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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2010

OR

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

Commission file number: 000-27163

SWK Holdings Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of Incorporation or Organization)

77-0435679
(I.R.S. Employer Identification No.)

5314 N. River Run Drive, Suite 350
Provo, Utah
(Address of Principal Executive Offices)

84604
(Zip Code)

(801) 805-1300
(Registrant's Telephone Number, Including Area Code)

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

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, \$0.001 par value per share
(Title of class)

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

As of June 30, 2010, the last business day of the Registrant's most recently completed second fiscal quarter, the aggregate market value of the voting stock held by non-affiliates of the Registrant was \$25,587,209 based upon the closing sales price of the Registrant's Common Stock on such date as reported on the Over the Counter Bulletin Board of \$0.89.

On March 15, 2011 the Registrant had outstanding approximately 41,647,394 shares of Common Stock, \$0.001 par value per share.

SWK Holdings Corporation

Form 10-K

For the Fiscal Year Ended December 31, 2010

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PART I

In addition to historical information, this report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The forward-looking statements are not historical facts but rather are based on current expectations, estimates and projections about our business and industry, and our beliefs and assumptions. Words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "will," and variations of these words and similar expressions identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, many of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. These risks and uncertainties include, but are not limited to, those described in Item 1A "Risk Factors" and elsewhere in this report. Forward-looking statements that were believed to be true at the time made may ultimately prove to be incorrect or false. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

ITEM 1. BUSINESS.

Overview

SWK Holdings Corporation ("the Company," "SWK," "we," "us," and "our") were incorporated in July 1996 in California and reincorporated in Delaware in September 1999. Prior to December 23, 2009, the Company developed, marketed and supported customer communications software products. The Company sold its products primarily in North America, Europe and Asia, through its direct sales force and third party integrators. Since the completion of the Asset Sale (see Basis of Presentation below), the Company has been seeking to redeploy its cash to maximize value for its stockholders and is seeking, analyzing and evaluating potential acquisition candidates. The Company's goal is to redeploy its existing assets to acquire, or invest in, one or more operating businesses with existing or prospective taxable income, or from which it can realize capital gains, that can be offset by use of its net operating loss ("NOL") carryforwards. The Company is using a value-focused strategy and is focusing its acquisition search on U.S.-based businesses and continues to identify and review candidates for acquisition or other investment. The Company is unable to assure that it will find suitable candidates or that it will be able to utilize its existing NOL carryforwards. (See "Risks Related to Our Acquisition Strategy" under Item 1A below).

The Company has viewed its ability to carry forward its net operating loss carryforwards ("NOLs") as an important and substantial asset. On January 26, 2006, in order to preserve stockholder value by protecting its ability to carry forward our NOLs, the Company entered into a Rights Agreement that provided for a dividend distribution of one preferred share purchase right for each outstanding share of our common stock. The purchase rights become exercisable after the acquisition or attempted acquisition of 4.9% or more of our outstanding common stock without the prior approval of our Board of Directors (the "Board"). On January 13, 2009, the Company amended and restated the Rights Agreement to extend the expiration date from February 3, 2009 to February 3, 2012 and to make certain other changes. The Company again amended the Rights Agreement on December 22, 2009 to exclude the Asset Sale (as defined below) from triggering the Rights Agreement and to make certain other changes. The Board adopted the rights agreement to preserve stockholder value by protecting our ability to carry forward our net operating losses ("NOLs"). The Board believes that these NOL carryforwards are a substantial asset of the Company.

At the closing of the Asset Sale, the Company amended its certificate of incorporation to change its name from Kana Software, Inc. to SWK Holdings Corporation and relocated its headquarters to Provo, Utah. To distinguish the historical business, which is no longer conducted by the Company, throughout this report (i) we refer to the Company as "KANA" with respect to historical business activities conducted prior to December 23, 2009, and (ii) we refer to the Company as "SWK" or the "Company" with respect to all other matters.

Our principal executive offices are located at 5314 N. River Run Drive, Suite 350, Provo, Utah 84604. Our Internet website is <http://www.swkhold.com>.

Competition

We encounter competition from other entities also seeking to acquire profitable businesses and investments. Such entities include private equity companies, venture capital funds, blank check companies, leveraged buyout funds, as well as operating businesses seeking acquisitions. Many of these entities are well-established and have extensive experience identifying and effecting business combinations directly or through affiliates. Moreover, many of these entities possess greater financial, technical, human, and other resources than the Company.

Employees

As of December 31, 2010, we had three full-time employees.

ITEM 1A. RISK FACTORS.

Our business environment involves substantial risks and uncertainty, including, but not limited to, the specific risks identified below. Additional risks not presently known to us, or that we currently deem immaterial, may become important factors that impair our business operations. Any of these risks could cause or contribute to causing our actual results to differ materially from expectations. Prospective and existing investors are strongly urged to carefully consider the various cautionary statements and risks set forth in this Annual Report on Form 10-K and our other public filings with the Securities and Exchange Commission (“SEC”).

The section headings in this Item 1A have been inserted for convenience of reference only and shall not modify or constitute a part of the individual Risk Factors.

Risks Related to Our Acquisition Strategy

We are pursuing an acquisition strategy which may not enhance value for stockholders.

Since the completion of the Asset Sale, we have been seeking to redeploy our cash to maximize value for our stockholders and are seeking, analyzing and evaluating potential acquisition candidates. Our goal is to redeploy our existing assets to acquire or invest in, one or more operating businesses with existing or prospective taxable income, or from which we can realize capital gains, that can be offset by use of our NOL carryforwards. We are using a value-focused investment strategy and have been focusing our acquisition search on U.S.-based businesses. We continue to identify and review candidates for acquisition or other investment. We may not be able to identify any acquisition candidate at a price we consider fair and appropriate. If we do identify a suitable acquisition candidate, we may not be able to successfully and satisfactorily negotiate the terms of an acquisition. Furthermore, if we are successful in completing an acquisition, the integration of the acquired business will involve a number of risks and presents financial, managerial and operational challenges. Therefore, we cannot assure that our acquisition strategy will enhance value to stockholders.

A significant portion of our working capital could be expended in pursuing business combinations that are not consummated.

We expect that the investigation of each specific acquisition target and the negotiation, drafting and execution of relevant agreements, disclosure documents and other instruments will require substantial time and attention and substantial costs, including, but not limited to, costs for accountants, attorneys and other advisors. In 2010, our total cash flow from operations spent pursuant to this strategy totaled approximately \$1.3 million. Our declining cash may continue at this rate, or at a higher rate as we determine is appropriate, until such time as we are able to complete an acquisition.

In addition, we may determine to pay finders', exclusivity or similar fees in connection with structuring and negotiating business combinations. If we decide not to further pursue a specific business combination, the costs incurred, which may include finders', exclusivity or similar fees, may not be recoverable. Furthermore, even if an agreement is reached relating to a specific acquisition target, we may fail to consummate the transaction for any number of reasons, including those beyond our control. Any such event will result in a loss to us of the related costs incurred, which could materially and adversely affect our subsequent attempts to locate and combine with another business.

We may determine to pursue a transaction which limits our ability to use some or all of our substantial net operating loss carryforwards.

We are currently seeking to make one or more acquisitions to maximize value to all stockholders, which may benefit from the utilization of our substantial NOL carryforwards as of the date hereof. However, we will pursue any acquisition or transaction which the Board believes to be in the best interests of the Company and its stockholders, and NOL carryforwards will be one of several factors considered by the Board in determining whether to pursue any such transaction. The Board may determine to pursue a transaction which limits our ability to use some or all of our NOL carryforwards. In addition, if we are unable to complete an acquisition, we may lose some or all of our NOL carryforwards, or they may expire. Our federal NOL carryforwards begin expiring this year and expire by 2030, with the majority of such NOLs expiring by 2022.

We may be unable to obtain additional financing, if required, to complete a business combination or to fund the operations and growth of an acquisition target.

If the proceeds from the Asset Sale are insufficient for a proposed acquisition, we may be required to seek additional financing through the issuance of equity or debt securities or other arrangements to finance the transaction. Due to the fact that we currently have no income other than interest received on our cash deposits, borrowing requirements and other factors, we cannot assure you that such financing will be available on acceptable terms, if at all. To the extent that additional financing proves to be unavailable when needed to consummate a particular business combination, we may be compelled to restructure or abandon that particular business combination and seek alternative acquisition targets. In addition, if we complete a business combination, we may require additional financing to fund the operations or growth of acquisition target, which may be unavailable to us. The failure to secure additional financing could have a material adverse effect on the continued development or growth of our combined business or businesses.

Until we select particular industries or target businesses in which to invest, stockholders will be unable to ascertain the merits or risks of the industries or businesses in which we may ultimately operate.

We are seeking to acquire a company with principal business operations in one or more industries that provide significant opportunities for growth. We are not limited to any particular industry or type of business. Accordingly, there is no current basis for stockholders to evaluate the possible merits or risks of any particular industries in which we may ultimately operate or the target business or businesses in which we may invest. Although we will evaluate the risks inherent in any target business in which we determine to invest, we cannot assure you that all of the material risks related to such business will be properly assessed. Even if we properly assess those risks, some of them may be outside of our control or ability to affect or predict.

Risks Related to Our Company and Assets

We expect net losses for the foreseeable future due to low interest rates and because we have no operating business.

Following the Asset Sale completed on December 23, 2009, we have no operating business and our assets consist primarily of cash. Our sole source of income is interest received on our cash deposits. Due to current low interest rates, we do not expect material income until we are able to acquire an operating business. Additionally, we expect to incur expenses in connection with our acquisitions search, as well as expenses of being a public company. Until these conditions change, the Company expects to incur net losses.

We are a shell company under the federal securities laws which will subject us to additional costs and disclosure requirements.

Under Rule 405 of the Securities Act of 1933, as amended, and Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as amended, a shell company is any company with nominal operations and assets consisting of cash and nominal other assets. We are a shell company under federal securities laws.

Applicable securities rules prohibit shell companies from using (i) a Form S-8 registration statement to register securities pursuant to employee compensation plans for so long as we are a shell company and for a period of 60 days thereafter and (ii) Form S-3 for the registration of a primary offering of securities for so long as we are a shell company and for 12 months thereafter.

Additionally, Form 8-K requires shell companies to provide more detailed disclosure upon completion of a transaction that causes it to cease being a shell company. To the extent that we acquire a business in the future, we must file a current report on Form 8-K containing the financial and other information required in a registration statement on Form 10 within four business days following completion of such a transaction.

To the extent that we are required to comply with additional disclosure as we are a shell company, we may be delayed in executing any mergers or acquiring other assets that would cause us to cease being a shell company. In addition, under Rule 144 of the Securities Act, a holder of restricted securities of a "shell company" may not be allowed to resell their securities in reliance upon Rule 144. Preclusion from any prospective purchase using the exemptions from registration afforded by Rule 144 may make it more difficult for us to sell equity securities in the future, and the inability to utilize registration statements on Forms S-8 and S-3 would likely increase our cost to register securities in the future. Additionally, the loss of the use of Rule 144 and Forms S-3 and S-8 may make investments in our securities less attractive to investors and may make the offering and sale of our securities to employees, directors and others under compensatory arrangements more expensive and less attractive to recipients.

Our cash and cash equivalents could be adversely affected if the financial institutions in which we hold them fail.

Our cash and cash equivalents may be held in the form of cash or marketable securities and are highly liquid investments with original maturities of three months or less at the time of purchase. Currently, our cash and cash equivalents consist entirely of cash, but we may determine to invest in marketable securities at a later date. We maintain our cash with one or more reputable major financial institutions and would maintain any cash equivalents with reputable financial institutions. Deposits of cash with these banks exceed the Federal Deposit Insurance Corporation insurance limits. While we regularly monitor the cash balances in the operating accounts and adjust the balances as appropriate, these balances could be impacted if one or more of the financial institutions with which we deposit fails or is subject to other adverse conditions in the financial or credit markets. We can provide no assurance that access to our invested cash or cash equivalents will not be impacted by adverse conditions in the financial and credit markets or the financial status of the financial institutions in which we maintain our cash.

Our common stock is currently quoted on the Over the Counter Bulletin Board.

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

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

In addition, because our common stock is not listed on a principal national exchange, we are subject to Rule 15c-2 under the Exchange Act, which imposes additional sales practice requirements on broker-dealers that sell low-priced securities to persons other than established customers and institutional accredited investors. For transactions covered by this rule, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser’s written consent to the transaction prior to sale. Consequently, the rule may affect the ability of broker-dealers to sell our common stock and affect the ability of holders to sell their shares of our common stock in the secondary market. Moreover, investors may be less interested in purchasing low-priced securities because the brokerage commissions, as a percentage of the total transaction value, tend to be higher for such securities, and some investment funds will not invest in low-priced securities (other than those which focus on small-capitalization companies or low-priced securities).

Compliance with regulations governing public company corporate governance and reporting will result in additional costs.

Our continuing preparation for and implementation of various corporate governance reforms and enhanced disclosure laws and regulations adopted in recent years requires us to incur significant additional accounting and legal costs. We are subject to accounting disclosures required by laws and regulations adopted in connection with the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”). In particular, we are required to provide a report on our internal control over financial reporting required by Section 404 of the Sarbanes-Oxley Act. Any unanticipated difficulties in preparing for and implementing these and other corporate governance and reporting reforms could result in material delays in compliance or significantly increase our costs. Any failure to timely prepare for and implement the reforms required by new laws and regulations could significantly harm our business, operating results and financial condition.

We have adopted charter and bylaw provisions and a rights agreement that could delay or prevent an acquisition of the Company.

The Board has the authority to issue up to 5,000,000 shares of preferred stock. Without any further vote or action on the part of the stockholders, the Board has the authority to determine the price, rights, preferences, privileges, and restrictions of the preferred stock. This preferred stock, if issued, might have preference over and harm the rights of the holders of common stock. Although the ability to issue this preferred stock provides us with flexibility in connection with possible acquisitions and other corporate purposes, it can also be used to make it more difficult for a third party to acquire a majority of our outstanding voting stock. We currently have no plans to issue preferred stock.

Additionally, we have a stockholder rights plan that is intended to protect our ability to utilize our NOL carryforwards and which would also make it difficult for a third party to acquire a significant number of shares of our common stock.

Our certificate of incorporation and bylaws include provisions that may deter an unsolicited offer to purchase us. These provisions, coupled with the provisions of the Delaware General Corporation Law, may delay or impede a merger, tender offer or proxy contest. Furthermore, the Board is divided into three classes, only one of which is elected each year. In addition, directors are only removable by the affirmative vote of at least two-thirds of all classes of voting stock. These factors may further delay or prevent a change of control of the Company.

Our ability to execute our acquisition strategy depends on our ability to retain qualified management and/or advisors.

To pursue our acquisition strategy following the closing of the Asset Sale, we will continue to require management with experience in identifying attractive acquisition candidates and executing acquisition transactions. Given the specialized nature of these skills and the fact that the Company faces competition in completing acquisitions, the inability of the Company to recruit and/or retain a talented management team could have a detrimental effect on the market price of our common stock and our ability to execute our strategy.

If we invest in securities, we could be required to register as an Investment Company under the Investment Company Act, which would be costly and could significantly limit our ability to operate and acquire a business.

The Investment Company Act of 1940, as amended (the "Investment Company Act"), requires registration as an investment company, for companies that are engaged primarily in the business of investing, reinvesting, owning, holding or trading securities. We are not engaged in the business of investing, reinvesting, or trading in securities, and we do not hold ourselves out as being engaged in those activities. However, a company may fall within the scope of being an "inadvertent investment company" under section 3(a)(1)(C) of the such Act if the value of its investment securities (as defined in the Investment Company Act) is more than 40% of its total assets (exclusive of government securities and cash and certain cash equivalents).

Currently, our assets consist primarily of cash and nominal other assets. We are pursuing an acquisition strategy. While our goal is to acquire one or more operating businesses, we may determine to invest in securities of another company in connection with such goal.

If we were unable to rely on an exclusion under the Investment Company Act and were deemed to be an inadvertent investment company due to an investment in marketable securities or otherwise, we would be forced to comply with substantive requirements of the Investment Company Act, including: (i) limitations on our ability to borrow; (ii) limitations on our capital structure; (iii) restrictions on acquisitions of interests in associated companies; (iv) prohibitions on transactions with affiliates; (v) restrictions on specific investments; (vi) limitations on our ability to issue stock options; and (vii) compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations. Registration as an investment company would subject us to additional costs, which may be substantial, and restrictions that would significantly impair our ability to pursue our fundamental business strategy of acquiring and operating an established business.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2. PROPERTIES.

Our corporate headquarters are located in Provo, Utah, where we sublease approximately 2,300 square feet on a month-to-month basis under an agreement with Nightwatch Capital Advisors, LLC, a company of which John Nemelka, our Interim Chief Executive Officer is the Managing Principal, and Paul Burgon, our Interim Chief Financial Officer, is a Principal and the Chief Financial Officer. Our rent under this sublease is approximately \$4,100 per month. We believe these facilities are adequate for our business requirements.

ITEM 3. LEGAL PROCEEDINGS.

In July 2001, the Company, its underwriters, and certain officers and directors were named as defendants in a securities class action lawsuit. This case is one of several hundred similar cases that have been consolidated into a single action. The complaint alleges misstatements and omissions concerning underwriters' compensation in connection with the Company's initial public offering. In February 2003, the Court denied a motion to dismiss that would have disposed of the claims against the Company. A settlement proposal, which did not admit wrongdoing, had been approved by the Board and preliminarily approved by the Court. While the parties' request for court approval of the settlement was pending, in December 2006 the Court of Appeals reversed the District Court's finding that six focus cases could be certified as class actions. In April 2007, the Court of Appeals denied the plaintiffs' petition for rehearing, but acknowledged that the District Court might certify a more limited class. At a June 26, 2007 status conference, the Court terminated the proposed settlement as stipulated among the parties. Plaintiffs filed an amended complaint on August 14, 2007. On September 27, 2007, plaintiffs filed a motion for class certification in the six focus cases, which was withdrawn on October 10, 2008. On November 13, 2007 defendants in the six focus cases filed a motion to dismiss the complaint for failure to state a claim, which the Court denied in March 2008. Plaintiffs, the issuer defendants (including the Company), the underwriter defendants, and the insurance carriers for the defendants, engaged in mediation and settlement negotiations. They reached a settlement agreement, which was submitted to the District Court for preliminary approval on April 2, 2009. As part of this settlement, the Company's insurance carrier agreed to assume the Company's entire payment obligation under the terms of the settlement. On June 10, 2009, the District Court granted preliminary approval of the proposed settlement agreement. After a September 10, 2009 hearing, the District Court gave final approval to the settlement on October 5, 2009. Several objectors have filed notices of appeal to the United States Court of Appeal for the Second Circuit from the District Court's order granting final approval of the settlement. Although the District Court has granted final approval of the settlement agreement, there can be no guarantee that it will not be reversed on appeal. The Company believes that it has meritorious defenses to these claims. If the settlement is not implemented and the litigation continues against the Company, the Company would continue to defend against this action vigorously.

