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

FORM 10-K

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

FOR THE FISCAL YEAR ENDED December 31, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSITION PERIOD FROM __________TO __________.

Commission File Number 001-37721

(Exact name of registrant as specified in its charter)

Delaware	**95-4405754**
(State or other jurisdiction of incorporation organization)	(I.R.S. Employer Identification No.)
767 Third Avenue, 6th Floor New York, NY	**10017**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(332) 236-8500**

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock	**ACTG**	**The Nasdaq Stock Market LLC**

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

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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 filing requirements for the past 90 days. Yes ☒ No ☐

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

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

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

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

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

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

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

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

The aggregate market value of the registrant's voting and non-voting common stock held by non-affiliates of the registrant on June 30, 2022, the last business day of the registrant's most recently completed second fiscal quarter, computed by reference to the last sale price of the registrant's common stock as reported by The Nasdaq Global Select Market on such date, was approximately $200,589,000. This computation assumes that all executive officers and directors are affiliates of the registrant. Such assumption should not be deemed conclusive for any other purpose.

As of March 13, 2023, 58,569,131 shares of common stock were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement on Schedule 14A for its 2023 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K. Such Definitive Proxy Statement will be filed with the Commission within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K. Only those portions of the proxy statement that are specifically incorporated by reference herein shall constitute a part of this Annual Report on Form 10-K.

ACACIA RESEARCH CORPORATION
ANNUAL REPORT ON FORM 10-K
YEAR ENDED DECEMBER 31, 2022
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PART I

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the federal securities laws. To the extent that statements in this Annual Report on Form 10-K are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. These forward-looking statements are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Throughout this Annual Report on Form 10-K, we have attempted to identify forward-looking statements by using words such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecasts,” “goal,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” or other forms of these words or similar words or expressions or the negative thereof, although not all forward-looking statements contain these terms. Forward-looking statements include statements regarding, among other things, our business, operating, development, investment and finance strategies, our relationship with Starboard Value LP, the Recapitalization (as defined below), acquisition and development activities, financial results of our acquired businesses, intellectual property, licensing and enforcement activities, other related business activities, capital expenditures, earnings, litigation, regulatory matters, markets for our services, liquidity and capital resources and accounting matters. Forward-looking statements are subject to substantial risks and uncertainties that could cause our future business, financial condition, results of operations or performance to differ materially from our historical results or those expressed or implied in any forward-looking statement contained herein. All of our forward-looking statements include assumptions underlying or relating to such statements and are subject to numerous factors that present considerable risks and uncertainties, including, without limitation:

- Costs related to acquiring additional operating businesses and intellectual property;
- Any inability to retain employees and management teams of our operating businesses;
- Any inability to successfully run our platform and integrate our operating businesses;
- Facts that are not revealed in the due diligence process in connection with new acquisitions;
- Any determination that we may be deemed to be an investment company under the Investment Company Act of 1940, as amended;
- Disruptions or uncertainty caused by changes to the Company’s management team and board of directors;
- Disruptions, delays caused by outsourcing services to third-party service providers;
- Changes in legislation, regulations, and rules associated with patent and tax law;
- Cybersecurity incidents, including cyberattacks, breaches of security and unauthorized access to or disclosure of confidential information;
- Delays in, or any failure to complete, the Recapitalization;
- Fluctuations in patent-related legal expenses;
- Findings by any relevant patent office that our patents are invalid or unenforceable;
- Our ability to retain legal counsel in connection with enforcement of our intellectual property;
- Delays in successful prosecution, enforcement, and licensing of our patent portfolio;
- Any inability of our operating businesses to protect their intellectual property;
- Any inability of our operating businesses to develop new products and enhance existing products;
- The loss of any Printronix major customers that generates a large portion of its revenue;
- Any supply chain interruption or inability to manage inventory levels of our operating businesses;
- Printronix’s inability to perform satisfactorily under service contracts; and
- Events that are outside of our control, such as political conditions and unrest in international markets, terrorist attacks, malicious human acts, hurricanes and other natural disasters, pandemics, including the COVID-19 pandemic, and other similar events.

We have based our forward-looking statements on management’s current expectations and projections about trends affecting our business and industry and other future events. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. For additional information related to the risks and uncertainties that may cause actual results to differ materially from those expressed or implied in the forward-looking statements, refer to “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of

Financial Condition and Results of Operations" herein. In addition, actual results may differ as a result of additional risks and uncertainties of which we are currently unaware or which we do not currently view as material to our business.

The forward-looking statements included herein and the above described risks, uncertainties and other factors speak only as of the date of this Annual Report on Form 10-K, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. Readers are cautioned not to place undue reliance on any forward-looking statement.

