
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,395,977	\$ 600,388
Accrued expenses	1,218,486	1,077,738
Warrant liability - current portion	17,166	-
Total current liabilities	2,631,629	1,678,126
Warrant liability	-	229,856
Total liabilities	2,631,629	1,907,982
Commitments and contingencies (notes 8, 9 and 11)		
Stockholders' equity:		
Common stock, par value \$0.0001 per share, 200,000,000 shares authorized; 5,316,166 and 5,235,166 issued and 5,315,830 and 5,234,830 outstanding	8,860	8,852
Additional paid-in capital	220,171,250	219,112,164
Treasury stock at cost, 336 shares	(40,712)	(40,712)
Accumulated other comprehensive gain (loss)	7,259	(20,321)
Accumulated deficit	(199,777,214)	(183,425,043)
Total stockholders' equity	20,369,443	35,634,940
Total liabilities and stockholders' equity	\$ 23,001,072	\$ 37,542,922

See accompanying notes to consolidated financial statements

LIPOCINE INC. AND SUBSIDIARIES

Consolidated Statements of Operations and Comprehensive Loss

	Years Ended December 31,	
	2023	2022
Revenues:		
License revenue	\$ 109,987	\$ 500,000
Minimum guaranteed royalties revenue (reversal of variable consideration)	(2,960,805)	-
Total revenues (reversal of variable consideration), net	(2,850,818)	500,000
Operating expenses:		
Research and development	10,175,251	8,556,888
General and administrative	4,904,888	4,062,487
Total operating expenses	15,080,139	12,619,375
Operating loss	(17,930,957)	(12,119,375)
Other income (expense):		
Interest and investment income	1,366,940	572,578
Interest expense	-	(27,098)
Unrealized gain on warrant liability	212,690	565,940
Gain on litigation settlement liability	-	250,000
Total other income, net	1,579,630	1,361,420
Loss before income tax expense	(16,351,327)	(10,757,955)
Income tax expense	(755)	(681)
Net loss	(16,352,082)	(10,758,636)
Issuance of Series B preferred stock dividend	(89)	-
Net loss attributable to common shareholders	\$ (16,352,171)	\$ (10,758,636)
Basic loss per share attributable to common stock	\$ (3.10)	\$ (2.06)
Weighted average common shares outstanding, basic	5,269,671	5,231,681
Diluted loss per share attributable to common stock	\$ (3.14)	\$ (2.15)
Weighted average common shares outstanding, diluted	5,269,671	5,256,169
Comprehensive loss:		
Net loss	\$ (16,352,082)	\$ (10,758,636)
Net unrealized gain (loss) on available-for-sale securities	27,580	(2,305)
Comprehensive loss	\$ (16,324,502)	\$ (10,760,941)

See accompanying notes to consolidated financial statements

LIPOCINE INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

For the Years Ended December 31, 2023 and 2022

	Mezzanine Equity		Stockholder's Equity							
	Series B Preferred Stock		Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount				
Balances at December 31, 2021	-	\$ -	5,221,883	\$ 8,830	336	\$ (40,712)	\$ 218,286,323	\$ (18,016)	\$ (172,666,407)	\$ 45,570,018
Net loss	-	-	-	-	-	-	-	-	(10,758,636)	(10,758,636)
Unrealized net loss on marketable investment - securities	-	-	-	-	-	-	-	(2,305)	-	(2,305)
Stock-based compensation	-	-	-	-	-	-	636,140	-	-	636,140
Option exercises	-	-	12,947	22	-	-	211,401	-	-	211,423
Costs associated with ATM Offering	-	-	-	-	-	-	(21,700)	-	-	(21,700)
Balances at December 31, 2022	-	\$ -	5,234,830	\$ 8,852	336	\$ (40,712)	\$ 219,112,164	\$ (20,321)	\$ (183,425,043)	\$ 35,634,940
	Mezzanine Equity		Stockholder's Equity							
	Series B Preferred Stock		Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount				
Balances at December 31, 2022	-	\$ -	5,234,830	\$ 8,852	336	\$ (40,712)	\$ 219,112,164	\$ (20,321)	\$ (183,425,043)	\$ 35,634,940
Net loss	-	-	-	-	-	-	-	-	(16,352,082)	(16,352,082)
Unrealized net gain on marketable investment securities	-	-	-	-	-	-	-	27,580	-	27,580
Stock-based compensation	-	-	-	-	-	-	654,438	-	-	654,438
Issuance of Series B preferred stock dividend	88,511	9	-	-	-	-	80	-	-	80
Redemption of Series B preferred stock	(88,511)	(9)	-	-	-	-	9	-	(89)	(80)
Common stock sold through ATM offering	-	-	81,000	8	-	-	404,559	-	-	404,567
Balances at December 31, 2023	-	\$ -	5,315,830	\$ 8,860	336	\$ (40,712)	\$ 220,171,250	\$ 7,259	\$ (199,777,214)	\$ 20,369,443

See accompanying notes to consolidated financial statements

LIPOCINE INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Years Ended December 31,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (16,352,082)	\$ (10,758,636)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation expense	28,661	9,453
Stock-based compensation expense	654,438	636,140
Non-cash interest expense	-	5,842
Non-cash gain on change in fair value of warrant liability	(212,690)	(565,940)
Gain on settlement of litigation liability	-	(250,000)
Amortization of discounts on marketable investment securities	(952,651)	(122,048)
Write off of contract asset due to variable consideration revenue reversal	2,960,805	-
Changes in operating assets and liabilities:		
Accrued interest income	28,173	166,826
Contract asset	709,933	218,072
Prepaid and other current assets	333,085	569,146
Accounts payable	795,589	(688,954)
Accrued expenses	140,748	61,280
Litigation settlement liability	-	(1,250,000)
Cash used in operating activities	(11,865,991)	(11,968,819)
Cash flows from investing activities:		
Purchase of property and equipment	(13,167)	(133,831)
Purchases of marketable investment securities	(22,902,147)	(45,074,462)
Maturities of marketable investment securities	36,000,000	59,502,000
Cash provided by investing activities	13,084,686	14,293,707
Cash flows from financing activities:		
Debt repayments	-	(1,666,667)
End of loan payment	-	(650,000)
Net proceeds from sale of common stock through ATM	404,567	(21,700)
Proceeds from stock option exercises	-	211,423
Cash provided by (used in) financing activities	404,567	(2,126,944)
Net increase in cash and cash equivalents	1,623,262	197,944
Cash and cash equivalents at beginning of period	3,148,496	2,950,552
Cash and cash equivalents at end of period	\$ 4,771,758	\$ 3,148,496
Supplemental disclosure of cash flow information:		
Interest paid	\$ -	\$ 21,256
Income taxes paid	\$ 225	\$ 200
Supplemental disclosure of non-cash investing and financing activity:		
Net unrealized gain (loss) on available-for-sale securities	\$ 27,580	\$ (2,305)
Accrued final payment charge on debt	\$ -	\$ 5,842
Issuance of Series B preferred stock	\$ 89	\$ -

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**(1) Description of Business**

Lipocine Inc. (“Lipocine” or the “Company”), a clinical-stage biopharmaceutical company focused on central nervous system (“CNS”) disorders, is engaged in research and development for the delivery of drugs using its proprietary delivery technology. The Company’s principal operation is to provide oral delivery solutions for existing drugs. Lipocine develops its own drug candidates or it develops drug candidates on behalf of or in collaboration with corporate partners. The Company has funded operating costs primarily through collaborative license, milestone and research arrangements, through federal grants, through the sale of equity securities and through debt. The Company is incorporated under the laws of the State of Delaware.

(2) Summary of Significant Accounting Policies**(a) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (“US GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include those related to the timing and amount of revenue recognized from licensing agreements, stock-based compensation; income tax uncertainties; the fair value of the warrant liability and the useful lives of property and equipment.

(b) Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities to the Company of three months or less to be cash equivalents. Although the Company may deposit its cash and cash equivalents with multiple financial institutions, its deposits, at times, may exceed federally insured limits. Cash and cash equivalents were \$4.8 million and \$3.1 million at December 31, 2023 and 2022.

(c) Receivables

Accounts receivable are recorded at the invoiced amount and do not bear interest.

The Company maintains an allowance for doubtful accounts for estimated losses. In establishing the allowance, management considers historical losses adjusted to take into account current market conditions and their customers’ financial condition, the amount of receivables in dispute, and the current receivables aging and current payment patterns. The Company had no write-offs in 2023 and 2022 and the Company did not record an allowance for doubtful accounts as of December 31, 2023 and 2022 as there were no accounts receivable outstanding. The Company does not have any off-balance-sheet credit exposure related to its customers.

(d) Revenue Recognition

The Company generates most of its revenue from license and royalty arrangements. At the inception of each contract, the Company identifies the goods and services that have been promised to the customer and each of those that represent a distinct performance obligation, determines the transaction price including any variable consideration, allocates the transaction price to the distinct performance obligations and determines whether control transfers to the customer at a point in time or over time. Variable consideration is included in the transaction price to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is subsequently resolved. The Company reassesses its reserves for variable consideration at each reporting date and makes adjustments, if necessary, which may affect revenue and earnings in periods in which any such changes become known.

LIPOCINE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

(2) Summary of Significant Accounting Policies – (continued)

Disaggregation of Revenue. In the following tables, revenues reported for the years ended December 31, 2023 and 2022, under Topic 606, are disaggregated by type of revenue.

Type of Revenue	2023	2022
License	\$ 109,987	\$ 500,000
Minimum guaranteed royalties revenue (reversal of variable consideration)	(2,960,805)	-
	<u>\$ (2,850,818)</u>	<u>\$ 500,000</u>

Under Topic 606, all revenue has been recognized as point in time for the years ended December 31, 2023 and 2022.

See Note 4 for a description of the license agreement with Antares Pharma, Inc. (the “Antares License Agreement”). See Note 12 for a description of the agreement with Spriaso.

License Fees. For distinct license performance obligations, upfront license fees are recognized when the Company satisfies the underlying performance obligation. This generally occurs upon transfer of the right to use the Company’s licensed technology to the customer. In addition, license arrangements may include contingent milestone payments, which are due following achievement by our licensee of specified sales or regulatory milestones and for which the licensee and/or Company must fulfill its performance obligation prior to achievement of these milestones. Because of the uncertainty of the milestone achievement, and/or the dependence on sales of our licensee, variable consideration for contingent milestones is fully constrained and is not recognized as revenue until the milestone is achieved by our licensee, to the extent collectability is reasonably certain.

Royalties. Royalties revenue consists of sales-based and minimum royalties earned under licenses agreements for our products. Performance obligations under these licenses, which consist of the right to use the Company’s proprietary technology, are satisfied at a point in time corresponding with delivery of the underlying technology rights to the licensee, which is generally upon transfer of the licensed technology/product to the customer. Sales-based royalties revenue represents variable consideration under the license agreements and is recognized in the period a customer sells products incorporating the Company’s licensed technologies/products. The Company estimates sales-based royalties revenue earned but unpaid at each reporting period using information provided by the licensee. The Company’s license arrangements may also provide for minimum royalties, which the Company recognizes upon the satisfaction of the underlying performance obligation, which generally occurs with delivery of the underlying technology rights to the licensee. Sales-based and minimum royalties are generally due within 45 days after the end of each quarter in which they are earned.

Contract Assets

Contract assets consist of minimum royalty revenue earned in relation to the license agreement but not yet payable based on the terms of the contract. On October 2, 2023, the Company received notice from Antares of Antares’ termination of the Antares License Agreement which stated that the Antares License Agreement will terminate effective January 31, 2024. The Company received approximately \$902,000 from Antares during the year ended December 31, 2023 under the terms of our license agreement, of which approximately \$710,000 was applied to the contract asset and \$192,000 was applied to imputed interest receivable. Based on the termination notice, the Company recorded a non-cash revenue reversal of variable consideration relating to the minimum guaranteed royalties recorded as part of the Antares License Agreement of approximately \$3.0 million for the balance of the contract asset that is not expected to be received. The contract asset as of December 31, 2023 and 2022, was zero and \$3,832,000, respectively and is related to the Antares License Agreement.

Revenue Concentration

A major partner is considered to be one that comprises more than 10% of the Company’s total revenues. The Company recognized a reversal of revenue relating to variable consideration of the Antares License Agreement of \$3.0 million and revenue of \$500,000 for the years ended December 31, 2023, and 2022, respectively. The reversal of revenue in 2023 is due to the write off of the contract asset resulting in a reversal of variable consideration recognized in 2021 for minimum guaranteed royalties which resulted from termination of the Antares License Agreement. License revenue recognized in 2022 was 100% from one major customer, Antares.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**(2) Summary of Significant Accounting Policies – (continued)*****(e) Property and Equipment***

Property and equipment are recorded at cost, less accumulated depreciation. Maintenance and repairs that do not extend the life or improve the asset are expensed in the year incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are five years for laboratory and office equipment, three years for computer equipment and software, and seven years for furniture and fixtures.

(f) Accounting for Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets held for sale are reported at the lower of the carrying amount, or fair value, less costs to sell.

(g) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided against net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the net deferred tax assets will not be realized.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50 percent likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest and penalties related to unrecognized tax benefits as a component of its income tax expense.

(h) Share Based Payments

The Company recognizes stock-based compensation expense for grants of stock option awards, restricted stock units and restricted stock under the Company's Incentive Plan to employees, nonemployees and nonemployee members of the Company's board of directors based on the grant-date fair value of those awards. The grant-date fair value of an award is generally recognized as compensation expense over the award's requisite service period. In addition, in the past the Company has granted performance-based stock option awards and restricted stock units, which vest based upon the Company satisfying certain performance conditions. Potential compensation cost, measured on the grant date, related to these performance options will be recognized only if, and when, the Company estimates that these options or units will vest, which is based on whether the Company considers the performance conditions to be probable of attainment. The Company's estimates of the number of performance-based options or units that will vest will be revised, if necessary, in subsequent periods.

LIPOCINE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

(2) Summary of Significant Accounting Policies – (continued)

The Company uses the Black-Scholes model to compute the estimated fair value of stock option awards. Using this model, fair value is calculated based on assumptions with respect to (i) expected volatility of the Company's common stock price, (ii) the periods of time over which employees, nonemployees and members of the board of directors are expected to hold their options prior to exercise (expected term), (iii) expected dividend yield on the common stock, and (iv) risk-free interest rates. Stock-based compensation expense also includes an estimate, which is made at the time of grant, of the number of awards that are expected to be forfeited. This estimate is revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Stock-based compensation cost that has been expensed in the statements of operations amounted to \$654,000 and \$636,000 for the years ended December 31, 2023 and 2022, allocated as follows:

	Years Ended December 31,	
	2023	2022
Research and development	\$ 358,352	\$ 338,018
General and administrative	296,086	298,122
	<u>\$ 654,438</u>	<u>\$ 636,140</u>

The Company issued 26,467 stock options and 74,334 stock options during the years ended December 31, 2023 and 2022, respectively.

Key assumptions used in the determination of the fair value of stock options granted are as follows:

Expected Term: The expected term represents the period that the stock-based awards are expected to be outstanding. Due to limited historical experience of similar awards, the expected term was estimated using the simplified method in accordance with the provisions of Staff Accounting Bulletin ("SAB") No. 107, *Share-Based Payment*, for awards with stated or implied service periods. The simplified method defines the expected term as the average of the contractual term and the vesting period of the stock option. For awards with performance conditions, and that have the contractual term to satisfy the performance condition, the contractual term was used.

Risk-Free Interest Rate: The risk-free interest rate used was based on the implied yield currently available on U.S. Treasury issues with an equivalent remaining term.

Expected Dividend: The expected dividend assumption is based on management's current expectation about the Company's anticipated dividend policy. The Company does not anticipate declaring dividends in the foreseeable future.

Expected Volatility: The volatility factor is based solely on the Company's trading history.

LIPOCINE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

(2) Summary of Significant Accounting Policies – (continued)

For options granted in 2023 and 2022, the Company calculated the fair value of each option grant on the respective dates of grant using the following weighted average assumptions:

	2023	2022
Expected term	5.73 years	5.82 years
Risk-free interest rate	3.73%	3.06%
Expected dividend yield	—	—
Expected volatility	98.97%	99.31%

FASB Accounting Standards Codification (“ASC”) 718, *Stock Compensation*, requires the Company to recognize compensation expense for the portion of options that are expected to vest. Therefore, the Company applied estimated forfeiture rates that were derived from historical employee termination behavior. If the actual number of forfeitures differs from those estimated by management, additional adjustments to compensation expense may be required in future periods.

As of December 31, 2023, there was \$455,000 of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the Company’s stock option plan. That cost is expected to be recognized over a weighted average period of 1.4 years and will be adjusted for subsequent changes in estimated forfeitures. The weighted average fair value of share-based compensation awards granted during the years ended December 31, 2023 and 2022 was approximately \$6.19 per share and \$11.50 per share, respectively.

(i) Fair Value

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Quoted prices for identical instruments in active markets.
- Level 2 Inputs: Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuation in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 Inputs: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

LIPOCINE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

(2) Summary of Significant Accounting Policies – (continued)

All of the Company's financial instruments are valued using quoted prices in active markets or based on other observable inputs. For accrued interest income, prepaid and other current assets, accounts payable, and accrued expenses, the carrying amounts approximate fair value because of the short maturity of these instruments. The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at December 31, 2023 and 2022:

	December 31, 2023	Fair value measurements at reporting date using		
		Level 1 inputs	Level 2 inputs	Level 3 inputs
Assets:				
Cash equivalents - money market funds	\$ 4,695,491	\$ 4,695,491	\$ -	\$ -
Government treasury bills	14,281,104	14,281,104	-	-
US. Government agency securities	2,982,684	-	2,982,684	-
	<u>\$ 21,959,279</u>	<u>\$ 18,976,595</u>	<u>\$ 2,982,684</u>	<u>\$ -</u>
Liabilities:				
Warrant liability	\$ 17,166	\$ -	\$ -	\$ 17,166
	<u>\$ 21,976,445</u>	<u>\$ 18,976,595</u>	<u>\$ 2,982,684</u>	<u>\$ 17,166</u>
	December 31, 2022	Fair value measurements at reporting date using		
		Level 1 inputs	Level 2 inputs	Level 3 inputs
Assets:				
Cash equivalents - money market funds	\$ 2,694,434	\$ 2,694,434	\$ -	\$ -
Government treasury bills	5,959,000	5,959,000	-	-
Commercial paper	14,586,930	-	14,586,930	-
Corporate bonds and notes	5,454,690	-	5,454,690	-
U.S. government agency securities	3,380,790	-	3,380,790	-
	<u>\$ 32,075,844</u>	<u>\$ 8,653,434</u>	<u>\$ 23,422,410</u>	<u>\$ -</u>
Liabilities:				
Warrant liability	\$ 229,856	\$ -	\$ -	\$ 229,856
	<u>\$ 32,305,700</u>	<u>\$ 8,653,434</u>	<u>\$ 23,422,410</u>	<u>\$ 229,856</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**(2) Summary of Significant Accounting Policies – (continued)**

The following methods and assumptions were used to determine the fair value of each class of assets and liabilities recorded at fair value in the balance sheets:

Cash equivalents: Cash equivalents primarily consist of highly rated money market funds and treasury bills with original maturities to the Company of three months or less and are purchased daily at par value with specified yield rates. Cash equivalents related to money market funds and treasury bills are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices or broker or dealer quotations for similar assets.

Government bonds and notes: The Company uses a third-party pricing service to value these investments. United States bonds and notes are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices for identical assets and reportable trades.

Corporate bonds, notes, and commercial paper: The Company uses a third-party pricing service to value these investments. Corporate bonds, notes and commercial paper are classified within Level 2 of the fair value hierarchy because they are valued using broker/dealer quotes, bids and offers, benchmark yields and credit spreads and other observable inputs.

Warrant liability: The warrant liability (which relates to warrants to purchase shares of common stock) is marked-to-market each reporting period with the change in fair value recorded to other income (expense) in the accompanying statements of operations until the warrants are exercised, expire or other facts and circumstances lead the warrant liability to be reclassified to stockholders' equity. The fair value of the warrant liability is estimated using a Black-Scholes option-pricing model. The significant assumptions used in preparing the option pricing model for valuing the warrant liability as of December 31, 2023, include (i) volatility of 100%, (ii) risk free interest rate of 4.79%, (iii) strike price of \$8.50, (iv) fair value of common stock of \$2.79, and (v) expected life of 0.9 years. The significant assumptions used in preparing the option pricing model for valuing the warrant liability as of December 31, 2022, include (i) volatility of 100%, (ii) risk free interest rate of 4.41%, (iii) strike price of \$8.50, (iv) fair value of common stock of \$6.77, and (v) expected life of 1.9 years.

The Company's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers into or out of Level 1, Level 2 or Level 3 for the years ended December 31, 2023 and December 31, 2022.

(j) Earnings (Loss) per Share

Basic earnings (loss) per share is calculated by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted earnings (loss) per share is based on the weighted average number of common shares outstanding plus, where applicable, the additional potential common shares that would have been outstanding related to dilutive options, warrants, and unvested restricted stock units to the extent such shares are dilutive.

LIPOCINE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

(2) Summary of Significant Accounting Policies – (continued)

The following table sets forth the computation of basic and diluted earnings (loss) per share of common stock for the years ended December 31, 2023 and 2022.