In October 2007, a lawsuit was filed in the United States District Court for the Western District of Washington by Ms. Vanessa Simmonds against certain of the underwriters of the Company's initial public offering. The plaintiff alleges that the underwriters violated section 16(b) of the Securities Exchange Act of 1934, as amended, by engaging in short-swing trades, and seeks disgorgement of profits from the underwriters in amounts to be proven at trial. On February 28, 2008, Ms. Simmonds filed an amended complaint. The suit names the Company as a nominal defendant, contains no claims against the Company and seeks no relief from the Company. This lawsuit is one of more than fifty similar actions filed in the same court. On July 25, 2008, the underwriter defendants in the various actions filed a joint motion to dismiss the complaints for failure to state a claim. In addition, certain issuer defendants in the various actions filed a joint motion to dismiss the complaints for failure to state a claim. The Company entered into a stipulation with the plaintiff, entered as an order by the Court, that the Company is not required to answer or otherwise respond to the amended complaint. Accordingly, the Company did not join the motion to dismiss filed by certain issuers. On March 12, 2009, the Court dismissed the complaint in this lawsuit with prejudice. On April 10, 2009, the plaintiff filed a notice of appeal of the District Court's order, and thereafter the underwriter defendants filed a cross appeal to a portion of the District Court's order that dismissed thirty (30) of the cases without prejudice following the moving issuers' motion to dismiss. On May 22, 2009 the Ninth Circuit issued an order granting the parties' joint motion to consolidate the 54 appeals and 30 cross-appeals. On December 2, 2010, the Ninth Circuit affirmed dismissal of the lawsuits against the 30 issuer defendants on the grounds of inadequate demand, but ordered the district court to dismiss these lawsuits with prejudice. The Ninth Circuit reversed dismissal on statute of limitations grounds, but remanded all of the remaining cases to the district court with instructions to allow the underwriter defendants and/or the remaining issuer defendants to file motions to dismiss for inadequate demand. On December 16, 2010, plaintiff and the underwriter defendants separately petitioned for a rehearing and a rehearing en banc, which petitions were denied on January 18, 2011. On January 25 and 26, 2011, the Ninth Circuit granted the motions of the underwriter defendants and of the plaintiff to stay the issuance of the court's mandate pending those parties' respective petitions for writ of certiorari to the United States Supreme Court.

On December 20, 2009, the Company, then known as Kana Software, Inc., filed a lawsuit in the United States District Court for the District of Delaware against several defendants: Versata Enterprises, Inc., Gensym Corp., Clear Technology, Inc., Versata Development Group, Inc., Tenfold Corp., and Versata, Inc. In the litigation, the Company is seeking a declaratory judgment that it does not infringe several patents. The Company also seeks a declaratory judgment of invalidity of all of the patents-in-suit. The case has been assigned to Judge Sue L. Robinson. On December 23, 2009, the Company completed the Asset Sale, pursuant to which (i) the Company amended its certificate of incorporation to change its name to SWK Holdings Corporation, (ii) the Company sold its operating business, including substantially all of its intellectual property, including all patents, to Kay Technology and (iii) Kay Technology assumed substantially all liabilities relating to the Company's operating business, including, but not limited to, liabilities related to intellectual property and patents, and agreed to indemnify the Company for losses incurred with respect thereto. On December 23, 2009, the Company filed an amended complaint adding Kay Technology as a named plaintiff in the lawsuit. On February 16, 2010, Defendants filed an answer to the amended complaint. In their answer, Defendants asserted two counterclaims: a counterclaim alleging infringement of a patent by software products including Kana IQ, and a counterclaim alleging infringement of another patent by software products including Kana Response. On March 9, 2010, the Company and Kay Technology filed an answer to Defendants' counterclaims, denying any infringement. On April 14, 2010, the Company was dismissed as a party to these lawsuits.

On December 21, 2009, the Company, then known as Kana Software, Inc., filed a lawsuit in the United States District Court for the District of Delaware against Versata Enterprises, Inc. and Everest Software, Inc. alleging infringement of U.S. Patent No. 6,941,304 by defendants' making, selling, offering to sell and/or importing certain email communication software solutions. The case has been assigned to Judge Sue L. Robinson. On December 23, 2009, the Company completed the Asset Sale, pursuant to which (i) the Company amended its certificate of incorporation to change its name to SWK Holdings Corporation, (ii) the Company sold its operating business, including substantially all of its intellectual property, including all patents, to Kay Technology and (iii) Kay Technology assumed substantially all liabilities relating to the Company's operating business, including, but not limited to, liabilities related to intellectual property and patents, and agreed to indemnify the Company for losses incurred with respect thereto. On December 23, 2009, the Company filed an amended complaint adding Kay Technology as a named plaintiff in the lawsuit. On February 16, 2010, Defendants filed an answer to the amended complaint. In their answer, Defendants asserted a counterclaim seeking a declaratory judgment that the asserted patent is invalid. On March 9, 2010, the Company and Kay Technology filed an answer to Defendants' counterclaim, denying that the asserted patent is invalid. On April 14, 2010, the Company was dismissed as a party to these lawsuits.

The ultimate outcome of any litigation is uncertain, and either unfavorable or favorable outcomes could have a material negative impact on the Company's consolidated results of operations, balance sheets and cash flows due to defense costs, and divert management resources.

ITEM 4. REMOVED AND RESERVED.

PART II

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

The Company trades on the OTCBB. In connection with the Asset Sale, on February 4, 2010, our ticker symbol changed to "SWKH.OB." From December 2005 to February 3, 2010, our common stock traded on the OTCBB under the symbol "KANA.OB". The table below sets forth the high and low bid information for our common stock as reported on the OTCBB for each full quarterly period within the two most recent fiscal years.

	<u>High</u>	<u>Low</u>
Fiscal 2010		
First Quarter	\$ 0.92	\$ 0.80
Second Quarter	0.95	0.80
Third Quarter	0.90	0.78
Fourth Quarter	1.00	0.89
Fiscal 2009		
First Quarter	\$ 0.90	\$ 0.55
Second Quarter	0.77	0.45
Third Quarter	0.95	0.60
Fourth Quarter	1.00	0.65

Holders of Record

There were approximately 816 stockholders of record of our common stock as of March 15, 2011. The actual number of stockholders is greater than this number of record holders, and includes stockholders who are beneficial owners but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Dividend Policy

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

Unregistered Sales of Equity Securities

On November 8, 2010, the Company granted shares of restricted common stock to its non-employee directors. Michael Weinberg, the Chairman of the Board, was granted 200,000 shares, and William Clifford and Michael Margolis were each granted 100,000 shares. Shares are forfeited if not earned within five years from the date of the grant, and vest when the Company's average closing stock price exceeds certain levels for sixty consecutive calendar days. 50% of each award vests at a stock price of \$1.80, 25% vests at \$2.25, and 25% vests at \$2.70. These shares were not registered under the Securities Act of 1933, as amended in reliance upon Rule 701 promulgated under the Securities Act of 1933, as amended, and Rule 12h-1 promulgated under the Securities Exchange Act of 1934, as amended.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2010 with respect to the shares of common stock issuable under existing equity compensation plans. The category "Equity compensation plans approved by security holders" in the table below consists of the KANA 1999 Stock Incentive Plan, as amended (the "1999 Plan"). The category "Equity compensation plans not approved by security holders" in the table below consists of the SWK Holdings Corporation 2010 Equity Incentive Plan (the "2010 Plan").

	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	229,000	\$ 2.52	-
Equity compensation plans not approved by security holders	400,000	2.14	4,100,000
Total	629,000	\$ 2.28	4,100,000

ITEM 6. SELECTED FINANCIAL DATA.

Not Applicable

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

In addition to historical information, this report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act. The forward-looking statements are not historical facts but rather are based on current expectations, estimates and projections about the Company, and our beliefs and assumptions. Words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "will," and variations of these words and similar expressions identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, many of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. These risks and uncertainties include, but are not limited to, those described in Item 1A "Risk Factors" and elsewhere in this report. Forward-looking statements that were believed to be true at the time made may ultimately prove to be incorrect or false. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Overview

The Company was known until December 23, 2009 as KANA Software, Inc. ("KANA") and was headquartered in Menlo Park, California. For a discussion of our historical business, see "Historical Business" below.

Following an extensive strategic process, on October 26, 2009, the Company entered into the Asset Purchase Agreement with Kay Technology, an affiliate of Accel-KKR Capital Partners III L.P. ("AKKR"). Pursuant to this agreement, on December 23, 2009, the Company sold to Kay Technology substantially all of its assets other than: (i) NOLs, (ii) certain other deferred tax assets, (iii) cash received upon the exercise of certain options and warrants, (iv) certain potential income tax refunds, (v) stockholder and stock option records, (vi) contracts related to any equity investments and our stockholder rights plan, (vii) insurance policies and (viii) certain other immaterial assets. Kay Technology assumed substantially all of the Company's liabilities, other than those: (i) arising under the Asset Purchase Agreement, including related taxes and transaction costs, (ii) related to the assets retained in the Asset Sale, (iii) insured by our insurance policies or related to indemnification of directors or officers, (iv) relating to the payment of income taxes for periods prior to the closing or as a transferee or successor, (v) with respect to certain employees not hired by Kay Technology, (vi) in connection with contracts related to any equity investment in KANA and our stockholder rights plan and (vii) arising from any claims by KANA's stockholders or other equity holders.

The consideration in the transaction was \$40.6 million, of which \$38.6 million in cash was paid to the Company at closing and \$1.0 million was paid to an escrow to satisfy SWK's indemnification obligations for certain specified tax-related contingencies. We received approximately \$481,000 from this escrow in the fourth quarter of 2010. On March 28, 2011, we agreed with Kay Technology that approximately \$167,000 would be paid to us from the remaining escrow account. We expect to collect these funds in the near future. An additional \$1.0 million was paid into the Purchase Price Escrow at closing, which we received in the second quarter of 2010, and an additional \$382,000 was received in the first quarter of 2010 which related to the receipt of certain customer and vendor consents to the Asset Sale.

At the closing of the Asset Sale, the Company changed its name from Kana Software, Inc. to SWK Holdings Corporation.

Since the completion of the Asset Sale, we have been seeking to redeploy our cash to maximize value for our stockholders and are seeking, analyzing and evaluating potential acquisition candidates. Our goal is to redeploy our existing assets to acquire, or invest in, one or more operating businesses with existing or prospective taxable income, or from which we can realize capital gains, that can be offset by use of our NOL carryforwards. We are using a value-focused strategy and are focusing our acquisition search on U.S.-based businesses. We continue to identify and review candidates for acquisition or other investment. We are unable to assure that we will find suitable candidates or that we will be able to utilize our existing NOL carryforwards. (See “Risks Related to Our Acquisition Strategy” under Item 1A above).

From and after the completion of the Asset Sale, we have maintained our cash at one or more large financial institutions. As of the date hereof, we are earning annual interest income of approximately 0.65% on our cash and expect to continue to receive interest at current market rates.

Historical business

From 1996 to December 23, 2009, the Company engaged in the development, marketing and support of customer communications software products. Its applications were designed to integrate with other enterprise software and legacy systems and provide customers with capabilities for personalization, customer profile management, inquiry management, universal business rules, knowledge management and work flow. KANA used data modeling to make data located in external systems available in its application without requiring the data to be moved or replicated. KANA also offered customer support and professional services, such as consulting and education. KANA served financial services, communications, healthcare, government high technology, travel/hospitality and retail industries. The Company sold its products primarily in North America, Europe and Asia through a direct sales force and third party integrators.

On December 31, 2010, we had cash and cash equivalents of \$39.3 million. As of December 31, 2010, we had an accumulated deficit of \$4.3 billion and a positive working capital of \$39.1 million. Losses from operations were \$1.8 million and \$8.4 million for 2010 and 2009, respectively, and we had a net loss of \$707,000 in 2010 and net income of \$34.9 million in 2009. Net cash used for operating activities was \$1.3 million and \$2.0 million in 2010 and 2009, respectively.

Due to our limited operations and substantial cash balance following the Asset Sale, we have adequate cash to fund our operations, working capital and capital expenditure requirements, comprised primarily of public company expenses and costs related to our acquisition search through December 31, 2011.

As of December 31, 2010, we had three full-time employees.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. This forms the basis of judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. In some cases, changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ materially from our estimates.

We believe the following discussion addresses our most critical accounting policies. These critical accounting policies require management to make difficult, subjective, and complex judgments, and are most important to the portrayal of our financial condition and results of operations. The Company may be required to adopt different policies with respect to any business it may acquire in the future.

Please refer to Note 1 of the Notes to the Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K for further description of our critical accounting policies.

NOTE: Financial information in this Form 10-K with respect to 2009 is based on the business operations of KANA. These operations were sold on December 23, 2009, pursuant to the Asset Sale. From and after the completion of the Asset Sale, the Company’s only material assets have been its cash. Additionally, the Company has no material operating business. To distinguish the historical business, which is no longer conducted by the Company, throughout this report (i) we refer to the Company as KANA with respect to historical business activities conducted prior to December 23, 2009, and (ii) we refer to the Company as SWK or the Company with respect to all other matters. Although our matters may be described in the present or future tense, some of the information and analysis included may not be applicable for periods following the completion of the Asset Sale.

Revenue Recognition

Revenue from software license agreements is recognized when the basic criteria of software revenue recognition have been met (i.e., persuasive evidence of an arrangement exists, delivery of the product has occurred, the fee is fixed or determinable and collection is probable). We use the residual method described in the guidance to recognize revenue when a license agreement includes one or more elements to be delivered at a future date and vendor-specific objective evidence of the fair value of all undelivered elements exists. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is recognized as license revenue. If evidence of the fair value of one or more undelivered elements does not exist, all revenue is deferred and recognized when delivery of those elements occurs or when fair value can be established.

For all sales we use either a signed license agreement, a signed amendment to an existing license agreement, a signed order form, a binding purchase order where we either have a signed master license agreement or an order form signed by the Company, or a signed statement of work as evidence of an arrangement.

Software delivery is primarily by electronic means. If the software or other deliverable is subject to acceptance for a specified period after the delivery, revenue is deferred until the acceptance period has expired or the acceptance provision has been met.

When licenses are sold together with consulting services, license fees are recognized upon delivery, provided that (i) the basic criteria of software revenue recognition have been met, (ii) payment of the license fees is not dependent upon the performance of the consulting services and (iii) the consulting services do not provide significant customization of the software products and are not essential to the functionality of the software that was delivered. KANA did not provide significant customization of its software products.

Revenue arrangements with extended payment terms are generally considered not to be fixed or determinable, and we generally do not recognize revenue on these arrangements until the customer payments become due and all other revenue recognition criteria have been met.

Probability of collection is based upon assessment of the customer's financial condition through review of their current financial statements or publicly-available credit reports. For sales to existing customers, prior payment history was also considered in assessing probability of collection. KANA was required to exercise significant judgment in deciding whether collectability was reasonably assured, and such judgments may have materially affected the timing of revenue recognition and results of operations.

Services revenues include revenues for consulting services, customer support and training, and managed services. Consulting services revenues and the related cost of services are generally recognized on a time and materials basis. For consulting services contracts that have a fixed fee, KANA recognized the license and professional consulting services revenues using either the percentage-of-completion method or the completed contract method as prescribed by the guidance. Consulting arrangements do not include significant customization of the software. Customer support agreements provide technical support and the right to unspecified future upgrades on an if-and-when available basis. Customer support revenues are recognized ratably over the term of the support period (generally one year). Training services revenues are recognized as the related training services are delivered. The unrecognized portion of amounts billed in advance of delivery for services is recorded as deferred revenue. Revenues from managed services are recognized ratably over the term of the arrangement, while application fees are recognized ratably over the sum of the term of the arrangement and the term of expected renewals.

Vendor-specific objective evidence for consulting and training services is based on the price charged when an element is sold separately or, in the case of an element not yet sold separately, the price established by authorized management, if it is probable that the price, once established, will not change before market introduction. Vendor-specific objective evidence for support services is based on the price charged when an element is sold separately or the stated contractual renewal rates.

Restructuring

In April 2009, the Company signed a Settlement and Release Agreement with RMJM Group, Inc. ("RMJM"), the sub landlord for one of the properties included in the restructuring accrual that provided for RMJM to draw down a letter of credit held by RMJM as collateral for the Company's sublease from RMJM. The proceeds of the draw down and current cash deposit held by RMJM were applied to all remaining lease payments and estimated additional operating costs for the lease that expired in January 2010. The remaining liability was transferred to Kay Technology as part of the Asset Sale. Kay Technology is responsible for any additional charges over the estimate through the remaining lease term. The funds in excess of the remaining rent and estimated additional operating costs were returned to Kay Technology.

In April 2009, the Company implemented various cost reduction activities to reduce operating costs. The expense related to reduction in workforce was approximately \$532,000 and the expense related to the Settlement and Release Agreement with RMJM was approximately \$167,000. Additionally, in June 2009, KANA had another facility settlement for one of its European offices, and the related expense was approximately \$106,000. During the three months ended September 30, 2009, the Company recognized approximately \$498,000 of expense related to a reduction in workforce and \$38,000 of facilities related costs.

All liabilities related to the foregoing matters were assumed by Kay Technology in the Asset Sale.

Goodwill and Intangible Assets

We evaluated all potential indicators of impairment of goodwill and intangible assets, but at a minimum, tested goodwill and intangible assets for impairment on an annual basis. Our judgments regarding the existence of impairment indicators were based on market conditions and operational performance. All goodwill and intangible assets were written off as part of the Asset Sale and included in the calculation of gain on sale of assets.

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.

Contingencies and Litigation

We are subject to lawsuits and other claims and proceedings. We assess the likelihood of any adverse judgments or outcomes to these matters as well as ranges of probable losses. A determination of the amount of loss contingency required, if any, for these matters are made after careful analysis of each individual matter. The required loss contingencies may change in the future as the facts and circumstances of each matter changes.