ITEM 1. BUSINESS

General

Acacia Research Corporation (the "Company," "we," "us," or "our") is an opportunistic capital platform that purchases businesses based on the differentials between public and private market valuations. We use a wide range of transactional and operational capabilities to realize the intrinsic value in the businesses that we acquire. Our ideal transactions include the acquisition of public or private companies, the acquisition of divisions of other companies, or structured transactions that can result in the recapitalization or restructuring of the ownership of a business to enhance value.

We are particularly attracted to complex situations, where value is not fully recognized in the public markets, where values of certain operations are masked by a diversified business mix, or where private ownership has not invested capital necessary to drive long-term value. We aim to operate a transactional platform through which we can initiate a strategic block position in public companies as a path to complete whole company acquisitions or strategic transactions that unlock value. We believe this business model is differentiated from private equity funds, which do not typically own public securities prior to acquiring companies, hedge funds, which do not typically acquire entire businesses, and other acquisition vehicles such Special Purpose Acquisition Companies, which are narrowly focused on completing one singular, defining acquisition.

Our focus is companies with market values in the sub-$2 billion range and particularly on businesses valued at $1 billion or less. We are, however, opportunistic, and may pursue acquisitions that are larger under the right circumstance.

We believe the Company has the potential to develop advantaged opportunities due to its:

- disciplined focus on identifying opportunities where the Company can be an advantaged buyer, initiate a transaction opportunity spontaneously, avoid a traditional sale process and complete the purchase of a business, division or other asset at an attractive price;
- willingness to invest across industries and in off-the-run, often misunderstood assets that suffer from a complexity discount;
- relationships and partnership abilities across functions and sectors; and
- strong expertise in corporate governance and operational transformation.

Our long-term focus positions our businesses to navigate difficult cycles and allows sellers and other counterparties to have confidence that a transaction is not dependent on achieving the types of performance hurdles demanded by private equity sponsors. We consider opportunities based on the attractiveness of the underlying cash flows, without regard to a specific fund life or investment horizon. Further, as a publicly traded company, we can offer sellers or employees straightforward equity participation in the ongoing business.

Currently, we are a principal in the licensing and enforcement of patent portfolios, with our operating subsidiaries obtaining the rights in the patent portfolio or purchasing the patent portfolio outright through our Patent Licensing, Enforcement and Technologies Business. We own and operate a leading manufacturer and distributor of industrial impact printers, also known as line matrix printers, and related consumables and services through our Industrial Operations Business, and we continue to monetize assets from our Life Sciences Portfolio (as defined below).

People, Process and Performance

Our investment platform is built on the principles of People, Process and Performance. We have built a management team with demonstrated expertise in Research, Transactions and Execution, and Operations and Management of our targeted acquisitions. We believe our priorities and skills underpin a compelling value proposition for operating businesses, partners and future acquisition targets, including:

- the flexibility to consummate transactions using financing structures suited to the opportunity and involving third-party transaction structuring as needed;

- the ability to deliver ongoing financial and strategic support; and

- the financial capacity to maintain a long-term outlook and remain committed to a multi-year business plan.

Relationship with Starboard Value, LP

Our strategic relationship with Starboard Value, LP ("Starboard") provides us access to industry expertise, and operating partners and industry experts to evaluate potential acquisition opportunities and enhance the oversight and value creation of such businesses once acquired. Starboard has provided, and we expect will continue to provide, ready access to its extensive network of industry executives and, as part of our relationship, Starboard has assisted, and we expect will continue to assist, with sourcing and evaluating appropriate acquisition opportunities.

Recapitalization

On October 30, 2022, the Company entered into a Recapitalization Agreement (the "Recapitalization Agreement") with Starboard and certain funds and accounts affiliated with, or managed by, Starboard (collectively, the "Investors"), pursuant to which, among other things, the Company and Starboard agreed to enter into a series of transactions (the "Recapitalization") to restructure Starboard's existing investments in the Company in order to simplify the Company's capital structure. Under the Recapitalization Agreement, the Company and Starboard agreed to take certain actions in connection with the Recapitalization. For a detailed description of the Recapitalization and the actions taken and contemplated to be taken in connection therewith, see Note 8 to the consolidated financial statements and to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information.

Core Corporate Development and Investment Approach

Going forward, we plan to continue focusing on creating transactions where we are able to acquire operating businesses and strategic assets that we believe are undervalued. Our expertise in, and experience with, complex situations enables us to discover and structure opportunities that are attractive for our shareholders and the leadership of the businesses we purchase. We utilize our capabilities across Research, Transactions and Execution, and Operations and Management to drive the discovery, investment, acquisition and integration of such target opportunities.

Research

Through our Research platform we identify companies, both public and private, at an appreciable discount to intrinsic value. We have a broad mandate, with a particular interest in businesses operating in mature technology, industrial, healthcare and certain financial services sectors.