	Years Ended December 31,	
	2023	2022
Basic loss per share attributable to common stock:		
Numerator		
Net loss	\$ (16,352,171)	\$ (10,758,636)
Denominator		
Weighted avg. common shares outstanding	5,269,671	5,231,681
Basic loss per share attributable to common stock	\$ (3.10)	\$ (2.06)
Diluted loss per share attributable to common stock:		
Numerator		
Net loss	\$ (16,352,171)	\$ (10,758,636)
Effect of dilutive securities on net loss:		
Common stock warrants	212,690	565,940
Total net loss for purpose of calculating diluted net loss per common share	\$ (16,564,861)	\$ (11,324,576)
Denominator		
Weighted avg. common shares outstanding	5,269,671	5,231,681
Weighted average effect of dilutive securities:		
Common stock warrants	-	24,488
Total shares for purpose of calculating diluted net loss per common share	5,269,671	5,256,169
Diluted loss per share attributable to common stock	\$ (3.14)	\$ (2.15)

The computation of diluted earnings per share for the years ended December 31, 2023 and 2022 does not include the following stock options or warrants to purchase shares in the computation of diluted earnings per share because these instruments were antidilutive:

	December 31,	
	2023	2022
Stock options	262,247	277,225
Warrants	49,433	49,433

LIPOCINE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

(2) Summary of Significant Accounting Policies – (continued)

(k) Segment Information

The Company is a single reportable segment engaged in research and development for the delivery of drugs using its proprietary delivery technology. Operating segments are identified as components of an enterprise for which separate discrete financial information is available for evaluation by the chief operating decision maker in making decisions regarding resource allocation and assessing performance. The chief operating decision maker made such decisions and assessed performance at the company level, as one segment.

(l) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries. The Company eliminates all intercompany accounts and transactions in consolidation.

(3) Marketable Investment Securities

The Company has classified its marketable investment securities as available-for-sale securities, all of which are debt securities. These securities are carried at fair value with unrealized holding gains and losses, net of the related tax effect, included in accumulated other comprehensive income (loss) in stockholders' equity until realized. Gains and losses on investment security transactions are reported on the specific-identification method. Dividend income is recognized on the ex-dividend date and interest income is recognized on an accrual basis. The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value for available-for-sale securities by major security type and class of security at December 31, 2023 and 2022 were as follows:

December 31, 2023	Amortized Cost	Gross unrealized holding gains	Gross unrealized holding losses	Aggregate fair value
Government treasury bills	\$ 14,272,530	\$ 8,574	\$ -	\$ 14,281,104
U.S. government agency securities	2,983,999	-	(1,315)	2,982,684
	<u>\$ 17,256,529</u>	<u>\$ 8,574</u>	<u>\$ (1,315)</u>	<u>\$ 17,263,788</u>
December 31, 2022	Amortized Cost	Gross unrealized holding gains	Gross unrealized holding losses	Aggregate fair value
Government treasury bills	\$ 5,973,087	\$ -	\$ (14,087)	\$ 5,959,000
Commercial paper	20,052,505	-	(10,885)	20,041,620
U.S. government agency securities	3,376,139	4,651	-	3,380,790
	<u>\$ 29,401,731</u>	<u>\$ 4,651</u>	<u>\$ (24,972)</u>	<u>\$ 29,381,410</u>

LIPOCINE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(3) Marketable Investment Securities - (continued)

Maturities of debt securities classified as available-for-sale securities at December 31, 2023 are as follows:

December 31, 2023	Amortized Cost	Aggregate fair value
Due within one year	\$ 17,256,529	\$ 17,263,788
	<u>\$ 17,256,529</u>	<u>\$ 17,263,788</u>

There were no sales of marketable investment securities during the years ended December 31, 2023 and 2022 and therefore no realized gains or losses. Additionally, \$36.0 million and \$59.5 million of marketable investment securities matured during the years ended December 31, 2023 and 2022, respectively. The Company determined there were no other-than-temporary impairments for the years ended December 31, 2023 and 2022.

(4) Contractual Agreements

(a) *Abbott Products, Inc.*

On March 29, 2012, the Company terminated its collaborative agreement with Solvay Pharmaceuticals, Inc. (later acquired by Abbott Products, Inc.) for TLANDO. As part of the termination, the Company reacquired the rights to the intellectual property from Abbott. All obligations under the prior license agreement have been completed except that Lipocine will owe Abbott a perpetual 1% royalty on net sales. Such royalties are limited to \$1.0 million in the first two calendar years following product launch, after which period there is not a cap on royalties and no maximum aggregate amount. If generic versions of any such product are introduced, then royalties are reduced by 50%. The Company incurred royalty expense of \$34,000 and \$12,000 in the years ended December 31, 2023 and 2022, respectively.

(b) *Antares Pharma, Inc.*

On October 14, 2021, the Company entered into a license agreement ("License Agreement") with Antares Pharma, Inc. ("Antares") pursuant to which the Company granted to Antares an exclusive, royalty-bearing, sublicensable right and license to develop and commercialize, upon final approval of TLANDO® from the U.S. Food and Drug Administration ("FDA"), the Company's TLANDO product with respect to testosterone replacement therapy in males for conditions associated with a deficiency or absence of endogenous testosterone, as indicated in NDA No. 208088, treatment of Klinefelter syndrome, and pediatric indications relating to testosterone replacement therapy in males for conditions associated with a deficiency or absence of endogenous testosterone (the "Field"), in each case within the United States. TLANDO received FDA approval on March 29, 2022.

Upon execution of the Antares License Agreement, Antares paid to the Company an initial payment of \$11.0 million. Antares agreed to make additional payments of \$5.0 million to the Company on each of January 1, 2025, and January 1, 2026, provided that certain conditions were satisfied. The Company was also eligible to receive milestone payments of up to \$160.0 million in the aggregate, depending on the achievement of certain sales milestones in a single calendar year with respect to all products licensed by Antares under the Antares License Agreement. In addition, upon commercialization, the Company was to receive tiered royalty payments at rates ranging from percentages in the mid-teens to up to 20% of net sales of TLANDO in the United States, subject to certain minimum royalty obligations. On October 2, 2023, the Company received notice from Antares of Antares' termination of the License Agreement. In accordance with the terms of the License Agreement, the License Agreement will terminate effective January 31, 2024. On January 12, 2024, the Company entered into a license agreement (the "Verity License Agreement") with Verity

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**(4) Contractual Agreements – (continued)**

Pharmaceuticals Inc. (Verity). See Note 4(c) for a description of the Verity License Agreement. Upon termination of the Antares License Agreement, all rights and licenses granted by the Company to Antares under the Antares License Agreement will terminate and all rights in TLANDO will be transferred to the Company's new licensing partner, Verity.

Under the Antares License Agreement, the Company retained development and commercialization rights in the rest of the world, and with respect to applications outside of the Field inside or outside the United States. The License Agreement also provided Antares with an option, exercisable on or before March 31, 2022, to license TLANDO XR (LPCN 1111), the Company's potential once-daily oral product candidate for testosterone replacement therapy. On April 1, 2022, the Company entered into the First Amendment to the License Agreement (the "Amendment"), pursuant to which the License Agreement was amended to extend the deadline by which Antares was to exercise its option to license TLANDO XR to June 30, 2022. As consideration for the Company agreeing to enter into the Amendment, in April 2022 Antares paid the Company a non-refundable cash fee of \$500,000. On June 30, 2022, Antares' option to license TLANDO XR expired and was not exercised. Lipocine retains all development and commercialization rights to TLANDO XR. The Company recognized a reversal of variable consideration revenue under the Antares License Agreement of \$3.0 million during the year ended December 31, 2023 and license revenue \$500,000 during the years ended December 31, 2022.

(c) Verity Pharmaceuticals, Inc.

On January 12, 2024, the Company entered into a License Agreement (the "License Agreement") with Gordon Silver Limited ("GSL") and Verity Pharmaceuticals, Inc. ("Verity Pharma"), pursuant to which the Company granted to GSL (an affiliate of Verity Pharma) an exclusive, royalty-bearing, sublicensable right and license to commercialize the Company's TLANDO product with respect to testosterone replacement therapy in males for conditions associated with a deficiency or absence of endogenous testosterone, as indicated in NDA No. 208088, treatment of Klinefelter syndrome, and pediatric indications relating to testosterone replacement therapy in males for conditions associated with a deficiency or absence of endogenous testosterone (the "Field"), in each case within the United States and Canada. The License Agreement also provides GSL with a license to develop and commercialize TLANDO XR, the Company's potential once-daily oral product candidate for testosterone replacement therapy. The Company retains development and commercialization rights outside of the United States and Canada, and with respect to applications outside of the Field inside or outside the United States and Canada.

Upon execution of the License Agreement, GSL agreed to pay the Company a license fee of \$11.0 million with an initial payment of \$2.5 million which was received on signing of the License Agreement, \$5.0 million received on February 1, 2024, \$2.5 million to be paid no later than January 1, 2025, and \$1.0 million to be paid no later than January 1, 2026. The Company is also eligible to receive development and sales milestone payments of up to \$259.0 million in the aggregate, depending primarily on the achievement of certain sales milestones in a single calendar year with respect to all products licensed by GSL under the License Agreement. In addition, the Company is eligible to receive tiered royalty payments at rates ranging from 12% up to 18% of net sales of licensed products in the United States and Canada.

Pursuant to the terms of the License Agreement, GSL is generally responsible for expenses relating to the development (including the conduct of any clinical trials) and commercialization of licensed products in the Field in the United States and Canada, while the Company is generally responsible for expenses relating to development activities outside of the Field and/or the United States and Canada.

(d) Contract Research and Development

The Company has entered into agreements with various contract organizations that conduct preclinical, clinical, analytical and manufacturing development work on behalf of the Company as well as a number of independent contractors, primarily clinical researchers, who serve as advisors to the Company. The Company incurred expenses of \$6.7 million and \$5.6 million under these agreements in 2023 and 2022 and has recorded these expenses in research and development expenses.

LIPOCINE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

(5) Loan and Security Agreement

Silicon Valley Bank Loan

On January 5, 2018, the Company entered into a Loan and Security Agreement (the "Loan and Security Agreement") with Silicon Valley Bank ("SVB") pursuant to which SVB agreed to lend the Company \$10.0 million. The principal borrowed under the Loan and Security Agreement bore interest at a rate equal to the Prime Rate, as reported in the money rates section of The Wall Street Journal or any successor publication representing the rate of interest per annum then in effect, plus one percent per annum, which interest was payable monthly. Additionally on April 1, 2020, the Company entered into a Deferral Agreement with SVB. Under the Deferral Agreement, principal repayments were deferred by six months and the Company was only required to make monthly interest payments. The loan matured on June 1, 2022. The Company made a final payment at maturity equal to \$650,000 (the "Final Payment Charge") at the time the loan matured. The expense of the final payment charge had been recognized over the term of the facility using the effective interest method.

(6) Property and Equipment

Property and equipment consisted of the following:

	Years Ended December 31,	
	2023	2022
Computer equipment and software	\$ 66,830	\$ 53,663
Lab and office equipment	1,180,052	1,180,052
Furniture and fixtures	51,404	51,404
	<u>1,298,286</u>	<u>1,285,119</u>
Less accumulated depreciation	<u>(1,182,191)</u>	<u>(1,153,530)</u>
	<u>\$ 116,095</u>	<u>\$ 131,589</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was approximately \$29,000 and \$9,500, respectively.

LIPOCINE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

(7) Income Taxes

(a) *Income Tax Expense*

Income tax expense consists of:

	December 31,	
	2023	2022
U.S. federal	\$ -	\$ -
State and local	755	681
Deferred	-	-
Total	<u>\$ 755</u>	<u>\$ 681</u>

(b) *Tax Rate Reconciliation*

Income tax expense was \$755 and \$681, respectively, for the years ended December 31, 2023 and 2022 and differed from the amounts computed by applying the U.S. federal income tax rate of 21% for 2023 and 2022, respectively, to pretax income from continuing operations as a result of the following:

	December 31,	
	2023	2022
Computed "expected" tax expense (benefit)	\$ (3,433,893)	\$ (2,259,272)
Increase (reduction) in income taxes resulting from:		
Change in valuation allowance	3,619,564	2,529,547
State and local income taxes, net of federal income tax benefit	596	538
Stock expense	319,214	314,186
Research and development tax credits	(434,858)	(422,495)
Orphan drug tax credit	(26,245)	(42,976)
Warrant Liability	(44,665)	(118,847)
Other, net	1,042	-
	<u>\$ 755</u>	<u>\$ 681</u>

LIPOCINE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

(7) Income Taxes – (continued)

(c) Significant Components of Deferred Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2023 and 2022 are presented below:

	December 31,	
	2023	2022
Deferred tax assets:		
Stock-based compensation	\$ 1,188,535	\$ 1,428,167
Net operating loss carryforwards	35,108,766	35,595,940
Employee benefits	45,592	44,602
Research and development tax credits	6,032,559	5,491,805
Orphan drug tax credits	1,274,204	1,240,982
Plant and equipment	-	-
Sec. 174 Expenses	3,945,862	1,997,787
Other deductible temporary differences	167,371	69,273
Total gross deferred tax assets	<u>47,762,889</u>	<u>45,868,556</u>
Net deferred tax assets	<u>\$ 47,762,889</u>	<u>\$ 45,868,556</u>
Deferred tax liabilities:		
Plant and equipment	(7,227)	(9,052)
Total gross deferred tax liabilities	<u>(7,227)</u>	<u>(9,052)</u>
Net deferred tax liabilities	<u>\$ (7,227)</u>	<u>\$ (9,052)</u>
Deferred tax asset/deferred tax liability	<u>47,755,662</u>	<u>45,859,504</u>
Valuation allowance	<u>(47,755,662)</u>	<u>(45,859,504)</u>
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

The valuation allowance for deferred tax assets as of December 31, 2023 and 2022 was \$47.8 million and \$45.9 million, respectively. The net change in the valuation allowance was an increase of \$1.9 million in 2023 and an increase of \$2.9 million in 2022. A valuation allowance has been provided for the full amount of the Company's net deferred tax assets as the Company believes it is more likely than not that these benefits will not be realized. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income, and tax planning strategies in making this assessment.

LIPOCINE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(7) Income Taxes – (continued)

During the year ended December 31, 2013, the Company experienced a change in ownership, as defined by the Internal Revenue Code, as amended (the “Code”) under Section 382. A change of ownership occurs when ownership of a company increases by more than 50 percentage points over a three-year testing period of certain stockholders. As a result of this ownership change, we determined that our annual limitation on the utilization of our federal net operating loss (“NOL”) and credit carryforwards is approximately \$1.1 million per year. We will only be able to utilize \$9.8 million of our pre-ownership change NOL carryforwards and will forgo utilizing \$3.3 million of our pre-ownership change NOL carryforwards and \$1.2 million of our pre-change credit carryforwards as a result of this ownership change. We do not account for forgone NOL and credit carryovers in our deferred tax assets and only account for the NOL and credit carryforwards that will not expire unutilized as a result of the restrictions of Code Section 382.

As of December 31, 2023, we had NOL and research and development credit carryforwards for U.S. federal income tax reporting purposes of approximately \$138.6 million and \$4.4 million, respectively. Approximately \$33.7 million of the NOL will expire between 2024 and 2034 and \$52.4 million of the NOL will expire 2035 through 2037. Pursuant to the Tax Cuts and Jobs Act of 2017, NOLs generated in 2018 and subsequent years have an unlimited carryforward therefore the 2023, 2022, 2020, 2019 and 2018 NOL of \$52.5 million can be carried forward indefinitely. The research and development credits will begin to expire in 2033 through 2043. We have orphan drug credit carry forwards of approximately \$1.3 million which will expire if unused through 2043.

We also have state NOL and research and development credit carry forwards of approximately \$128.9 million and \$1.7 million, respectively. The Company’s state NOL of \$31.2 million will expire between 2024 and 2029, and \$97.7 million will expire in 2030 through 2037. The state research and development credits expire in 2024 through 2038.

The Company’s federal and state income tax returns for December 31, 2020 through 2023 are open tax years.

A reconciliation of the beginning and ending amount of total unrecognized tax contingencies, excluding interest and penalties, for the years ended December 31, 2023 and 2022 are as follows:

	December 31,	
	2023	2022
Balance, beginning of year	\$ -	\$ -
Balance, end of year	\$ -	\$ -

LIPOCINE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

(8) Leases

The Company has a non-cancelable operating lease for office space and laboratory facilities in Salt Lake City, Utah. On January 24, 2024, the term of the lease has been extended through February 28, 2025.

Future minimum lease payments under the non-cancelable operating lease as of December 31, 2023 are:

	Operating leases
Year ending December 31:	
2024	\$ 366,290
2025	61,346
Total minimum lease payments	<u>\$ 427,636</u>

The Company's rent expense was \$355,000 and \$341,000 for the years ended December 31, 2023 and 2022, respectively.

(9) Stockholders' Equity

On May 1, 2023, at the 2023 annual meeting of the stockholders, the Company's stockholders approved an amendment to the Company's Amended and Restated Certificate of Incorporation to effect a reverse stock split at a ratio not less than 1-for-5 and not more than 1-for-20, with the exact ration to be set within that range at the discretion of the Board without further approval or authorization from stockholders.

On May 10, 2023, the Company's Board approved a reverse stock split of 1-for-17. The Company filed the Amendment to its Certificate of Incorporation with the Secretary of the State of Delaware on May 10, 2023, and the Amendment became effective at 5:00 pm Eastern Time on May 11, 2023. The Company's shares began trading on a split-adjusted basis on the Nasdaq Capital Market commencing upon market open on May 12, 2023.

All common stock share data and per share price data of the Company reflect the reverse stock split effective May 11, 2023.

On June 8, 2022, at the 2022 annual meeting of the stockholders, the Company's stockholders approved an amendment to the Company's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of the Company's common stock, par value \$0.0001, from 100,000,000 shares to 200,000,000 shares. The Company filed the amendment to the Restated Certificate with the Secretary of State of the State of Delaware on June 28, 2022. The amendment to the Restated Certificate became effective upon filing with the Secretary of State of the State of Delaware.

(a) Issuance of Common Stock

On March 6, 2017, the Company entered into a sales agreement ("Sales Agreement") with Cantor Fitzgerald & Co. ("Cantor") pursuant to which the Company may issue and sell, from time to time, shares of its common stock having an aggregate offering price of up to the amount the Company registered on an effective registration statement pursuant to which the offering is being made. The Company currently has registered up to \$50.0 million for sale under the Sales Agreement, pursuant to the Registration Statement on Form S-3 (File No. 333-250072) through Cantor as the Company's sales agent. Cantor may sell the Company's common stock by any method permitted by law deemed to be an "at the market offering" as defined in Rule 415(a)(4) of the Securities Act, including sales made directly on or through the NASDAQ Capital Market or any other existing trade market for our common stock, in negotiated transactions at market prices prevailing at the time of sale or at prices related to prevailing market prices, or any other method permitted by law. Cantor uses its commercially reasonable efforts consistent with its normal trading and sales practices and applicable law and regulations to sell these shares. The Company pays Cantor 3.0% of the aggregate gross proceeds from each sale of shares under the Sales Agreement. In addition, the Company has also provided Cantor with customary indemnification rights.

The Company is not obligated to make any sales of its common stock under the Sales Agreement. The offering of common stock pursuant to the Sales Agreement will terminate upon the termination of the Sales Agreement as permitted therein. The Company and Cantor may each terminate the Sales Agreement at any time upon ten days' prior notice.

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DECEMBER 31, 2023 and 2022**(9) Stockholders' Equity – (continued)**

As of December 31, 2023, we had sold an aggregate of 964,711 shares at a weighted-average sales price of \$34.52 per share under the At the Market Offering (the "ATM Offering") for aggregate gross proceeds of \$33.3 million and net proceeds of \$32.1 million, after deducting sales agent commission and discounts and our other offering costs. During the year ended December 31, 2023, the Company sold 81,000 shares of its common stock pursuant to the ATM offering at a weighted-average sales price of \$5.36 per share, resulting in net proceeds of approximately \$405,000 under the Sales Agreement which is net of approximately \$24,000 in expenses. During the year ended December 31, 2022, the Company did not sell any shares of its common stock pursuant to the ATM Offering. As of December 31, 2023, the Company had \$40.8 million available for sale under the Sales Agreement. However, as of November 22, 2023, the Company is now subject to General Instruction I.B.6 of Form S-3 which limits the amounts that we may sell under the registration statement. As a result of such limitations, the Company has currently registered the offer and sale of shares of the Company's common stock pursuant to the Sales Agreement having an aggregate offering price of up to \$5.3 million.

(b) Series B Preferred Stock

On March 7, 2023, the Board of the Company declared a dividend of one one-thousandth (1/1,000th) of a share of Series B Preferred Stock, par value \$0.0001 per share ("Series B Preferred Stock"), for each outstanding share of common stock of the Company, to stockholders of record on March 24, 2023. The Certificate of Designation of Series B Preferred Stock (the "Certificate of Designation") was filed with the Delaware Secretary of State and became effective on March 10, 2023.

The dividend was based on the number of shares of outstanding common stock on March 24, 2023, and resulted in 88,511 Series B Preferred shares being issued. Each whole share of Series B Preferred Stock entitled the holder thereof to 1,000,000 votes per share, and each fraction of a share of Series B Preferred Stock had a ratable number of votes. Thus, each one-thousandth of a share of Series B Preferred Stock was entitled to 1,000 votes. The outstanding shares of Series B Preferred Stock were entitled to vote together with the outstanding shares of common stock as a single class exclusively with respect to any proposal to adopt an amendment to the Company's Amended and Restated Certificate of Incorporation, as amended (the "Certificate of Incorporation"), to effect a reverse stock split of the outstanding shares of Common Stock at a ratio determined in accordance with the terms of such amendment (the "Reverse Stock Split"), and (ii) any proposal to adjourn any meeting of stockholders called for the purpose of voting on the Reverse Stock Split (the "Adjournment Proposal") in conjunction with the Company's 2023 annual meeting of stockholders.

All shares of Series B Preferred Stock that were not present in person or by proxy at the 2023 annual meeting as of immediately prior to the opening of the polls (the "Initial Redemption Time") were automatically redeemed by the Company without further action on the part of the Company or the holder of shares of Series B Preferred Stock (the "Initial Redemption"). The remaining shares of Series B Preferred Stock that were not redeemed pursuant to the Initial Redemption were redeemed automatically upon the effectiveness of the amendment to the Certificate of Incorporation implementing the Reverse Stock Split (the "Subsequent Redemption").