Stock-Based Compensation

We account for stock-based compensation in accordance with the current Financial Accounting Standards Board (“FASB”) guidance, which requires the measurement and recognition of compensation expense for all stock-based awards made to employees and directors including employee stock options based on estimated fair values.

The guidance requires companies to estimate the fair value of employee stock-based awards on the date of grant using an option pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in our consolidated statements of operations. Employee stock-based compensation expense for each of the years ended December 31, 2010 and 2009 was \$8,000 and \$1.6 million, respectively.

We utilize the Black-Scholes option pricing model as the most appropriate method for determining the estimated fair value for stock-based awards. The Black-Scholes option pricing model requires the use of highly subjective and complex assumptions which determine the fair value of stock-based awards, including the option’s expected term and the price volatility of the underlying stock.

For stock options granted to non-employees, we recognize compensation expense in accordance with the FASB guidance, which require such equity instruments to be recorded at their fair value on the measurement date. The measurement of stock-based compensation is subject to periodic fair value adjustments as the underlying equity instruments vest. We amortize compensation expense related to non-employee stock options in accordance with FASB guidance. Also see “Stock-based Compensation” in Note 1 of the Notes to the Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

Effect of Recent Accounting Pronouncements

We discuss the potential impact of recent accounting pronouncements in Note 1 of the Notes to the Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

Results of Operations

The following table sets forth selected data for the periods presented. Percentages are expressed as a percentage of total revenues; given that 2010 revenues were \$0, the table below is for the year ended December 31, 2009.

Revenues:	
License fees	13%
Services	87
Total revenues	100%
Costs and expenses:	
Cost of license fees	4%
Cost of services	33
Amortization of acquired intangible assets	1
Sales and marketing	20
Research and development	28
General and administrative	19
Restructuring	3
Transaction costs	8
Legal Settlement	2
Total costs and expenses	118%

Comparison of the Years Ended December 31, 2010 and 2009

Revenues

Total revenues were \$45.3 million for the year ended December 31, 2009, and consisted of \$5.7 million of license revenues and \$39.6 million of services revenues.

License revenues include licensing fees only and exclude associated support and consulting revenues. The majority of KANA's licenses to customers were perpetual and associated revenues are recognized upon delivery, provided that all revenue recognition criteria were met as discussed in "Revenue Recognition" under "Critical Accounting Policies and Estimates" above. Historically, services revenues consisted of support revenues and professional services revenues and fees. Support revenues related to providing customer support, product maintenance and updates to customers. Professional services revenues related to providing consulting, training and implementation services to customers including managed services.

There were no revenue generating operations for the year ended December 31, 2010, as a result of the Asset Sale.

Revenues from international sales were \$10.3 million, or 23% of total revenues, in the year ended December 31, 2009. KANA's international revenues were derived from sales in Europe and Asia Pacific.

Costs and Expenses

Both the cost of revenues and expenses declined materially in 2010 due to the Asset Sale.

Total cost of revenues were \$17.0 million for the year ended December 31, 2009.

License Fees. Cost of license fees consists primarily of third party software royalties and costs of product documentation. Cost of license fees as a percentage of license revenue was 29% in 2009.

Services. Cost of services consists primarily of salaries and related expenses for our customer support, consulting, and training services organization, and allocation of facility costs and system costs incurred in providing customer support and managed services. Cost of services was \$14.9 million for 2009.

Amortization of Acquired Intangible Assets. The amortization of acquired intangible assets recorded in 2009 was related to \$2.5 million of intangible assets recorded in connection with the acquisition of eVergance in June 2007. Amortization totaled \$489,000 for the year ended December 31, 2009.

Sales and Marketing. Sales and marketing expenses consist primarily of compensation and related costs for sales and marketing personnel and promotional expenditures, including public relations, advertising, trade shows and marketing materials. Sales and marketing expenses were \$9.2 million for the year ended December 31, 2009, which amount includes stock-based compensation of \$420,000.

Research and Development. Research and development expenses consist primarily of compensation and related costs for research and development employees and contractors and enhancement of existing products and quality assurance activities. Research and development expenses were \$12.8 million for the year ended December 31, 2009, which amount includes stock-based compensation of \$357,000.

General and Administrative. General and administrative expenses consist primarily of compensation and related costs for finance, legal, human resources and corporate governance. Information technology and facilities costs are allocated among all operating departments. General and administrative expenses were \$1.8 million and \$8.7 million for the years ended December 31, 2010 and December 31, 2009, respectively. Stock-based compensation totaled \$8,000 and \$541,000 in 2010 and 2009 respectively. As of December 31, 2010, we had three general and administrative employees as compared to 0 employees as of December 31, 2009 after the Asset Sale.

In April 2009, KANA signed a Settlement and Release Agreement with RMJM Group, Inc. (“RMJM”), the sub landlord for one of the properties included in the restructuring accrual that provided for RMJM to draw down a letter of credit held by RMJM as collateral for our sublease from RMJM. The proceeds of the draw down and current cash deposit held by RMJM were applied to all remaining lease payments, and estimated additional operating costs for the remainder of the lease that expired in January 2010. The liability was transferred to Kay Technology as part of the Asset Sale. Kay Technology was responsible for any additional charges over the estimate through the remaining lease term. The funds in excess of the remaining rent and estimated additional operating costs were returned to Kay Technology. The expense related to the Settlement and Release Agreement with RMJM was approximately \$167,000.

In April 2009, KANA implemented various cost reduction activities to reduce operating costs. The expense related to reduction in workforce was approximately \$532,000. Additionally, in June 2009, KANA had another facility settlement for a European office and the related expense was approximately \$106,000. During the three months ended September 30, 2009, KANA recognized approximately \$498,000 of expense related to a reduction in workforce and \$38,000 of facilities related costs.

The following table summarizes restructuring activities for the year ended December 31, 2009 (in thousands):

	Facilities	Severance and Related	Total
Restructuring accrual at December 31, 2008	\$ 1,180	\$ -	\$ 1,180
Restructuring charge	311	1,030	1,341
Payments made	(1,538)	(910)	(2,448)
Sublease payments received	407	-	407
Liabilities assumed by Kay Technology	(360)	(120)	(480)
Restructuring accrual at December 31, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest and Other Income (Expense), Net

Interest and other income (expense) consists primarily of interest expense, adjustments to warrant value and foreign currency translation expense. Interest income consists primarily of interest earned on cash and cash equivalents and was approximately \$275,000 and \$7,000 for the years ended December 31, 2010 and 2009, respectively. The increase in interest income related to high average cash and cash equivalents balances in 2010 compared to 2009. Interest expense relates primarily to KANA’s line of credit and notes payable and was approximately \$978,000 for the year ended December 31, 2009. The interest expense related to borrowings against the line of credit in 2009 and interest on the Agility loan during 2009, including a \$350,000 bank fee. For the year ended December 31, 2009, interest and other income (expense) also includes \$644,000 as the cumulative foreign currency expense on liquidation of subsidiaries. In addition, there was \$255,000 of income and \$177,000 of expense related to adjustment of the fair value of warrants for the years ended December 31, 2010 and 2009, respectively.

Income Tax Expense

We have incurred net operating losses on a consolidated basis for all years from inception through 2010. Accordingly, we have recorded a valuation allowance for the full amount of gross deferred tax assets, as the future realization of the tax benefit is not currently more likely than not. In 2010, the Company recognized income tax benefit of \$20,000 related to the lapse of the statute of limitations for a portion of our uncertain tax positions. The net deferred tax asset for the year ended December 31, 2010 was zero, as the valuation allowance and gross deferred tax assets decreased by approximately \$6.0 million primarily due to the expiration of certain deferred tax assets.

In 2009, certain of KANA’s foreign subsidiaries were profitable, based upon application of our intercompany transfer pricing agreements, which resulted in the Company reporting income tax expense in those foreign jurisdictions totaling approximately \$43,000 for the year ended December 31, 2009. We also recorded an adjustment to release approximately \$11,000 of excess income tax reserves for the year ended December 31, 2009, and an adjustment to record refundable research and development credits of approximately \$28,000 for the year ended December 31, 2009.

As of December 31, 2010, we had operating loss carryforwards for federal and California income tax purposes of approximately \$478 million and \$136 million, respectively. The federal net operating loss carryforwards, began expiring in 2011 and, if not offset against future taxable income, will expire by 2031.

Liquidity and Capital Resources

As of December 31, 2010, we had \$39.3 million in cash, compared to \$38.6 million in cash and cash equivalents as of December 31, 2009. As of December 31, 2010, we had positive working capital of \$39.1 million.

History and recent trends. KANA had negative cash flow from operating activities in each year since inception. KANA funded its operations primarily through issuances of common stock and, to a lesser extent, cash acquired in acquisitions. Cash used in operations was \$1.3 million and \$2.0 million in 2010 and 2009, respectively. The amount of cash used in KANA's operations was significantly affected by headcount and sales.

On December 23, 2009, the Company completed the Asset Sale. The consideration in the transaction was \$40.6 million, of which \$38.6 million in cash was paid to the Company at closing and \$1.0 million was paid to an escrow to satisfy SWK's indemnification obligations for certain specified tax-related contingencies. We received approximately \$481,000 from this escrow in the fourth quarter of 2010, net of expenses. On March 28, 2011, we agreed with Kay Technology that approximately \$167,000 would be paid to us from the remaining escrow account. We expect to collect these funds in the near future. An additional \$1.0 million was paid into the Purchase Price Escrow at closing, which we received in the second quarter of 2010.

The Asset Purchase Agreement provided for a reduction in the purchase price if certain customer and vendor consents were not received prior to the closing, but allowed the Company to recoup such reduction with respect to any consent received within 30 days of the closing. On February 22, 2010, Kay Technology paid to the Company approximately \$382,000 for customer and vendor consents received after the closing of the Asset Sale.

Future cash flow. Following the Asset Sale, the Company has no operating business and is seeking to complete an acquisition. As stated above, the Company expects to have net losses until we are able to complete an acquisition or interest rates increase. Our ability to generate cash in the future depends upon our success in acquiring material business operations. Until then or until interest rates increase substantially, we expect our revenues to consist entirely of interest upon our cash at current market rates, which are low. Additionally, we expect to incur expenses to carry out our acquisition strategy and fund public company expenses. Therefore, we expect to incur negative cash flow. See "We expect net losses for the foreseeable future due to low interest rates and because we have no operating business." under Item 1A above.

Operating cash flow. The Company had negative cash flow from operating activities of \$1.3 million for the year ended December 31, 2010, which included a net loss of \$707,000 and total non-cash income of \$777,000, which were partially offset by changes in operating assets and liabilities of \$166,000. KANA had negative cash flow from operating activities of \$2.0 million for the year ended December 31, 2009, which was the result of \$34.9 million of net income, which was primarily due to a \$45.1 million gain on the sale of its assets as a result of the Asset Sale, non-cash charges of \$1.6 million for stock compensation expense and \$1.2 million of depreciation and amortization and \$3.0 million of cash flow from changes in operating assets and liabilities.

Investing cash flow. The Company's investing activities generated \$1.9 million of cash, primarily from collection of the Asset Sale escrow. KANA's investing activities provided \$36.4 million of cash for the year ended December 31, 2009, primarily resulting from the Asset Sale.

Financing cash flow. Cash generated from financing activities for the year ended December 31, 2010 was \$22,000 from stock option exercises. Our financing activities used \$2.6 million of cash for the year ended December 31, 2009, and consisted of net repayments of \$1.1 million on notes payable and net repayments of \$1.6 million on the credit line.

Contractual obligations. On November 30, 2005, KANA entered into a Business Financing Agreement and Intellectual Property Security Agreement with Bridge Bank N.A. ("Bridge") under which KANA had access to a loan facility of \$7.0 million. On March 28, 2008, KANA entered into a Second Amended and Restated Loan and Security Agreement with Bridge increasing the loan facility to \$10.0 million ("March Loan Facility"). The March Loan Facility was a formula-based revolving line of credit that is limited to 80% of eligible receivables subject to a sublimit of \$2.5 million that is available for stand-by letters of credit, foreign exchange contracts or cash management products. Existing equipment advances under our line of credit were converted into a term loan as of March 26, 2008 in the amount of \$1.6 million which was payable in 33 monthly installments of principal plus interest. An additional \$500,000 borrowed under the additional equipment financing provision was converted into a 36-month term loan on September 30, 2008. The total combined borrowing under the March Loan Facility and sublimits was limited to \$10.0 million. The March Loan Facility was secured by all of our assets. Interest for the formula-based revolving line of credit, the existing equipment advances and the additional equipment financing accrues at the Wall Street Journal's ("WSJ") Prime Lending Rate plus 1.25%. The March Loan Facility had certain restrictive covenants, including, but not limited to, certain financial covenants such as maintaining profitability net of stock-based compensation and maintenance of certain key ratios. On March 17, 2009, KANA entered into a Loan and Security Modification Agreement with Bridge that provided a one-time waiver for non-compliance with certain financial covenants for the quarter ended December 31, 2008, and increased the interest rate to the WSJ Prime Lending Rate (with a floor of 4%) plus 2.5% until compliance with financial covenants could be shown.

On May 26, 2009, KANA entered into another Loan and Security Modification Agreement (“May Amendment”) with Bridge that provided a one-time waiver for non-compliance with certain financial covenants for the quarter ended March 31, 2009 and the month ended April 30, 2009. The May Amendment also set the total loan facility amount to \$6.0 million and extended the maturity date to June 30, 2010. As a requirement of the May Amendment, availability under the existing revolving line of credit was used to prepay all amounts outstanding under the existing term loans for equipment. Additionally, modifications were made to the existing restrictive covenants, and certain covenants were added related to raising additional capital.

On July 30, 2009, KANA entered into a Loan and Security Modification Agreement to the March Loan Facility (“July Amendment”) that modified the March Loan Facility to provide for subordinated indebtedness of \$1.0 million from Agility Capital, LLC (“Agility”).

In connection with the Asset Sale, Kay Technology fully paid all outstanding amounts payable to Bridge. As of December 31, 2009, we had terminated all agreements with Bridge and closed the line of credit.

Off-Balance-Sheet Arrangements. As of December 31, 2009 and 2010, we did not have any significant off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Employee Equity Incentive Plans. See Note 1 and Note 7 of the Notes to the Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K for information regarding employee equity incentive plans and stock-based compensation for the years ended December 31, 2010 and 2009. Information regarding equity incentive plans should be read in conjunction with the information appearing under the heading “Executive Compensation and Related Information” and “Equity Compensation Plan Information” in Item 11 hereof.

Outlook. As of December 31, 2010, we had no operating business, and we anticipate we will not generate any income other than interest income until we consummate a business combination or develop other sources of income. See “We expect net losses for the foreseeable future due to low interest rates and because we have no operating business.” under Item 1A above. We estimate our capital resources are adequate to fund our limited operating activities for twelve months from the balance sheet date.

Item 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

SWK HOLDINGS CORPORATION

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
SWK Holdings Corporation:

We have audited the accompanying consolidated balance sheets of SWK Holdings Corporation and its subsidiaries (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in Item 15(a)(2). These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor have we been engaged to perform, an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SWK Holdings Corporation and its subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, in December 2009 the Company sold substantially all of its assets to Kay Technology Corp, Inc. As a result of this transaction, the Company has no ongoing business operations. Management's plans as to these matters are also described in Note 1.

/s/ Burr Pilger Mayer, Inc.

San Jose, California
March 29, 2011

SWK HOLDINGS CORPORATION

CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	<u>December 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 39,259	\$ 38,608
Prepaid expenses and other current assets	63	1,471
Total current assets	<u>39,322</u>	<u>40,079</u>
Property and equipment, net	6	-
Total assets	<u>\$ 39,328</u>	<u>\$ 40,079</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 201	\$ -
Warrant liability	30	285
Total current liabilities	<u>231</u>	<u>285</u>
Other long-term liabilities	89	109
Total liabilities	<u>320</u>	<u>394</u>
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, \$0.001 par value; 250,000,000 shares authorized; 41,647,394 and 41,215,661 shares issued and outstanding at December 31, 2010 and 2009, respectively	42	41
Additional paid-in capital	4,320,534	4,320,505
Accumulated deficit	<u>(4,281,568)</u>	<u>(4,280,861)</u>
Total stockholders' equity	<u>39,008</u>	<u>39,685</u>
Total liabilities and stockholders' equity	<u>\$ 39,328</u>	<u>\$ 40,079</u>

See accompanying notes to the consolidated financial statements.

SWK HOLDINGS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Year Ended December 31,	
	2010	2009
Revenues:		
License fees	\$ -	\$ 5,681
Services	-	39,577
Total revenues	-	45,258
Costs and expenses:		
Cost of license fees	-	1,642
Cost of services	-	14,899
Amortization of acquired intangible assets	-	489
Sales and marketing	-	9,190
Research and development	-	12,846
General and administrative	1,759	8,701
Restructuring costs, net of recoveries	-	1,341
Transaction costs	-	3,566
Legal Settlement	-	1,000
Total costs and expenses	1,759	53,674
Loss from operations	(1,759)	(8,416)
Interest and other income (expense), net	530	(1,768)
Gain on sale of assets	502	45,080
Income (loss) before income taxes	(727)	34,896
Income tax benefit (expense)	20	(3)
Net income (loss)	\$ (707)	\$ 34,893
Basic and diluted net income (loss) per share	\$ (0.02)	\$ 0.85
Shares used in computing basic net income (loss) per share	41,235	41,215
Shares used in computing diluted net income (loss) per share	41,235	41,237

See accompanying notes to the consolidated financial statements.

SWK HOLDINGS CORPORATION

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

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balances at December 31, 2008	41,213,411	\$ 41	\$ 4,320,743	\$ (684)	\$ (4,317,510)	\$ 2,590
Issuance of common stock in connection with employee stock plans	2,250	-	-	-	-	-
Employee stock-based compensation	-	-	1,626	-	-	1,626
Cumulative effect of reclassification of warrants	-	-	(1,864)	-	1,756	(108)
Portion of cumulative translation adjustment - included in Asset Sale	-	-	-	200	-	200
Comprehensive income:						
Foreign currency translation adjustment	-	-	-	484	-	484
Net income	-	-	-	-	34,893	34,893
Total comprehensive income	-	-	-	-	-	35,377
Balances at December 31, 2009	41,215,661	\$ 41	\$ 4,320,505	\$ -	\$ (4,280,861)	\$ 39,685
Issuance of common stock in connection with employee stock plans	431,733	1	21	-	-	22
Stock-based compensation	-	-	8	-	-	8
Total comprehensive and net loss	-	-	-	-	(707)	(707)
Balances at December 31, 2010	41,647,394	\$ 42	\$ 4,320,534	\$ -	\$ (4,281,568)	\$ 39,008

See accompanying notes to the consolidated financial statements.