We believe attractive opportunities will continue to present themselves as publicly owned businesses can be misunderstood due to strategic misalignment such as an incompatible business mix or misdirected capital allocation strategy. We also see opportunities as large corporate owners seek to divest non-core operations. Overall, our acquisition pipeline is robust, and is a product of our public market research expertise, as well as our private market sourcing process.

The success of our strategy depends on our ability to properly identify acquisition candidates. Our approach often involves the concept of "applied investment banking", whereby we can leverage our ability to understand complex situations,

identify a path to value creation through deal structuring, and invest capital to drive such outcomes. Identifying these situations involves:

- engaging in a substantial amount of detailed fundamental research, both internally and in conjunction with third-parties;
- critically evaluating management teams;
- identifying and assessing financial and operational strengths and weaknesses absolutely and relative to industry competitors;
- researching and evaluating relevant industry information; and
- thoughtfully negotiating acquisition terms and conditions.

Transactions and Execution

Once we identify a favorable opportunity, we may purchase a strategic block of shares in the target company, if publicly traded. From that point, the process of consummating a transaction or acquisition can be time-consuming and complex, taking months if not a year or longer to complete.

During that time we will continue to leverage our management team's experience and expertise in researching and valuing prospective target businesses, as well as negotiating the ultimate acquisition of such target businesses. We will also leverage the extensive networks of our operating partners, who are essential partners in identifying and executing acquisitions and managing for value creation.

We also regularly review our portfolio for opportunities to build long-term shareholder value, which may result in the divestiture of certain businesses over time.

Operations and Management

Our operational strategy involves identifying critical operating management either within the businesses or divisions we acquire or from our extensive executive network. We support the management teams of each of our acquired businesses by, among other things:

- financing internal growth strategies;
- supporting attractive external growth and acquisition opportunities;
- providing resources to assist management in controlling overhead costs and leveraging platform-wide resources;
- implementing operational efficiencies; and
- sharing best practices across our portfolio companies.

Equity Securities Portfolio Investment

As an example of our opportunistic approach and flexibility, in early 2020, our research into the potential acquisition of a life science company led to the discovery of the "Life Sciences Portfolio", a portfolio of life science investments available for purchase at a substantial discount to realizable asset value. We negotiated an exclusive option to acquire the portfolio in April 2020, during a period of substantial uncertainty in the public markets in the early phase of the COVID-19 pandemic. In June 2020, we consummated the acquisition of the Link Equity Income Fund, a portfolio of investments in 18 public and private life sciences companies. That purchase was funded with a combination of available cash and capital from Starboard, for a total of approximately $282.0 million at the time of acquisition. Since the closing, equity markets have recovered, we sold a substantial number of these positions, and importantly, two of the private company holdings completed successful initial public offerings, which enabled us to realize gains. Through the end of 2022, we received proceeds of $504.3 million as we monetized the Life Sciences portfolio. We retained an investment in the Life Sciences Portfolio valued at $68.4 million at December 31, 2022. Refer to Note 3 to the consolidated financial statements elsewhere

herein for additional information and to Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for additional information for the applicable periods presented.

Our Operations

Intellectual Property Operations - Patent Licensing, Enforcement and Technologies Business

We invest in intellectual property ("IP") and engage in the licensing and enforcement of patented technologies. Through our Patent Licensing, Enforcement and Technologies Business we are a principal in the licensing and enforcement of patent portfolios, with our operating subsidiaries obtaining the rights in the patent portfolio or purchasing the patent portfolio outright. While we, from time to time, partner with inventors and patent owners, from small entities to large corporations, we assume all responsibility for advancing operational expenses while pursuing a patent licensing and enforcement program. When applicable we share net licensing revenue with our patent partners as that program matures, on a pre-arranged and negotiated basis. We may also provide upfront capital to patent owners as an advance against future licensing revenue.

While that business saw activity slow significantly in 2018 and early 2019, beginning in late 2019, we began to commit modest amounts of capital to acquiring new portfolios, and have since successfully acquired the rights to five noteworthy new patent portfolios for aggregate consideration of approximately $46.9 million from 2019 to 2022.

Currently, on a consolidated basis, our operating subsidiaries own or control the rights to multiple patent portfolios, which include U.S. patents and certain foreign counterparts, covering technologies used in a variety of industries. We generate revenues and related cash flows from the granting of IP rights for the use of patented technologies that our operating subsidiaries control or own.

We have established a proven track record of licensing and enforcement success with over 1,600 license agreements executed to date as of December 31, 2022, across nearly 200 patent portfolio licensing and enforcement programs. As of December 31, 2022, we have generated gross licensing revenue of approximately $1.7 billion, and have returned $849.2 million to our patent partners.

Refer to Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for additional information concerning our Patent Licensing, Enforcement and Technologies business.