Each "beneficial owner" (as such terms are defined in the Certificate of Designation with respect to the Series B Preferred Stock) of shares of Series B Preferred Stock redeemed in the redemptions described above has the right to receive an amount equal to \$0.01 in cash for each ten whole shares of Series B Preferred Stock that were "beneficially owned" by the beneficial owner as of immediately prior to the applicable redemption time and redeemed pursuant to such redemption, payable upon receipt by the Company of a written request submitted by the applicable beneficial owner to the corporate secretary of the Company following the applicable redemption time.

The Series B Preferred Stock was not convertible into, or exchangeable for, shares of any other class or series of stock or other securities of the Company. The Series B Preferred Stock had no stated maturity and was not subject to any sinking fund. The Series B Preferred Stock was not subject to any restriction on the redemption or repurchase of shares by the Company while there is any arrearage in the payment of dividends or sinking fund installments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**(9) Stockholders' Equity – (continued)**

The Company was not solely in control of the redemption of the shares of Series B Preferred Stock prior to the annual meeting of stockholders since the holders had the option of deciding whether to vote in respect of the above-described Reverse Stock Split, which determined whether a given holder's shares of Series B Preferred Stock was redeemed in the Initial Redemption or the Subsequent Redemption. Since the redemption of the Series B Preferred Stock was not solely in the control of the Company, the shares of Series B Preferred Stock were classified within the mezzanine equity in the Company's unaudited consolidated statement of stockholder's equity. Upon issuance, the shares of Series B Preferred Stock were measured at redemption value. As of June 30, 2023, all shares of Series B Preferred Stock had been redeemed by the Company.

The foregoing description of the Series B Preferred Stock does not purport to be complete and is qualified in its entirety by reference to the Certificate of Designation, which is filed as Exhibit 3.2 to the Form 8-K filed with the SEC on March 10, 2023.

(c) Rights Agreement

On November 13, 2015, the Company and American Stock Transfer & Trust Company, LLC, as Rights Agent, entered into a Rights Agreement. Also on November 12, 2015, the board of directors of the Company authorized and the Company declared a dividend of one preferred stock purchase right (each a "Right" and collectively, the "Rights") for each outstanding share of common stock of the Company. The dividend was payable to stockholders of record as of the close of business on November 30, 2015 and entitles the registered holder to purchase from the Company one one-thousandth of a fully paid non-assessable share of Series A Junior Participating Preferred Stock of the Company at a price of \$63.96 per one-thousandth share (the "Purchase Price"). The Rights will generally become exercisable upon the earlier to occur of (i) 10 business days following a public announcement that a person or group of affiliated or associated persons has become an Acquiring Person (as defined below) or (ii) 10 business days (or such later date as may be determined by action of the board of directors prior to such time as any person or group of affiliated or associated persons becomes an

Acquiring Person) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of 15% or more of the outstanding common stock of the Company. Except in certain situations, a person or group of affiliated or associated persons becomes an "Acquiring Person" upon acquiring beneficial ownership of 15% or more of the outstanding shares of common stock of the Company.

In general, in the event a person becomes an Acquiring Person, then each Right not owned by such Acquiring Person will entitle its holder to purchase from the Company, at the Right's then current exercise price, in lieu of shares of Series A Junior Participating Preferred Stock, common stock of the Company with a market value of twice the Purchase Price. In addition, if after any person has become an Acquiring Person, (a) the Company is acquired in a merger or other business combination, or (b) 50% or more of the Company's assets, or assets accounting for 50% or more of its earning power, are sold, leased, exchanged or otherwise transferred (in one or more transactions), proper provision shall be made so that each holder of a Right (other than the Acquiring Person, its affiliates and associates and certain transferees thereof, whose Rights became void) shall thereafter have the right to purchase from the acquiring corporation, for the Purchase Price, that number of shares of common stock of the acquiring corporation which at the time of such transaction would have a market value of twice the Purchase Price.

The Company will be entitled to redeem the Rights at \$0.001 per Right at any time prior to the time an Acquiring Person becomes such. The terms of the Rights are set forth in the Rights Agreement, which is summarized in the Company's Current Report on Form 8-K dated November 13, 2015. The rights plan was originally set to expire on November 12, 2018; however, on November 5, 2018 our Board of Directors approved an Amended and Restated Rights Agreement pursuant to which the expiration date was extended to November 5, 2021 and again on November 1, 2021, the Company adopted a Second Amended and Restated Rights Agreement pursuant to which the expiration date was extended to November 1, 2024, unless the rights are earlier redeemed or exchanged by the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(9) Stockholders' Equity – (continued)

(d) Stock Option Plan

In April 2014, the board of directors adopted the 2014 Stock and Incentive Plan ("2014 Plan") subject to shareholder approval which was received in June 2014. The 2014 Plan provides for the granting of nonqualified and incentive stock options, stock appreciation rights, restricted stock units, restricted stock and dividend equivalents. An aggregate of 58,823 shares were authorized for issuance under the 2014 Plan. Additionally, 15,994 remaining authorized shares under the 2011 Equity Incentive Plan ("2011 Plan") were issuable under the 2014 Plan at the time of the 2014 Plan adoption. Upon receiving shareholder approval in June 2016, the 2014 Plan was amended and restated to increase the authorized number of shares of common stock of the Company issuable under all awards granted under the 2014 Plan from 74,817 to 145,405. Additionally, upon receiving shareholder approval in June 2018, the 2014 Plan was further amended and restated to increase the authorized number of shares of common stock of the Company issuable under all awards granted under the 2014 Plan from 145,405 to 189,522. Finally, upon receiving shareholder approval in June 2020, the 2014 Plan was further amended and restated to increase the authorized number of shares of common stock of the Company issuable under all awards granted under the 2014 Plan from 189,522 to 336,582. The board of directors, on an option-by-option basis, determines the number of shares, exercise price, term, and vesting period for options granted. Options granted generally have a ten-year contractual life. The Company issues shares of common stock upon the exercise of options with the source of those shares of common stock being either newly issued shares or shares held in treasury. An aggregate of 336,582 shares are authorized for issuance under the 2014 Plan, with 48,422 shares remaining available for grant as of December 31, 2023.

A summary of stock option activity is as follows:

	Outstanding stock options	
	Number of shares	Weighted average exercise price
Balance at December 31, 2022	277,225	\$ 38.44
Options granted	26,467	6.19
Options exercised	-	-
Options forfeited	(7,352)	6.91
Options cancelled	(34,093)	52.72
Balance at December 31, 2023	262,247	34.21
Options exercisable at December 31, 2023	194,228	42.72

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

(9) Stockholders' Equity – (continued)

The following table summarizes information about stock options outstanding and exercisable at December 31, 2023:

Options outstanding				Options exercisable			
Number outstanding	Weighted average remaining contractual life (Years)	Weighted average exercise price	Aggregate intrinsic value	Number exercisable	Weighted average remaining contractual life (Years)	Weighted average exercise price	Aggregate intrinsic value
262,247	6.60	\$ 34.21	\$ -	194,228	5.84	\$ 42.72	\$ -

The intrinsic value for stock options is defined as the difference between the current market value and the exercise price. The total intrinsic value of stock options exercised during the years ended December 31, 2023 and 2022, was \$0 and \$173,000, respectively. There were 0 and 12,947 stock options exercised during the years ended December 31, 2023 and 2022, respectively.

(e) Common Stock Warrants

The Company accounts for its common stock warrants under ASC 480, *Distinguishing Liabilities from Equity*, which requires any financial instrument, other than an outstanding share, that, at inception, embodies an obligation to repurchase the issuer's equity shares, or is indexed to such an obligation, and requires or may require the issuer to settle the obligation by transferring assets, to be classified as a liability. In accordance with ASC 480, the Company's outstanding warrants from the November 2019 Offering are classified as a liability. The liability is adjusted to fair value at each reporting period, with the changes in fair value recognized as gain (loss) on change in fair value of warranty liability in the Company's consolidated statements of operations. The warrants issued in the November 2019 Offering allow the warrant holder, if certain change in control events occur, the option to receive an amount of cash equal to the value of the warrants as determined in accordance with the Black-Scholes option pricing model with certain defined assumptions upon a fundamental transaction.

As of December 31, 2023 and 2022, the Company had 64,362 warrants outstanding from the November 2019 Offering to purchase an equal number of shares of common stock. The fair value of these warrants on November 18, 2019 (closing date of November 2019 Offering) and December 31, 2023 and 2022 was determined using the Black-Scholes option pricing model with the following Level 3 inputs (as defined in the November 2019 Offering):

	December 31, 2023	December 31, 2022	November 18, 2019
Expected life in years	0.88	1.88	5.00
Risk-free interest rate	4.79%	4.41%	1.63%
Dividend yield	—	—	—
Volatility	100.00%	100.00%	224.47%
Stock price	\$ 2.79	\$ 6.77	\$ 6.89

LIPOCINE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

(9) Stockholders' Equity – (continued)

During the years ended December 31, 2023 and 2022, the Company recorded a non-cash gain of \$213,000 and \$566,000, respectively, from the change in fair value of the November 2019 Offering warrants. The following table is a reconciliation of the warrant liability measured at fair value using level 3 inputs:

	<u>Warrant Liability</u>
Balance at December 31, 2022	\$ 229,856
Change in fair value of common stock warrants	(212,690)
Balance at December 31, 2023	<u>\$ 17,166</u>

Additionally, in the February 2020 Offering, the Company issued 296,593 common stock warrants. However, because these warrants do not provide the warrant holder the option to put the warrant back to the Company, the warrants are classified as equity. As of December 31, 2023, there were 49,433 warrants outstanding that were issued in the February 2020 Offering.

The following table summarizes the number of common stock warrants outstanding and the weighted average exercise price:

	<u>Warrants</u>	<u>Weighted Average Exercise Price</u>
Outstanding at December 31, 2022	113,795	\$ 8.72
Issued	-	-
Exercised	-	-
Expired	-	-
Cancelled	-	-
Forfeited	-	-
Balance at December 31, 2023	<u>113,795</u>	<u>\$ 8.72</u>

During the years ended December 31, 2023 and 2022, zero common stock warrants to purchase one share of our common stock were exercised.

The following table summarizes information about common stock warrants outstanding at December 31, 2023:

<u>Warrants outstanding</u>			
<u>Number exercisable</u>	<u>Weighted average remaining contractual life (Years)</u>	<u>Weighted average exercise price</u>	<u>Aggregate intrinsic value</u>
113,795	1.00	\$ 8.72	\$ -

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**(10) 401(k) Plan**

On January 1, 2002, the Company adopted a tax qualified employee savings and retirement plan (the “401(k) Plan”) covering eligible employees. Pursuant to the 401(k) Plan, employees may elect to reduce current compensation by a percentage of eligible compensation, not to exceed legal limits, and contribute the amount of such reduction to the 401(k) Plan. Beginning April 1, 2014, the 401(k) Plan was amended to require matching contributions to the 401(k) Plan by the Company on behalf of the participants of 100 percent Company match on up to four percent of an employee’s compensation computed on a per pay period basis. The Company contributed \$102,000 and \$94,000, respectively, to the 401(k) Plan during the years ended December 31, 2023 and 2022.

(11) Commitments and Contingencies***Litigation***

The Company is involved in various lawsuits, claims and other legal matters from time to time that arise in the ordinary course of conducting business. The Company records a liability when a particular contingency is probable and estimable.

On April 2, 2019, the Company filed a lawsuit against Clarus in the United States District Court for the District of Delaware alleging that Clarus’s JATENZO® product infringes six of Lipocine’s issued U.S. patents: 9,034,858; 9,205,057; 9,480,690; 9,757,390; 6,569,463; and 6,923,988. However, on February 11, 2020, the Company voluntarily dismissed allegations of patent infringement for expired U.S. Patent Nos. 6,569,463 and 6,923,988 in an effort to streamline the issues and associated costs for dispute. Clarus answered the complaint and asserted counterclaims of non-infringement and invalidity. The Company answered Clarus’s counterclaims on April 29, 2019. The Court held a scheduling conference on August 15, 2019, a claim construction hearing on February 11, 2020, and a summary judgment hearing on January 15, 2021. In May 2021, the Court granted Clarus’ motion for Summary Judgment, finding the asserted claims of Lipocine’s U.S. patents 9,034,858; 9,205,057; 9,480,690; and 9,757,390 invalid for failure to satisfy the written description requirement of 35 U.S.C. § 112. Clarus still had remaining claims before the Court. On July 13, 2021, the Company entered into the Global Agreement with Clarus which resolved all outstanding claims of this litigation as well as the on-going United States Patent and Trademark Office (“USPTO”) Interference No. 106,128 between the parties. Under the terms of the Global Agreement, the Company agreed to pay Clarus \$4.0 million payable as follows: \$2.5 million immediately, \$1.0 million on July 13, 2022 and \$500,000 on July 13, 2023. On April 29, 2022, the Company agreed to an amendment to Section 3.1 of the Global Agreement, pursuant to which the Company agreed to pay Clarus \$1,250,000 in May 2022, with no additional payments required thereafter. No future royalties are owing from either party. On July 15, 2021, the Court dismissed with prejudice the Company’s claims and Clarus’ counterclaims.

On November 14, 2019, the Company and certain of our officers were named as defendants in a purported shareholder class action lawsuit, *Solomon Abady v. Lipocine Inc. et al.*, 2:19-cv-00906-PMW, filed in the United District Court for the District of Utah. The complaint alleges that the defendants made false and/or misleading statements and/or failed to disclose that the Company’s filing of the NDA for TLANDO to the FDA contained deficiencies and as a result the defendants’ statements about our business and operations were false and misleading and/or lacked a reasonable basis in violation of federal securities laws. The lawsuit seeks certification as a class action (for a purported class of purchasers of the Company’s securities from March 27, 2019 through November 8, 2019), compensatory damages in an unspecified amount, and unspecified equitable or injunctive relief. The Company has insurance that covers claims of this nature. On April 14, 2023, a judgment was issued ordering the case dismissed with prejudice and closure of the action.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

(11) Commitments and Contingencies (continued)

Management does not currently believe that any other matter, individually or in the aggregate, will have a material adverse effect on our financial condition, liquidity or results of operations.

Guarantees and Indemnifications

In the ordinary course of business, the Company enters into agreements, such as lease agreements, licensing agreements, clinical trial agreements, and certain services agreements, containing standard guarantee and / or indemnifications provisions. Additionally, the Company has indemnified its directors and officers to the maximum extent permitted under the laws of the State of Delaware.

(12) Agreement with Spriaso, LLC

The Company has a license and a services agreement with Spriaso, a related-party that is majority-owned by certain current and former directors of Lipocine Inc. and their affiliates. Under the license agreement, the Company assigned and transferred to Spriaso all of the Company's rights, title and interest in its intellectual property to develop products for the cough and cold field. In addition, Spriaso received all rights and obligations under the Company's product development agreement with a third-party. In exchange, the Company will receive a royalty of 20 percent of the net proceeds received by Spriaso, up to a maximum of \$10.0 million. Spriaso also granted back to the Company an exclusive license to such intellectual property to develop products outside of the cough and cold field. The Company also agreed to continue providing up to 10 percent of the services of certain employees to Spriaso for a period of time. The agreement to provide services expired in 2021; however, it may be extended upon written agreement of Spriaso and the Company. The Company did not receive any reimbursements from Spriaso for the years ended December 31, 2023 and 2022, respectively. Additionally, during the years ended December 31, 2023 and 2022, the Company received \$110,000 and \$0, respectively, in royalty revenue from Spriaso. Spriaso filed its first NDA and as an affiliated entity of the Company, it used up the one-time waiver for user fees for a small business submitting its first human drug application to the FDA. Spriaso is considered a variable interest entity under the FASB ASC Topic 810-10, *Consolidations*, however the Company is not the primary beneficiary and has therefore not consolidated Spriaso.

(13) Subsequent Events

On January 12, 2024, the Company entered into a License Agreement with Verity Pharmaceuticals, Inc. for the commercialization of TLANDO® in the U.S. and for the development and commercialization rights to TLANDO XR in Canada as described in Note 4(c).

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures” within the meaning of Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Our disclosure controls and procedures (“Disclosure Controls”) are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act, such as this Annual Report on Form 10-K, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Our Disclosure Controls include, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to our management, including our Chief Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

As of the end of the period covered by this Annual Report on Form 10-K, we evaluated the effectiveness of the design and operation of our Disclosure Controls, which was done under the supervision and with the participation of our management, including our Chief Executive Officer and our Principal Financial Officer. Based on the controls evaluation, our Chief Executive Officer and Principal Financial Officer have concluded that, as of the date of their evaluation, our Disclosure Controls were effective as of December 31, 2023.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide our management and board of directors reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with GAAP. Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements will not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Our management has assessed the effectiveness of internal control over financial reporting as of December 31, 2023. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework (2013)*. Based on our assessment we believe that, as of December 31, 2023, our internal control over financial reporting is effective based on those criteria.

Change in Internal Control over Financial Reporting

During the year ended December 31, 2023 there have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

During the three months ended December 31, 2023, none of our directors or officers adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement” as each term is identified in Item 408 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

Certain of the information required by this item will be contained in our definitive Proxy Statement with respect to our 2024 Annual Meeting of Stockholders, under the captions “Election of Directors,” and “Compliance with Section 16(a) of the Exchange Act” and is incorporated into this item by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be contained in our definitive Proxy Statement with respect to our 2024 Annual Meeting of Stockholders, under the captions “Executive Compensation”, “Compensation Committee Interlocks and Insider Participation”, and “Compensation Committee Report” and is incorporated into this item by reference.

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

The information required by this item will be contained in our definitive Proxy Statement with respect to our 2024 Annual Meeting of Stockholders, under the captions “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information” and is incorporated into this item by reference.

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

The information required by this item will be contained in our definitive Proxy Statement with respect to our 2024 Annual Meeting of Stockholders under the captions “Certain Relationships and Related Transactions” and “Independence of the Board” and is incorporated into this item by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item will be contained in our definitive Proxy Statement with respect to our 2024 Annual Meeting of Stockholders, under the caption “Principal Accountant Fees and Services” and is incorporated into this item by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report on Form 10-K.

1. *Financial Statements.* The financial statements listed on the accompanying Index to Consolidated Financial Statements are filed as part of this report.
2. *Financial statement schedules.* There are no financial statements schedules included because they are either not applicable or the required information is shown in the consolidated financial statements or the notes thereto.
3. *Exhibits.* The following exhibits are filed or incorporated by reference as part of this Form 10-K.

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporation By Reference			
		Form	SEC File No.	Exhibit	Filing Date
2.1	Agreement and Plan of Merger and Reorganization, dated July 24, 2013, by and among Marathon Bar Corp., Lipocine Operating Inc., and MBAR Acquisition Corp.	8-K	333-178230	2.1	7/25/2013
3.1	Amended and Restated Certificate of Incorporation	8-K	333-178230	3.2	7/25/2013
3.2	Amended and Restated Bylaws	8-K	333-178230	3.3	7/25/2013
3.3	Certificate of Designation of Series A Junior Participating Preferred Stock	8-K	001-36357	3.1	12/1/2015
3.4	Certificate of Increase of Series A Junior Participating Preferred Stock	8-K	001-36357	3.1	11/1/2021
3.5	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Lipocine Inc.	8-K	001-36357	3.4	6/28/2022
3.6	Certificate of Designation of Series B Preferred Stock	8-K	001-36357	3.2	3/10/2023
3.7	Amendment to the Amended and Restated Bylaws of Lipocine Inc.	8-K	001-36357	3.1	3/10/2023
3.8	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Lipocine Inc.	8-K	001-36357	3.2	5/11/2023
4.1	Form of Common Stock certificate	8-K	333-178230	4.1	7/25/2013
4.2	Second Amended and Restated Stockholder Rights Agreement dated as of November 1, 2021 by and between the Company and American Stock Transfer & Trust Company, LLC	8-K	001-36357	4.1	11/1/2021
4.3	Form of Pre-Funded Warrant	8-K	001-36357	4.1	11/14/2019
4.4	Form of Common Warrant	8-K	001-36357	4.2	11/14/2019
4.5	Form of Common Warrant	8-K	001-36357	4.1	2/26/2020
4.6	Description of Registered Securities	10-K	001-36357	4.6	3/9/2022
10.1**	Lipocine Inc. Amended and Restated 2011 Equity Incentive Plan	8-K	333-178230	10.1	7/25/2013
10.2**	Form of Stock Option Agreement and Option Grant Notice under the 2011 Equity Incentive Plan	8-K	333-178230	10.2	7/25/2013
10.3**	Form of Restricted Stock Award Agreement and Notice under the 2011 Equity Incentive Plan	8-K	333-178230	10.3	7/25/2013
10.4**	Form of Restricted Stock Unit Agreement and Notice under the 2011 Equity Incentive Plan	10-K	001-36357	10.4	3/31/2014
10.6	Second Lease Extension and Modification Agreement, dated June 21, 2011, by and between Lipocine Inc. and Paradigm Resources, L.C.	8-K	333-178230	10.5	7/25/2013
10.7**	Form of Indemnification Agreement by and between Lipocine Inc. and each of its directors and officers	8-K	333-178230	10.6	7/25/2013

Exhibit Number	Exhibit Description	Incorporation By Reference			
		Form	SEC File No.	Exhibit	Filing Date
10.8	Registration Rights Agreement, dated May 25, 2004, by and between Lipocine Operating Inc. and Schwarz Pharma Limited (now UCB Manufacturing Ireland Ltd.)	8-K	333-178230	10.8	7/25/2013
10.9	Registration Rights Agreement, dated April 20, 2001, by and among Lipocine Operating Inc., Elan International Services, Ltd., and Elan Pharma International Limited	8-K	333-178230	10.9	7/25/2013
10.10	Form of Securities Purchase Agreement, dated July 26, 2013	8-K	333-178230	10.10	7/31/2013
10.11	Form of Registration Rights Agreement, dated July 26, 2013	8-K	333-178230	10.11	7/31/2013
10.12+	Manufacturing Agreement, dated August 27, 2013, by and between Lipocine Inc. and Encap Drug Delivery.	8-K	333-178230	10.12	9/5/2013
10.13**	Executive Employment Agreement, dated January 7, 2014, by and between Lipocine Inc. and Dr. Mahesh V. Patel	8-K	000-55092	10.1	1/7/2014
10.15	Commercial Manufacturing Services and Supply Agreement, dated March 3, 2016, by and between Lipocine Inc. and M.W. Encap Ltd.	10-Q	001-36357	10.1	5/9/2016
10.16	Controlled Equity OfferingSM Sales Agreement, dated March 6, 2017, by and between Lipocine Inc. and Cantor Fitzgerald & Co.	10-K	001-36357	10.22	3/6/2017
10.17**	Vice President Employment Agreement, dated November 5, 2018, by and between Lipocine Inc. and Nachiappan Chidambaram.	10-Q	001-36357	10.1	11/7/18
10.18	Loan and Security Agreement dated January 5, 2018	8-K	001-36357	10.1	1/9/2018
10.20	Securities Purchase Agreement, dated as of November 14, 2019, by and between Lipocine, Inc. and the purchasers identified on the signature pages thereto	8-K	001-36357	10.2	11/14/2019
10.21	Securities Purchase Agreement, dated as of February 25, 2020, by and between Lipocine, Inc. and the purchasers identified on the signature pages thereto	8-K	001-36357	10.2	2/26/2020
10.22	Fourth Amended and Restated Lipocine Inc. 2014 Stock and Incentive Plan	S-8	333-240197	99.1	07/30/2020
10.23	First Amendment to Loan and Security Agreement, dated February 16, 2021, made by and among Lipocine Inc., Lipocine Operating Inc. and Silicon Valley Bank	8-K	001-36357	10.1	2/18/2021
10.24***	License Agreement dated October 14, 2021, by and between Lipocine, Inc. and Antares Pharma, Inc.	10-Q	001-36357	10.1	11/10/2021
10.25***	Amendment No. 1 to Commercial Manufacturing Services and Supply Agreement between Lipocine, Inc. and MW Encap Ltd. Dated October 13, 2021	10-Q	001-36357	10.2	11/10/2021
10.26**	Principal Accounting Officer Employment Agreement, dated March 7, 2022, by and between Lipocine Inc. and Krista Fogarty.	8-K/A	001-36357	10.1	3/7/2022
10.27	First Amendment to License Agreement, dated October 14, 2021, made by and among Lipocine Inc., and Antares Pharma, Inc.	10-Q	001-36357	10.1	5/9/2022

Exhibit Number	Exhibit Description	Incorporation By Reference			
		Form	SEC File No.	Exhibit	Filing Date
10.28*, ***	License Agreement dated January 12, 2024 by and among Lipocine, Inc., Gordon Silver Limited, and Verity Pharmaceuticals				
21.1*	Subsidiaries				
23.1*	Consent of Tanner LLC				
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1*	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350.				
32.2*	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350.				
97*	Lipocine Inc. Clawback Policy.				
101.INS*	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH*	Inline XBRL Taxonomy Extension Schema Document				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB*	Inline XBRL Taxonomy Extension Labels Linkbase Document				
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				
*	Filed herewith				
**	Management contract or compensation plan or arrangement				
+	Confidential treatment has been granted with respect to certain portions of this exhibit. Omitted portions have been submitted separately with the Securities and Exchange Commission.				
***	Certain portions of this exhibit have been omitted pursuant to Item 601(b)(10) of Regulation S-K. The Registrant hereby undertakes to furnish to the SEC, upon request, copies of any such instruments.				