SWK HOLDINGS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the Year Ended December 31,	
	2010	2009
Cash flows from operating activities:		
Net income (loss)	\$ (707)	\$ 34,893
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	-	1,203
Gain on sale of assets	(502)	(45,080)
Amortization of acquired intangible assets	-	489
Stock-based compensation	8	1,626
Provision for doubtful accounts	-	34
Restructuring costs	-	542
Cumulative foreign currency expense on liquidation of subsidiaries	-	644
Other non-cash expense (gain)	(20)	393
Change in fair value of warrant liability	(255)	177
Changes in operating assets and liabilities:		
Accounts receivable	-	2,417
Prepaid expenses and other assets	(35)	896
Accounts payable and accrued liabilities	201	1,835
Accrued restructuring	-	(1,242)
Deferred revenue	-	(871)
Net cash used in operating activities	(1,310)	(2,044)
Cash flows from investing activities:		
Proceeds from Asset Sale, net	1,945	36,378
Purchases of property and equipment	(6)	(351)
Restricted cash	-	330
Net cash provided by investing activities	1,939	36,357
Cash flows from financing activities:		
Proceeds from issuance of common stock	22	-
Net repayments under line of credit	-	(1,587)
Borrowings on notes payable	-	1,339
Repayments on notes payable	-	(2,395)
Net cash provided by (used in) financing activities	22	(2,643)
Effect of exchange rate changes on cash and cash equivalents	-	(50)
Net increase in cash and cash equivalents	651	31,620
Cash and cash equivalents at beginning of period	38,608	6,988
Cash and cash equivalents at end of period	\$ 39,259	\$ 38,608
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ -	\$ 978
Cash paid during the year for income taxes	\$ -	\$ 96
Noncash activities:		
Consideration receivable on asset sale	\$ -	\$ 1,443
Impact of reclassification of warrants	\$ -	\$ 108

See accompanying notes to the consolidated financial statements.

SWK HOLDINGS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Nature of Operations

SWK Holdings Corporation (“the Company,” “SWK,” “we,” “us,” and “our”) were incorporated in July 1996 in California and reincorporated in Delaware in September 1999. Prior to December 23, 2009, the Company developed, marketed and supported customer communications software products. The Company sold its products primarily in North America, Europe and Asia, through its direct sales force and third party integrators. Since the completion of the Asset Sale (see Basis of Presentation and Note 2), we have been seeking to redeploy our cash to maximize value for our stockholders and are seeking, analyzing and evaluating potential acquisition candidates. Our goal is to redeploy our existing assets to acquire, or invest in, one or more operating businesses with existing or prospective taxable income, or from which we can realize capital gains, that can be offset by use of our net operating loss (“NOL”) carryforwards. We are using a value-focused strategy and are focusing our acquisition search on U.S.-based businesses. As of the date hereof, we are in the process of indentifying candidates for acquisition or other investment. We are unable to assure that we will find suitable candidates or that we will be able to utilize our existing NOL carryforwards.

Basis of Presentation

From and after December 23, 2009, the Company’s only material assets have been its cash and, as of December 31, 2009, a non-trade receivable of cash consideration from the Asset Sale held in escrow. As of December 31, 2009, the Company had no material operating business. Although our notes are given in the present tense and, in some cases, the future tense, some of the information and analysis included in the following notes may not be applicable for 2010. To distinguish the Company’s historical business, which was sold in the Asset Sale, throughout this report, (i) we refer to the Company as KANA with respect to historical business activities conducted prior to December 23, 2009, and (ii) we refer to the Company as SWK or the Company with respect to all other matters.

SWK Holdings Corporation was known until December 23, 2009 as KANA Software, Inc. (“KANA”) and was headquartered in Menlo Park, California.

Following an extensive strategic process, on October 26, 2009, the Company entered into an Asset Purchase Agreement (the “Asset Purchase Agreement”) with Kay Technology Corp., Inc. (“Kay Technology”), an affiliate of Accel-KKR Capital Partners III, L.P. (“AKKR”). Pursuant to this agreement, on December 23, 2009, the Company sold substantially all of its assets to Kay Technology (the “Asset Sale”) other than (i) NOLs, (ii) certain other deferred tax assets, (iii) cash received upon the exercise of certain options and warrants, (iv) certain potential income tax refunds, (v) stockholder and stock option records, (vi) contracts related to any equity investments and our stockholder rights plan, (vii) insurance policies and (viii) certain other immaterial assets. Kay Technology assumed substantially all of the Company’s liabilities, other than those: (i) arising under the Asset Purchase Agreement, including related taxes and transaction costs, (ii) related to the assets retained in the Asset Sale, (iii) insured by our insurance policies or related to indemnification of directors or officers, (iv) relating to the payment of income taxes for periods prior to the closing or as a transferee or successor, (v) with respect to certain employees not hired by Kay Technology, if any (vi) in connection with contracts related to any equity investment in KANA and our stockholder rights plan and (vii) arising from any claims by any of KANA’s stockholders or other equity holders.

At the closing of the Asset Sale, the Company amended its certificate of incorporation to change its name from Kana Software, Inc. to SWK Holdings Corporation.

The consideration in the transaction was \$40.6 million, of which \$38.6 million in cash was paid to the Company at closing and \$1.0 million was paid into escrow to satisfy the Company’s indemnification obligations for certain specified contingencies. An additional \$1.0 million was paid into the Purchase Price Escrow, which amount was recorded in prepaid expenses and other current assets in the consolidated balance sheets as of December 31, 2009. We received the full amount of the Purchase Price Escrow in the second quarter of 2010. During 2010, we received an additional \$502,000 from escrow that was not recognized at the closing date in accordance with generally accepted accounting principles, but recognized in Gain on Sale of Assets on the consolidated statement of operations in 2010.

The Asset Purchase Agreement provided for a reduction in the purchase price if certain customer and vendor consents were not received prior to the closing, but allowed the Company to recoup such reduction with respect to any consent received within 30 days of the closing. On February 22, 2010, Kay Technology paid to the Company approximately \$382,000 for customer and vendor consents received after the closing of the Asset Sale. This amount was recorded in prepaid expenses and other current assets in the balance sheet as of December 31, 2009.

As of December 31, 2010, the Company had no material operating business and our only material balance sheet asset was our cash.

Since the completion of the Asset Sale, we have been seeking to redeploy our cash to maximize value for our stockholders and are seeking, analyzing and evaluating potential acquisition candidates. Our goal is to redeploy our existing assets to acquire, or invest in, one or more operating businesses with existing or prospective taxable income, or from which we can realize capital gains, that can be offset by use of our NOL carryforwards. We are using a value-focused strategy and are focusing our acquisition search on U.S.-based businesses. We continue to identify and review candidates for acquisition or other investment. We are unable to assure that we will find suitable candidates or that we will be able to utilize our existing NOL carryforwards.

Principles of Consolidation

The consolidated financial statements include the accounts of SWK and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated. As part of the Asset Sale on December 23, 2009, all subsidiaries were transferred to Kay Technology.

Reclassification

Certain items previously reported in prior years' consolidated financial statements have been reclassified to conform with the current year presentation. Such classifications had no effect on previously reported total assets, stockholder's equity, or net income (loss).

Use of Estimates

The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. The Company bases estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ materially from those estimates under different assumptions or conditions.

Revenue Recognition

Revenue from software license agreements is recognized when the basic criteria of software revenue recognition have been met (i.e., persuasive evidence of an agreement exists, delivery of the product has occurred, the fee is fixed or determinable and collection is probable). The Company uses the residual method described in the guidance to recognize revenue when a license agreement includes one or more elements to be delivered at a future date and vendor-specific objective evidence of the fair value of all undelivered elements exists. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is recognized as license revenue. If evidence of the fair value of one or more undelivered elements does not exist, all revenue is deferred and recognized when delivery of those elements occurs or when fair value can be established.

For all sales KANA used either a signed license agreement, a signed amendment to an existing license agreement, a signed order form, a binding purchase order where the Company either has a signed master license agreement or an order form signed by the Company, or a signed statement of work as evidence of an arrangement.

Software delivery is primarily by electronic means. If the software or other deliverable is subject to acceptance for a specified period after the delivery, revenue is deferred until the acceptance period has expired or the acceptance provision has been met.

When licenses are sold together with consulting services, license fees are recognized upon delivery, provided that (1) the basic criteria of software revenue recognition have been met, (2) payment of the license fees is not dependent upon the performance of the consulting services, and (3) the consulting services do not provide significant customization of the software products and are not essential to the functionality of the software that was delivered. KANA did not provide significant customization of its software products.

Revenue arrangements with extended payment terms are generally considered not to be fixed or determinable, and KANA generally does not recognize revenue on these arrangements until the customer payments become due and all other revenue recognition criteria have been met.

Probability of collection has been based upon assessment of the customer's financial condition through review of their current financial statements or publicly-available credit reports. For sales to customers of KANA as of December 23, 2009, prior payment history was also considered in assessing probability of collection.

Services revenues include revenues for consulting services, customer support and training, and managed services. Consulting services revenues and the related cost of services are generally recognized on a time and materials basis. For consulting services contracts that have a fixed fee, the Company recognizes the license and professional consulting services revenues using either the percentage-of-completion method or the completed contract method as prescribed by the guidance. KANA's consulting arrangements do not include significant customization of the software. Customer support agreements provide technical support and the right to unspecified future upgrades on an if-and-when available basis. Customer support revenues are recognized ratably over the term of the support period (generally one year). Training services revenues are recognized as the related training services are delivered. The unrecognized portion of amounts billed in advance of delivery for services is recorded as deferred revenue. Revenues from managed services are recognized ratably over the term of the arrangement, while application fees are recognized ratably over the sum of the term of the arrangement and the term of expected renewals.

Vendor-specific objective evidence for consulting and training services are based on the price charged when an element is sold separately or, in the case of an element not yet sold separately, the price established by authorized management, if it is probable that the price, once established, will not change before market introduction. Vendor-specific objective evidence for support services is based on the price charged when an element is sold separately or the stated contractual renewal rates.

Cash Equivalents

The Company considers all highly liquid investments with an original maturity date of three months or less at the date of purchase to be cash equivalents. There were no such investments at December 31, 2010 or 2009, as all of our cash was held in checking or savings accounts.

Fair Value of Financial Instruments

The carrying values of the Company's current and historical financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, approximate their fair values due to their relatively short maturities or payment terms.

Certain Risks and Concentrations

Financial instruments subjecting the Company to concentrations of credit risk have consisted primarily of cash and cash equivalents. Cash and cash equivalents are deposited with financial institutions that management believes are creditworthy. Deposits in these institutions are substantially in excess of the federally insured amounts.

The Company's customers are primarily concentrated in the United States and Europe. To reduce credit risk, the Company performs ongoing credit evaluations on its customers' financial condition and generally requires no collateral to support its accounts receivable. The Company historically established an allowance for doubtful accounts based upon factors surrounding the credit risk of customers, historical trends and other information, and to date, such losses have been within management's expectations. As of December 31, 2010 and 2009, the Company had no trade receivables.

During the years ended December 31, 2010 and 2009, no customer represented more than 10% of total revenues.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are three years for computer equipment, software and furniture and fixtures, the shorter of ten years or the life of the lease for leasehold improvements, and five years for internal-use software. Upon retirement or sale, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in operations. Improvements that extend the life of a specific asset are capitalized, while normal maintenance and repairs are charged to operations as incurred. All property and equipment was sold to Kay Technology in the Asset Sale.

Stock-based Compensation

The Company accounts for stock-based compensation in accordance with the fair value recognition provisions, which requires the measurement and recognition of compensation expense in the statement of operations for all share-based payment awards made to employees and directors, including employee stock options, based on estimated fair values.

Employee stock-based compensation expense recognized in the consolidated statements of operations was \$8,000 and \$1.6 million for the years ended December 31, 2010 and 2009, respectively. The estimated fair value of the Company's stock-based awards, less expected forfeitures, is amortized over the awards' vesting or service period on a straight-line basis.

Stock-based option compensation is based on the estimated fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company's statements of operations. Since stock-based compensation expense recognized in the consolidated statements of operations for the years ended December 31, 2010 and 2009 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

For stock options granted to non-employees the Company recognizes compensation expense in accordance with the fair value recognition provisions, which requires such equity instruments to be recorded at their fair value on the measurement date. The measurement of stock-based compensation is subject to periodic fair value adjustments as the underlying equity instruments vest. The Company amortizes compensation expense related to non-employee stock options over the remaining vesting period.

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

See Note 7, "Stockholders' Equity" for additional information on stock-based compensation.

Foreign Currency

Generally, the functional currency of KANA's international subsidiaries was the local currency. The financial statements of these subsidiaries have been converted to U.S. dollars using month-end exchange rates for assets and liabilities and average exchange rates for revenues, costs and expenses. Translation gains and losses have been recorded in accumulated other comprehensive loss as a component of stockholders' equity.

Transaction gains and losses arising from exchange rate changes denominated in other than the local currency are included in general and administrative expenses in the statements of operations and are not considered material for all periods presented. During 2009, certain subsidiaries were liquidated and the remaining balance included in accumulated other comprehensive loss at the time of the liquidation was recorded as expense included in interest and other income (expense), net in the statements of operations.

In the Asset Sale completed on December 23, 2009, the Company sold its foreign operations and foreign currency has not affected its business from and after such date.

Research and Development Costs

KANA's research and development expenses consisted primarily of compensation and related costs for personnel responsible for the research and development of new products and services, as well as significant improvements to existing products and services. The Company has expensed research and development costs as they are incurred. No research and development costs were incurred from and after December 23, 2009.

Income Taxes

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

In June 2006, the Financial Accounting Standards Board ("FASB") issued guidance that clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. It prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. See Note 11 for additional information.

Net Income (Loss) per Share

Basic net income (loss) per share is computed using the weighted average number of outstanding shares of common stock. Diluted net income (loss) per share is computed using the weighted-average number of outstanding shares of common stock and, when dilutive, shares of common stock issuable upon exercise of options and warrants deemed outstanding using the treasury stock method. Outstanding warrants, restricted shares and stock options of approximately 2,544,000 and 8,048,000 at December 31, 2010 and 2009, respectively, have been excluded from the calculation of diluted net income (loss) per share as these securities were anti-dilutive for the periods presented. Basic and diluted net income (loss) per share for the years ended December 31, 2010 and 2009 is as follows (in thousands, except for per share data):

	Years Ended December 31,	
	2010	2009
Net income (loss)	\$ (707)	\$ 34,893
Computation of common shares outstanding - basic earnings (loss) per share:		
Weighted average common stock	41,235	41,215
Basic earnings (loss) per share	\$ (0.02)	\$ 0.85
Computation of common shares outstanding - diluted earnings (loss) per share:		
Weighted average common stock	41,235	41,215
Dilutive options using the treasury stock method	-	22
Shares used in computing diluted earnings (loss) per share	41,235	41,237
Diluted earnings (loss) per share	\$ (0.02)	\$ 0.85

Comprehensive Income (Loss)

The Company reports comprehensive income (loss) in accordance with FASB guidance, which establishes standards for reporting comprehensive income (loss) and its components in the financial statements. The components of other comprehensive income (loss) consists of net income (loss) and foreign currency translation adjustments. Comprehensive income (loss) and the components of accumulated other comprehensive income (loss) are presented in the accompanying consolidated statements of stockholders' equity. During the year ended December 31, 2010, net loss equaled comprehensive loss.

Recent Accounting Pronouncements

On January 21, 2010, the FASB issued an Accounting Standards Update ("ASU") on improving disclosures about fair value measurements, which amends the FASB Accounting Standards Codification on Fair Value Measurements and Disclosures to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. The ASU also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. We are required to comply with the requirements of this ASU commencing the first day of our 2010 fiscal year. This ASU does not have an impact to our financial statements except to require us to provide increased disclosure.

In October 2009, the FASB issued guidance for certain revenue arrangements that include software elements, to provide guidance for revenue arrangements that include both tangible products and software elements. Under this guidance, tangible products containing software components and non-software components that function together to deliver the product's essential functionality are excluded from existing software revenue recognition guidance. In addition, hardware components of a tangible product containing software components are always excluded from the software revenue guidance. This guidance is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. We are currently evaluating the appropriate timing for the adoption of this guidance and its potential impact on the Company's financial statements.

In October 2009, the FASB issued guidance for multiple deliverable revenue arrangements, which addresses the accounting for multiple-deliverable arrangements to enable vendors to account for products or services separately rather than as a combined unit. This guidance amends the criteria of revenue recognition for multiple-element arrangements, to establish a selling price hierarchy for determining the selling price of a deliverable, based on vendor specific objective evidence, acceptable third party evidence, or estimates. This guidance also eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. In addition, the disclosures required for multiple-deliverable revenue arrangements are expanded. This guidance is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. We are currently evaluating the appropriate timing for the adoption of this guidance and its potential impact on the Company's consolidated financial statements and disclosures.

Note 2. Sale of Substantially All of the Company's Assets

On December 23, 2009, pursuant to the terms of the Asset Purchase Agreement, dated October 27, 2009, the Company sold to Kay Technology substantially all of its assets other than (i) NOLs, (ii) certain other deferred tax assets, (iii) cash received upon the exercise of certain options and warrants, (iv) certain potential income tax refunds, (v) stockholder and stock option records, (vi) contracts related to any equity investments and our stockholder rights plan, (vii) insurance policies and (viii) certain other immaterial assets. Kay Technology assumed substantially all of the Company's liabilities, other than those: (i) arising under the Asset Purchase Agreement, including related taxes and transaction costs, (ii) related to the assets retained in the Asset Sale, (iii) insured by our insurance policies or related to indemnification of directors or officers, (iv) relating to the payment of income taxes for periods prior to the closing or as a transferee or successor, (v) with respect to certain employees not hired by Kay Technology, (vi) in connection with contracts related to any equity investment in KANA and our stockholder rights plan and (vii) arising from any claims by any of KANA's stockholders or other equity holders. All subsidiaries of the Company were also transferred to Kay Technology in the transaction.

The consideration in the transaction was \$40.6 million, of which \$38.6 million was paid in cash to the Company at closing, \$1.0 million was paid into escrow to satisfy the Company's indemnification obligations for certain specified contingencies and an additional \$1.0 million was paid into the Purchase Price Escrow.