Industrial Operations Business

In October 2021, we consummated our first operating company acquisition of Printronix Holding Corp. (“Printronix”). Printronix is a leading manufacturer and distributor of industrial impact printers, also known as line matrix printers, and related consumables and services. Printers consist of hardware and embedded software and may be sold with maintenance service agreements, which are serviced by outside contractors. Printronix’s line matrix printers are used for mission critical applications within these industries, including labeling and inventory management, build sheets, invoicing, manifests and bills of lading, and reporting. In China, India and other developing countries in Asia and Africa, our printers are also prevalent in the banking and government sectors. Printronix has manufacturing, configuration and/or distribution sites located in Malaysia, the United States, Singapore, China and the Netherlands, along with sales and support locations around the world to support its global network of users, channel partners, and strategic alliances. Consumable products include inked ribbons which are used within Printronix's printers. Printronix’s products are primarily sold through Printronix’s global network of channel partners, such as dealers and distributors, to end-users. This acquisition was made at what we believe to be an attractive purchase price, and we are now supporting existing management in its execution of strategic partnerships to generate growth.

Refer to Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for additional Industrial Operations information.

Competition

We face intense competition in identifying, evaluating and executing strategic acquisitions from other entities having a business objective similar to ours, including private equity groups and operating businesses seeking strategic acquisitions. We compete with financial firms, corporate buyers and others investing in strategic opportunities. Many of these competitors may have greater financial and human capital resources than we have. Additionally, our Patent Licensing,

Enforcement and Technologies Business faces intense competition in identifying, evaluating and executing strategic acquisitions from other entities having similar business objectives. We compete with financial firms, corporate buyers and others investing in strategic opportunities and acquiring IP. Additionally, universities and other technology sources compete against us as they seek to develop and commercialize technologies and may receive financing for basic research in exchange for the exclusive right to commercialize resulting inventions. Many of these competitors may have greater financial and human capital resources than we have. We may find more companies entering the market for similar technology opportunities, which may reduce our market share in one or more technology industries that we currently or in the future may rely upon to generate future revenue.

Information Security

We are highly dependent on information technology networks and systems to securely process, transmit and store electronic information. Attacks on information technology systems continue to grow in frequency, complexity and sophistication. Such attacks have become a point of focus for individuals, businesses and governmental entities. These attacks can create system disruptions, shutdowns or unauthorized disclosure of confidential information, including non-public personal information, consumer data and proprietary business information.

We remain focused on making strategic investments in information security to protect the clients and information systems of our operating subsidiaries and unconsolidated affiliates. This includes both capital expenditures and operating expenses on hardware, software, personnel and consulting services. As the primary products and services of our operating subsidiaries and unconsolidated affiliates evolve, we apply a comprehensive approach to the mitigation of identified security risks. We have established risk management policies, including those related to information security and cybersecurity, designed to monitor and mitigate information security related risks.

Human Capital

As of December 31, 2022, on a consolidated basis, we had 263 full-time employees and six contractors. We believe we have good relations with our employees. As of December 31, 2022, our parent company had 14 full-time employees and two contractors, our Intellectual Property Operations business had eight full-time employees and no contractors and our Industrial Operations had 241 full-time employees and four contractors.

Additionally, we have a strategic relationship with Starboard that has provided, and we expect will continue to provide, us access to industry expertise and operating partners and industry experts to evaluate potential acquisition opportunities and enhance the oversight and value creation of such businesses once acquired. Starboard has provided, and we expect will continue to provide, ready access to its extensive network of industry executives and, as part of our relationship, Starboard has assisted, and we expect will continue to assist with sourcing and evaluating appropriate acquisition opportunities.

Where You Can Find Additional Information

For further details of the development of our business, refer to our Annual Report on Form 10-K for the year ended December 31, 2022. Our website address is www.acaciaresearch.com. The information on our website is not part of this Annual Report on Form 10-K and is not incorporated herein by reference.

ITEM 1A. RISK FACTORS

Our short and long-term success is subject to numerous risks and uncertainties, many of which involve factors that are difficult to predict or beyond our control. As a result, an investment in our common stock involves risks. Our stockholders should carefully consider the risks described below, together with all of the other information included in this Annual Report, as well as in our other filings with the Securities and Exchange Commission (the "SEC"), in evaluating our business. If any of these risks are realized, our business, financial condition, results of operations, and prospects could be materially adversely affected, and the trading price of our common stock may decline significantly. Furthermore, additional risks and uncertainties of which we are currently unaware, or which we currently consider to be immaterial, could have a material adverse effect on our business. Certain statements below constitute "forward-looking statements," which are subject to numerous risks and uncertainties, including those described in this section. For additional information, refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements" within this Annual Report.