ITEM 16. FORM 10-K SUMMARY

None

SIGNATURES

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

Dated: March 7, 2024

Lipocine Inc.

(Registrant)

/s/ Mahesh V. Patel

Mahesh V. Patel, President and Chief
Executive Officer
(Principal Executive Officer and Principal Financial Officer)

Dated: March 7, 2024

/s/ Krista Fogarty

Krista Fogarty, Corporate Controller
(Principal Accounting Officer)

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u><i>/s/ Mahesh V. Patel</i></u> Mahesh V. Patel	President and Chief Executive Officer (Principal Executive Officer and Principal Financial Officer)	March 7, 2024
<u><i>/s/ Krista Fogarty</i></u> Krista Fogarty	Corporate Controller (Principal Accounting Officer)	March 7, 2024
<u><i>/s/ Jeffrey Fink</i></u> Jeffrey Fink	Director	March 7, 2024
<u><i>/s/ Jill M. Jene</i></u> Jill M. Jene	Director	March 7, 2024
<u><i>/s/ John Higuchi</i></u> John Higuchi	Director	March 7, 2024
<u><i>/s/ R. Dana Ono</i></u> R. Dana Ono	Director	March 7, 2024
<u><i>/s/ Spyros Papapetropoulos</i></u> Spyros Papapetropoulos	Independent Lead Director and Chairman of the Board	March 7, 2024

LICENSE AGREEMENT

THIS LICENSE AGREEMENT (this "*Agreement*") is made and entered into on January 12, 2024 (the "*Signing Date*") and is effective as of February 1, 2024 (the "*Effective Date*") by and between LIPOCINE INC., a Delaware corporation ("*Lipocine*"), and GORDON SILVER LIMITED, an Irish corporation ("*GSL*"). Lipocine and GSL may be referred to herein individually as a "*Party*", and collectively as the "*Parties*".

RECITALS

WHEREAS, Lipocine owns or controls certain patent rights, know-how, Regulatory Approvals (hereinafter defined) and Regulatory Documents (hereinafter defined) relating to its proprietary drug products referred to as TLANDO and TLANDO XR;

WHEREAS, GSL and Verity Pharmaceuticals, Inc., a corporation incorporated in Delaware, United States of America (hereinafter "*Verity*") are both Affiliates of Verity Pharmaceuticals, Inc. (Canada) a corporation organized and existing under the laws of British Columbia (hereinafter "*Holding Company*") (GSL, Verity and Holding Company are hereinafter collectively referred to as "*Verity Group*").

WHEREAS, GSL is engaged in, among other things, managing the Intellectual Property owned by or licensed to the Verity Group;

WHEREAS, Verity is engaged in the registration, promotion and commercialization of pharmaceutical products in the Territory;

WHEREAS, GSL desires to obtain from Lipocine, and Lipocine is willing to grant to GSL, the exclusive license to develop, manufacture, and commercialize TLANDO and TLANDO XR in the Territory, on the terms and conditions set forth herein.

NOW, THEREFORE, based on the premises and the mutual covenants and obligations set forth below, and intending to be bound hereby, the Parties agree as follows:

ARTICLE 1

DEFINITIONS

For purposes of this Agreement, the following capitalized terms shall have the meanings as set forth below when used in this Agreement:

1.1 "*Abbott Agreement*" means the Amendment and Termination Agreement by and between Lipocine and Abbott Products, Inc., dated March 29, 2012, and the side-letter between Lipocine and Abbott Laboratories, dated July 3, 2012.

1.2 "*Affiliate*" means, with respect to a Person, another Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such Person. For purposes of this definition, "control" means (with correlative meanings for the terms "controlled by" and "under common control with") the possession, direct or indirect, of the power to cause the direction of the management and policies of the applicable entity, whether through ownership of more than fifty percent (50%) of the voting securities of such entity, by contract or otherwise. A Person will be an Affiliate for purposes of this Agreement only so long as it satisfies the definition set forth above in this Section. For the avoidance of doubt, Affiliates of GSL include Holding Company and Verity.

1.3 "██████████" shall have the meaning ascribed to it in Section 4.4.

1.4 "Antares" means Antares Pharma, Inc. and its Affiliates.

1.5 "Antares TSA" means the Transition Services Agreement between Lipocine and Antares to be entered into by Lipocine and Antares prior to the Effective Date.

1.6 "Applicable Laws" means all laws, statutes and governmental rules and regulations, guidelines, notification of any Regulatory Authority applicable to any of the activities conducted under this Agreement.

1.7 "Assigned Assets" shall have the meaning ascribed to it in Section 2.5.

1.8 "Assigned Agreements" means those agreements listed in Exhibit B.

1.9 "Assigned Domain Names" means those domain names listed in Exhibit E.

1.10 "Authorized Generic Product" means with respect to a Licensed Product in a country, any oral pharmaceutical product Commercialized by GSL, its Affiliates or Sublicensees in such country that (a) contains the same active pharmaceutical ingredient as such Licensed Product, (b) is marketed in such country pursuant to or by cross reference to the Regulatory Approval for such Licensed Product or with the permission or authorization of GSL in such country, and (c) for TLANDO, is not marketed under TLANDO (or any replacement trademark thereof) and for TLANDO XR is not marketed under TLANDO XR or a trademark used by GSL at such time in its marketing of TLANDO XR.

1.11 "Available Inventory" shall have the meaning ascribed to it in the Antares TSA.

1.12 "Breaching Party" shall have the meaning ascribed to it in Section 11.2(b).

1.13 "Business Day" means any day other than a Saturday, Sunday, or a day on which banking institutions are authorized or obligated by law to be closed in New York, New York.

1.14 "Canada" means Canada and all its provinces and territories.

1.15 "Calendar Quarter" means each successive period of three calendar months commencing on January 1, April 1, July 1, and October 1, except that the first Calendar Quarter of the Term commences on the Effective Date and ends on the day immediately before the first to occur of January 1, April 1, July 1, or October 1 after the Effective Date, and the last Calendar Quarter ends on the last day of the Term.

1.16 “*Calendar Year*” means the period beginning January 1 and ending December 31, except that the first Calendar Year of the Term commences on the Effective Date and ends following December 31 of the same year as of the Effective Date.

1.17 “*Claim*” means any claim, allegation, suit, complaint, action or legal proceeding.

1.18 “*[REDACTED]*” means *[REDACTED]*, its Affiliates or any successors or assigns thereof.

1.19 “*[REDACTED]*” shall have the meaning set forth in Section 7.8.

1.20 “*[REDACTED] Settlement Agreement*” shall have the meaning set forth in Section 7.8.

1.21 “*Commercialize*” or “*Commercialization*” means any and all activities directed to the preparation for sale of, offering for sale of or sale of a Licensed Product, including such activities related to promotion, marketing, distribution and/or detailing of Licensed Product, but excluding activities directed to Development and Manufacturing.

1.22 “*Commercialization Plan*” *[REDACTED]*

1.23 “*Commercially Reasonable Efforts*” means, with respect to specific tasks or activities conducted under this Agreement, the level of efforts and resources commonly used in the pharmaceutical industry to conduct such tasks or activities with respect to products at a similar stage (to the Licensed Product) in its product life and of similar market potential, based on information and conditions then-prevailing.

1.24 “*Commercial Launch*” means, with respect to the Licensed Product in a country in the Territory, the availability of the Licensed Product for commercial sale to the public, as evidenced by publicly available sales information (e.g., from Third Party data monitoring services such as IMS and Symphony).

1.25 “*Confidential Information*” means, as to a particular Party, all confidential or proprietary Information received or otherwise obtained by the other Party from such Party or its Affiliates pursuant to this Agreement, *but excluding* any specific Information that such other Party can demonstrate:

(a) is now, or hereafter becomes, available to the public other than as a result of a breach of this Agreement of the receiving Party, or its Affiliates, or any entity that obtained such Information from the disclosing Party in accordance with this Agreement;

(b) the receiving Party or its Affiliates already possesses prior to receipt thereof from the disclosing Party;

(c) is obtained without restriction from a Third Party, to the knowledge of the receiving Party was not restricted from disclosing the same to the receiving Party or its Affiliates without restriction; or

(d) has been independently developed by the receiving Party or its Affiliates without the aid, application or use of any Confidential Information of the disclosing Party.

1.26 “**Control**” means, with respect to any material, item of Information, or intellectual property right, that the applicable Party, Antares or their respective Affiliates own or has a license, or sublicense (as applicable) (excluding a license granted pursuant to this Agreement) to such material, Information or right and has the ability to grant to the other Party access to use, ownership, a license and/or a sublicense as provided for in this Agreement under such material, item or right without violating the terms of any agreement or other arrangement with any Third Party as of the time such Party, Antares or their respective Affiliates would first be required hereunder to grant the other Party such access, ownership, license, or sublicense (as applicable).

1.27 “**Develop**” or “**Development**” means, with respect to a Licensed Product, all activities that are necessary or useful to obtain, support, or maintain Regulatory Approval (other than to obtain any pricing or reimbursement approvals) of such Licensed Product, including any such activities relating to research, preparing and conducting clinical studies and regulatory activities (e.g., preparing, filing, and obtaining regulatory applications and conducting required Phase IV Trials, if any). “Develop” or “Development” excludes the Commercialization of a Licensed Product.

1.28 “**Development Plan**” means a TLANDO Development Plan and/or TLANDO XR Development Plan.

1.29 “**Dollar**” or “**\$**” means a United States dollar.

1.30 “[REDACTED]” means [REDACTED].

1.31 “[REDACTED] **Supply Agreement**” means the Commercial Manufacturing Services and Supply Agreement between Lipocine and [REDACTED], as amended as of October 13, 2021, including the applicable quality agreement.

1.32 “**Event**” shall have the meaning ascribed to it in Section 3.6.

1.33 “**FDA**” means the United States Food and Drug Administration, or any successor thereto.

1.34 “**Field Infringement**” shall have the meaning ascribed to it in Section 7.3(a).

1.35 “**Field of Use**” means (a) testosterone replacement therapy in males for conditions associated with deficiency or absence of endogenous testosterone, as indicated in the TLANDO NDA and TLANDO XR IND, (b) treatment of Klinefelter syndrome, and (c) all pediatric indications relating to testosterone replacement therapy in males for conditions associated with a deficiency or absence of endogenous testosterone.

1.36 “**Generic Product**” means, with respect to a Licensed Product in a country, any product sold by a Third Party in such country that is not a Sublicensee of GSL or its Affiliates: (A) for which the Regulatory Approval relies on or refers to such Licensed Product as a reference product and (B) either (i) has an AB-rating in the Orange Book, or (ii) is approved by the applicable Regulatory Authority in Canada as interchangeable with or therapeutically equivalent to such Licensed Product.

1.37 “

1.38 “**GSL Indemnitees**” shall have the meaning ascribed to such term in Section 9.1.

1.39 “**GSL Inventory**” shall have the meaning ascribed to such term in Section 11.3(b).

1.40 “**GSL Product Information**” means all data, results, know-how and other Information generated, created, made or discovered or identified by or on behalf of GSL (or its Affiliate or Sublicensees) pursuant to work conducted under this Agreement, including in any clinical trials or other studies on a Licensed Product conducted under this Agreement.

1.41 “**GSL Product Patent**” means any patent or patent application that (a) is Controlled by Verity, its Affiliate or Sublicensee, and (b) claims or covers the research, development, use, manufacture or sale of Licensed Product, including all patent rights covering or claiming inventions made, generated, identified or discovered by or on behalf of GSL (or its Affiliate or Sublicensee) pursuant to work conducted under this Agreement.

1.42 “**GSL Product Technology**” means the GSL Product Information and the GSL Patents (or any part of aspect thereof).

1.43 “**GSL-Supplied Product**” shall have the meaning ascribed to such term in Section 4.3.

1.44 “**Health Canada**” means Canada’s regulatory agency responsible for approval of new drugs, or any successor thereto.

1.45 “**Improvement**” means any Invention that is (a) a modification, improvement or enhancement to the Licensed Product or Licensed Technology (and including all line extensions of a Licensed Product (e.g. for different dosage strengths of Licensed Product)), and (b) necessary or reasonably useful for the Development, Manufacturing, or Commercialization of Licensed Product, including all intellectual property rights therein and thereto.

1.46 “**IND**” means an Investigational New Drug application, as defined in 21 C.F.R. 312 or any successor regulation, and any counterpart in Canada.

1.47 “**Indemnified Party**” shall have the meaning ascribed to it in Section 9.3.

1.48 “**Indemnifying Party**” shall have the meaning ascribed to it in Section 9.3.

1.49 “**Information**” means any and all data, results, Improvements, processes, methods, protocols, formulas, inventions, know-how, trade secrets and any other information, patentable or otherwise, which may include (but is not limited to) scientific, research and development, manufacturing know-how, pre-clinical, clinical, regulatory, manufacturing, safety, marketing, financial and commercial information or data.

1.50 “**Invention**” means any process, formulation, method, composition of matter, article of manufacture, discovery, improvement, know-how or finding that is conceived or reduced to practice (whether patentable or not) as a result of a Party, its Affiliates or, in the case of Verity, its Sublicensees exercising its rights or carrying out its obligations under this Agreement, including all rights, title and interest in and to the intellectual property rights therein.

1.51 “**Joint Inventions**” means any and all Inventions discovered or created jointly by or on behalf of Lipocine or its Affiliates, on the one hand, and GSL, its Sublicensees, or their respective Affiliates, on the other hand, whether or not patented or patentable.

1.52 “**JSC**” shall have the meaning ascribed to it in Section 3.1(c).

1.53 “**Launch Date**” means, with respect to a Licensed Product in a country, the date on which such Licensed Product is first sold by GSL, its Affiliates or Sublicensee to a Third Party (including a distributor) in such country, after Regulatory Approval for such Licensed Product in such country has been granted.

1.54 “**Licensed Know-How**” means the Information, including Regulatory Documents, that (a) is Controlled by Lipocine or its Affiliate, and (b) relates to Licensed Product and is needed for the Development and Commercialization of Licensed Product in the Field of Use in the Territory.

1.55 “**Licensed Patents**” means:

- (a) the patents and patent applications set forth in **Exhibit A**;
- (b) any and all patent applications that are continuations or divisionals of the patent applications described in (a) above;
- (c) any and all issued and unexpired patents resulting from any of the applications described in (a) or (b) above;

(d) any and all issued and unexpired reissues, reexaminations, renewals, or term extensions of any of the patents described in (a), (b) or (c) above;

(e) any and all foreign counterparts of any of the patents described in (a), (b), (c) or (d) above in the Territory; and

(f) any patent or patent applications Controlled now or in the future during the Term by Lipocine that constitute Improvements to the inventions described in the patents and patent applications set forth in **Exhibit A**.

1.56 "**Licensed Product**" means TLANDO® and TLANDO® XR.

1.57 "**Licensed Technology**" means the Licensed Patents and Licensed Know-How.

1.58 "**Licensed Trademarks**" mean the United States trademarks listed in **Exhibit A**.

1.59 "**Lipocine Indemnities**" shall have the meaning ascribed to such term in Section 9.2.

1.60 "**Losses**" means costs and expenses (including, without limitation, reasonable legal expenses and attorneys' fees), judgments, liabilities, fines, damages, assessments and/or other losses incurred in connection with investigating, defending or asserting any Claim for which indemnification is available hereunder.

1.61 "**NDC**" means national drug code number(s) as listed by the FDA.

1.62 "**Net Sales**" means the gross amounts invoiced and actually recorded by GSL, its Affiliates or Sublicensees, for sales of Licensed Product in the Territory to Third Parties (that are not Sublicensees) in an arm's length transaction, in each case, less the following deductions to the extent actually allowed and taken in accordance with US GAAP:

(e) normal and customary trade, quantity, prompt pay and cash discounts actually allowed and properly taken directly with respect to sales of Licensed Product;

(f) returns, charge-back payments, rebates, fees, and discounts (or equivalents thereof) payable to trade customers, wholesalers, managed health care organizations, pharmacy benefit managers (or equivalents thereof), group purchasing organizations, specialty pharmacy providers, federal, state/provincial, local, or other governments, or their agencies or purchasers or reimbursers, including Medicaid, Medicare or other government special medical assistance programs and payer fees and discounts offered to patients via patient assistance program(s) (e.g., co-payment program);

(g) tariffs, duties, excise, sales, value-added and other taxes (but not taxes based on income); and

(h) amounts credited for bad debt or uncollectible amounts on previously sold products, provided that any amount of bad debt or uncollectible amounts subsequently repaid or collected will be deemed Net Sales in the Calendar Quarter in which such repayment or collection is made.

For purposes of determining Net Sales, a Licensed Product shall be deemed to be sold when recorded as a sale in accordance with US GAAP, consistently applied. In the case such as barter or counter-trade of a Licensed Product, other than exclusively for money, Net Sales shall be calculated as above on the value of the consideration received or, if higher, on the fair market price of the Licensed Product. Notwithstanding the foregoing, Net Sales shall not include (and a "sale" shall not be deemed to have occurred in the event of) (i) transfers or dispositions of such Licensed Product for clinical purposes, compassionate use or as samples, in each case, without charge, or (ii) GSL's or any Affiliates' transfer of any Licensed Product to one another or to a Sublicensee, unless such transferee is an end user of the Licensed Product.

1.63 "**Non-Breaching Party**" shall have the meaning ascribed to it in Section 11.2(b).

1.64 "**Other Licensees**" shall have the meaning ascribed to it in Section 3.5.

1.65 "**Patents**" means all: (a) patents and patent applications, including any provisional patent applications, (b) any patent application claiming priority from such patent applications or provisional patent applications, including divisions, continuations, continuations-in-part, additions, (c) any patent that has issued or in the future issues from any of the foregoing patent applications, including any utility or design patent or certificate of invention, and (d) re-issues, renewals, extensions, substitutions, re-examinations or restorations, registrations and revalidations, and supplementary protection certificates and equivalents to any of the foregoing.

1.66 "**Person**" means an individual, a corporation, a partnership, an association, a trust, or other entity or organization, including a government or political subdivision or an agency thereof.

1.67 "**Phase IV Trial**" means a clinical trial of a pharmaceutical product initiated (i.e. first patient dosing) in the Territory in an approved indication after receipt of Regulatory Approval for such product in such indication in the Territory, to delineate additional information about such product's risks, benefits and optimal use.

1.68 "**Product Marks**" shall have the meaning ascribed to it in Section 6.2 and shall include the Licensed Trademarks.

1.69 "**Prosecution**" shall have the meaning ascribed to it in Section 7.2.

1.70 "**Regulatory Approval**" means any approvals (including NDAs, NDSs, supplements, amendments, pre- and post-approvals and price approvals), licenses, registrations or authorizations of any national, regional, state or local regulatory agency, department, bureau, commission, council or other governmental entity, necessary for the manufacture, marketing, distribution, use or sale of Licensed Product in the Territory.