Under the Asset Purchase Agreement, the Company was required to indemnify Kay Technology for a decrease in adjusted working capital and net debt if either decreased below certain amounts between the signing and the closing of the transaction. The calculation of adjusted net working capital and net debt was calculated as required pursuant to the Asset Purchase Agreement, and included certain components which were not otherwise consistent with working capital or net debt as defined under generally accepted accounting principles ("GAAP"). In addition, the Company indemnified Kay Technology for certain transaction-related expenses as defined in and pursuant to the terms of the Asset Purchase Agreement.

At the closing of the Asset Sale, and in accordance with the approval of a majority of the Company's stockholders voting at the annual and special meeting of the stockholders held on December 23, 2009, the Company changed its name to SWK Holdings Corporation on December 23, 2009.

The aggregate consideration received is summarized as follows (in thousands):

Gross sales price	\$	48,908
Less: Transaction expenses (as defined in the Asset Purchase Agreement)		(3,869)
Consent adjustment		(1,184)
Excess net debt adjustment		(3,036)
Less: Option holdback		(254)
Funds to SWK - pre escrow holdback		40,565
Less Escrow holdback		(1,960)
Funds paid to SWK on closing		38,605
Plus: Consent payment after closing		382
Purchaser adjustment		61
Purchase price escrow receivable		1,000
Total funds paid and receivable	\$	<u>40,048</u>

The Asset Purchase Agreement provided for a reduction in the purchase price if certain customer and vendor consents were not received prior to the closing, but allowed the Company to recoup such reduction with respect to any consent received within 30 days of the closing. On February 22, 2010, Kay Technology paid to the Company approximately \$382,000 for customer and vendor consents received after the closing of the Asset Sale.

The Company recognized \$1.0 million in contingent consideration as of December 31, 2009 as a non-trade receivable in the consolidated balance sheet. This contingent consideration was paid into the Purchase Price Escrow at closing to satisfy our obligations under any potential downward "true-up" adjustment to the purchase price post-closing. This amount was received in the second quarter of 2010.

Additional consideration of \$1.0 million also held in escrow for certain tax-related contingencies was not booked as a receivable as of December 31, 2009, given some uncertainty in the collectability of this escrow (see Note 6). We received approximately \$481,000 from this escrow in the fourth quarter of 2010, which amount was net of allowable expenses incurred by Kay Technology to resolve the matter. On March 28, 2011, we agreed with Kay Technology that approximately \$167,000 would be paid to us from the remaining escrow account, which is net of allowable expenses incurred by Kay Technology in resolving the matter. We expect to collect these funds in the near future, and once these funds are collected, there will be no other funds in escrow.

The gain on sale of the Company's assets, as included in the consolidated statement of operations, is based on the carrying value of the assets sold and liabilities assumed immediately prior to the closing of the transaction. The gain was determined as follows (in thousands):

	Year Ended December 31,	
	2010	2009
Total funds paid and receivable	\$ -	\$ 40,048
Less: Carrying value of assets sold	-	(10,353)
Goodwill and intangibles written off in connection with asset sale	-	(13,652)
Plus: Carrying value of liabilities assumed		29,237
Net collection of escrow amounts	481	
Other Asset Sale collections	21	
Less: Accumulated foreign currency translation adjustment included in determination of gain	-	(200)
	<u>\$ 502</u>	<u>\$ 45,080</u>

Note 3. Financial Statement Detail

Prepaid expenses and other current assets consisted of the following (in thousands):

	December 31,	
	2010	2009
Purchase consideration receivable (Note 2)	\$ -	\$ 1,443
Other prepaid expenses and receivables	63	28
	<u>\$ 63</u>	<u>\$ 1,471</u>

Accounts payable and accrued liabilities as of December 31, 2010 consisted of the following (in thousands):

Accrued payroll and related expenses	\$ 23
Other accrued liabilities	178
	<u>\$ 201</u>

Interest and other income (expense), net consisted of the following (in thousands):

	Year Ended December 31,	
	2010	2009
Interest income	\$ 275	\$ 7
Interest expense	-	(978)
Cumulative foreign currency expense on liquidation of subsidiaries	-	(644)
Change in fair value of warrant liability	255	(177)
Other	-	24
	<u>\$ 530</u>	<u>\$ (1,768)</u>

Note 4. Goodwill and Intangible Assets

Purchased intangible assets are carried at cost less accumulated amortization. Amortization is computed over the estimated useful lives of the assets, which is five years. The Company reported amortization expense on purchased intangible assets of \$489,000 for the year ended December 31, 2009. The Company wrote off all intangibles as part of the Asset Sale on December 23, 2009.

Note 5. Line of Credit and Notes Payable

(a) Line of Credit

On November 30, 2005, we entered into a Business Financing Agreement and Intellectual Property Security Agreement with Bridge Bank N.A. ("Bridge") under which the Company had access to a loan facility of \$7.0 million. On March 28, 2008, when the Company entered into a Second Amended and Restated Loan and Security Agreement with Bridge increasing the loan facility to \$10.0 million ("March Loan Facility"). The March Loan Facility was a formula-based revolving line of credit that is limited to 80% of eligible receivables subject to a sublimit of \$2.5 million that is available for stand-by letters of credit, foreign exchange contracts or cash management products. Existing equipment advances under the line of credit were converted into a term loan as of March 26, 2008 in the amount of \$1.6 million which is payable in 33 monthly installments of principal plus interest. An additional \$500,000 borrowed under the additional equipment financing provision was converted into a 36-month term loan on September 30, 2008. The total combined borrowing under the March Loan Facility and sublimits was limited to \$10.0 million. The March Loan Facility was secured by all of the Company's assets. Interest for the formula-based revolving line of credit, the existing equipment advances and the additional equipment financing accrues at the Wall Street Journal's ("WSJ") Prime Lending Rate plus 1.25%. The March Loan Facility had certain restrictive covenants including, but not limited to, certain financial covenants such as maintaining profitability net of stock-based compensation and maintenance of certain key ratios. On March 17, 2009, the Company entered into a Loan and Security Modification Agreement with Bridge that provided a one-time waiver for non-compliance with certain financial covenants for the quarter ended December 31, 2008, and increased the interest rate to the WSJ Prime Lending Rate (with a floor rate of 4%) plus 2.50% until compliance with financial covenants can be shown.

On May 26, 2009, the Company entered into another Loan and Security Modification Agreement ("May Amendment") with Bridge that provided a one-time waiver for non-compliance with certain financial covenants for the quarter ended March 31, 2009 and the month ended April 30, 2009. The May Amendment also set the total loan facility amount to \$6.0 million and extended the maturity date to June 30, 2010. As a requirement of the May Amendment, availability under the existing revolving line of credit was used to prepay all amounts outstanding under the existing term loans for equipment. Additionally, modifications were made to the existing restrictive covenants, and certain covenants were added related to raising additional capital.

On July 30, 2009, the Company entered into a Loan and Security Modification Agreement to the March Loan Facility ("July Amendment") that modified the March Loan Facility to provide for subordinated indebtedness of \$1.0 million from Agility Capital, LLC ("Agility").

All outstanding amounts payable to Bridge were paid by Kay Technology at the closing of the Asset Sale. As of December 31, 2009, the Company had terminated all agreements with Bridge and closed the line of credit. There were no line of credit agreements entered into during the year ended December 31, 2010.

(b) Notes Payable

As of December 31, 2010 and 2009, there were no outstanding notes payable.

Note 6. Commitments and Contingencies

(a) Lease Obligations

All lease obligations of the Company immediately prior to the closing of the Asset Sale were assumed by Kay Technology in the Asset Sale.

Our corporate headquarters are located in Provo, Utah, where we sublease approximately 2,300 square feet on a month-to-month basis under an agreement with Nightwatch Capital Advisors, LLC, a company of which John Nemelka, our Interim Chief Executive Officer is the Managing Principal, and Paul Burgon, our Interim Chief Financial Officer, is a Principal and the Chief Financial Officer. Our rent under this sublease is approximately \$4,100 per month.

Rent expense for properties in use, net of sublease payments, was approximately \$49,000 and \$1.4 million for the years ended December 31, 2010 and 2009, respectively.

(b) Other Contractual Obligations

As of December 31, 2010 and 2009, the Company had no material future contractual obligations.

(c) Litigation

In July 2001, the Company, its underwriters, and certain officers and directors were named as defendants in a securities class action lawsuit. This case is one of several hundred similar cases that have been consolidated into a single action. The complaint alleges misstatements and omissions concerning underwriters' compensation in connection with the Company's initial public offering. In February 2003, the Court denied a motion to dismiss that would have disposed of the claims against the Company. A settlement proposal, which did not admit wrongdoing, had been approved by the Board and preliminarily approved by the Court. While the parties' request for court approval of the settlement was pending, in December 2006 the Court of Appeals reversed the District Court's finding that six focus cases could be certified as class actions. In April 2007, the Court of Appeals denied the plaintiffs' petition for rehearing, but acknowledged that the District Court might certify a more limited class. At a June 26, 2007 status conference, the Court terminated the proposed settlement as stipulated among the parties. Plaintiffs filed an amended complaint on August 14, 2007. On September 27, 2007, plaintiffs filed a motion for class certification in the six focus cases, which was withdrawn on October 10, 2008. On November 13, 2007 defendants in the six focus cases filed a motion to dismiss the complaint for failure to state a claim, which the Court denied in March 2008. Plaintiffs, the issuer defendants (including the Company), the underwriter defendants, and the insurance carriers for the defendants, engaged in mediation and settlement negotiations. They reached a settlement agreement, which was submitted to the District Court for preliminary approval on April 2, 2009. As part of this settlement, the Company's insurance carrier agreed to assume the Company's entire payment obligation under the terms of the settlement. On June 10, 2009, the District Court granted preliminary approval of the proposed settlement agreement. After a September 10, 2009 hearing, the District Court gave final approval to the settlement on October 5, 2009. Several objectors have filed notices of appeal to the United States Court of Appeal for the Second Circuit from the District Court's order granting final approval of the settlement. Although the District Court has granted final approval of the settlement agreement, there can be no guarantee that it will not be reversed on appeal. The Company believes that it has meritorious defenses to these claims. If the settlement is not implemented and the litigation continues against the Company, the Company would continue to defend against this action vigorously.

In October 2007, a lawsuit was filed in the United States District Court for the Western District of Washington by Ms. Vanessa Simmonds against certain of the underwriters of the Company's initial public offering. The plaintiff alleges that the underwriters violated section 16(b) of the Securities Exchange Act of 1934, as amended, by engaging in short-swing trades, and seeks disgorgement of profits from the underwriters in amounts to be proven at trial. On February 28, 2008, Ms. Simmonds filed an amended complaint. The suit names the Company as a nominal defendant, contains no claims against the Company and seeks no relief from the Company. This lawsuit is one of more than fifty similar actions filed in the same court. On July 25, 2008, the underwriter defendants in the various actions filed a joint motion to dismiss the complaints for failure to state a claim. In addition, certain issuer defendants in the various actions filed a joint motion to dismiss the complaints for failure to state a claim. The Company entered into a stipulation with the plaintiff, entered as an order by the Court, that the Company is not required to answer or otherwise respond to the amended complaint. Accordingly, the Company did not join the motion to dismiss filed by certain issuers. On March 12, 2009, the Court dismissed the complaint in this lawsuit with prejudice. On April 10, 2009, the plaintiff filed a notice of appeal of the District Court's order, and thereafter the underwriter defendants filed a cross appeal to a portion of the District Court's order that dismissed thirty (30) of the cases without prejudice following the moving issuers' motion to dismiss. On May 22, 2009 the Ninth Circuit issued an order granting the parties' joint motion to consolidate the 54 appeals and 30 cross-appeals. On December 2, 2010, the Ninth Circuit affirmed dismissal of the lawsuits against the 30 issuer defendants on the grounds of inadequate demand, but ordered the district court to dismiss these lawsuits with prejudice. The Ninth Circuit reversed dismissal on statute of limitations grounds, but remanded all of the remaining cases to the district court with instructions to allow the underwriter defendants and/or the remaining issuer defendants to file motions to dismiss for inadequate demand. On December 16, 2010, plaintiff and the underwriter defendants separately petitioned for a rehearing and a rehearing en banc, which petitions were denied on January 18, 2011. On January 25 and 26, 2011, the Ninth Circuit granted the motions of the underwriter defendants and of the plaintiff to stay the issuance of the court's mandate pending those parties' respective petitions for writ of certiorari to the United States Supreme Court.

On December 20, 2009, the Company, then known as Kana Software, Inc., filed a lawsuit in the United States District Court for the District of Delaware against several defendants: Versata Enterprises, Inc., Gensym Corp., Clear Technology, Inc., Versata Development Group, Inc., Tenfold Corp., and Versata, Inc. In the litigation, the Company is seeking a declaratory judgment that it does not infringe several patents. The Company also seeks a declaratory judgment of invalidity of all of the patents-in-suit. The case has been assigned to Judge Sue L. Robinson. On December 23, 2009, the Company completed the Asset Sale, pursuant to which (i) the Company amended its certificate of incorporation to change its name to SWK Holdings Corporation, (ii) the Company sold its operating business, including substantially all of its intellectual property, including all patents, to Kay Technology and (iii) Kay Technology assumed substantially all liabilities relating to the Company's operating business, including, but not limited to, liabilities related to intellectual property and patents, and agreed to indemnify the Company for losses incurred with respect thereto. On December 23, 2009, the Company filed an amended complaint adding Kay Technology as a named plaintiff in the lawsuit. On February 16, 2010, Defendants filed an answer to the amended complaint. In their answer, Defendants asserted two counterclaims: a counterclaim alleging infringement of a patent by software products including Kana IQ, and a counterclaim alleging infringement of another patent by software products including Kana Response. On March 9, 2010, the Company and Kay Technology filed an answer to Defendants' counterclaims, denying any infringement. On April 14, 2010, the Company was dismissed as a party to these lawsuits.

On December 21, 2009, the Company, then known as Kana Software, Inc., filed a lawsuit in the United States District Court for the District of Delaware against Versata Enterprises, Inc. and Everest Software, Inc. alleging infringement of U.S. Patent No. 6,941,304 by defendants' making, selling, offering to sell and/or importing certain email communication software solutions. The case has been assigned to Judge Sue L. Robinson. On December 23, 2009, the Company completed the Asset Sale, pursuant to which (i) the Company amended its certificate of incorporation to change its name to SWK Holdings Corporation, (ii) the Company sold its operating business, including substantially all of its intellectual property, including all patents, to Kay Technology and (iii) Kay Technology assumed substantially all liabilities relating to the Company's operating business, including, but not limited to, liabilities related to intellectual property and patents, and agreed to indemnify the Company for losses incurred with respect thereto. On December 23, 2009, the Company filed an amended complaint adding Kay Technology as a named plaintiff in the lawsuit. On February 16, 2010, Defendants filed an answer to the amended complaint. In their answer, Defendants asserted a counterclaim seeking a declaratory judgment that the asserted patent is invalid. On March 9, 2010, the Company and Kay Technology filed an answer to Defendants' counterclaim, denying that the asserted patent is invalid. On April 14, 2010, the Company was dismissed as a party to these lawsuits.

The ultimate outcome of any litigation is uncertain, and either unfavorable or favorable outcomes could have a material negative impact on the Company's consolidated results of operations, balance sheets and cash flows due to defense costs, and divert management resources.

(d) Indemnification

Many of KANA's software license agreements required KANA to indemnify its customers from any claim or finding of intellectual property infringement. KANA periodically received notices from customers regarding patent license inquiries they have received which may or may not have implicated KANA's indemnity obligations. All of those agreements were acquired by Kay Technology in the Asset Sale.

As permitted by Delaware law, the Company has agreements whereby it indemnifies its officers and directors for certain events or occurrences while the officer is, or was, serving at the Company's request in such capacity. The term of the indemnification period is for the officer's or director's lifetime. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a director and officer insurance policy that limits its exposure and enables the Company to recover a portion of any such amounts. As a result of the Company's insurance policy coverage, the Company believes the estimated fair value of these indemnification agreements is insignificant. Accordingly, the Company had no liabilities recorded for these agreements as of December 31, 2010 and 2009.

(e) Escrow

At the closing of the Asset Sale, Kay Technology paid approximately \$1.0 million of consideration into escrow to satisfy the Company's indemnification obligations under the Asset Purchase Agreement with respect to certain tax matters: (i) \$500,000 to satisfy our indemnification obligations with respect to KANA's Japanese subsidiary, (ii) \$100,000 to satisfy our indemnification obligations with respect to KANA's Canadian subsidiary and (iii) \$360,000 to satisfy our indemnification obligations with respect to KANA's Netherlands subsidiary. These contingent amounts were not recognized on the balance sheet as of December 31, 2009. We received approximately \$481,000 from this escrow in the fourth quarter of 2010 relating to the Japanese and Canadian indemnifications. On March 28, 2011, we agreed with Kay Technology that approximately \$167,000 would be paid to us from the remaining escrow account, which is net of allowable expenses incurred by Kay Technology in resolving the matter. We expect to collect these funds in the near future, and once these funds are collected, there will be no other funds in escrow.

The Company recognized \$1.0 million in contingent consideration as of December 31, 2009 as a non-trade receivable in the consolidated balance sheet, relating to the Purchase Price Escrow. This amount was received in the second quarter of 2010.

(f) Warranties

KANA generally provided a warranty for its software products and services to its customers. KANA's products were generally warranted to perform substantially as described in the associated product documentation for a period of 90 days. KANA's services were generally warranted to be performed consistent with industry standards for a period of 90 days from delivery. Upon a failure of such warranties, KANA was generally obligated to correct the product or service to conform to the warranty provision or, if unable to do so, the customer was entitled to seek a refund of the purchase price of the product or service. Such warranties have been accounted for in accordance with FASB guidance. The Company did not provide for a warranty accrual as of December 31, 2009 because KANA's product warranty expense was not significant. All potential warranty liabilities were assumed by Kay Technology in the Asset Sale.

Note 7. Stockholders' Equity

(a) Issuance of Common Stock and Warrants

In June and September 2005, the Company completed a private placement of unregistered securities for the issuance of common stock and warrants. The Company issued a total of 1,914,586 warrants, including penalties for the Company's subsequent delisting from Nasdaq.