Risks Related to Our Business, Business Strategy, and Platform

We intend to grow our company by acquiring additional operating businesses and intellectual property assets which may not occur, and any acquisitions that we complete will be costly and could negatively affect our results of operations, and dilute our stockholders' ownership, or cause us to incur significant expense, and we may not realize the expected benefits of our operating businesses because of difficulties related to integration.

We intend to grow our company by acquiring additional operating businesses and intellectual property assets. A significant portion of growth and success will be dependent on identifying and acquiring operating companies and intellectual property at attractive prices to realize their intrinsic value. However, there can be no assurance that we will identify attractive acquisition targets, that acquisition opportunities we identify will be available on acceptable terms or at attractive prices, or that we will be able to obtain necessary financing or regulatory approvals to complete any acquisitions.

Further, the success of any acquisition depends on, among other things, our ability to combine our business with the acquired business in a manner that does not materially disrupt existing relationships and allows us to achieve development and operational synergies.

Acquisitions involve numerous risks and uncertainties, including:

- difficulties in integrating and managing the combined operations, technology platforms, or offerings of any business we acquire, and realizing the anticipated economic, operational and other benefits of the acquisition in a timely manner, which could result in substantial costs and delays;
- failure to execute on the intended strategy and synergies;
- failure of the acquired operating businesses to achieve anticipated revenue, earnings, or cash flow;
- diversion of our management's attention or other resources from our existing business;
- higher-than-expected earn-out payments, unforeseen transaction-related costs or delays or other circumstances such as disputes with or the loss of key or other personnel from acquired businesses;
- our inability to maintain the key customers, business relationships, suppliers, and brand potential of acquired operating businesses;
- uncertainty of entry into businesses or geographies in which we have limited or no prior experience or in which competitors have stronger positions;
- unanticipated costs associated with pursuing acquisitions or greater than expected costs in integrating the acquired businesses;
- responsibility for the liabilities of acquired businesses, including those that were not disclosed to us or exceed our estimates, such as liabilities arising out of the failure to maintain effective privacy, data protection and cybersecurity controls, and liabilities arising out of the failure to comply with applicable laws and regulations, including tax laws;
- difficulties in or costs associated with assigning or transferring to us the acquired operating business' intellectual property or its licenses to third-party intellectual property;
- inability to maintain our culture and values, ethical standards, controls, procedures, and policies;
- challenges in integrating the workforce of acquired companies and the potential loss of key employees of the acquired companies;
- challenges in integrating and auditing the financial statements of acquired companies that have not historically prepared financial statements in accordance with Generally Accepted Accounting Principles; and

- potential accounting charges to the extent goodwill and intangible assets recorded in connection with an acquisition, such as trademarks, customer relationships, or intellectual property, are later determined to be impaired and written down in value.

It is possible that the integration process of our acquired businesses could result in the loss of key employees; the disruption of our ongoing business or the ongoing business of the acquired operating businesses; or inconsistencies in standards, controls, procedures or policies that could adversely affect our ability to maintain relationships with third parties and employees or to achieve the anticipated benefits of the acquisition. Integration efforts between us and the acquired businesses will also require our management's significant attention from other opportunities that could have been beneficial to our stockholders. An inability to realize the full extent of, or any of, the anticipated benefits of any acquisition, as well as any delays encountered in the integration process, could have an adverse effect on our business and results of operations, which may affect the value of the shares of our common stock after the completion of our acquisitions. If we are unable to achieve these objectives, the anticipated benefits of the acquisition may not be realized fully or at all or may take longer to realize than expected. In particular, our acquisitions may not be accretive to our stock value in the near or long term.

In addition, we may issue shares of our common stock or other equity securities in connection with future acquisitions of businesses and technologies. Any such issuances of shares of our common stock could result in material dilution to our existing stockholders.

We expect to incur additional costs integrating the operations of any operating business and utilizing any intellectual property assets we acquire, as we incur higher development and regulatory costs, as the case may be, and must hire relevant personnel. If the total costs of the integration or utilization of our businesses or assets exceed the anticipated benefits of the acquisition, our financial results could be adversely affected.

Accordingly, we may not succeed in addressing the risks associated with our acquisition of Printronix or any other operating business we acquire in the future. The inability to integrate successfully, or in a timely fashion, the business, technologies, products, personnel, or operations of any acquired business or utilization of any assets, could have a material adverse effect on our business, results of operations, and financial condition.

Our platform's success is dependent on our ability to attract and retain employees and management teams of our operating businesses, the loss of any of whom could materially adversely affect our financial condition, business and results of operations.

Our platform's business model requires qualified and competent professionals and management teams to identify and develop advantaged opportunities and to direct day-to-day activities of our operating businesses, as the case may be. Accordingly, recruiting and retaining qualified personnel is important to our platform and our operating businesses' operations. Additionally, although our operating businesses have adequate personnel for the current business environment, unpredictable increases in demand for goods and services may exacerbate the risk of not having sufficient numbers of trained or qualified personnel, which could have a negative impact on our results of operations, financial condition and liquidity.