1.71 "**Regulatory Authority**" means any regulatory agency, department, bureau, commission, council or other governmental entity involved in granting approvals for the development, manufacturing, marketing, reimbursement and/or pricing of Licensed Product in the Territory.

1.72 "**Regulatory Documents**" means all regulatory documents and filings, correspondence with Regulatory Authorities, annual reports and amendments thereto related to Licensed Product in the Territory.

1.73 "**Royalty Report**" shall have the meaning ascribed to it in Section 5.4.

1.74 [REDACTED] means [REDACTED]

1.75 [REDACTED]

1.76 "**Sublicensee(s)**" means any Third Party to which GSL or its Affiliate grants rights licensed to GSL pursuant to this Agreement.

1.77 "**Term**" means the term of this Agreement as set forth in Section 11.1.

1.78 "**Territory**" means the United States and Canada.

1.79 "**Third Party**" means any Person other than Lipocine or GSL or an Affiliate of either of them.

1.80 "**TLANDO**" means the testosterone undecanoate product described in the TLANDO NDA including all forms, compounds, formulations, presentations, specifications, manner of delivery, dosage strengths, line extensions, modifications, developments and Improvements of such product.

1.81 "**TLANDO Development Plan**" shall have the meaning ascribed to it in Section 3.2(d).

1.82 "**TLANDO NDA**" means new drug application 208088 for TLANDO in the United States.

1.83 "**TLANDO NDS**" means a new drug submission for the Licensed Product in Canada.

1.84 "**TLANDO XR**" means the testosterone tridecanoate product described in the TLANDO XR IND (which, as of the Effective Date, is LPCN 1111 Once Daily Oral TRT and has the proposed brand name TLANDO® XR), including all forms, compounds, formulations, presentations, specifications, manner of delivery, dosage strengths, line extensions, modifications, developments and Improvements of such product.

1.85 “*TLANDO XR Development Plan*” shall have the meaning ascribed to it in Section 3.2(b).

1.86 “*TLANDO XR IND*” investigational new drug application 119099 for the TLANDO XR in the United States.

1.87 “*Trademark*” means any trade name, service mark, logo or trademark (whether or not registered), together with all goodwill associated therewith, and any renewals, extensions or modifications thereto.

1.88 “*United States*” means the United States of America and all of its dependent territories (including without limitation American Samoa, Puerto Rico, Guam, the Northern Mariana Islands, and the United States Virgin Islands).

1.89 “*US GAAP*” means United States generally accepted accounting principles.

1.90 “*Valid Claim*” means (a) an unexpired claim of an issued patent within the Licensed Patents that has not been found to be invalid or unenforceable by a court or other authority in the country of the patent, from which decision no appeal is taken or can be taken, or (b) a pending claim in a patent application within the Licensed Patents that has not been abandoned or finally determined to be unpatentable by the applicable patent authority in a ruling or decision from which no appeal is taken or can be taken.

ARTICLE 2

LICENSES AND RELATED RIGHTS

2.1 License Grant; Sublicensing.

(a) Subject to the terms and conditions of this Agreement, Lipocine hereby grants to GSL an exclusive (even as to Lipocine and its Affiliate) license, under the Licensed Patents, Licensed Trademarks and the Licensed Know-How solely to Develop, manufacture, have manufactured, and Commercialize Licensed Product within the Field of Use in the Territory during the Term.

(b) GSL may sublicense the rights granted to it pursuant to Section 2.1(a) to a Sublicensee without the consent of Lipocine. Without limiting the foregoing, GSL shall advise Lipocine of each sublicense agreement and any amendments thereto within [REDACTED] of execution, and all sublicenses shall be consistent with the terms and conditions of this Agreement.

(c) All licenses and other rights granted to GSL under this Agreement are subject to the rights and obligations of Lipocine under the [REDACTED] Agreement. GSL shall comply with all applicable terms and conditions of the [REDACTED] Agreement, and shall perform and take such actions as may be required to allow Lipocine to comply with its obligations thereunder, including but not limited to, obligations relating to sublicensing, patent matters, confidentiality, reporting, audit rights, indemnification and diligence; provided, however, that Lipocine shall pay directly to Abbott in accordance with the terms of the Abbott Agreement all royalties due and payable to [REDACTED] pursuant to the [REDACTED] Agreement based on Net Sales of TLANDO by GSL, its Affiliates and Sublicensees.

2.2 Limitations on License Rights. GSL hereby covenants and agrees that it and its Affiliates and Sublicensees shall not during the Term: (a) use or practice the Licensed Technology or Licensed Trademarks for any use or purpose other than as expressly permitted by the license granted in Section 2.1, (b) directly or indirectly, develop, use, promote, market, offer for sale or sell any testosterone replacement therapy product comprising testosterone undecanoate, other than Licensed Product in the Field of Use, and shall not assist any Third Party in doing so, (c) without limiting (b), directly or indirectly, develop, use, promote, market, offer for sale or sell any testosterone therapy where such therapy is manufactured, commercialized and/or prescribed for the purpose of treating liver disease, NASH, cirrhosis, sarcopenia, cachexia, any end stage disease such as chronic kidney disease, end stage renal disease, congestive heart failure, idiopathic pulmonary fibrosis, cancer, muscle disorder, or other indication that is not a deficiency or absence of endogenous testosterone condition, even if any of the foregoing also happens to treat a deficiency or absence of endogenous testosterone condition, and (d) market, promote or sell any Licensed Product outside the Territory or anywhere outside the Field of Use. Further, GSL shall take all reasonable measures to prevent export of Licensed Product from the Territory to any country outside the Territory. All such activities and rights are expressly and exclusively reserved to Lipocine. For the avoidance of doubt, GSL shall not have any right under this Agreement to use or exploit the Licensed Technology for any purpose outside the Field of Use in the Territory or for any purpose outside of the Territory, inside or outside the Field of Use.

2.3 Limitations on Lipocine Rights. Lipocine hereby covenants and agrees that it and its Affiliates and Other Licensees shall not during the Term: (a) use or practice the Licensed Technology for any use or purpose in the Territory in the Field of Use, (b) use or practice the Licensed Trademarks for any use or purpose in the Territory, and (c) directly or indirectly, develop, use, promote, market, offer for sale or sell any testosterone replacement therapy product comprising testosterone undecanoate in the Territory in the Field of Use, and shall not assist any Third Party in doing so. Further, Lipocine shall take all reasonable measures to prevent export of Licensed Product in the Territory for use in the Field of Use from other countries or jurisdictions.

2.4 Retained Rights. Notwithstanding the licenses granted to GSL pursuant to Section 2.1, Lipocine retains all rights under the Licensed Technology: (a) to manufacture testosterone undecanoate and Licensed Product anywhere for Commercialization outside the Territory or Commercialization anywhere outside the Field of Use; (b) as needed to fulfill its obligations under this Agreement; and (c) to conduct research and development activities with respect to testosterone undecanoate and Licensed Product anywhere for use and sale outside the Territory and anywhere outside the Field of Use.

2.5 Assignments. Lipocine shall assign or cause Antares to assign to GSL all right title and interest in and to the Assigned Domain Names, Assigned Agreements, the TLANDO NDA, and the TLANDO XR IND (the “Assigned Assets”) on or before the Effective Date. GSL hereby accepts the assignment of the rights and obligations with respect to the Assigned Assets and shall comply with all such obligations arising out of the Assigned Assets as of the date assigned to GSL. For the avoidance of doubt, GSL shall have the obligation to maintain the TLANDO NDA in accordance with Applicable Laws as of the Effective Date.

2.6 Licensed Trademarks Additional Terms.

(a) GSL shall comply with Lipocine's reasonable instructions as to the form and manner in which the Licensed Trademarks may be used pursuant to this Agreement. GSL shall not alter or modify the Licensed Trademarks in any manner, without the prior written consent of Lipocine, such consent not to be unreasonably withheld, conditioned or delayed. GSL shall display the Licensed Trademarks only in connection with the Licensed Product and shall include all notices and legends with respect to the Licensed Trademarks as are required by applicable federal, state, provincial or local trademark laws or as reasonably requested by Lipocine. GSL shall, at all times, use Commercially Reasonable Efforts to preserve the value, validity and goodwill associated with the Licensed Trademarks.

(b) GSL acknowledges and agrees that it is familiar with the nature and quality of the Licensed Products with which GSL intends to use the Licensed Trademarks. Lipocine may request, from time to time, representative examples of all advertising and promotional material on which the Licensed Trademarks are used (collectively the "Materials"). GSL agrees to furnish examples of such Materials upon reasonable request and at no cost to Lipocine. To the extent that the use of the Licensed Trademarks as used in the Materials does not comply with the terms of this Agreement, Lipocine shall have the right to request modifications to the manner in which the Licensed Trademarks are used in connection with the Materials and GSL shall promptly consider and comply with all reasonable such requests..

(c) GSL hereby acknowledges that the Licensed Trademarks and all goodwill associated therewith are and shall remain the sole property of Lipocine and no rights are conferred upon GSL except as specifically set forth herein. Any and all goodwill arising from GSL's use of the Licensed Trademarks shall inure solely to the benefit of Lipocine.

(d) Except as otherwise contemplated herein, GSL shall not, at any time, adopt or use, without Lipocine's prior written consent, any mark confusingly similar to the Licensed Trademarks. GSL shall not contest or deny Lipocine's exclusive ownership of the Licensed Trademarks, the validity or enforceability of the Licensed Trademarks, or oppose or seek to cancel any application or registration for the Licensed Trademarks by Lipocine, or aid others in doing so, either during the term of this Agreement or at any time thereafter.

(e) Upon reasonable request by Lipocine, or its successors and assigns, GSL agrees to reasonably cooperate with Lipocine, or its successors and assigns, and execute and deliver without further compensation any and all documents, and/or evidence of use reasonably necessary to secure or maintain protection for the Licensed Trademarks.

ARTICLE 3

TRANSFER OF INFORMATION; DEVELOPMENT AND REGULATORY MATTERS

3.1 Product Information Transfer.

(a) **Licensed Know-How.** On the Effective Date, Lipocine will provide to GSL copies of the Licensed Know-How that is relevant to GSL to Commercialize TLANDO in the United States and to Develop, seek Regulatory Approval of, and Commercialize Licensed Product in the Territory to the extent then in Lipocine's or its Affiliates' possession and Control. The clinical data portion of the Licensed Know-How will be provided to GSL in computer-readable, SAS transport format, where practicable and available, and otherwise in printed format. All other portions of the Licensed Know-How will be provided to GSL in written form, electronically if reasonably practicable and otherwise in hard copy documents. If, during the Term, Licensed Know-How in Lipocine's possession and Control are identified that is Controlled by Lipocine or its Affiliates and was, as of the Licensed Start Date, related to the Development or Commercialization of Licensed Product in the Territory in the Field of Use as contemplated in this Agreement, and was not previously provided to GSL pursuant to this Section 3.1(a), then Lipocine will provide such Licensed Know-How to GSL promptly after such identification.

(b) **Reserved Rights.** Notwithstanding the disclosures in subsection (a) above, it is understood that Lipocine (and its Affiliates and Other Licensees) shall have and retains the full rights to use, review, access, reference and incorporate all Licensed Know-How (including all data and information in Regulatory Documents disclosed to GSL) to satisfy its obligations hereunder and to exercise all of its retained rights.

(c) **JSC; Development Information Exchange.** Promptly after the Effective Date, the Parties will form a Joint Steering Committee (the "**JSC**"), consisting of two representatives selected by each Party. Each party may replace one or more of its representatives, in its sole discretion, effective upon written notice to the other Party of such change. The JSC shall meet for consultation and discussion purposes only and does not have any authority beyond the matters expressly set forth in this Agreement, and may not in any way amend or modify the terms or provisions of this Agreement, and may not enter into any agreement. Upon request of either Party (no more than [REDACTED]), the Parties will have a meeting of the JSC (which may be a video or telephonic conference, at either Party's request) to discuss progress regarding the Development and/or Commercialization of Licensed Product in the Territory, and to exchange Information regarding the Development and/or Commercialization status and progress outside Territory and in the Territory and to discuss and exchange Information on any other matters relating to Licensed Product Development and Commercialization that either Party reasonably requests. The Party who calls the meeting shall prepare and circulate a draft agenda for review. Such meetings may be held with respect to specific Development and Commercialization subject matters (e.g., non-clinical, clinical, CMC, manufacturing). In addition, a Party may request that the other Party include in any JSC meeting its contract manufacturer, CRO and other relevant Person working on Licensed Product Development and/or Commercialization, to participate in the meeting to the extent important to such requesting Party's Development and/or Commercialization activities, and the other Party will use reasonable efforts to accommodate such request. The JSC shall keep reasonable minutes of all matters discussed and decisions made at the JSC meetings. The Party who hosts or requests the JSC meeting shall prepare the minutes of the meeting and circulate such minutes to the other Party or approval within [REDACTED] of the JSC meeting.

3.2 Pharmaceutical Development in Territory.

(a) As of the Effective Date, GSL shall have sole control over and decision-making authority with respect to the Development of the Licensed Product in the Field in the Territory, including the conduct of any clinical trials (including Phase 4 Trials) necessary to obtain and maintain Regulatory Approval of the Licensed Product in the Field in the Territory. All Data obtained from Clinical Trials conducted by GSL shall be GSL Product Information.

(b) [REDACTED]

(c) [REDACTED]

(d) [REDACTED]

3.3 Communications with Regulatory Authorities. From and after the Effective Date, except as otherwise set forth in this Agreement or the Antares TSA, GSL shall be responsible for all contacts with Regulatory Authorities with respect to Licensed Product in the Territory within the Field of Use. GSL shall have the responsibility, subject to the terms of this Agreement, to prepare and submit (a) all regulatory filings with Regulatory Authorities in the Territory as needed to conduct its Development, manufacture and Commercialization of Licensed Product in the Territory in the Field of Use, and (b) all applications to obtain Regulatory Approvals in the Territory. All such regulatory submissions shall be in compliance with all Applicable Laws. GSL shall keep Lipocine informed of all material developments regarding all such regulatory activities, shall provide to Lipocine copies of all regulatory submissions (including applications for Regulatory Approval) in the Territory and of all responses from Regulatory Authorities, shall provide Lipocine reasonable advance notice of any meetings or scheduled discussions with Regulatory Authorities in the Territory regarding Licensed Product, and shall update Lipocine as reasonably requested as to all progress and results of all such regulatory filings and meetings. Lipocine shall have the right to comment on all draft regulatory submissions, and GSL shall reasonably consider all such comments. GSL shall disclose and when requested, provide to Lipocine all regulatory and related Development Information, including Regulatory Authority communications, protocol submissions, annual reports, and licensing applications in a reasonable timeframe.

3.4 Regulatory Filings. GSL shall prepare, file and maintain with the appropriate Regulatory Authorities in the Territory, at its sole expense and in its own name, all documents (including all INDs) that are necessary to conduct any needed clinical studies of the Licensed Product for Regulatory Approval in the Territory in the Field of Use, and any other applications for Regulatory Approval that are needed to market and sell Licensed Products in the Field of Use in the Territory. Promptly after the submission of each such regulatory filing, GSL shall notify Lipocine that such regulatory filing has been made, and upon Lipocine's request, GSL shall provide Lipocine with a copy of each such filing in English.

3.5 Information Exchange with Other Licensees. It is understood that Lipocine may enter into one or more license agreements with Third Parties (collectively "**Other Licensees**") regarding license rights to TLANDO and/or TLANDO XR for development, use and/or sale outside the Territory or anywhere outside the Field of Use. In order to facilitate coordination of Development of Licensed Product on a worldwide basis, GSL agrees to use Commercially Reasonable Efforts to comply with reasonable requests by Lipocine to be consistent with the Development plans of Other Licensees on a worldwide basis. To that end, GSL and Lipocine will use reasonable efforts to discuss such coordination with GSL's Development efforts on TLANDO. To the extent necessary for such coordination, Lipocine will use reasonable efforts to set up an information exchange network among Lipocine, its Other Licensees, contract manufacturers and GSL so that each of such parties will be able to exchange the necessary information needed by each such party. By way of example, with regard to the adverse event information, GSL will set up, maintain and manage a worldwide quality and adverse event reporting system network so that, for example, Lipocine, its Other Licensees and GSL can submit adverse event information to the applicable Regulatory Authority promptly in accordance with the regulatory requirements in their respective territory. To the extent pre-approved by Lipocine in writing, Lipocine and its Other Licensees will compensate GSL the direct costs (administrative, personnel, and IT systems) accrued by GSL to capture, maintain and report adverse event, quality or other information to the applicable Regulatory Authority outside the Territory. Aggregate direct costs will be compensated to GSL on a quarterly basis, one quarter in arrears to the accrual of these costs.

3.6 Event Reporting. Each Party shall be responsible for reporting all Events (as defined below) associated with the Development or Commercialization of Licensed Product in its respective territory (as to GSL, the Territory and, as to Lipocine, outside the Territory) to the appropriate Regulatory Authorities in its respective territory, in accordance with all Applicable Laws, and shall provide the other Party copies of all such reports promptly after filing with the Regulatory Authorities. Additionally, in the event either Party receives information regarding Events related to the use of Licensed Product, such Party shall promptly provide the other Party with such information in accordance with the separate Safety Agreement to be entered into by the Parties promptly. For purposes of this Section 3.6, “*Event*” shall mean any Licensed Product complaint, adverse event or adverse drug reaction, including malfunctions, product failure, improper or inadequate design, manufacturer labeling, quality control or user error reported during the use of the Licensed Product by or on behalf of a Party, its Affiliates, Sublicensees and customers (including end users purchasing Licensed Product or using Licensed Product purchased from any of the foregoing). Each Party shall notify the other Party immediately of any Information received regarding any threatened or pending action by any public authority that may affect or related to the safety, efficacy, or other labeling claims of any Licensed Product. Without limiting the foregoing, the Parties shall negotiate in good faith and enter into a pharmacovigilance agreement consistent with this Section 3.6.

3.7 Rights of Reference. Each Party shall provide the other Party in writing letters of reference, granting that other Party (and its Affiliates, Sublicensees and Other Licensees) the right of reference for all purposes relating to Development or Commercialization of Licensed Product in their respective territories (for GSL, the Territory in the Field of Use, and for Lipocine, outside the Territory or anywhere outside the Field of Use) with respect to all filings with Regulatory Authorities made by or on behalf of the providing Party, its Affiliate, Other Licensees or Sublicensees relating to Licensed Product, and to all Regulatory Approvals, including, in the case of Lipocine as the referencing Party, to the TLANDO NDA and TLANDO XR IND. Such letters of reference shall expressly permit the receiving Party, to transfer such rights to its Affiliates and Other Licensees or Sublicensees, as the case may be, and allow such entities the right of reference to all such filings and Regulatory Approvals in the respective territories and fields of use and such rights of reference shall expressly be binding on any assignee or transferee of the providing Party’s rights to such filings and Regulatory Approvals under this Agreement. If a Regulatory Authority requires access to certain portions of any such filings, registrations and approvals related to Licensed Product for legal or regulatory purposes in connection with the receiving Party or its Affiliate’s or Other Licensee’s or Sublicensees’ Development and/or Commercialization efforts, including without limitation, for filing patent-related submissions, then the providing Party shall cooperate with such Regulatory Authority and make such portions available to the Regulatory Authority and, if legally required for the receiving Party to submit or pursue an application for Regulatory Approval, to the receiving Party (or its Affiliate or Other Licensee or Sublicensee) solely for such purpose.

3.8 Recall Matters. GSL shall observe and conform at all times with all legal requirements in order to maintain an effective system for the recall from the market in the United States and Canada of any Licensed Product used or sold in the United States and Canada. GSL will be responsible for conducting, in accordance with all Applicable Laws, all withdrawals or recalls of Licensed Product used or sold in the United States and Canada in the Field of Use, and will provide Lipocine with reasonable notice under the circumstances of such intended withdrawal or recall in an appropriate time, to the extent practicable, for Lipocine and GSL to discuss such intended action.

3.9 Returns. GSL shall be responsible for any and all returns that shall arise in connection with sales/distribution of the Licensed Product by GSL, its Affiliates and Sublicensees; provided that Antares shall be entitled to direct any such activities related to Licensed Product bearing Antares' NDC that was sold by GSL, its Affiliates and Sublicensees as permitted by the Antares TSA.

3.10 Commercialization Diligence. GSL shall use Commercially Reasonable Efforts to Commercialize the Licensed Products in the Territory within the Field of Use to maximize sales. Without limiting the foregoing and subject to Lipocine complying with its obligations under this Agreement, GSL shall (i) begin to Commercialize (including the sale of) TLANDO in the United States on February 1, 2024, and (ii) conduct any post marketing requirements of and commitments to the Regulatory Authorities. Commencing [REDACTED] from the Effective Date with respect to TLANDO in the United States, and at least [REDACTED] prior to the projected Commercial Launch of a Licensed Product in the Territory, GSL shall deliver to Lipocine a Commercialization Plan for the Licensed Product for review and comment, and provide Lipocine copies of any material revisions or amendments thereto made by GSL prior to Commercial Launch of the Licensed Product by GSL, its Affiliates or Sublicensees. GSL shall Commercialize the Licensed Product in accordance with the Commercialization Plan. After Commercial Launch of a Licensed Product, on a [REDACTED] GSL shall submit an updated Commercialization Plan to Lipocine for its review and comment. Each Commercialization Plan shall include [REDACTED] and GSL shall provide Lipocine with [REDACTED] GSL shall assume sole responsibility for all reporting obligations to governmental authorities and rebate counterparties in connection with Licensed Product sold after February 1, 2024.

3.11 Reports. [REDACTED] after the end of each Calendar Quarter during the Term, GSL shall provide to Lipocine a written report concerning its (and its Affiliates' and Sublicensees', if applicable) efforts regarding Development and Commercialization of the Licensed Product in the Territory as carried out during [REDACTED] and as planned for the next [REDACTED] and the results of such efforts, which shall be consistent with the applicable Development Plan and Commercialization Plan.