On November 9, 2006, the Company completed the registration of the shares of common stock and shares of common stock underlying the warrants issued to the investors. In October 2009, these warrants were amended to provide that such warrants would not be assumed by Kay Technology in connection with the Asset Sale. In consideration for this amendment, we agreed to extend the exercise period of the warrants by an additional two years.

As of December 31, 2010, the Company had the following warrants outstanding and exercisable:

	<u>Number of warrants</u>	<u>Warrant exercise price</u>
June 2005 warrants expiring in September 2012	815,769	\$ 2.45
September 2005 warrants expiring in September 2012	945,687	\$ 1.97
October 2005 warrants expiring in October 2012	153,130	\$ 1.97
	<u>1,914,586</u>	

(b) Stock Compensation Plans

As part of the Asset Sale, the Company accelerated the vesting of all employee stock options. Any vested but unexercised employee stock options as of March 31, 2010 were cancelled on such date. In addition, Kay Technology withheld from the proceeds of the Asset Sale the amount representing the in-the-money option value of all employee options based on the purchase price per share. Kay Technology paid these amounts with respect to each such former KANA employee either (i) as a bonus to each such KANA employee holding such options promptly following the Company's notification to Purchaser of the expiration or termination of such options in accordance with their terms and the option plans under which the options were granted, or (ii) in the event a former KANA employee elected to exercise such options following the closing but prior to their expiration or termination, to the Company following such time the Company notified Kay Technology of any such exercise (in which case, no such bonus was payable to such employee).

The Company's 1999 Stock Incentive Plan (the "1999 Stock Incentive Plan"), as successor to the 1997 Stock Option Plan (the "1997 Stock Option Plan"), provided for options to purchase shares of the Company's common stock to be granted to employees, independent contractors, officers, and directors. The plan expired in July 2009. Options were granted at an exercise price equivalent to the closing fair market value on the date of grant. All options were granted at the discretion of the Company's Board of Directors and have a term not greater than 10 years from the date of grant. Options were immediately exercisable when vested and generally vest monthly over four years. On December 23, 2009, in connection with the Asset Sale, all stock options, except those held by non-employee Directors, were accelerated to be fully vested and exercisable. The effect of this modification was recognized as part of the stock-based compensation expense during the year ended December 31, 2009. As a result of the termination of all employees on December 31, 2009, the stock options held by employees were cancelled on March 31, 2010, unless exercised prior to the cancellation date.

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

The following table summarizes activities under the option plans for the indicated periods:

	Options Outstanding			
	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Balances, December 31, 2008	8,026,161	\$ 4.96		\$ 4,894
Options cancelled and retired	(2,566,863)	7.02		
Options exercised	(2,250)	0.20		
Options granted	946,000	0.70		
Balances, December 31, 2009	6,403,048	3.50	0.7	\$ 163,210
Options cancelled and retired	(6,142,315)	3.55		
Options exercised	(31,733)	0.71		
Options granted	-	-		
Balances, December 31, 2010	229,000	\$ 2.52	5.2	\$ 4,000
Options vested and exercisable and expected to be vested and exercisable at December 31, 2010	229,000	\$ 2.52	5.2	\$ 4,000
Options vested and exercisable at December 31, 2010	229,000	\$ 2.52	5.2	\$ 4,000

On December 31, 2010, there were 4.1 million shares reserved for equity awards under the 2010 Stock Incentive Plan. At December 31, 2010, the Company had no unrecognized stock option compensation expense. At December 31, 2010, the Company had \$155,000 of total unrecognized restricted stock compensation expense, net of estimated forfeitures, that will be recognized over the weighted average remaining period of 2.2 years.

The following table summarizes significant ranges of outstanding and exercisable options as of December 31, 2010:

Exercise Prices	Options Outstanding, Vested and Exercisable		
	Number Outstanding, Vested and Exercisable	Weighted Average Remaining Contractual Life (in Years)	Weighted Average Exercise Price Per Share
\$0.70	20,000	8.5	\$0.70
\$1.24	30,000	5.2	1.24
\$1.70	4,000	0.6	1.70
\$2.65	15,000	4.8	2.65
\$2.67	30,000	4.6	2.67
\$2.95	100,000	5.2	2.95
\$3.50	30,000	4.3	3.50
Total	229,000	5.2	\$2.52

There were no options granted in 2010. Employee stock-based compensation recognized in 2009 uses the Black-Scholes option pricing model for estimating the fair value of options granted under the Company's equity incentive plans. The weighted average assumptions that were used to calculate the grant date fair value of the Company's employee stock option grants for the year ended December 31, 2009 were as follows:

Risk-free interest rate	1.86%
Expected volatility	60%
Expected life (in years)	4
Dividend yield	0%

Risk-free interest rates for the options were taken from the Daily Federal Yield Curve Rates on the grant dates for the expected life of the options as published by the Federal Reserve.

The expected volatility was based upon historical data and other relevant factors such as the Company's changes in historical volatility and its capital structure, in addition to mean reversion.

The expected forfeiture rate of employee stock options for 2010 and 2009 was calculated using the Company's historical and estimated terminations data.

In the analysis of expected life, the Company used an approach that determines the time from grant to exercise for options that have been exercised and adjusts this number for the expected time to exercise for options that have not yet been exercised. The expected time to exercise for options that have not yet been exercised is calculated from grant to the midpoint of contractual termination of the option and the later of measurement date or vesting date. All times are weighted by number of option shares in developing the expected life assumption.

The weighted-average fair value of options granted in 2009 was \$0.33 per share.

No options were granted with an exercise price below the fair market value during fiscal years 2010 and 2009.

On November 8, 2010, the Company granted of shares of restricted common stock to its non-employee directors. Michael Weinberg, the Chairman of the Board, was granted 200,000 shares, and William Clifford and Michael Margolis were each granted 100,000 shares. Shares are forfeited if not earned within five years from the date of the grant, and vest when the Company's average closing stock price exceeds certain levels for sixty consecutive calendar days. 50% of each award vests at a stock price (as defined above) of \$1.80, 25% vests at \$2.25, and 25% vests at \$2.70. All 400,000 shares are included in the Company's shares outstanding as of December 31, 2010, but are not included in the computation of basic EPS as the shares are not yet earned by the recipients.

For restricted stock granted in 2010 under the 2010 Stock Incentive Plan, the Company recognizes compensation expense in accordance with the fair value of such stock as determined on the grant date, amortized over the applicable derived service period per ASC 718 using the graded amortization method. The fair value and derived service period was calculated using a lattice model and included adjustments to the fair value of the Company's common stock resulting from the vesting conditions being based on the underlying stock price. The weighted average fair value of these awards was \$0.47 per share.

Note 8. Warrant Liability

Effective January 1, 2009, the Company adopted authoritative guidance issued by the FASB eliminating an exemption to derivative treatment for certain financial instruments. As a result of adopting this guidance, warrants to purchase 1,914,586 of the Company's common stock previously treated as equity pursuant to the derivative treatment exemption were no longer afforded equity treatment. These warrants have exercise prices ranging from \$1.97 to \$2.45 and expire in September or October 2012. Effective January 1, 2009, the Company reclassified the fair value of these common stock purchase warrants from equity to a liability, as if these warrants were treated as a derivative liability since their date of issue. On January 1, 2009, the Company reclassified the effects of prior accounting for the warrants in the amount of \$1.8 million from additional paid-in capital to accumulated deficit, and \$108,000 from additional paid-in capital to warrant liability. The fair value increased to \$285,000 as of December 31, 2009, primarily due to a 24-month extension of the expiration date. Accordingly, the Company recorded a \$177,000 loss from the change in fair value for the year ended December 31, 2009, and a gain of \$255,000 for the year ended December 31, 2010, primarily due to a decrease in volatility and the outstanding term, which are included in interest and other income (expense), net, on the consolidated statement of operations. The fair value was calculated using the Black-Scholes option pricing model. The assumptions that were used to calculate fair value as of January 1, 2009 and December 31, 2009 and 2010 were as follows:

	Expiration Date	
	September 2010	October 2010
Assumptions as of January 1, 2009:		
Risk-free interest rate	2.3%	2.3%
Expected volatility	68%	66%
Expected life (in years)	1.7	1.8
Dividend yield	0%	0%

	Expiration Date	
	September 2012	October 2012
Assumptions as of December 31, 2009:		
Risk-free interest rate	1.9%	1.9%
Expected volatility	62%	62%
Expected life (in years)	2.7	2.8
Dividend yield	0%	0%

	Expiration Date	
	September 2012	October 2012
Assumptions as of December 31, 2010:		
Risk-free interest rate	0.6%	0.6%
Expected volatility	39%	43%
Expected life (in years)	1.7	1.8
Dividend yield	0%	0%

Note 9. Restructuring Costs

In April 2009, KANA signed a Settlement and Release Agreement with RMJM Group, Inc. ("RMJM"), the sub landlord for one of the properties included in KANA's existing restructuring accrual that provided for RMJM to draw down a letter of credit held by RMJM as collateral for KANA's sublease from RMJM. The proceeds of the draw down and current cash deposit held by RMJM will be applied to all remaining lease payments and estimated additional operating costs for the remainder of the lease that expires in January 2010. The lease was assumed by Kay Technology in the Asset Sale. The funds in excess of the remaining rent and estimated additional operating costs were returned to the Kay Technology.

In April 2009, KANA implemented various cost reduction activities to reduce operating costs. The expense related to reduction in workforce was approximately \$532,000 and the expense related to the Settlement and Release Agreement with RMJM was approximately \$167,000. Additionally, in June 2009, KANA had another facility settlement for one of its European offices and the related expense was approximately \$106,000. During the three months ended September 30, 2009, the Company recognized approximately \$498,000 of expense related to a reduction in workforce and \$38,000 of facilities related costs.

Sublease payments received were approximately \$407,000 in the year ended December 31, 2009.

All liabilities under the Company's leases and all liabilities related to workforce reductions existing immediately prior to the Asset Sale were assumed by Kay Technology in the Asset Sale.

A summary of restructuring expenses, payments, and liabilities for the year ended December 31, 2009 is as follows (in thousands):

	Severance and Related		
	Facilities	Related	Total
Restructuring accrual at December 31, 2008	\$ 1,180	\$ -	\$ 1,180
Restructuring charge	311	1,030	1,341
Payments made	(1,538)	(910)	(2,448)
Sublease payments received	407	-	407
Liabilities assumed by Kay Technology	(360)	(120)	(480)
Restructuring accrual at December 31, 2009	\$ -	\$ -	\$ -

Note 10. Retirement Plan

The Company had a 401(k) retirement plan which was assumed by Kay Technology in the Asset Sale. The plan covered substantially all employees. Eligible employees made salary deferral (before tax) contributions up to a specified amount. The Company, at its discretion, made additional matching contributions on behalf of the participants of the retirement plan. The Company made no contributions for the year ended December 31, 2009. This plan was terminated at the closing of the Asset Sale.

The Company also had a 401(k) retirement plan which was assumed in an acquisition in 2007. Under this plan, the Company could have voluntarily matched employee contributions at 100% up to 4% of eligible salary. The Company made no contributions for the year ended December 31, 2009. This plan was terminated at the closing of the Asset Sale.

Note 11. Income Taxes

The components of income (loss) before income tax benefit (expense) are as follows (in thousands):

	December 31,	
	2010	2009
U.S.	\$ (727)	\$ 23,611
Foreign	-	11,285
	<u>\$ (727)</u>	<u>\$ 34,896</u>

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

	December 31,	
	2010	2009
Federal tax benefit (expense) at statutory rate	208	\$ (11,865)
Change in valuation allowance	5,977	26,188
Other	33	1,634
Research and development tax credits	-	850
Stock based compensation	-	(348)
Non-deductible warrant benefit (expense)	95	(70)
Foreign tax differential	-	1,331
Foreign taxes	-	(43)
State income taxes rate differential	20	(1,702)
Net change in uncertain tax positions	20	11
Refundable research and development credit	-	28
Tax losses on subsidiary liquidations	-	11,122
Write-off of deferred tax assets	(6,333)	(27,139)
Total tax benefit (expense)	<u>\$ 20</u>	<u>\$ (3)</u>

In 2009, certain foreign subsidiaries were profitable, based upon application of the Company's intercompany pricing agreements, which resulted in income tax expense totaling approximately \$43,000 in those foreign jurisdictions.

In 2010, the Company recognized income tax benefit of \$20,000 related to the lapse in the statute of limitations for part of our liability for uncertain tax positions.

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

	December 31,	
	2010	2009
Deferred Tax Assets		
Credit carryforward	\$ 6,148	\$ 6,148
Other	605	666
Net operating loss	170,271	176,188
Gross deferred tax assets	177,024	183,001
Valuation allowance	(177,024)	(183,001)
Net Deferred Tax Assets	<u>\$ -</u>	<u>\$ -</u>

The net change in the valuation allowance for the year ended December 31, 2010 was a net decrease of approximately \$6.0 million mostly due to the expiration of deferred tax assets. The net change in the valuation allowance for the year ended December 31, 2009 was a net decrease of approximately \$26.2 million due to the write off of deferred tax assets. Management believes that sufficient uncertainty exists as to whether the deferred tax assets will be realized, and accordingly, a valuation allowance is required.

A portion of deferred tax assets relating to NOLs pertains to NOL carryforwards resulting from tax deductions upon the exercise of employee stock options of approximately \$6.3 million. When recognized, the tax benefit of these loss carryforwards will be accounted for as a credit to additional paid-in capital rather than a reduction of the income tax expense.

As of December 31, 2010 the Company had net operating loss carryforwards for federal and state income tax purposes of \$478 million and \$136 million, respectively. The federal and state net operating loss carryforwards, if not offset against future taxable income, will expire by 2031. Our federal NOL carryforwards begin expiring this year, with the majority of such NOLs expiring by 2022.

The Company also had federal and state research carryforwards of approximately \$2.7 million and \$5.2 million respectively. The federal credits will expire by 2030 and the state credits have no expiration.

Pursuant to the Internal Revenue Code, the amounts of and benefits from net operating loss carryforwards may be impaired or limited in certain circumstances. Events which cause limitations in the amount of net operating losses that the Company may utilize in any one year include, but are not limited to, a cumulative ownership change of more than 50%, as defined, over a three year period. The portion of the net operating loss and tax credit carryforwards subject to potential expiration or IRC Section 382 limitation has not been included in deferred tax assets.

The Company adopted authoritative guidance on accounting for uncertainty in income taxes on January 1, 2007. In accordance with these provisions, the Company records liabilities, where appropriate, for all uncertain income tax positions. The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits within operations as income tax expense. The adoption of these provisions did not have an impact on the Company's consolidated financial condition, results of operations or cash flows. At December 31, 2010, the Company had \$89,000 in unrecognized tax benefits.

For years ended December 31, 2010 and 2009 the Company accrued approximately \$3,000 and \$13,000 of interest related to unrecognized tax benefits.

The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (rounded):

	Year ended December 31,	
	2010	2009
Beginning balance	\$ 109,000	\$ 120,000
Additions for tax positions related to the current year	3,000	13,000
Additions for tax positions related to prior years	-	-
Reductions for tax positions of prior years	-	(24,000)
Settlements	-	-
Lapse in statute of limitations	(23,000)	-
Ending balance	<u>\$ 89,000</u>	<u>\$ 109,000</u>

The Company is subject to taxation in the United States and various state jurisdictions. The Company is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ending December 31, 1995 through December 31, 2010 due to carryforward of unutilized net operating losses and research development credits. The Company does not anticipate significant changes to its uncertain tax positions through December 31, 2010.

Note 12. Information About Geographic Areas

KANA considered itself to be in a single industry segment: specifically the licensing and support of its software applications. Revenue classification is based upon customer location. Geographic information on revenues for the year ended December 31, 2009 is as follows (in thousands):

	<u>2009</u>
North America	\$ 35,002
Europe	9,298
Asia Pacific	958
Total	<u>\$ 45,258</u>

The Company had no long-lived assets as of December 31, 2009 as all such assets were sold in the Asset Sale. All of the Company's long-lived assets (Property and Equipment, net) are located in the United States as of December 31, 2010.

Note 13. Fair Value Measurement—Financial Liabilities

The Company considers fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value are either observable or unobservable. Observable inputs reflect assumptions that market participants would use in pricing an asset or liability based on market data obtained from independent sources, while unobservable inputs reflect a reporting entity's pricing based on their own market assumptions. The Company utilizes the following three-level fair value hierarchy to establish the priorities of the inputs used to measure fair value:

Level 1—instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Level 2—instrument valuations are obtained from sources other than quoted market prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3—instrument valuations are obtained without observable market values and require a high level of judgment to determine the fair value.

The following table summarizes the Company's financial liabilities measured at fair value on a recurring basis as of December 31, 2010 (in thousands):

	<u>Fair Value at December 31, 2010</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Liabilities:				
Warrant liability (see Note 8)	\$ 30	\$ -	\$ -	\$ 30

The warrant liability decreased by \$255,000 during the year ended December 31, 2010 to \$30,000 primarily due to lower volatility and a shorter term. The fair value was calculated using the Black-Scholes option pricing model.

The change in the value of the warrant liability during the year ended December 31, 2010 was as follows (in thousands):

	<u>December 31,</u> <u>2010</u>
Fair value - beginning of period	\$ 285
Change in fair value	(255)
Fair value - end of period	<u>\$ 30</u>

The valuation of the warrants is discussed in Note 8.

Note 14. Subsequent Event

On March 28, 2011, we agreed with Kay Technology that approximately \$167,000 would be paid to us from the remaining escrow account, which is net of allowable expenses incurred by Kay Technology in resolving the matter. We expect to collect these funds in the near future, and once these funds are collected, there will be no other funds in escrow.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

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

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

Management's Report on Internal Control over Financial Reporting

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

In connection with the preparation of this report, our management, under the supervision and with the participation of the Interim Chief Executive Officer and Interim Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting as of the end of the period covered by this report based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). As a result of that evaluation, management concluded that as of December 31, 2010, our internal control over financial reporting was effective based on the criteria set forth in the COSO framework.

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

Inherent Limitations over Internal Controls

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

- Judgments in decision-making can be faulty, and control and process breakdowns can occur because of simple errors or mistakes;
- Controls can be circumvented by individuals, acting alone or in collusion with each other, or by management override;
- The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions;
- Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures; and
- The design of a control system must reflect the fact that resources are constrained, and the benefits of controls must be considered relative to their costs.

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

Changes in Internal Control over Financial Reporting

There have been no changes during the Company's fiscal year ended December 31, 2010 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Our Board of Directors (the “Board”) is divided into three classes and currently has 4 directors. Directors are elected for a full term of three years with the term expiring at the annual meeting of stockholders held in the third year following the year of their election.