Our operating businesses also need qualified and competent personnel to execute their business plans and serve their customers, suppliers and other stakeholders. In order to compete, we must attract, retain, and motivate both executives and other key employees, and our failure to do so could harm our financial performance. Hiring and retaining qualified executives, engineers, technical staff, sales, marketing and support positions are and will be critical to businesses, and competition for experienced employees in the industries of our operating businesses can be intense.

To help attract, retain, and motivate qualified employees, we must offer a competitive compensation package, including cash, cash-based incentive awards and share-based incentive awards, such as restricted stock units. Because our cash-based and share-based incentive awards are dependent upon the performance conditions relating to our performance and the performance of the price our common stock, the future value of such awards are uncertain. If the anticipated value of such incentive awards does not materialize, or if the total compensation package ceases to be viewed as competitive, our ability to attract, retain, and motivate employees could be weakened, which could harm our results of operations.

Our success will further substantially depend on our ability to attract and retain key members of our management team and officers. If we lose one or more of these key employees, our results of operations, and in turn, the value of our common stock could be materially adversely affected. Although we may enter into employment agreements with our officers, there

can be no assurance that the entire term of any employment agreement will be served or that any employment agreement will be renewed upon expiration.

The success of our platform and the integration of our operating businesses is dependent on our relationship with Starboard.

Our strategic relationship with Starboard has provided, and we expect will continue to provide, us access to industry expertise, and operating partners and industry experts to evaluate potential acquisition opportunities and enhance the oversight and value creation of businesses we acquire. As part of our relationship, Starboard has assisted, and is expected to continue assisting, us with sourcing and evaluating appropriate acquisition opportunities. If we or Starboard were to discontinue this relationship, we may not be able to continue to adequately source acquisition opportunities.

Additionally, the success of our platform depends on the continued availability of, and our access to, Starboard's industry expertise and operating partners and industry experts. We do not have employment agreements with these individuals who are independent of Starboard and Starboard's key personnel. If these individuals do not maintain their existing relationships with Starboard and its affiliates, we may not be able to identify appropriate replacements in order to continue to adequately source acquisition opportunities or manage our existing operating businesses.

The due diligence process we undertake in connection with new acquisitions of operating businesses or intellectual property assets may not reveal all material facts.

Before making acquisitions, we conduct due diligence that we deem reasonable and appropriate based on the facts and applicable circumstances. When conducting due diligence, we may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisers, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of business and transaction. Nevertheless, when conducting due diligence and making an assessment regarding an acquisition, we rely on the resources available to us, including information provided by the target of the transaction and, in some circumstances, third party investigations. The due diligence investigation that we carry out with respect to any opportunity may not reveal or highlight all relevant facts (including fraud) that may be necessary or helpful in evaluating such opportunity. Moreover, such an investigation will not necessarily result in the acquisition being successful. If we do not discover all material facts during due diligence, we may fail to integrate our operating businesses and execute our strategic goals, which may impact our financial performance.

Our acquisition strategy may include acquisitions of privately held companies, which provide more limited information, may be dependent on the talents and efforts of only a few key portfolio company personnel, and have greater vulnerability to economic downturns when compared to public company targets.

From time to time, we acquire, and may acquire, privately held companies. Generally, little public information exists about these companies, and we are required to rely on diligence efforts to obtain adequate information to evaluate the potential returns from investing in these companies. These companies and their financial information are not subject to the Sarbanes-Oxley Act of 2002 and other rules that govern public companies. If we are unable to uncover all material information about these companies, we may not make a fully informed decision, and we may lose money on our acquisition.

If, in the future, we cease to control and operate our operating businesses, we may be deemed to be an investment company under the Investment Company Act of 1940, as amended.

From time to time, we have made, and we may continue to make, investments in businesses that we will not operate or control. If we make significant investments in businesses we do not operate or control, or cease to operate and control our operating businesses, we may be deemed to be an investment company under the Investment Company Act of 1940, as amended (the "Investment Company Act"). If we were deemed to be an investment company, we would have to register as an investment company under the Investment Company Act, obtain exemptive relief from the SEC, or modify our investments or organizational structure or our contract rights to fall outside the definition of an investment company.

Registered investment companies are subject to extensive, restrictive and potentially adverse regulations that impose, among other things, (i) limitations on capital structure, including the incurrence of indebtedness or the issuance of senior securities; (ii) restrictions on specified investments; (iii) prohibitions on transactions with affiliates; and (iv) compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly change our

operations. Registered investment companies are not permitted to operate their business in the manner in which we currently operate and plan to operate our business in the future.