ARTICLE 4

SUPPLY OF LICENSED PRODUCT

4.1 Manufacture of Licensed Product on behalf of GSL. GSL shall, at its sole discretion, cost and expense, manufacture or have manufactured Licensed Product for Regulatory Approval and Commercialization of the Licensed Product in the Territory within the Field of Use. Upon the assignment of [REDACTED] Supply Agreement to GSL, GSL shall procure its supply of Licensed Product from [REDACTED] in accordance with the terms of [REDACTED] Supply Agreement [REDACTED] or any other Third Party contracted by GSL for which GSL obtains Regulatory Approval.

4.2 Purchased Inventory. Without limiting Section 4.1, GSL shall have the right to purchase from Antares Available Inventory in accordance with the terms and conditions set forth in the Antares TSA. GSL acknowledges and agrees that GSL's sale of Licensed Product bearing Antares Trademarks and NDC Numbers are subject to the terms and conditions of the Antares TSA. GSL acknowledges and agrees that any Available Inventory will be supplied to GSL "as-is". LIPOCINE MAKES NO REPRESENTATIONS, GUARANTEES OR WARRANTIES OF ANY KIND, IMPLIED OR EXPRESSED, WITH RESPECT TO THE AVAILABLE INVENTORY, INCLUDING, WITHOUT LIMITATION, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, ALL OF WHICH ARE SPECIFICALLY DISCLAIMED.

4.3 GSL Supply of Licensed Product to Lipocine. Lipocine may request from time to time that GSL or its Affiliate sell Licensed Product to Lipocine for use outside the Territory or anywhere outside the Field of Use ("GSL-Supplied Product") at a price equal to GSL's Third Party cost of goods sold, plus an administration fee not to exceed [REDACTED]. GSL MAKES NO REPRESENTATIONS, GUARANTEES OR WARRANTIES OF ANY KIND, IMPLIED OR EXPRESSED, WITH RESPECT TO GSL-SUPPLIED PRODUCT IT SELLS TO LIPOCINE, INCLUDING, WITHOUT LIMITATION, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, ALL OF WHICH ARE SPECIFICALLY DISCLAIMED. Notwithstanding the foregoing, GSL shall use Commercially Reasonable Efforts to assist Lipocine in enforcing any warranties made by or obligations of, the manufacturer of the GSL-Supplied Product. Lipocine reserves the right to purchase Licensed Product for use outside the Territory or anywhere outside the Field of Use directly from [REDACTED] or any other Third Party.

4.4 [REDACTED]

Upon annual Net Sales of Licensed Product exceeding [REDACTED] for the first time in a [REDACTED] Calendar Year

Upon annual Net Sales of Licensed Product exceeding [REDACTED] for the first time in a [REDACTED] Calendar Year

Upon annual Net Sales of Licensed Product exceeding [REDACTED] for the first time in a [REDACTED] Calendar Year

Upon annual Net Sales of Licensed Product exceeding [REDACTED] for the first time in a [REDACTED] Calendar Year

Upon annual Net Sales of Licensed Product exceeding [REDACTED] for the first time in a [REDACTED] Calendar Year

Upon annual Net Sales of Licensed Product exceeding [REDACTED] for the first time in a [REDACTED] Calendar Year

Upon annual Net Sales of Licensed Product exceeding [REDACTED] for the first time in a [REDACTED] Calendar Year

Upon annual Net Sales of Licensed Product exceeding [REDACTED] for the first time in a [REDACTED] Calendar Year

Upon annual Net Sales of Licensed Product exceeding [REDACTED] for the first time in a [REDACTED] Calendar Year

For clarity, (i) activities by GSL's Affiliates or Sublicensees that, individually or collectively with GSL, achieve any of the above milestone events shall be deemed to meet the milestone, and (ii) if more than one sales milestone is met during a Calendar Year, the milestone payment for each milestone shall be payable. By way of example,

The payments set forth in Section 5.2 corresponding to each commercial sales milestone event shall only be payable one (1) time with respect to any and all Licensed Product developed under this Agreement. For clarity, if a milestone is achieved by the aggregate Net Sales of TLANDO and such milestone payment is made, then no repeat milestone payment is due for such milestone if such milestone is later achieved for a second time based on the Net Sales of TLANDO XR. For further clarity, the Net Sales of TLANDO XR shall be aggregated with the Net Sales of TLANDO to determine when any unpaid milestone has been achieved.

Each such milestone payment hereunder shall be paid to Lipocine within [REDACTED] after meeting the applicable milestone event with respect to such milestone payment. All such milestone payments shall be nonrefundable and noncreditable against any other fees or payments due Lipocine under this Agreement.

5.3 Royalties.

(a) GSL shall pay royalties to Lipocine on sales of Licensed Product in the United States and Canada by GSL, its Affiliates and Sublicensees, such royalties as a percentage of Net Sales of Licensed Product, at the following royalty rates, which depend on the aggregate amount of Net Sales of all Licensed Product sold in the United States and Canada in the applicable Calendar Year:

Annual Net Sales	Royalty Rate
On all annual Net Sales [REDACTED]	12%
On all annual Net Sales above [REDACTED] but below [REDACTED]	14%
On all annual Net Sales above [REDACTED]	16%

(b) The royalty rates set forth in subsection (a) above shall each be increased by two percent (2%) (i.e. to 14%, 16% and 18%) for Net Sales made after [REDACTED]

(c) The foregoing royalties shall be paid with respect to sales of the Licensed Product in the Territory by GSL, its Affiliates and Sublicensees, until the expiration of the Term.

(d) [REDACTED]

(e)

5.4 Payments; Reports. Payment of all sums due to Lipocine under this Article 5 shall be made to Lipocine by wire transfer, or electronic funds transfer (EFT), to the Lipocine's following bank account (or to such other account as specified by Lipocine in writing):

Royalty reports of the sale of Licensed Product for each Calendar Quarter will be calculated and delivered to Lipocine under this Agreement within [redacted] of the end of each such Calendar Quarter (each, a "*Royalty Report*"); provided, however, that GSL shall provide to Lipocine a written estimate of Net Sales in a Calendar Quarter no later than [redacted] after the end of such Calendar Quarter in order for Lipocine to comply with its SEC reporting obligations.

Royalties to be paid pursuant to a Royalty Report shall be due and payable by GSL within [redacted] after receipt of invoice from Lipocine and shall be paid in US Dollars. GSL shall, and shall cause its Affiliates and Sublicensees to, keep complete and accurate records pertaining to the sale or other disposition of Licensed Product in sufficient detail to permit Lipocine to confirm the accuracy of all payments due hereunder.

5.5 Late Payments. Any amounts owed and not paid by GSL when due under this Agreement shall be subject to interest from and including the date payment is due through and including the date upon which GSL has made a wire transfer of immediately available funds as set forth in Section 5.4, at a per annum interest rate equal to the Prime Rate, as most recently published by the Wall Street Journal, plus [redacted].

5.6 Tax Cooperation. The Parties agree to cooperate with one another and use reasonable efforts to avoid or reduce tax withholding or similar obligations in respect of all license fees, royalties, milestone payments, and other payments made by GSL to Lipocine under this Agreement.

5.7 Audit. GSL and its Affiliates shall keep complete and accurate records of the underlying revenue and expense data relating to the calculations of Net Sales and payments required under this Agreement for [REDACTED] from the end of the Calendar Quarter in which the Net Sales were accrued. Lipocine shall have the right, at its own expense and no more than once per year, to have an independent, certified public accountant, selected by Lipocine and reasonably acceptable to GSL, review all such records upon reasonable notice and during regular business hours and under obligations of strict confidence, for the sole purpose of verifying the basis and accuracy of payments required and made under this Agreement within the prior [REDACTED] period, and identifying any inaccuracies. The Audit shall be completed within a [REDACTED] time period which GSL shall act in good faith providing reasonable efforts to support the timeline. No Calendar Quarter may be audited more than one time. Notwithstanding the foregoing,

Before beginning its audit, the independent public accountant shall enter into a confidentiality agreement acceptable to GSL pursuant to which such independent public accountant shall keep confidential all information reviewed during such audit. The independent public accountant shall disclose to each Party (a) the accuracy of Net Sales reported and the basis for royalty and other payments made to Lipocine under this Agreement and (b) the difference, if any, such reported and paid amounts vary from amounts determined as a result of the audit. GSL shall be entitled to receive a copy of each audit report promptly from the appointed Auditor. Should the inspection show a payment inaccuracy to Lipocine's detriment, then GSL shall pay the amount of the discrepancy within [REDACTED] days after being notified thereof and upon receipt of an invoice. Lipocine shall pay the costs of the inspection unless the discrepancy to Lipocine's detriment is the greater of [REDACTED] for the period audited, in which case GSL shall pay to Lipocine the actual costs charged by such accountant for such inspection. In case of an overpayment by GSL, Lipocine shall issue a credit to GSL for the reported overpayment.

ARTICLE 6

COMMERCIALIZATION OF LICENSED PRODUCTS

6.1 Territory Commercialization Activities. GSL (itself or through an Affiliate) shall be responsible for all sales, marketing, and promotional activities for the Licensed Product(s) in the Territory in the Field of Use in accordance with this Agreement and the Commercialization Plan and shall bear all related costs and expenses.

6.2 Trademarks. GSL shall use the Licensed Trademarks when Commercializing of the Licensed Product in the Territory in the Field of Use. In addition, GSL shall have the right to select use and/or register one or more Trademark(s) for use in connection with the Commercialization of Licensed Product in the Territory in the Field of Use (the "**Product Marks**"), *provided that* no such Product Mark shall be confusingly similar to the Licensed Trademarks or any other Trademarks owned by Lipocine or its Affiliate. GSL shall own any such Product Mark that is created by GSL for the Licensed Product in the Territory for the Field of Use, and will directly seek to register, use, control and maintain the Product Mark(s) (other than the Licensed Trademarks) in the Territory, at its expense.

ARTICLE 7

INTELLECTUAL PROPERTY

7.1 Ownership of Information and IP.

(a) Lipocine shall remain the owner of and have control over all Licensed Know-How and all Licensed Patents, and including all Improvements, modifications or additions thereto made, created, developed or discovered by or on behalf of Lipocine or its Affiliate pursuant to or relating to this Agreement, which rights are subject only to the license rights granted in Section 2.1. For clarity, Lipocine shall not own or have control over any Improvements, modifications or additions to the Licensed Know-How and Licensed Patents made, created, developed or discovered by GSL in the course of carrying out its obligations under this Agreement, except as otherwise expressly set forth in Section 11.3(b).

(b) GSL shall own and control the GSL Technology, except as otherwise expressly set forth in Section 11.3(b).

(c) The Parties shall jointly own all Joint Inventions (including Joint Improvements). Subject to the rights granted by a Party to the other Party hereunder, (i) neither Party will have any obligation to obtain any approval or consent of, nor pay a share of the proceeds to or account to, the other Party to practice, enforce, license, assign or otherwise exploit any Joint Inventions (including Joint Improvements), and each Party hereby waives any right it may have under the laws of any jurisdiction to require such approval, consent or accounting; and (ii) each Party hereby grants to the other Party a nonexclusive, royalty-free, worldwide license, with the right to grant sublicenses through multiple tiers (except as otherwise expressly provided in this Agreement) under their undivided interest in the Joint Inventions (including Joint Improvements), to exploit the Joint Inventions subject to the terms and conditions of this Agreement.

7.2 Prosecution and Maintenance. Lipocine will have the sole responsibility and discretion, using its Commercially Reasonable Efforts, for the filing, prosecution, and maintenance of the Licensed Patents and Patents associated with Joint Inventions before the patent authorities in the Territory (the "**Prosecution**"), including conducting or defending any interferences or similar proceedings and in obtaining and maintaining any patent extensions, supplementary protection certificates and the like with respect to the Licensed Patents. All costs and expenses in relation to any Prosecution in the Territory shall be borne by Lipocine. Lipocine will consult with GSL reasonably regarding such Prosecution efforts and shall consider and take into account any reasonable GSL comments with regards to such efforts. To that end, Lipocine will keep GSL reasonably informed of the progress with regard to Prosecution activities in the Territory, to the extent such progress reasonably relates to the claims in the Licensed Patents that relate to the Licensed Product and are licensed to GSL under this Agreement.

7.3 Infringement by Third Parties.

(a) If either Party becomes aware of any infringement, misappropriation, or violation, actual or suspected, of the Licensed Technology or Licensed Trademarks by a Third Party in the Territory in the Field of Use, including with respect to any ANDA litigation claims under the Drug Price Competition and Patent Term Restoration Act of 1984 (Public Law 98-417, known as the Hatch- Waxman Act), as amended (a "**Field Infringement**"), it shall promptly give notice to the other Party in writing specifying the particulars of the suspected infringement.

(b) [REDACTED]

(c) [REDACTED]

7.4 Defense. Each Party shall promptly notify the other Party upon receiving written notice of any potential infringement, or any Third Party claim or action against Lipocine or GSL or any of their Affiliates, Sublicensees or Other Licensees for possible infringement, of a Third Party patent right resulting from the Development or Commercialization of Licensed Product in the Territory in the Field of Use. Subject to the indemnification and defense obligations of the Parties under Article 9, each Party shall be responsible for defending, and shall control the defense of, any such action brought against such Party. The Parties shall confer with each other and cooperate in the defense of any such action whether or not both Lipocine and GSL are named parties. Neither Party shall enter into any settlement of any action under this Section 7.4 that materially negatively affects the other Party or its rights or interests under this Agreement without such other Party's written consent, which consent shall not be unreasonably withheld or delayed.

7.5 Third Party Declaratory Judgment or Patent Challenges. If a Third Party asserts, in a declaratory judgment action, administrative proceeding (e.g. inter parties review), or similar action, that a Licensed Patent is invalid or unenforceable, then the Party first becoming aware of such action or claim shall promptly give written notice to the other Party. Lipocine shall have the first right, but not obligation, to defend against such action or claim. If Lipocine elects to not defend against such action or claim, GSL shall have the right, but not an obligation, to defend against such action or claim. Any costs and expenses with respect to such defense with respect to such Licensed Patent shall be borne by the defending Party.

7.6 Cooperation. Each Party agrees to reasonably cooperate with the other Party in the filing, prosecution, maintenance, defense and enforcement of Licensed Patents, as set forth in this Article 7, including joining an action or proceeding if reasonably requested, signing any necessary legal papers, and providing the other Party with data or other information reasonably requested in support thereof. Each Party shall keep the other Party reasonably informed of the substantive developments with respect to any enforcement or defensive actions under this Article 7 regarding Licensed Patents. In the event that one Party but not the other initiates, maintains, prosecutes, defends and/or controls litigation pursuant to section 7.2(b), the opposite Party shall reasonably cooperate with the first Party in the litigation.

7.7 Marking. All Licensed Products shall be marked with the patent numbers of issued patents within Licensed Patents that cover such Licensed Products, to the extent permitted by law in the Territory.

7.8 Settlement. GSL acknowledges that Lipocine and [REDACTED] have entered into a Confidential Settlement Agreement, dated July 13, 2021, attached hereto as **Exhibit C** (the "[REDACTED] Settlement Agreement"). Lipocine acknowledges and agrees that GSL's written consent shall be required for any amendment to the [REDACTED] Settlement Agreement. GSL acknowledges and agrees that the [REDACTED] Settlement Agreement sets forth certain terms and conditions related to the [REDACTED] Patents, including as set forth in Sections 2.3, 2.4, 2.6, and 6.6 of the [REDACTED] Settlement Agreement. Without limiting the foregoing, GSL shall not have any right under this Agreement to, and shall not assist any Person to or request Lipocine to, enforce any Patent including the Licensed Patents against [REDACTED], its affiliates, directors, officers, employees, agents, representatives, heirs, assigns, predecessors, successors, licensees (of the [REDACTED] Patents relating to oral testosterone undecanoate products), marketing partners, manufacturers, importers, suppliers, distributors, and customers (collectively the "[REDACTED] Parties") with respect to an oral testosterone undecanoate product in the Field of Use. GSL agrees not to, and shall not assist any Person to or request Lipocine to, challenge the validity or enforceability of any [REDACTED] Patents claiming oral testosterone undecanoate products in the Field of Use, and GSL further agrees not to, and shall not assist any Person to or request Lipocine to assist it to, commercialize a generic version of Jatenzo® or a generic version of any oral testosterone undecanoate product in the Field of Use that references a NDA Controlled by [REDACTED] per the terms of Section 2.6 of the [REDACTED] Settlement Agreement. GSL further agrees that the Governing Law and Venue of the [REDACTED] Settlement Agreement shall be governed by the laws of the State of Delaware, and GSL agrees not to make any public statements or take actions to disparage the name of [REDACTED] per the terms of Section 6.6 of the [REDACTED] Settlement Agreement.

ARTICLE 8

REPRESENTATIONS, WARRANTIES AND COVENANTS

8.1 Representations and Warranties of Lipocine. Lipocine hereby represents and warrants to GSL as follows:

(a) **Corporate Existence and Power.** Lipocine is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, U.S.A, and has full corporate power and authority and the legal right to own and operate its property and assets and to carry on its business as it is now being conducted.

(b) **Authority and Binding Agreement.** Lipocine has the requisite corporate power and authority and the legal right to enter into this Agreement and perform its obligations hereunder. Lipocine has taken all necessary corporate action on its part required to authorize the execution and delivery of the Agreement and the performance of its obligations hereunder. The Agreement has been duly executed and delivered by Lipocine and constitutes a legal, valid and binding obligation of Lipocine that is enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar Laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity.

(c) **No Violation.** The execution, delivery and performance of its obligations under this Agreement by Lipocine does not (i) contravene any provision of its constating or organizational documents; (ii) violate or result in a breach of any material agreement or other binding instrument, including, without limitation, the Antares TSA and the [REDACTED] Settlement Agreement, to which it is a party or by which it may be bound, constitute a default (or an event that with notice or lapse of time or both would become a default), result in the termination of, or accelerate the performance required by, or result in a right of termination, purchase, sale, cancellation, modification or acceleration under any of such agreement or other binding instrument, nor (iii) violate or conflict with any Applicable Laws. Further, Lipocine has no knowledge or belief that the exercise of GSL's rights under the license granted under section 2 will infringe any Third Party intellectual property rights but rather, believes that the exercise of GSL's rights under the license granted under Section 2 will not infringe any Third Party intellectual property rights.

(d) **Patent Rights.** Lipocine Controls the Licensed Patents listed on Exhibit A, has the right to grant the license under the Licensed Technology granted in Section 2.1 and has not assigned, transferred, conveyed or licensed its right, title and interest in the Licensed Technology in the Territory in the Field of Use in a manner inconsistent with such license or the other material terms of this Agreement. Lipocine has no knowledge or belief that the Licensed Patents in the Territory are invalid or unenforceable. Lipocine has no knowledge or belief that any Third Party is challenging (or intends to challenge) the validity or enforceability of the Licensed Patents in the Territory.

(e) Litigation. There is no action, suit, claim, investigation or other legal proceeding pending or, to Lipocine's knowledge or belief, threatened against Lipocine, its Affiliates or Other Licensees, which could challenge or seek to prevent, enjoin or otherwise delay Lipocine from fulfilling its obligations hereunder or that alleges that Lipocine's activities with respect to the Licensed Products have infringed any of the intellectual property rights of any Third Party.

(f) as of the Effective Date, the Assigned Agreements represent all of Lipocine's material agreements with Third Parties as of the Effective Date that are specifically and substantially directed to the Licensed Products;

(g) as of the Effective Date, to Lipocine's knowledge, it has made available to GSL a copy of (i) all relevant material data and information with respect to the Licensed Products, (ii) any material correspondence to and from any Regulatory Authority concerning the Licensed Products (including, but not limited to, with respect to the termination, suspension or material modification of any Clinical Trials of the Licensed Products) and (iii) all adverse event files and complaint files related to the Licensed Products that were reported to the FDA, with respect to the foregoing subclauses (i)-(iii), that are in the possession of Lipocine as of the Effective Date.

(h) to its knowledge, as of the Effective Date, all filings with and submissions to the FDA made by Lipocine related to the Licensed Products, whether oral, written or electronically delivered, were true, accurate and complete in all material respects as of the date made, and, to the extent required to be updated, as so updated remain true, accurate and complete in all material respects as of the date hereof and do not materially misstate any of the statements or information included therein, or omit to state a material fact necessary to make the statements therein not misleading;

(i) to Lipocine's knowledge, the Licensed Patents listed on **Exhibit A** represent all Patents Controlled by Lipocine as of the Effective Date that are necessary or reasonably useful for GSL's Development, Manufacture or Commercialization of the Licensed Products as contemplated by this Agreement;

(j) as of the Effective Date, it is the sole and exclusive owner of the entire right, title, and interest in the Licensed Patents listed on **Exhibit A**, and to its knowledge and belief, the Licensed Patents are free of any encumbrance, lien, or claim of ownership by any Third Party;

(k) to its knowledge, all Development and Manufacture of the Licensed Products prior to the Effective Date has been performed in all material respects with Applicable Law (including GMP, as applicable);

(l) to its knowledge, all Clinical Trials conducted on the Licensed Products prior to the Effective Date have complied in all material respects with all Applicable Law (and all Data was collected and maintained in accordance in all material respects with all applicable Data Security and Privacy Laws);

(m) as of the Effective Date: (i) Lipocine has not received any written communication, or, to its knowledge and belief, been named in any proceeding, alleging or implying that Lipocine's, or its Affiliates and/or Other Licensees' use of the Licensed Technology is infringing or misappropriating any intellectual property of a Third Party or Person; (ii) no action has been instituted or, to Lipocine's knowledge and belief, threatened relating to any Licensed Technology; and (iii) to Lipocine's knowledge and belief no Licensed Technology is subject to any proceeding or outstanding order or stipulation restricting in any way the use, transfer, or licensing by GSL, or which may adversely affect the validity, use, or enforceability of such Licensed Technology;

(n) to its knowledge, as of the Effective Date, there is no unauthorized use, infringement or misappropriation of any of the Licensed Technology by any Person, including any employee, former employee, independent contractor or consultant of Lipocine, except as would not, individually or in the aggregate, result in a material adverse effect on Lipocine nor GSL's rights under this Agreement;

(o) the execution, delivery and performance by Lipocine of this Agreement and its compliance with the terms and provisions hereof does not, to its knowledge, violate or result, in any material respect, in a breach of or default under any binding obligation or agreement of Lipocine existing as of the Effective Date;

(p) as of the Effective Date, the TLANDO XR IND is the IND covering TLANDO XR;

(q) other than the [REDACTED] Agreement, there are no other Third Party agreements pursuant to which Lipocine owes royalties with respect to the Licensed Technology or Licensed Products in the Territory in the Field of Use.