Directors

Name	Age	Committee Memberships	Principal Occupation	Director Since
Class I Director				
Michael D. Weinberg	46	Governance, Compensation	Employee of Carlson Capital, L.P.	2009
Class II Director				
William T. Clifford	64	Compensation, Audit	Chief Executive Officer of Spencer Trask & Co.	2005
Class III Directors				
Michael A. Margolis	44	Audit, Governance	Managing Member of Maric Capital, LLC	2010
John F. Nemelka	45		Interim Chief Executive Officer of the Company	2005

William T. Clifford. Class II Director (Term to expire in 2013). Mr. Clifford, age 64, has served on the Board since December 2005. Since March 2008, Mr. Clifford has been the Chief Executive Officer of Spencer Trask & Co., a leading private equity and venture capital firm. From August 2005 until March 2008, Mr. Clifford served as Chairman of the Board of Directors and Chief Executive Officer of Aperture Technologies, Inc., a data center management software solutions company. He served on the Board of Directors of Aperture Technologies, Inc. from 2003 until his appointment as Chairman of the Board of Directors and Chief Executive Officer in August 2005. From 2001 to 2003, Mr. Clifford served as a General Partner of The Fields Group, a venture capital and management consulting firm. From 1993 to 1999, Mr. Clifford held various executive positions at the Gartner Group, Inc., an information technology research and market company, including President and Chief Executive Officer. Prior to these positions, Mr. Clifford was President of the Central and National Account divisions and Corporate Vice President, Information Systems Development at Automatic Data Processing, Inc., a transaction processing and data communication services company. Mr. Clifford holds a B.A. degree in Economics from the University of Connecticut. Mr. Clifford also serves on the Board of Directors of GridApp Systems, Inc., a provider of database automation solutions and Eggs Overnight, a provider of shipping solutions. Mr. Clifford is a Class II Director whose current term expires in 2013. The Board believes that Mr. Clifford’s experience as the Chief Executive Officer of the Gartner Group and Spencer Trask & Co. will be valuable to the Company as it explores investment opportunities, and that his management experience will be valuable if the Company is successful in acquiring one or more businesses.

Michael A. Margolis. Class III Director (Term to expire in 2011). Mr. Margolis, age 44, is the founder and member of Maric LS, LLC, an investment management firm which commenced active operations in 2005 and the founder and member of Maric LLC, an investment management firm which commenced active operations in 2004 (collectively, “Maric”). Maric is focused on out-of-favor, complex or overlooked value-oriented investment opportunities. From 2002 to 2005, Mr. Margolis was a Director of Sage Capital Growth, Inc., an investment manager focused on public and private equity investment opportunities worldwide. From 1998 to 2002, Mr. Margolis was a co-founder and Partner of Arcadia Partners, L.P., a private equity fund focused on the education and training sectors. From 1993 to 1998, Mr. Margolis was employed by Bear, Stearns & Co. Inc., as an associate and subsequently as a Vice President in investment banking in the Media and Entertainment Group in New York. From 1989 to 1991, Mr. Margolis was employed by Kidder, Peabody & Co. Incorporated as a financial analyst in the Mergers and Acquisitions Group in New York. Mr. Margolis received an M.B.A. degree from Harvard Business School in 1993 and a B.A. degree in philosophy from University of Michigan in 1989. The Board believes that Mr. Margolis’ experience in managing and making investments, including value-oriented investments, will be valuable to the Company as it explores investment opportunities.

John F. Nemelka. Class III Director (Term to expire in 2011). Mr. Nemelka, age 45, joined the Board in October 2005. Since January 4, 2010, Mr. Nemelka has been serving as our Interim Chief Executive Officer. Mr. Nemelka founded NightWatch Capital Group, LLC, an investment management business, and has served as its Managing Principal since its formation in July 2001. From 1997 to 2000, Mr. Nemelka was a Principal at Graham Partners, a private equity investment firm and affiliate of the privately-held Graham Group. From 2000 to 2001, Mr. Nemelka was a Consultant to the Graham Group. Mr. Nemelka holds a B.S. degree in Business Administration from Brigham Young University and an M.B.A. degree from the Wharton School at the University of Pennsylvania. Mr. Nemelka also serves on the Board of Directors of a public medical technology company, SANUWAVE Health, Inc. Mr. Nemelka has substantial experience in investing and sourcing and executing acquisitions, which the Board believes is essential to enable the Company to carry out its acquisition strategy. Mr. Nemelka is a Class III Director whose current term expires at the 2011 annual meeting of stockholders.

Michael D. Weinberg. Class I Director (Term to expire in 2012). Mr. Weinberg, age 46, was elected to the Board on December 23, 2009 and was recommended as a nominee to the Board by Carlson Capital, L.P. (“Carlson Capital”), an investment management business which, as of March 15, 2011 beneficially owned 28.2% of our outstanding common stock. Mr. Weinberg has been an employee of Carlson Capital since March 1, 2011 and was a consultant to Carlson Capital from September 2007 to February 2011. From November 1999 to September 2007, Mr. Weinberg was Director of Special Projects at Carlson Capital. Since April 2007, Mr. Weinberg has served as the managing member of BirdDog Capital, LLC, a holding company involved in retail and restaurant franchises. From January 1996 to November 1999, Mr. Weinberg was Director of Investments at Richmond Capital Partners, L.P., the investment affiliate of privately-held Mary Kay Cosmetics. Mr. Weinberg holds a B.A. degree from the Plan II Liberal Arts Honors Program and a J.D. degree, both from the University of Texas at Austin. The Board believes that Mr. Weinberg’s experience in the financial services industry and in evaluating acquisitions will be valuable to the Company as it explores investment opportunities. Mr. Weinberg is a Class I Director whose current term expires in 2012.

Committees of the Board

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

Audit Committee. We have a standing audit committee of the Board (the “Audit Committee”) established in accordance with Rule 10A-3 promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). From January 4, 2010 to July 30, 2010, the members of the Audit Committee were Ms. Stephanie Vinella (Chair) and Mr. Clifford. Since July 30, 2010, the members of our Audit Committee have been Mr. Margolis (Chair) and Mr. Clifford. Each member of the Audit Committee meets the independence and other requirements to serve on our Audit Committee under the NASDAQ Stock Market Rules and the rules of the Securities and Exchange Commission (“SEC”). In addition, the Board determined that each of Ms. Vinella and Mr. Margolis is an “audit committee financial expert” as defined in the rules of the SEC.

The Audit Committee met 8 times in 2010. The report of the Audit Committee is provided below. The Board has adopted a written charter for the Audit Committee, a copy of which is posted in the Corporate Governance section of our Internet website (at www.swkhold.com). The principal functions of the Audit Committee are to oversee our accounting and financial reporting processes and the audits of our financial statements, oversee our relationship with our independent auditors, including selecting, evaluating and setting the compensation of, and approving all audit and non-audit services to be performed by the independent auditors, and facilitate communication among our independent auditors and our financial and senior management.

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

The Compensation Committee met 4 times in 2010. Each current member of the Compensation Committee meets the independence and other requirements to serve on our Compensation Committee under the NASDAQ Stock Market Rules and the rules of the SEC. Mr. Nemelka met such requirements in the period during which he served on the Committee.

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

Governance and Nominating Committee. We have a standing governance and nominating committee of the Board (the “Governance and Nominating Committee”). From January 4, 2010 to July 30, 2010, the members of our Governance and Nominating Committee were Mr. Clifford, Ms. Vinella and Mr. Weinberg (Chair). Since July 30, 2010, the members of our Governance and Nominating Committee are Mr. Weinberg (Chair) and Mr. Margolis. The Governance and Nominating Committee met 5 times in 2010. Each of Messrs. Weinberg and Margolis meets the independence and other requirements to serve on our Governance and Nominating Committee under the NASDAQ Stock Market Rules and the rules of the SEC.

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

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

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

Board Leadership Structure and Risk Oversight

We separated the roles of Chief Executive Officer and Chairman of the Board on January 4, 2010, following the completion of the sale of substantially all of the Company's assets in December 2009 (the "Asset Sale"). Michael Weinberg serves as Chairman of the Board, while John Nemelka serves as Interim Chief Executive Officer of the Company. The Board believes the separation of these roles enables effective oversight of management and provides checks and balances with respect to the decision making process at the Company.

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

Compensation of Directors

From January to June of 2010, we paid each of our non-employee directors (i) an annual fee of \$15,000 and (ii) an additional \$2,500 for each of the four regularly scheduled Board meetings that such director attended, and (iii) \$10,000 for the chairmen of the Governance and Nominating and the Compensation Committees, and \$30,000 for the Audit Chair. Starting in July 2010, we pay each of our non-employee directors (i) an annual fee of \$15,000 and (ii) an additional \$2,500 for each of the four regularly scheduled Board meetings that such director attends, and (iii) an additional \$10,000 for each Committee Chair.

We reimburse our directors for reasonable travel and other reasonable expenses incurred in connection with attending the meetings of the Board. The Company is also party to indemnification agreements with each of its directors.

2010 Director Compensation

The table below summarizes the compensation paid by the Company to non-employee directors for the fiscal year ended December 31, 2010. Michael Fields was our Chief Executive Officer until December 23, 2009, the closing of the Asset Sale. The compensation received by Mr. Fields as an officer of the Company is shown below in the Summary Compensation Table. Mr. Fields remained on the Board until he resigned on July 15, 2010. He received compensation for his services as a director from and after December 23, 2009 until July 15, 2010. Stephanie Vinella resigned as a director on July 15, 2010. Mr. Nemelka was appointed Interim Chief Executive Officer and President of the Company on January 4, 2010 and did not receive any compensation for his services as a director from and after such date.

Name	Fees Earned or Paid in Cash	Option and Restricted Stock Awards (1)	Total
William T. Clifford	35,000	4,676	39,676
Michael S. Fields (2)	18,750	-	18,750
Michael A. Margolis	12,917	2,943	15,860
John F. Nemelka	-	1,733	1,733
Stephanie Vinella (2)	41,250	1,733	42,983
Michael D. Weinberg	35,000	5,886	40,886

- (1) The amounts reported represent the stock-based compensation expense that was calculated in accordance with FASB ASC Topic 718, Compensation—Stock Compensation (“FASB ASC Topic 718”).
- (2) The directorships of Mr. Fields and Ms. Vinella ended at the Company’s Annual Meeting of Stockholders held on July 30, 2010.

Options Outstanding at Fiscal Year End

The aggregate number of options and shares of restricted stock outstanding for each of our directors as of December 31, 2009 is provided in the table below. Mr. Nemelka became the Company’s Interim Chief Executive Officer effective January 4, 2010. Mr. Nemelka has not received any compensation as a director from and after such date.

Director	Number of Shares Subject to Options Outstanding	Number of Shares Subject to Restricted Stock Outstanding
William T. Clifford	100,000	100,000
Michael A. Margolis	-	100,000
John F. Nemelka	80,000	-
Michael Weinberg	-	200,000

Executive Officers

The biographical information for John Nemelka, our Interim Chief Executive Officer, is set forth above under Directors.

Paul V. Burgon. Mr. Burgon, age 40, has served as a Principal and CFO of NightWatch Capital Advisors, LLC since March 2005. Mr. Burgon was a Manager and then Director of Corporate Development for Danaher Corporation from 1998 to 2005, where he analyzed, structured and negotiated approximately 50 acquisitions and divestitures representing nearly \$2 billion. Mr. Burgon worked at Fluke Corporation where he led corporate development efforts from 1997 to 1998 and worked in Coopers & Lybrand’s acquisition advisory group from 1994 to 1997. Mr. Burgon holds a B.S.B.A. degree (*cum laude*) in finance and international business and an M.B.A. degree from the McDonough School of Business at Georgetown University.

Code of Ethics and Conduct

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

Section 16(a) Beneficial Ownership Reporting Compliance

The members of the Board, our executive officers and persons who hold more than 10% of our outstanding common stock are subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which requires them to file reports with respect to their ownership of our common stock and their transactions in such common stock. The Form 3 filed by Paul Burgon, our Interim Chief Financial Officer, on January 13, 2010 inadvertently omitted certain shares of Common Stock indirectly owned by him and directly owned by Nightwatch Capital Partners II, L.P. “NWCP II”). Mr. Burgon is a principal of Nightwatch Capital Management, LLC (“NWCM”), which is the general partner of NWCP II, and is a Principal and CFO of Nightwatch Capital Advisors, LLC, which serves as the managing member of NWCM. Except as set forth herein, based solely on (i) information provided to us by our current officers and directors and (ii) our review of reporting forms filed by our directors, executive officers and persons who hold more than 10% of our outstanding common stock, we believe that during 2010 such persons filed the reports required under Section 16(a) of the Exchange Act on a timely basis.

ITEM 11. EXECUTIVE COMPENSATION.**Executive Compensation and Related Information****2010 Summary Compensation Table**

The table below summarizes the total compensation earned by each of the named executive officers for the fiscal years ended December 31, 2009 and 2010.

Name and Principal Position	Year	Salary	Bonus	Option Awards	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
John F. Nemelka Interim Chief Executive Officer	2010	\$ 200,000	\$ -	\$ -	\$ -	\$ -	\$ 200,000
Paul V. Burgon Interim Chief Financial Officer	2010	\$ 175,000	\$ -	\$ -	\$ -	\$ -	\$ 175,000

Material Terms of Employment

On January 4, 2010, the Company entered into offer letters with each of Messrs. Nemelka and Burgon, providing for annual salaries of \$200,000 and \$175,000, respectively. Pursuant to the offer letters, Messrs. Nemelka and Burgon are at-will employees of the Company. The Company is also party to indemnification agreements with its executive officers that may require the Company to indemnify such officers against liabilities that may arise by reason of the officers' status or service. Since the employees of the Company are at will, the Company does not believe that there are any material risks arising from the Company's compensation policies and practices for its employees.

2010 Equity Incentive Plan

On November 8, 2010, the Board approved the 2010 SWK Holdings Corporation Equity Incentive Plan (the "2010 Plan"). The purpose of the 2010 Plan is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company, by offering them an opportunity to participate in the Company's future performance through the grant of equity awards. The 2010 Plan is administered by the Compensation Committee of the Board. The 2010 Plan provides that the administrator may grant or issue stock options, stock appreciation rights, restricted stock, restricted stock units, deferred stock, dividend equivalents, performance awards and stock payments, or any combination thereof. The applicable award agreement will contain the period during which the right to exercise the award in whole or in part vests. At any time after the grant of an award, the administrator may accelerate the period during which the award vests. During the year ended December 31, 2010, 400,000 shares of restricted common stock were granted to non-employee directors of the Company.

Outstanding Equity Awards at December 31, 2010

Below are the options outstanding for the Company's named executive officers as of December 31, 2010. Mr. Nemelka was awarded these options prior to his appointment as an executive officer of the Company, in his capacity as a director of the Company.

Name	Number of Securities Underlying Unexercised Options		Option Exercise Price	Option Expiration Date
	Options	Options		
John F. Nemelka	40,000	\$ 2.95	9/7/2016	
	10,000	3.50	3/5/2017	
	10,000	2.67	7/25/2017	
	10,000	1.24	7/28/2018	
Paul V. Burgon	10,000	0.70	7/6/2019	
	-	\$ -	-	

2010 Option Exercises

None of our named executive officers acquired shares of our common stock pursuant to the exercise of options during our fiscal year ended December 31, 2010.

Compensation Committee Interlocks and Insider Participation

The current members of our Compensation Committee are Messrs. Clifford and Weinberg. No members of our Compensation Committee were employees of SWK or its subsidiaries during 2010 or at any time prior to 2010. During 2010, none of our executive officers served as a member of the board of directors or compensation committee of any other entity that has or has had one or more executive officers serving as a member of our Board or our Compensation Committee.

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

Security Ownership of Certain Beneficial Owners and Management

The table below sets forth information regarding the beneficial ownership of our common stock as of March 15, 2011, by the following individuals or groups:

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

Beneficial ownership is determined under the rules of the SEC and generally includes voting or investment power with respect to securities. Applicable percentage ownership in the following table is based on 41,247,394 shares of common stock outstanding as of March 15, 2011, as adjusted to include options and warrants exercisable within 60 days of March 15, 2011 held by the indicated stockholder or stockholders. The shares of common stock outstanding excludes 400,000 shares of restricted common stock granted to directors, which will not vest within 60 days of March 15, 2011 and do not have any voting rights until they vest.

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

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned
Paul V. Burgon (1)	1,451,945	3.4%
William T. Clifford (2)	100,000	*
Michael A. Margolis (3)	803,600	1.9%
John F. Nemelka (4)	1,537,012	3.6%
Michael D. Weinberg (5)	-	*
All 5 current and former officers and directors as a group (6)	2,460,589	5.7%
5% Stockholders		
Entities affiliated with Carlson Capital, LP (7)	11,649,100	28.2%

*Less than one percent.

(1) Includes warrants to purchase 1,431,968 shares of common stock held by NightWatch Capital Partners II, LP ("NWCP II"). Pursuant to Advisory Agreements with NWCP II and acting through its managing member, NightWatch Capital Group, LLC ("NWCG"), NightWatch Capital Advisors, LLC, ("NWCA") has the sole power to vote or direct the vote and to dispose or to direct the disposition of these securities. Accordingly, NWCA may be deemed to be the beneficial owner of these securities. Acting through its managing member, NightWatch Management, LLC ("NWM"), and in its capacity as the managing member of NWCA, NWCG has the sole power to vote or to direct the vote and to dispose or to direct the disposition of these securities. Accordingly, NWCG may be deemed to be the beneficial owner of these securities. Acting through its managing member, JFN Management, LLC ("JFNM"), and in its capacity as the managing member of NWCG, NWM has the sole power to vote or to direct the vote and to dispose or to direct the disposition of these securities. Accordingly, NWM may be deemed to be the beneficial owner of these securities. Mr. Burgon is a Principal of NightWatch Capital Management, LLC ("NWCM"), which is the General Partner of NWCP II, and is a Principal of NWCA, which serves as the managing member of NWCM. Mr. Burgon, as a Principal of NWCM and NWCA, may be deemed to be the beneficial owner of an indeterminate portion of the warrants held by NWCP II. Mr. Burgon and each of the aforementioned NightWatch entities disclaim beneficial ownership of the shares held by NWCP II except to the extent of any indirect pecuniary interest (within the meaning of Rule 16a-1 of the Exchange Act).