We plan to monitor the value of our investments and structure our operations and transactions to qualify for exclusions under the Investment Company Act or to remain outside of the definition of an investment company. Accordingly, we may structure transactions in a less advantageous manner than if we did not have Investment Company Act concerns, or we may avoid otherwise economically desirable transactions due to those concerns. In addition, adverse developments with respect to our ownership of our operating subsidiaries, including significant appreciation or depreciation in the market value of certain of our publicly traded holdings, could result in our inadvertently becoming an investment company. If it were established that we were required to register as an investment company and failed to do so, there would be a risk, among other material adverse consequences, that we could become subject to monetary penalties or injunctive relief, or both, in an action brought by the SEC and that we would be prohibited from engaging in our business activities. In addition, any contracts that we entered into during the period in which we were deemed to be operating as an unregistered investment company would be unenforceable unless a court were to require enforcement, and a court could appoint a receiver to take control of us and liquidate our business. Our being deemed to be required to register as an investment company could also be an event of default under the terms of Notes that we have issued or may issue in the future or other material contracts.

Recent changes in the Company’s management team and board of directors, as well as ongoing arbitration related to the Company's former Chief Executive Officer, may be disruptive to, or cause uncertainty in, the Company's business, results of operations and the price of the Company’s common stock.

On September 9, 2021, the Company accepted the resignation of Alfred V. Tobia, Jr., President and Chief Investment Officer and a member of the Board of Directors of the Company (the "Board"). Mr. Tobia resigned from serving as an officer and director of the Board following his disclosure to the Company of trading in the securities of the Company and certain investments of the Company by a member of Mr. Tobia’s family.

On March 10, 2022, Martin D. McNulty Jr. joined the Company as Chief Operating Officer and Head of M&A and Wesley L. Golby was appointed to serve as Chief Investment Officer of Acacia.

In connection with the entry into the Recapitalization Agreement, on October 30, 2022, Gavin Molinelli, Partner and Portfolio Manager at Starboard was appointed as Chair of the Board to serve until the Company’s 2023 annual meeting of stockholders and until his successor is duly elected and qualified.

Effective November 1, 2022, Clifford Press resigned as the Chief Executive Officer and President of the Company, and as a member of the Board. In November 2022, the Board initiated an internal investigation into the potential misconduct of Mr. Press. The investigation, which was conducted by independent legal counsel under the direction of the Audit Committee of the Board (the “Audit Committee”) and has been completed. The investigation confirmed Mr. Press provided inaccurate information regarding certain corporate expenses and misused corporate funds for personal use, including travel and entertainment expenses. The investigation also confirmed that Mr. Press failed to follow the Board’s directive in relation to a material contract and misrepresented to the Board and his fellow Board members that he had complied with the Board’s directive. The Company has filed an arbitration demand against Mr. Press seeking restitution and other remedies for the benefit of the Company’s shareholders.

Effective November 1, 2022, Martin D. McNulty Jr., the Company’s current Chief Operating Officer and Head of M&A, was appointed interim Chief Executive Officer of the Company and will serve as the Principal Executive Officer of the Company. The Board intends to commence a search for a permanent successor.

Under the terms of the Recapitalization Agreement, (i) following the Closing (as defined below and in Note 8 to the accompanying consolidated financial statements) and until May 12, 2026, the maximum size of the Board will be increased to ten members, and (ii) effective as of the later of the Closing and the date on which none of the Notes (as defined in Note 8 to the accompanying consolidated financial statements) remain outstanding, the Governance Agreement (defined below) will be automatically terminated.

Effective November 28, 2022, Mr. Golby mutually agreed with the Company to resign from his position as the Company’s Chief Investment Officer.

On January 3, 2023, Richard Rosenstein tendered his resignation as the Chief Financial Officer, effective as of January 27, 2023 to pursue another professional opportunity.

Effective January 28, 2023, Kirsten Hoover, the Company's Corporate Controller, was appointed as interim Chief Financial Officer of the Company. The Board intends to commence a search for a permanent successor.

Past or future changes in the Company's management team and to the Board, as well as the ongoing arbitration related to Mr. Press, may be disruptive to, or cause uncertainty in, the Company's business, and any additional changes to the management team or the Board could have a negative impact on the Company's ability to manage and grow its business effectively. Any such disruption or uncertainty or difficulty in efficiently and effectively filling key roles could have a negative impact on the Company's results of operations and the price of the Company's common stock.

Both we and our operating businesses outsource a number of services to third-party service providers, which are subject to disruptions, delays, and decrease in our control, which could adversely impact our results of operations.