(r) **Disclaimer.** EXCEPT AS EXPRESSLY SET FORTH IN THIS SECTION 8.1, ALL INTELLECTUAL PROPERTY RIGHTS, ASSETS, MATERIALS AND INFORMATION PROVIDED TO GSL UNDER THIS AGREEMENT ARE BEING PROVIDED "AS IS" AND WITHOUT ANY REPRESENTATIONS OR WARRANTIES. EXCEPT AS EXPRESSLY SET FORTH ABOVE IN THIS SECTION 8.1, LIPOCINE MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, OF ANY KIND, INCLUDING AS TO MERCHANTABILITY, FITNESS FOR A PARTICULAR USE OR NON-INFRINGEMENT. SPECIFICALLY, EXCEPT AS EXPRESSLY SET FORTH ABOVE IN THIS SECTION 8.1 LIPOCINE DOES NOT WARRANT THE VALIDITY OR ENFORCEABILITY OF THE LICENSED PATENTS, OR THAT THE LICENSED PATENTS OR LICENSED KNOW-HOW MAY BE EXPLOITED WITHOUT INFRINGING OTHER PATENTS OR OTHER INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES.

8.2 Representations and Warranties of GSL. GSL hereby represents and warrants to Lipocine as at the Effective Date as follows:

(a) Corporate Existence and Power. GSL is a corporation duly organized, validly existing and in good standing under the laws of Ireland, and has full corporate power and authority and the legal right to own and operate its property and assets and to carry on its business as it is now being conducted.

(b) Authority and Binding Agreement. GSL has the requisite corporate power and authority and the legal right to enter into this Agreement and perform its obligations hereunder. GSL has taken all necessary corporate action on its part required to authorize the execution and delivery of the Agreement and the performance of its obligations hereunder. The Agreement has been duly executed and delivered by GSL and constitutes a legal, valid and binding obligation of GSL that is enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar Laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity.

(c) No Conflict. The execution, delivery and performance of this Agreement by GSL does not conflict with, and would not result in a breach of, any material agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, nor violate any material law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

(d) Permits. GSL will maintain all licenses, authorizations, and permissions necessary under Applicable Law for meeting and performing its obligations under this Agreement.

(e) Accounting Standards. GSL will maintain a commercially reasonable system of internal accounting controls in compliance with Applicable Laws and US GAAP.

8.3 Additional Covenants

(a) Anti-Bribery and Anti-Corruption Compliance.

(i) Neither Party has directly or indirectly, offered, promised, paid, authorized or given, nor will in the future, offer, promise, pay, authorize or give, money or anything of value, directly or indirectly, to any Government Official (as defined below) or Other Covered Party (as defined below) for the purpose of: (i) influencing any act or decision of the Government Official or Other Covered Party; (ii) inducing the Government Official or Other Covered Party to do or omit to do an act in violation of a lawful duty; (iii) securing any improper advantage; or (iv) inducing the Government Official or Other Covered Party to influence the act or decision of a government or government instrumentality, in order to obtain or retain business, or direct business to, any person or entity, in any way related to this Agreement. For purposes of this Agreement: (A) "Government Official" means any official, officer, employee or representative of: (x) any federal, state, provincial, county or municipal government or any department or agency thereof; (y) any public international organization or any department or agency thereof; or (c) any company or other entity owned or controlled by any government; and (B) "Other Covered Party" means any political party or party official, or any candidate for political office.

(ii) Neither Party is aware of any Government Official or Other Covered Party having any financial interest in the subject matter of this Agreement or in any way personally benefiting, directly or indirectly, from this Agreement.

(iii) No political contributions or charitable donations shall be given, offered, promised or paid at the request of any Government Official or Other Covered Party that is in any way related to this Agreement or any related activity, without the other Party's prior written approval.

(b) **No Misappropriation or Infringement.** GSL covenants to Lipocine that GSL shall not knowingly misappropriate or infringe any trade secret, patent or other intellectual property of Third Party in its activities to Develop, manufacture or Commercialize Licensed Products.

(c) **No Debarment.** GSL covenants to Lipocine that, in the course of conducting its activities under this Agreement, GSL shall not knowingly use any employee or consultant who is or has been debarred by any Regulatory Authority or is or has been the subject of debarment proceedings by any Regulatory Authority.

(d) **Compliance with Applicable Law.** GSL and Lipocine covenants to comply with all Applicable Laws in performing or conducting its activities under this Agreement, including all applicable anti-corruption laws, including the Foreign Corrupt Practices Act of 1977, as amended ("*FCPA*") and all laws enacted to implement the OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions. Neither Party shall offer, promise or pay any political contributions or charitable donations at the request of any Government Official or Other Covered Party that is in any way related to this Agreement or any related activity, without the other Party's prior written approval.

ARTICLE 9

INDEMNIFICATION

9.1 Indemnification by Lipocine. Lipocine hereby agrees to defend, hold harmless and indemnify GSL and its Affiliates and Sublicensees, and each of their respective officers, directors and employees (collectively, the "*GSL Indemnitees*"), from and against any and all Losses suffered by GSL Indemnitees arising directly out of any Claim brought by a Third Party against a GSL Indemnitee to the extent based upon or results from: (i) any breach of Lipocine's representations and warranties set forth in Section 8.1 of this Agreement; (ii) Lipocine's failure to perform any covenant or agreement of Lipocine set forth in this Agreement; (iii) the exercise or practice by Lipocine or its Affiliates or Other Licensees of any retained rights under Section 2.4, including without limitation, the Development, manufacture or Commercialization of Licensed Product (including GSL-Supplied Product) by or for Lipocine or its Affiliates outside the Territory; (iv) the negligence or willful misconduct of Lipocine, its Affiliates, Other Licensees or their respective offices, directors, employees, shareholders, agents or contractors; (v) the Commercialization of Licensed Product (including GSL-Supplied Product) by or on behalf of Lipocine, its Affiliates or its Other Licensees outside the Field of Use in the Territory or outside the Territory in or outside the Field of Use; (vi) the Development, manufacture or Commercialization of Licensed Product by or on behalf of Lipocine or its Affiliates or Other Licensees prior to the Effective Date; (vii) Third Party (including contract manufacturing organization (CMO)) payments that accrued prior to the Effective Date; or (viii) material breach of Lipocine's contractual agreements with Third Parties regarding the Licensed Technology, including the Abbott Agreement, or (x) the Development, manufacture or Commercialization of the Licensed Products by Lipocine, its Affiliates or any of their respective licensees following the effective date of termination of this Agreement, including, but not limited to, all product liability claims, claims that the Licensed Product infringe, misappropriate or violate a Third Party's intellectual property rights, and Third Party claims related to the misappropriation of the Licensed Technology. Lipocine shall have no obligation to indemnify the GSL Indemnitees to the extent that the Losses arise out of or result from matters for which GSL has an indemnification obligation pursuant to Section 9.2.

9.2 Indemnification by GSL. GSL hereby agrees to defend, hold harmless and indemnify Lipocine and its Affiliates, and each of their respective officers, directors and employees (collectively, the "*Lipocine Indemnitees*"), from and against any and all Losses arising out of any Claim brought by a Third Party against a Lipocine Indemnitee to the extent based upon or results from: (i) any breach of GSL's representations and warranties set forth in Section 8.2 of this Agreement; (ii) GSL's or its Affiliate's failure to perform any covenant or agreement of GSL set forth in this Agreement; (iii) the exercise or practice by GSL or its Affiliate or Sublicensee of the licenses granted to GSL under Section 2.1 or use of or arising from the Assigned Assets; or (iv) the Development, manufacture or Commercialization of Licensed Product by or for GSL, its Affiliate or Sublicensees in the Territory on or after the Effective Date; except in the case of (iii) and (iv), to the extent any such Losses result from matters for which Lipocine has an indemnification obligation pursuant to Section 9.1.

9.3 Indemnification Procedures. To be eligible to be indemnified for a Claim, a Person seeking indemnification (the "*Indemnified Party*") shall (i) provide the Party required to indemnify such Person (the "*Indemnifying Party*") with prompt written notice of the Claim giving rise to the indemnification obligation under this Article 9, provided that, the failure to provide such prompt notice shall not relieve the Indemnifying Party of any of its obligations under this Article 9 except to the extent the Indemnifying Party is actually prejudiced thereby; (ii) provide the Indemnifying Party with the exclusive ability to defend (with the reasonable cooperation of the Indemnified Party) against the Claim; and (iii) not settle, admit or materially prejudice the Claim, without the Indemnifying Party's prior written consent. The Indemnified Party shall reasonably cooperate with the Indemnifying Party, at the Indemnifying Party's expense, in the defense of any Claim. Notwithstanding the foregoing, if the Indemnifying Party assumes the defence, the Indemnified Party shall have the right to participate in and have its own counsel participate in any action or proceeding for which the Indemnified Party seeks to be indemnified by the Indemnifying Party. Such participation shall be at the Indemnified Party's expense, unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the Indemnifying Party and the Indemnified Party and, in the reasonable opinion of counsel to the Indemnifying Party, representation of both parties by the same counsel would be inappropriate due to actual or potential conflicting interests between them, in which case the reasonable fees and expenses of one counsel of the Indemnified Party will be paid by the Indemnifying Party and the Indemnifying Party's counsel will control the defense. The Indemnifying Party's obligations under Section 9.1 or 9.2, as the case may be, shall not apply to the extent of the Indemnified Party's failure to take reasonable action to mitigate any Losses. The Indemnifying Party shall not settle or compromise (except a settlement or compromise involving solely the payment of money for which the Indemnifying Party is solely responsible and that does not require an admission of liability, responsibility or wrong-doing on the part of the Indemnified Party or a settlement that does not include, as an unconditional term, the giving by the claimant or the plaintiff to the Indemnified Party a release from all liability in respect of the Claim or resulting litigation), or consent to the entry of any judgment (other than a judgment of dismissal on the merits without costs) with respect to, any Claim, without the prior written consent of the Indemnified Party, which will not be unreasonably withheld or delayed.

9.4 Insurance. Each Party shall, at its own expense, procure and maintain during the Term and for a period of [REDACTED] thereafter, appropriate liability insurance policy/policies, including product liability insurance consistent with normal business practices of prudent companies similarly situated in the United States. Such insurance shall not be construed to create a limit of either Party's liability with respect to its indemnification obligations under this Article 9. Each Party shall provide the other Party with written evidence of such insurance upon request. Each Party shall provide the other Party with prompt written notice of cancellation, non-renewal or material change in such insurance or self-insurance which could materially adversely affect the rights of the other Party hereunder and shall use Commercially Reasonable Efforts to provide such notice at least [REDACTED] prior to any such cancellation, non-renewal or material change.

9.5 Limitation. With respect to the indemnity obligation in Section 9.1 and 9.2 above, it is understood and agreed that the indemnification does not cover or include lost profits or other future economic harm or special, incidental, indirect or punitive damages.

ARTICLE 10

CONFIDENTIALITY

10.1 Treatment of Confidential Information. The Parties agree that during the Term, and for a period of [REDACTED] after this Agreement expires or terminates, a Party receiving Confidential Information of the other Party shall (i) maintain in confidence such Confidential Information; (ii) not disclose such Confidential Information to any Third Party without prior written consent of the disclosing Party, except as otherwise permitted in this Article 10; and (iii) not use such Confidential Information for any purpose other than the performance of its obligations or exercise of its rights under this Agreement.

10.2 Authorized Disclosure.

(a) If a Party is required to disclose specific Confidential Information of the other Party to comply with an applicable law, regulation, legal process, or order of a government authority or court of competent jurisdiction, the Party may disclose such Confidential Information only to the entity or person required to receive such disclosure; provided, however, that the Party required to disclose such Confidential Information shall (a) to the extent permitted by such law, regulation, process, order or rules, first have given prompt (but in no event less than [REDACTED]) advance notice to such other Party to enable it to seek any available exemptions from or limitations on such disclosure requirement and shall reasonably cooperate in such efforts by the other Party at the other Party's expense, (b) furnish only the portion of the Confidential Information which is legally required to be disclosed; (c) use all reasonable efforts to secure confidential protection of such Confidential Information, and (d) continue to perform its obligations of confidentiality and non-use set out in this Article 11.

(b) Each Party may disclose Confidential Information of the other Party to Regulatory Authorities to the extent such disclosure is reasonably necessary in regulatory filings required for the development and/or commercialization of Licensed Products. In addition, each Party may disclose Confidential Information of the other Party to the extent such disclosure is reasonably necessary in the following instances: filing or prosecuting patents as permitted by this Agreement; disclosure to Affiliates, Other Licensees or Sublicensees or potential Other Licensees or Sublicensees; disclosure to contractors, employees and consultants, who need to know such information for the development, manufacture and commercialization of Licensed Products; disclosure to bankers, lawyers, accountants, agents or other Third Parties in connection with due diligence or similar investigations or in furtherance of the Party's obligations under this Agreement; and to potential Third Party investors or lenders (and their respective advisors) in confidential financing documents; provided that any such Third Party is bound by obligations of confidentiality and non-use at least as restrictive as those set forth herein. In the case of each disclosure, the Party making such disclosure shall use reasonable efforts to obtain confidential treatment of any such disclosure, and shall not disclose Confidential Information of the other Party other than is reasonably necessary.

10.3 Publicity; Terms of Agreement. The Parties shall treat the existence and material terms of this Agreement as confidential and shall not disclose such information to Third Parties without the prior written consent of the other Party or except as provided in Section 10.2 (treating such information as Confidential Information of both Parties for purposes of Section 10.2). The Parties agree that upon execution of this Agreement or shortly thereafter, either Party may issue a press release, which shall be subject to prior review and approval by the other Party, not to be unreasonably withheld or delayed. Except for such press release or as otherwise required by Applicable Law or applicable stock exchange requirements, neither Lipocine nor GSL shall issue or cause the publication of any other press release or public announcement with respect to the transactions contemplated by this Agreement without the express prior approval of the other Party, which approval shall not be unreasonably withheld, conditioned or delayed; provided that, each of Lipocine and GSL may make any public statement in response to questions by the press, analysts, investors or those attending industry conferences or financial analyst calls, or issue press releases, so long as any such public statement or press release is not inconsistent with prior public disclosures or public statements approved by the other Party pursuant to this Section 10.3 and which do not reveal non-public information about the other Party. If, in the reasonable opinion of a Party's legal counsel, a public announcement of the transactions contemplated by the Agreement is required by applicable laws or applicable stock exchange requirements, then, to the extent permissible by law, such Party will provide the other with notice reasonable under the circumstances (but in no event less than [REDACTED] prior to disclosure) of such intended announcement and will consult with the other Party with respect to the nature and scope of the required announcement (which shall be limited to the information reasonably required to be disclosed). In addition to the foregoing, with respect to complying with the disclosure requirements of the Securities and Exchange Commission or other stock exchange or regulatory agencies, in connection with any required filing of this Agreement with such agency, the Parties shall consult with one another concerning which terms of this Agreement shall be requested to be redacted in any public disclosure of the Agreement by the agency, Licensed Products and Field of Use, the exhibits, and any dollar amounts set forth herein.

10.4 Injunctive Relief. Given the nature of the Confidential Information and the competitive damage that may result to a Party upon unauthorized disclosure, use or transfer of its Confidential Information to any Third Party, the Parties agree that monetary damages may not be a sufficient remedy for any breach of this Article 10. In addition to all other remedies, a Party shall be entitled to seek specific performance and injunctive and other equitable relief as a remedy for any breach or threatened breach of this Article 10.

10.5 Return of Confidential Information. Upon the effective date of the expiration or earlier termination of this Agreement for any reason, each Party shall return to the other Party and cease using all Confidential Information of the other; provided, however, each Party may retain one (1) copy of such Confidential Information (i) to the extent required to comply with Applicable Law or Regulatory Authority, professional standards or written or established internal document retention policies. (ii) for the sole purpose of performing any continuing obligations hereunder or (iii) for archival purpose (including automated archival processes) or that is embedded in minutes of the board of directors of a Party or its Affiliates.

ARTICLE 11

TERM AND TERMINATION

11.1 **Term.** Unless sooner terminated pursuant to Section 11.2, this Agreement is effective as of the Effective Date in perpetuity (such period, the "*Term*").

11.2 **Termination.**

(a) **Termination for Bankruptcy/Insolvency.** A Party may, but is under no obligation to, terminate this Agreement on written notice in the event any of the following occurs with respect to the other Party: (a) such Party files a petition in bankruptcy or makes a general assignment for the benefit of creditors or otherwise acknowledges in writing insolvency, or is adjudged bankrupt, and such Party, (i) fails to assume this Agreement in any such bankruptcy proceeding within [REDACTED] after filing or (ii) assumes and assigns this Agreement to a Third Party; (b) such Party goes into or is placed in a process of complete liquidation; (c) a trustee or receiver is appointed for any substantial portion of such Party's business and such trustee or receiver is not discharged within [REDACTED] after appointment; (d) any case or proceeding shall have been commenced or other action taken against such Party in bankruptcy or seeking liquidation, reorganization, dissolution, a winding-up arrangement, composition or readjustment of its debts or any other relief under any bankruptcy, insolvency, reorganization or similar act or law of any jurisdiction now or hereafter in effect is not dismissed or converted into a voluntary proceeding governed by clause (a) above within [REDACTED] after filing; or (e) there shall have been issued a warrant of attachment, execution, distraint or similar process against any substantial part of the property of such Party and such event shall have continued for a period of [REDACTED] and none of the following has occurred: (i) it is dismissed, (ii) it is bonded in a manner reasonably satisfactory to the other Party, or (iii) it is discharged.

(b) **Termination for Default.** Upon any material breach of this Agreement by a Party (the "*Breaching Party*"), the other Party (the "*Non-Breaching Party*") may notify the Breaching Party in writing of such breach and require that the Breaching Party cure such breach within [REDACTED] of such notice, for any payment breach, or within [REDACTED] of the Non-Breaching Party's notice for any other material breach. In the event the Breaching Party shall not have cured the breach by the end of the applicable cure period, the Non-Breaching Party may terminate this Agreement immediately upon written notice to the Breaching Party.

(c) **Termination for Convenience.** GSL may terminate this Agreement for convenience upon [REDACTED] written notice to Lipocine.

(d) **Other Termination.** If GSL, its Affiliate, its Sublicensee files any lawsuit or reexamination or protest proceeding or the equivalent against Lipocine or its Affiliates seeking a declaratory judgment or determination that any claim(s) of the Licensed Patents is invalid, unenforceable, of narrower scope or otherwise not patentable, then Lipocine shall have the right to terminate this Agreement at any time upon written notice to GSL.

11.3 Effects of Termination.

(a) Upon any early termination of this Agreement, including pursuant to Section 11.2: (i) all licenses and rights granted under this Agreement to GSL and its Affiliates shall terminate and revert exclusively to Lipocine; (ii) any sublicenses granted to a Sublicensee shall automatically terminate; and (iii) except as expressly permitted in this Section 11.3, GSL (and its Affiliates and Sublicensees) shall immediately cease all Development and Commercialization of Licensed Products and return to Lipocine all physical manifestations of the Licensed Technology and Lipocine Confidential Information (including manufacturing Information).

(b) Upon any early termination of this Agreement, and Lipocine's request in writing no later than [REDACTED] after the effective date of such termination, GSL shall, and shall cause its Affiliates and Sublicensees to, promptly assign and transfer to Lipocine (including making such notices and filings as may be required with Regulatory Authorities and other governmental authorities of the Territory to effect such transfer), the following with respect only to the Licensed Products: (i) ownership of all Regulatory Documents and Regulatory Approvals, including the TLANDO Regulatory Approvals and the TLANDO XR Regulatory Approvals, applicable to Licensed Product that are Controlled by GSL, its Affiliate or Sublicensee (including the Regulatory Documents) at such time; (ii) all pre-clinical (including toxicology) and clinical study protocols, data and reports applicable to Licensed Products that are Controlled by GSL, its Affiliate or Sublicensee at such time; (iii) all clinical trial results, and the results of all ongoing clinical trials; (iv) such other information, data, and documents applicable to Licensed Products that are Controlled by GSL, its Affiliate or Sublicensee that are reasonably requested by Lipocine to permit Lipocine and its Affiliates to Develop, manufacture and Commercialize Licensed Products after the termination date; (v) any contracts with Third Parties related to Development, manufacture and Commercialization of Licensed Products, including the [REDACTED] Supply Agreement; (vi) any inventory of Licensed Product ("*GSL Inventory*"); (vii) any pending or registered Product Mark Controlled by GSL; (viii) all domain names that are exclusively related to the Licensed Product, and (ix) without limiting the foregoing, all GSL Product Technology. If this Agreement is terminated early by Lipocine pursuant to Section 11.2 or by GSL pursuant to Section 11.2(c), GSL shall make the assignments and transfers to Lipocine under this Section 11.3(b) at no cost to Lipocine [REDACTED]. If this Agreement is terminated early by GSL pursuant to Section 11.2(a) or (b), such assignments and transfers under this Section 11.3(b) shall be subject to Lipocine's payment of a reasonable royalty based on Net Sales of Licensed Product [REDACTED] to GSL to be negotiated by the Parties in good faith; provided, however, that in the event the Parties are unable to agree upon such reasonable royalty within [REDACTED] of the applicable date of the notice of termination, the Parties shall submit the dispute to a mutually acceptable valuation expert to determine such royalty [REDACTED] as soon as practicable and the expert's determination shall be binding on the Parties. The Parties shall [REDACTED] share the cost of the expert.