- (2) Comprised of 100,000 stock options that are exercisable within 60 days of March 15, 2011. Excludes 100,000 shares of restricted stock that vest based upon the 60 day average closing price of the Company's common stock, as described under "Unregistered Sales of Equity Securities" in Item 5 above.
- (3) Includes 803,600 shares of common stock owned by Maric Capital Master Fund, Ltd., Maric LS, LLC is the investment manager of Maric Capital Master Fund, Ltd. Michael Margolis is the member of Maric LS, LLC. Mr. Margolis disclaims beneficial ownership of any and all such shares in excess of his pecuniary interest therein. Excludes 100,000 shares of shares of restricted common stock that vest based upon the 60 day average closing price of the Company's common stock, as described under "Unregistered Sales of Equity Securities" in Item 5 above.
- (4) Includes warrants to purchase 1,431,968 shares of common stock held by NightWatch Capital Partners II, LP ("NWCP II"). Pursuant to Advisory Agreements with NWCP II and acting through its managing member, NightWatch Capital Group, LLC ("NWCG"), NightWatch Capital Advisors, LLC, ("NWCA") has the sole power to vote or direct the vote and to dispose or to direct the disposition of these securities. Accordingly, NWCA may be deemed to be the beneficial owner of these securities. Acting through its managing member, NightWatch Management, LLC ("NWM"), and in its capacity as the managing member of NWCA, NWCG has the sole power to vote or to direct the vote and to dispose or to direct the disposition of these securities. Accordingly, NWCG may be deemed to be the beneficial owner of these securities. Acting through its managing member, JFN Management, LLC ("JFNM"), and in its capacity as the managing member of NWCG, NWM has the sole power to vote or to direct the vote and to dispose or to direct the disposition of these securities. Accordingly, NWM may be deemed to be the beneficial owner of these securities. Acting through its managing member, Mr. Nemelka, and in its capacity as the managing member of NWM, JFNM has the sole power to vote or to direct the vote and to dispose or to direct the disposition of these securities. Accordingly, JFNM may be deemed to be the beneficial owner of these securities. In his capacity as managing member of JFNM, Mr. Nemelka has the sole power to vote or to direct the vote and to dispose or to direct the disposition of these securities. Accordingly, Mr. Nemelka may be deemed to be the beneficial owner of these securities. Mr. Nemelka is the Managing Principal of NightWatch Capital Management, LLC ("NWCM"), which is the General Partner of NWCP II, and is the Managing Principal of NWCA, which serves as the managing member of NWCM. Mr. Nemelka, as the Managing Principal of NWCM and NWCA, may be deemed to be the beneficial owner of an indeterminate portion of the warrants held by NWCP II. Mr. Nemelka and each of the aforementioned NightWatch entities disclaim beneficial ownership of the shares held by NWCP II except to the extent of any indirect pecuniary interest (within the meaning of Rule 16a-1 of the Exchange Act).
- (5) Excludes 200,000 shares of restricted stock that vest based upon the 60 day average closing price of the Company's common stock.. Mr. Weinberg and Carlson Capital, L.P. have advised the Company that Mr. Weinberg is an employee of Carlson Capital, L.P., but is not a controlling person thereof.
- (6) Includes 1,611,968 shares subject to stock options and warrants that are exercisable within 60 days of March 15, 2011.
- (7) Based solely on the Form 4 filed on October 29, 2009 with the SEC reporting beneficial ownership of 11,649,100 shares. The shares are directly beneficially owned by Double Black Diamond Offshore Ltd. and Black Diamond Offshore Ltd. (together, the "Funds"). Carlson Capital, L.P. is the investment manager of the Funds. Asgard Investment Corp. ("Asgard") is the general partner of Carlson Capital. Clint D. Carlson is the President of Asgard and the Chief Executive Officer of Carlson Capital. Carlson Capital disclaims beneficial ownership of any and all such shares in excess of their pecuniary interest therein. The principal business address of Carlson Capital is 2100 McKinney Avenue, Suite 1600, Dallas, TX 75201.

Equity Compensation Plan Information

The following table provides information as of December 31, 2010 with respect to the shares of common stock issuable under existing equity compensation plans. The category "Equity compensation plans approved by security holders" in the table below consists of the KANA 1999 Stock Incentive Plan, as amended (the "1999 Stock Incentive Plan"). The category "Equity compensation plans not approved by security holders" in the table below consists of the SWK Holdings Corporation 2010 Equity Incentive Plan, which has not been approved by our stockholders.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes our equity compensation plans under which equity securities are authorized for issuance, as of December 31, 2010:

	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	229,000	\$ 2.52	-
Equity compensation plans not approved by security holders	400,000	2.14	4,100,000
Total	629,000	\$ 2.28	4,100,000

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

Review, Approval or Ratification of Transactions with Related Persons

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

Certain Transactions with Related Persons

Since January 2010, we have been subleasing approximately 2,300 square feet on a month-to-month basis under an agreement with Nightwatch, a company of which John Nemelka, our Interim Chief Executive Officer is the Managing Principal, and Paul Burgon, our Interim Chief Financial Officer, is a Principal and the Chief Financial Officer. Our rent under this sublease is approximately \$4,100 per month. Additionally, we have entered into a services agreement with Nightwatch to provide certain administrative services at cost. The expenses under the services agreement are expected to be less than \$1,000 per month.

Except as otherwise set forth in this Part III, there have not been, and there are not currently proposed, any transactions or series of similar transactions in which we were or will be a participant in which the amount involved exceeded or will exceed \$120,000 and in which any director, executive officer, holder of 5% or more of any class of our capital stock or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest.

Independence

The Board has adopted the definitions, standards and exceptions to the standards for evaluating director independence provided in the NASDAQ Stock Market rules, and determined that three of our current directors, Mr. Clifford, Mr. Margolis and Mr. Weinberg, are independent under the rules of The NASDAQ Stock Market.

The Board met 7 times in 2010, including telephone conference meetings. During 2010, no director attended fewer than 75% of the aggregate of the total number of meetings of the Board and the total number of meetings held by all committees of the Board on which such director served during the time period for which each such director served on the Board.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Fiscal 2009 and 2010 Audit Fee Summary

Our independent registered public accounting firm, Burr Pilger Mayer, Inc. ("BPM"), audited our consolidated financial statements for the years ended December 31, 2009 and 2010. Set forth below are the aggregated fees (in thousands) billed for audit and other services provided by BPM for 2009 and 2010.

	Year Ended December 31,	
	2009	2010
Audit fees (1)	\$ 353	\$ 113
Audit-related fees (2)	31	
Tax fees		
All other fees		
Total fees	<u>\$ 384</u>	<u>\$ 113</u>

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

(2) Consists of fees related to the Asset Sale.

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

- Obtaining and reviewing, on at least an annual basis, a letter from the independent registered public accounting firm describing all relationships between the independent registered public accounting firm and the Company required to be disclosed by Public Company Accounting Oversight Board standards, reviewing the nature and scope of such relationships, discussing these relationships with the independent registered public accounting firm and discontinuing any relationships that the Audit Committee believes could compromise the independence of the registered public accounting firm.
- Obtaining reports of all non-audit services proposed to be performed by the independent registered public accounting firm before such services are performed, reviewing and approving or prohibiting, as appropriate, any non-audit services not permitted by applicable law. The Audit Committee may delegate authority to review and approve or prohibit non-audit services to one or more members of the Audit Committee, and direct that any approval so granted be reported to the Audit Committee at a following meeting of the Audit Committee.

All services provided by the Company's independent registered public accounting firm in fiscal years 2009 and 2010 were approved in advance by the Audit Committee.

Audit Committee Pre-Approval Policies and Procedures

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

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

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

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

1. Financial Statements:

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	17
Consolidated Balance Sheets as of December 31, 2010 and 2009	18
Consolidated Statements of Operations for the Years ended December 31, 2010 and 2009	19
Consolidated Statements of Stockholders' Equity for the Years ended December 31, 2010 and 2009	20
Consolidated Statements of Cash Flows for the Years ended December 31, 2010 and 2009	21
Notes to Consolidated Financial Statements	22

2. Financial Statement Schedules:

<u>Schedule</u>	<u>Title</u>	<u>Page</u>
II	Valuation and Qualifying Accounts	51

Schedules not listed above have been omitted because they are not applicable, not required, or the information required to be set forth therein is included in the consolidated financial statements or notes thereto.

3. Exhibits: See attached Exhibit Index.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Amounts Recorded</u> <u>in Expenses</u>	<u>Deductions</u>	<u>Balance at</u> <u>End of Year</u>
Allowance for Doubtful Accounts:				
Year ended December 31, 2009	\$ 217	\$ 34	\$ (251)	\$ -
Year ended December 31, 2010	\$ -	\$ -	\$ -	\$ -

All trade accounts receivable underlying the allowance for doubtful accounts were transferred to Kay Technology as part of the Asset Sale.

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, in the city of Provo, state of Utah, on March 29, 2011.

SWK Holdings Corporation

/s/ John F. Nemelka
John F. Nemelka
Interim Chief Executive Officer
(Principal Executive Officer)

POWER OF ATTORNEY

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

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

Date: March 29, 2011 By /s/ John F. Nemelka
John F. Nemelka
Interim Chief Executive Officer
(Principal Executive Officer)

Date: March 29, 2011 By /s/ Paul Burgon
Paul Burgon
Interim Chief Financial Officer and Secretary
(Principal Financial and Accounting Officer)

Date: March 29, 2011 By /s/ William T. Clifford
William T. Clifford
Director

Date: March 29, 2011 By /s/ Michael Margolis
Michael Margolis
Director

Date: March 29, 2011 By /s/ John F. Nemelka
John F. Nemelka
Director

Date: March 29, 2011 By /s/ Michael Weinberg
Michael Weinberg
Director

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	File No.	Exhibit	
2.01	Asset Purchase Agreement dated October 26, 2009 by and among KANA Software, Inc. and Kay Technology Corp., Inc.*	8-K	000-27163	2.1	10/27/09
3.01	Second Amended and Restated Certificate of Incorporation, as amended by the Certificate of Amendment dated April 18, 2000.	8-K	000-27163	3.1	5/4/00
3.02	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation dated April 18, 2001.	S-8	333-64552	4.02	7/3/01
3.03	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation filed on December 11, 2001.	S-3	333-77068	4.03	1/18/02
3.04	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation dated November 21, 2005.	8-A	000-27163	3.04	1/31/06
3.05	Certificate of Amendment of Second Amended and Restated Certificate of Incorporation of Kana Software, Inc.	10-K	000-27163	3.05	3/31/2010
3.06	Amended and Restated Bylaws, as amended on October 25, 2009.	8-K	000-27163	3.01	10/27/09
3.07	Certificate of Designation of Series A Junior Participating Preferred Stock, as filed with the Secretary of State of Delaware on January 27, 2006.	8-K	000-27163	3.01	1/31/06
4.01	Form of Specimen Common Stock Certificate.	S-1/A	333-82587	4.01	9/21/99
4.02	Form of Rights Certificate.	8-K	000-27163	4.01	1/31/06
4.03	Amended and Restated Rights Agreement, dated as of January 13, 2009 by and between Kana Software, Inc. and Computershare Trust Company, N.A.	8-K	000-27163	4.01	1/13/09
4.04	Amendment No. 1 to Amended and Restated Rights Agreement, dated as of December 22, 2009, by and between Kana Software, Inc. and Computershare Trust Company, N.A.	8-K		4.01	12/29/09
10.01	Kana Software, Inc. 1999 Stock Incentive Plan, as amended.	10-Q	000-27163	10.01	11/14/06

Exhibit Number	Exhibit Description	Incorporated by Reference			Filing Date	Filed Herewith
		Form	File No.	Exhibit		
10.02	Common Stock and Warrant Purchase Agreement, dated as of June 25, 2005, by and among Kana Software, Inc., Nightwatch Capital Partners, LP, NightWatch Capital Partners II, LP and RHP Master Fund, Ltd.	8-K	000-27163	10.01	6/30/05	
10.03	Registration Rights Agreement, dated as of June 25, 2005, by and among Kana Software, Inc. and Nightwatch Capital Partners, LP, NightWatch Capital Partners II, LP and RHP Master Fund, Ltd.	8-K	000-27163	10.02	6/30/05	
10.4	Form of Stock Purchase Warrant issued by Kana Software, Inc. to NightWatch Capital Partners, LP, NightWatch Capital Partners II, LP and RHP Master Fund, Ltd. in connection with the Common Stock and Warrant Purchase Agreement, dated as of June 25, 2005.	8-K	000-27163	10.03	6/30/05	
10.05	Common Stock and Warrant Purchase Agreement, dated as of September 29, 2005, by and among Kana Software, Inc., Nightwatch Capital Partners, LP, NightWatch Capital Partners II, LP and RHP Master Fund, Ltd.	8-K	000-27163	10.01	10/03/05	
10.06	Registration Rights Agreement, dated as of September 29, 2005, between Kana Software, Inc., Nightwatch Capital Partners, LP, NightWatch Capital Partners II, LP and RHP Master Fund, Ltd.	8-K	000-27163	10.02	10/03/05	
10.07	Form of Stock Purchase Warrant issued by Kana Software, Inc. to Nightwatch Capital Partners, LP and NightWatch Capital Partners II, LP in connection with the Common Stock and Warrant Purchase Agreement, dated as of September 29, 2005.	8-K	000-27163	10.03	10/03/05	
10.08	Stock Purchase Warrant issued by Kana Software, Inc. to RHP Master Fund, Ltd., in connection with the Common Stock and Warrant Purchase Agreement, dated as of September 29, 2005.	8-K	000-27163	10.04	10/03/05	
10.09	Amendment to Registration Rights Agreement, dated September 29, 2005.	8-K	000-27163	10.05	10/03/05	
10.10	Form of Amended and Restated Stock Purchase Warrant issued by Kana Software, Inc. to Nightwatch Capital Partners, LP and NightWatch, dated September 29, 2005.	8-K	000-27163	10.06	10/03/05	
10.11	Amended and Restated Stock Purchase Warrant issued by Kana Software, Inc. to RHP Master Fund, Ltd., dated September 29, 2005.	8-K	000-27163	10.07	10/03/05	
10.12	Stock Purchase Warrant issued by Kana Software, Inc. to NightWatch Capital Partners, LP, dated October 25, 2005, in connection with the Common Stock and Warrant Purchase Agreement, dated as of September 29, 2005.	8-K	000-27163	10.01	10/31/05	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.13	Stock Purchase Warrant issued by Kana Software, Inc. to NightWatch Capital Partners II, LP, dated October 25, 2005, in connection with the Common Stock and Warrant Purchase Agreement, dated as of September 29, 2005.	8-K	000-27163	10.02	10/31/05	
10.14	Stock Purchase Warrant issued by Kana Software, Inc. to RHP Master Fund, Ltd., dated October 25, 2005, in connection with the Common Stock and Warrant Purchase Agreement, dated as of September 29, 2005.	8-K	000-27163	10.03	10/31/05	
10.15	Second Amendment to Registration Rights Agreement, dated May 8, 2006, by and among Kana Software, Inc., NightWatch Capital Partners, LP, NightWatch Capital Partners II, LP and RHP Master Fund, Ltd.	8-K	000-27163	10.01	5/11/06	
10.16	First Amendment to Registration Rights Agreement, dated May 8, 2006, by and among Kana Software, Inc., NightWatch Capital Partners, LP, NightWatch Capital Partners II, LP and RHP Master Fund, Ltd.	8-K	000-27163	10.02	5/11/06	
10.17	Amendment to Stock Purchase Warrants dated as of October 26, 2009.	8-K	000-27163	10.1	10/23/09	
10.18	Escrow Agreement, dated December 23, 2009, between Kana Software Inc., Kay Technology Corp., Inc. and US Bank National Association.	10-K	000-27163	10.33	3/31/10	
10.19	2010 Equity Incentive Plan.	10-Q	000-27163	10.1	11/09/10	
10.20	SWK Holdings Corporation 2010 Equity Incentive Plan Restricted Stock Award Agreement.	10-Q	000-27163	10.2	11/09/10	
23.01	Consent of Independent Registered Public Accounting Firm.					X
24.01	Power of Attorney (included on signature page of this Annual Report on Form 10-K).					X
31.01	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.02	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	File No.	Exhibit	
32.01	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*				X
32.02	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*				X

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

± Filed by Broadbase Software, Inc.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-3 (Nos. 333-147975, 333-145742, 333-113899, 333-110248, 333-77068, 333-68342 and 33-46624) and Forms S-8 (Nos. 333-150944, 333-142745, 333-136705, 333-113914, 333-104711, 333-64552, 333-59842, 333-55822, 333-35730, 333-32460, 333-93591, 333-92159 and 333-87505) of SWK Holdings Corporation of our report (which contains an explanatory paragraph relating to the Company's sale of substantially all of its assets, as described in Note 1 to the consolidated financial statements) dated March 29, 2011 relating to the consolidated financial statements and financial statement schedule, which appears in this Form 10-K.

/s/ Burr Pilger Mayer, Inc.

San Jose, California

March 29, 2011

CERTIFICATION

I, John F. Nemelka, Interim Chief Executive Officer of the registrant, certify that:

1. I have reviewed this Annual Report on Form 10-K of SWK Holdings Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its 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.
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 29, 2011

/s/ John F. Nemelka

John F. Nemelka
Interim Chief Executive Officer

CERTIFICATION

I, Paul Burgon, Interim Chief Financial Officer and Secretary of the registrant, certify that:

1. I have reviewed this Annual Report on Form 10-K of SWK Holdings Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its 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.
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 29, 2011

/s/ Paul V. Burgon

Paul V. Burgon
Interim Chief Financial Officer

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

In connection with the Annual Report of SWK Holdings Corporation (the "Registrant") on Form 10-K for the annual period ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John F. Nemelka, Interim Chief Executive Officer of the Registrant, certify, in accordance with Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, that to the best of my knowledge:

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

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

Dated: March 29, 2011

/s/ John F. Nemelka

John F. Nemelka
Interim Chief Executive Officer

A signed original of this written statement required by Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.

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

In connection with the Annual Report of SWK Holdings Corporation (the "Registrant") on Form 10-K for the annual period ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul Burgon, Interim Chief Financial Officer of the Registrant, certify, in accordance with Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, that to the best of my knowledge:

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

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

Dated: March 29, 2011

/s/ Paul V. Burgon

Paul V. Burgon
Interim Chief Financial Officer and Secretary

A signed original of this written statement required by Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.