(c) In the event Lipocine requests the assignment and transfer of GSL Inventory, GSL shall grant, and does hereby grant, to Lipocine, its Other Licensees and designees a nonexclusive, royalty-free right and license under the Product Marks and the other Trademarks, tradenames, logos, trade dress and NDCs and/or DIN used by GSL, its Affiliates and Sublicensees to Commercialize the Licensed Products in the Territory, to sell the GSL Inventory. If Lipocine does not request the assignment and transfer of GSL Inventory in writing within [REDACTED] of the effective date of any termination of this Agreement, GSL shall have the right to sell the GSL Inventory for a period of [REDACTED] following such termination of this Agreement so long as GSL is able to do so in compliance with Applicable Laws and has fully paid, and continues to fully pay when due, any and all royalties and milestone payments owed to Lipocine with respect to the sale of the GSL Inventory. GSL shall not, and shall cause its Affiliates and Sublicensees not to, destroy GSL Inventory without providing Lipocine [REDACTED] prior written notice.

(d)

11.4 Survival. The following provisions shall survive any expiration or termination of this Agreement: Articles 1 (to the extent needed for the other Articles and Sections that survive), 9, 10, and 12, and Sections 3.8, 5.5, 5.7, 5.8, 11.3 and 11.4. Termination of this Agreement shall not relieve the Parties of any liability which accrued (including any payment obligation that has accrued or become due and payable) (it being understood that, by way of example, GSL's obligation to pay milestone payments "accrues" when the event has occurred) hereunder prior to the effective date of such termination nor preclude either Party from pursuing all rights and remedies it may have hereunder or at law or in equity with respect to any breach of this Agreement nor prejudice either Party's right to obtain performance of any obligation. The remedies provided in this Article 11 are not exclusive of any other remedies a Party may have in law or equity.

ARTICLE 12

MISCELLANEOUS

12.1 Entire Agreement; Amendment. This Agreement, including the exhibits, constitutes the entire agreement between the Parties (or their Affiliates) related to the subject matter hereof. All prior and contemporaneous negotiations, representations, warranties, agreements, statements, promises and understandings related to the subject matter hereof are superseded by and merged into and extinguished and completely expressed by this Agreement, including the exhibits. No Party shall be bound by or charged with any written or oral agreements, representations, warranties, statements, promises or understandings not specifically set forth in this Agreement, including the exhibits. No subsequent alteration, amendment, change or addition to this Agreement shall be binding upon the Parties unless reduced to writing and signed by an authorized officer of each Party.

12.2 Notices. Any notice required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been sufficiently given for all purposes (i) when delivered, if personally delivered, (ii) on the next Business Day if sent by recognized overnight courier, or (iii) five Business Days after mailing, if mailed by first class certified or registered airmail, postage prepaid, return receipt requested, in each case using the mailing addresses of the Parties as set forth below (or such other mailing address of which a Party is notified pursuant to this Section 12.2):

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12.3 Governing Law; Dispute Resolution. This Agreement shall be governed and construed in accordance with the laws of the State of [REDACTED] as applied to agreements executed and performed entirely within the State of [REDACTED], without regard to any applicable principles of conflicts of law. In the event any dispute or other issues arises among the Parties, each of the Parties shall exert its commercially reasonable efforts (including, by the face-to-face meeting of the respective top management) to resolve such dispute or issue. In the eventuality that such dispute or issue cannot be amicably resolved within [REDACTED] of written notice from a Party, such dispute or issue may be submitted by a Party to the [REDACTED] for binding arbitration in accordance with the commercial arbitration rules of the [REDACTED] as then in effect. Such arbitrations shall be conducted in the English language, and, unless otherwise agreed by the Parties to the dispute, shall be held in [REDACTED]. Any arbitration award rendered in any such arbitration proceeding may be entered in and enforced by any court of competent jurisdiction. Such arbitration shall be the sole and exclusive dispute resolution mechanism (other than discussion by the Parties), except that a Party may seek interim or permanent injunctive relief in a court of competent jurisdiction.

12.4 Limitation of Liability. EXCEPT FOR FRAUD OR COMPARABLE INTENTIONAL MISCONDUCT, NEITHER PARTY SHALL BE ENTITLED TO RECOVER FROM THE OTHER PARTY ANY INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES IN CONNECTION WITH THIS AGREEMENT OR ANY LICENSE GRANTED HEREUNDER. For the avoidance of doubt, the limitations set forth in this Section 12.4 shall not apply with respect to either Party's indemnification obligations under Sections 9.1 or 9.2 for Third Party Claims that are direct damages incurred by the Third Party bringing the Third Party Claim.

12.5 Interpretation. Lipocine and GSL have each participated in negotiations and due diligence and consulted their respective counsel regarding this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provisions of this Agreement.

12.6 Assignment. Neither Party may assign or transfer this Agreement or any rights or obligations hereunder, by operation of law or otherwise, without the prior written consent of the other Party such consent not to be unreasonably withheld, conditioned or delayed; except that a Party may make such an assignment or transfer, by operation of law or otherwise, without the other Party's consent to its Affiliate(s) or to an entity that acquires all or substantially all of such Party's rights to the Licensed Products, whether in a merger, consolidation, reorganization, acquisition, sale or otherwise. For the avoidance of doubt, nothing in this Agreement shall be construed as limiting Lipocine's right to enter into a royalty monetization agreement with a Third Party. This Agreement shall be binding on the successors and permitted assigns of the assigning Party, and the name of a Party appearing herein shall be deemed to include the name(s) of such Party's successors and permitted assigns to the extent necessary to carry out the intent of this Agreement. Any assignment or attempted assignment by either Party in violation of the terms of this Section 12.6 shall be null and void.

12.7 Performance by Affiliates. Lipocine and GSL each acknowledge that obligations under this Agreement may be performed by Affiliates of Lipocine and GSL. Each of Lipocine and GSL guarantee performance of this Agreement by its Affiliates, notwithstanding any assignment to Affiliates in accordance with Section 12.6 of this Agreement.

12.8 Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the Parties shall negotiate in good faith with a view to the substitution therefor of a suitable and equitable provision in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid provision; provided, however, that the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be in any way impaired thereby, it being intended that all of the rights and privileges of the Parties hereto shall be enforceable to the fullest extent permitted by law.

12.9 Headings. The heading for each article and section in this Agreement has been inserted for convenience of reference only and is not intended to limit or expand on the meaning of the language contained in the particular article or section.

12.10 Further Actions Each Party agrees to execute, acknowledge and deliver such further instruments, and to do all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of the Agreement.

12.11 Independent Contractors. The relationship between GSL and Lipocine created by this Agreement is solely that of independent contractors. This Agreement does not create any agency, distributorship, employee-employer, partnership, joint venture or similar business relationship between the Parties. Neither Party is a legal representative of the other Party, and neither Party can assume or create any obligation, representation, warranty or guarantee, express or implied, on behalf of the other Party for any purpose whatsoever. Each Party shall use its own discretion and shall have complete and authoritative control over its employees and the details of performing its obligations under this Agreement.

12.12 Use of Name. No right, express or implied, is granted to GSL by this Agreement to use in any manner any Trademark of Lipocine or its Affiliates other than the Licensed Trademark. GSL shall not use or allow its representatives to use, any name or Trademark of Lipocine or its Affiliates other than the Licensed Trademark, or the name of any of their employees, or any derivatives thereof, for purposes of any promotion, publicity or advertising without Lipocine's prior written consent, which may be withheld at Lipocine's sole discretion.

12.13 No Waiver. A Party's consent to or waiver, express or implied, of the other Party's breach of its obligations hereunder shall not be deemed to be or construed as a consent to or waiver of any other breach of the same or any other obligations of the other Party. A Party's failure to complain of any act, or failure to act, by the other Party, to declare the other Party in default, to insist upon the strict performance of any obligation or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof, no matter how long such failure continues, shall not constitute a waiver by such Party of its rights hereunder, of any such breach, or of any other obligation or condition. A Party's consent in any one instance shall not limit or waive the necessity to obtain such Party's consent in any future instance and in any event no consent or waiver shall be effective for any purpose hereunder unless such consent or waiver is in writing and signed by the Party granting such consent or waiver.

12.14 Fees and Expenses. Regardless of whether or not the transactions contemplated by this Agreement are consummated, each Party shall bear its own fees and expenses incurred in connection with the negotiation and execution of this Agreement.

12.15 No Set-Off. Neither Party shall have any right to set-off any amount owed to by such Party to the other Party or an Affiliate thereof under this Agreement.

12.16 No Other Rights. The Parties acknowledge and agree that, except as expressly set forth in this Agreement, neither Party grants any rights or licenses to the other Party under this Agreement nor shall either Party have any rights or obligations under this Agreement.

12.17 Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each Party hereto and its respective successors and permitted assigns, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement (with the exception of GSL Indemnitees and Lipocine Indemnitees under Sections 9.1 and 9.2, respectively).

12.18 Rules of Construction. The use in this Agreement of the term “*including*” (or any cognates thereof, such as “*include*” or “*includes*”) means “*including* (or the applicable cognate thereof), without limitation.” The words “*herein*,” “*hereof*,” “*hereunder*,” and other words of similar import refer to this Agreement as a whole, including the exhibits, and not to any particular section, subsection, paragraph, subparagraph or clause contained in this Agreement. All definitions set forth in this Agreement will be deemed applicable whether the words defined are used in this Agreement in the singular or the plural. All references to sections and exhibits mean those sections of this Agreement and the exhibits attached to this Agreement, except where otherwise stated. The words “*will*” and “*shall*” are herein used interchangeably and the word “*will*” shall be construed to have the same meaning and effect as the word “*shall*”.

12.19 Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

12.20 Precedence. In the event of any conflict between this Agreement and any of the exhibits attached hereto, this Agreement shall control.

12.21 Verity Affiliates’ Guarantee. Each of Holding Company and Verity, jointly and severally, hereby guarantees to Lipocine the performance by GSL of all of GSL’s duties and obligations under this Agreement, including payment obligations, the grant of rights and licenses, defense and indemnity obligations and payment of all damages, liability, costs, expenses and other amounts that may be payable by GSL or its Affiliates, or recoverable by Lipocine or its Affiliates from GSL by virtue of this Agreement. For clarity, Holding Company and Verity, jointly and severally, agrees to pay any amounts owed to Lipocine or its Affiliates by GSL under this Agreement in the event GSL fails to pay such amounts when due under this Agreement and to pay any amounts of liability or damages owed to Lipocine or its Affiliates by GSL for GSL’s breach of the Agreement if GSL fails to pay such amounts when due under this Agreement upon written request.

[Signature Page follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement by their duly authorized representatives as of the Effective Date.

LIPOCINE INC.

By: _____
Name: _____
Title: _____

GORDON SILVER LIMITED
an Irish corporation

By: _____
Title: **Chair of the Board**

Solely for purposes of Section 12.21 hereof:

VERITY PHARMACEUTICALS, INC.
A Delaware corporation

By: _____
Title: **Authorized Person**

VERITY PHARMACEUTICALS, INC.
a British Columbia corporation

By: _____
Title: **Authorized Person**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

2. Licensed Trademarks (US Only)

[REDACTED]

[REDACTED]

[REDACTED]



[REDACTED]

[REDACTED]

TLando

[REDACTED]

[REDACTED]

EXHIBIT B

ASSIGNED AGREEMENTS

[REDACTED]

EXHIBIT E

ASSIGNED DOMAIN NAMES

Tlando.net
Tlando.info
Tlando.org
Tlando.us
Tlando.com
Tlando.biz
Tlando.co
Tlando4You.com
Tlandosamples.com

SUBSIDIARIES

Lipocine Operating Inc.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Lipocine Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 333-250072, 333-190897, 333-240197, 333-226664, 333-214492, 333-197421, 333-191695 and 333-275716) on Forms S-3 and S-8 of Lipocine Inc. of our report dated March 7, 2024 with respect to the consolidated balance sheets of Lipocine Inc. as of December 31, 2023 and 2022, and the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity, and cash flows for the years then ended, and the related notes (collectively, the "consolidated financial statements"), which report appears in the December 31, 2023 annual report on Form 10-K of Lipocine Inc.

/s/ Tanner LLC
Salt Lake City, Utah
March 7, 2024

CERTIFICATIONS

I, Mahesh V. Patel, certify that:

1. I have reviewed this annual report on Form 10-K of Lipocine 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 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 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.

Dated: March 7, 2024

/s/ Mahesh V. Patel

Mahesh V. Patel, President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, Mahesh V. Patel, certify that:

1. I have reviewed this annual report on Form 10-K of Lipocine 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 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 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.

Dated: March 7, 2024

/s/ Mahesh V. Patel
Mahesh V. Patel
(Principal Financial Officer)

CERTIFICATION

In connection with the Annual Report on Form 10-K of Lipocine Inc. (the "Corporation") for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Mahesh V. Patel, President and Chief Executive Officer of the Corporation, hereby certifies, pursuant to Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Dated: March 7, 2024

/s/ Mahesh V. Patel
Mahesh V. Patel, President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

In connection with the Annual Report on Form 10-K of Lipocine Inc. (the "Corporation") for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Mahesh V. Patel, Principal Financial Officer of the Corporation, hereby certifies, pursuant to Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Dated: March 7, 2024

/s/ Mahesh V. Patel
Mahesh V. Patel
(Principal Financial Officer)

LIPOCINE INC.
INCENTIVE COMPENSATION RECOVERY POLICY

1. Introduction

The Board of Directors of Lipocine Inc. (the "**Company**") believes that it is in the best interests of the Company and its stockholders to create and maintain a culture that emphasizes integrity and accountability and that reinforces the Company's compensation philosophy. The Board has therefore adopted this policy, which provides for the recovery of erroneously awarded incentive compensation in the event that the Company is required to prepare an accounting restatement due to material noncompliance of the Company with any financial reporting requirements under the federal securities laws (the "**Policy**"). This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), related rules or standards of The Nasdaq Stock Market or any other securities exchange on which the Company's shares are listed in the future.

2. Administration

This Policy shall be administered by the Board or, if so designated by the Board, the Compensation Committee (the "**Committee**"), in which case, all references herein to the Board shall be deemed references to the Committee. Any determinations made by the Board shall be final and binding on all affected individuals.

3. Covered Executives

Unless and until the Board determines otherwise, for purposes of this Policy, the term "**Covered Executive**" means a current or former employee who is or was identified by the Company as the Company's president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person (including any executive officer of the Company's subsidiaries or affiliates) who performs similar policy-making functions for the Company. "Policy-making function" excludes policy-making functions that are not significant. "Covered Executives" will include, at minimum, the executive officers identified by the Company pursuant to Item 401(b) of Regulation S-K of the Exchange Act.

This Policy covers Incentive Compensation received by a person after beginning service as a Covered Executive and who served as a Covered Executive at any time during the performance period for that Incentive Compensation.

4. Recovery: Accounting Restatement.

In the event of an "Accounting Restatement," the Company will recover reasonably promptly any excess Incentive Compensation received by any Covered Executive during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an Accounting Restatement, including transition periods resulting from a change in the Company's fiscal year as provided in Rule 10D-1 of the Exchange Act. Incentive Compensation is deemed "**received**" in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive Compensation award is attained, even if the payment or grant of the Incentive Compensation occurs after the end of that period.

(a) Definition of Accounting Restatement.

For the purposes of this Policy, an "**Accounting Restatement**" means the Company is required to prepare an accounting restatement of its financial statements filed with the Securities and Exchange Commission (the "**SEC**") due to the Company's material noncompliance with any financial reporting requirements under the federal securities laws (including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period).

The determination of the time when the Company is "**required**" to prepare an Accounting Restatement shall be made in accordance with applicable SEC and national securities exchange rules and regulations.

An Accounting Restatement does not include situations in which financial statement changes did not result from material non-compliance with financial reporting requirements, such as, but not limited to retrospective: (i) application of a change in accounting principles; (ii) revision to reportable segment information due to a change in the structure of the Company's internal organization; (iii) reclassification due to a discontinued operation; (iv) application of a change in reporting entity, such as from a reorganization of entities under common control; (v) adjustment to provision amounts in connection with a prior business combination; and (vi) revision for stock splits, stock dividends, reverse stock splits or other changes in capital structure.

(b) Definition of Incentive Compensation.

For purposes of this Policy, "**Incentive Compensation**" means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure, including, for example, bonuses or awards under the Company's short and long-term incentive plans, grants and awards under the Company's equity incentive plans, and contributions of such bonuses or awards to the Company's deferred compensation plans or other employee benefit plans. Incentive Compensation does not include awards which are granted, earned and vested without regard to attainment of Financial Reporting Measures, such as time-vesting awards, discretionary awards and awards based wholly on subjective standards, strategic measures or operational measures.

(c) Financial Reporting Measures.

“**Financial Reporting Measures**” are those that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements (including non-GAAP financial measures) and any measures derived wholly or in part from such financial measures. For the avoidance of doubt, Financial Reporting Measures include stock price and total shareholder return. A measure need not be presented within the financial statements or included in a filing with the SEC to constitute a Financial Reporting Measure for purposes of this Policy.

(d) Excess Incentive Compensation: Amount Subject to Recovery.

The amount(s) to be recovered from the Covered Executive will be the amount(s) by which the Covered Executive’s Incentive Compensation for the relevant period(s) exceeded the amount(s) that the Covered Executive otherwise would have received had such Incentive Compensation been determined based on the restated amounts contained in the Accounting Restatement. All amounts shall be computed without regard to taxes paid.

For Incentive Compensation based on Financial Reporting Measures such as stock price or total shareholder return, where the amount of excess compensation is not subject to mathematical recalculation directly from the information in an Accounting Restatement, the Board will calculate the amount to be reimbursed based on a reasonable estimate of the effect of the Accounting Restatement on such Financial Reporting Measure upon which the Incentive Compensation was received. The Company will maintain documentation of that reasonable estimate and will provide such documentation to the applicable national securities exchange.

(e) Method of Recovery.

The Board will determine, in its sole discretion, the method(s) for recovering reasonably promptly excess Incentive Compensation hereunder. Such methods may include, without limitation:

- (i) requiring reimbursement of compensation previously paid;
- (ii) forfeiting any compensation contribution made under the Company’s deferred compensation plans, as well as any matching amounts and earnings thereon;
- (iii) offsetting the recovered amount from any compensation that the Covered Executive may earn or be awarded in the future (including, for the avoidance of doubt, recovering amounts earned or awarded in the future to such individual equal to compensation paid or deferred into tax-qualified plans or plans subject to the Employee Retirement Income Security Act of 1974 (collectively, “**Exempt Plans**”); *provided that*, no such recovery will be made from amounts held in any Exempt Plan of the Company);
- (iv) taking any other remedial and recovery action permitted by law, as determined by the Board; or
- (v) some combination of the foregoing.

5. **No Indemnification or Advance.**

Subject to applicable law, the Company shall not indemnify, including by paying or reimbursing for premiums for any insurance policy covering any potential losses, any Covered Executives against the loss of any erroneously awarded Incentive Compensation, nor shall the Company advance any costs or expenses to any Covered Executives in connection with any action to recover excess Incentive Compensation.

6. **Interpretation.**

The Board is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act and any applicable rules or standards adopted by the SEC or any national securities exchange on which the Company's securities are listed.

7. **Effective Date.**

The effective date of this Policy is October 2, 2023 (the "**Effective Date**").¹ This Policy applies to Incentive Compensation received by Covered Executives on or after the Effective Date even if such Incentive Compensation was approved, awarded, granted or paid to the Covered Executive prior to the Effective Date. In addition, this Policy is intended to be and will be incorporated as an essential term and condition of any Incentive Compensation agreement, plan or program that the Company establishes or maintains on or after the Effective Date.

8. **Amendment and Termination.**

The Board may amend this Policy from time to time in its discretion, and shall amend this Policy as it deems necessary to reflect changes in regulations adopted by the SEC under Section 10D of the Exchange Act and to comply with any rules or standards adopted by The Nasdaq Stock Market or any other securities exchange on which the Company's shares are listed in the future.

¹ Each listed issuer must comply with its recovery policy for all incentive-based compensation received by executive officers on or after the effective date of the applicable listing standards.

9. Other Recovery Rights.

The Board intends that this Policy will be applied to the fullest extent of the law. Upon receipt of this Policy, each Covered Executive is required to complete the Receipt and Acknowledgement attached as Schedule A to this Policy. The Board may require that any employment agreement or similar agreement relating to Incentive Compensation received on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any (i) other remedies or rights of compensation recovery that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, or similar agreement relating to Incentive Compensation, unless any such agreement expressly prohibits such right of recovery, and (ii) any other legal remedies available to the Company. The provisions of this Policy are in addition to (and not in lieu of) any rights to repayment the Company may have under Section 304 of the Sarbanes-Oxley Act of 2002 and other applicable laws.

10. Impracticability.

The Company shall recover any excess Incentive Compensation in accordance with this Policy, except to the extent that certain conditions are met and the Board has determined that such recovery would be impracticable, all in accordance with Rule 10D-1 of the Exchange Act and the rules or standards of The Nasdaq Stock Market or any other securities exchange on which the Company's shares are listed in the future.

11. Successors.

This Policy shall be binding upon and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

Schedule A

**INCENTIVE-BASED COMPENSATION CLAWBACK POLICY
RECEIPT AND ACKNOWLEDGEMENT**

I, _____, hereby acknowledge that I have received and read a copy of the Incentive Compensation Recovery Policy. As a condition of my receipt of any Incentive Compensation as defined in the Policy, I hereby agree to the terms of the Policy. I further agree that if recovery of excess Incentive Compensation is required pursuant to the Policy, the Company shall, to the fullest extent permitted by governing laws, require such recovery from me up to the amount by which the Incentive Compensation received by me, and amounts paid or payable pursuant or with respect thereto, constituted excess Incentive Compensation. If any such reimbursement, reduction, cancelation, forfeiture, repurchase, recoupment, offset against future grants or awards and/or other method of recovery does not fully satisfy the amount due, I agree to immediately pay the remaining unpaid balance to the Company.

Signature

Date