Both we and our operating businesses outsource a number of services, including certain hosted software applications for confidential data storage and "cloud computing" technology for such storage to domestic and overseas third-party service providers. While outsourcing arrangements may lower our cost of operations, they also reduce our direct control over the services rendered. It is uncertain what effect such diminished control will have on the quality or quantity of products delivered or services rendered, on our ability to quickly respond to changing market conditions, or on our ability to ensure compliance with all applicable domestic and foreign laws and regulations.

In addition, many of these outsourced service providers, including certain hosted software applications that we use for confidential data storage, employ "cloud computing" technology for such storage. These providers' cloud computing systems may be susceptible to "cyber incidents," such as intentional cyber-attacks aimed at theft of sensitive data or inadvertent cyber-security compromises that are outside of our control. If we do not effectively develop and manage our outsourcing strategies, if our third-party service providers do not perform as anticipated or do not adequately protect our data from cyber-related security breaches, or if there are delays or difficulties in enhancing business processes, we may experience operational difficulties (such as limitations on our ability to ship products), increased costs, service interruptions or delays, loss of intellectual property rights or other sensitive data, quality and compliance issues, and challenges in managing our product inventory or recording and reporting financial and management information, any of which could materially and adversely affect our business, financial condition and results of operations.

We may be limited in our ability to use our net operating losses and certain other tax attributes.

Our ability to use our federal and state net operating losses to offset potential future taxable income and related income taxes that would otherwise be due is dependent upon our generation of future taxable income before the expiration dates of the net operating losses, and we cannot predict with certainty when, or whether, we will generate sufficient taxable income to use all or any portion of our net operating losses. In addition, utilization of net operating losses to offset potential future taxable income and related income taxes that would otherwise be due is subject to annual limitations under the "ownership change" provisions of Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the "Code"), and similar state provisions, which may result in the expiration of net operating losses before future utilization. In general, under the Code, if a corporation undergoes an "ownership change," generally defined as a greater than 50% change (by value) in its equity ownership over a three-year period, the corporation's ability to use its pre-change net operating losses and other pre-change tax attributes (such as research and development credit carryforwards) to offset its post-change taxable income or taxes may be limited. Changes in our stock ownership, some of which may be outside of our control, could in the future result in an ownership change. Although we have adopted a provision in our certificate of incorporation designed to discourage investors from acquiring ownership of our common stock in a manner that could trigger a Code Section 382 ownership change, and we have completed studies to provide reasonable assurance that a Code Section 382 ownership change limitation has not occurred, we cannot be certain that a taxing authority would reach the same conclusion. If, after a review or audit, a Code Section 382 ownership change limitation were deemed to have occurred, utilization of our domestic net operating losses and tax credit carryforwards could be limited in future periods and a portion of the carryforwards could expire before being available to reduce future income tax liabilities.

Data security and integrity are critically important to our business, and cybersecurity incidents, including cyberattacks, breaches of security, unauthorized access to or disclosure of confidential information, business disruption, or the perception that confidential information is not secure, could result in a material loss of business, regulatory enforcement, substantial legal liability and/or significant harm to their reputation, which could have a material adverse effect on our business, financial condition and results of operations.

Improper access to, misappropriation, destruction or disclosure of confidential, personal or proprietary data could result in significant harm to our reputation or the reputation of us or of any of our operating businesses.

The security and protection of our and their data is one of our top priorities. We and our operating businesses have devoted significant resources to maintain and regularly upgrade the wide array of physical, technical and contractual safeguards that we and they employ to provide security around the collection, storage, use, access and delivery of information we and they possess. We and they have implemented various measures to manage their risks related to system and network security and disruptions, but an actual or perceived security breach, a failure to make adequate disclosures to the public or relevant agencies following any such event or a significant and extended disruption in the functioning of its information technology systems could damage our or one of our operating businesses' reputation and cause us to lose opportunities or them to lose clients, adversely impact our operations, sales and results of operations and require us or them to incur significant expense to address and remediate or otherwise resolve such issues.

Although neither we nor our business have incurred material losses or liabilities to date as a result of any breaches, unauthorized disclosure, loss or corruption of our or their data or inability of their clients to access their systems, such events could result in intellectual property or other confidential information being lost or stolen, including client, employee or business data, disrupt their operations, subject us or them to substantial regulatory and legal proceedings and potential liability and fines, result in a material loss of business and/or significantly harm our or their reputation. If we are unable to efficiently manage the vulnerability of our systems and effectively maintain and upgrade system safeguards, we and they may incur unexpected costs and certain of our or their systems may become more vulnerable to unauthorized access.

Due to concerns regarding data security and integrity, a growing number of legislative and regulatory bodies have adopted breach notification and other requirements in the event that information subject to such laws is accessed by unauthorized persons and additional regulations regarding the use, access, accuracy and security of such data are possible. Complying with such numerous and complex regulations can be expensive and difficult, and failure to comply with these regulations could subject us to regulatory scrutiny and liability. In many jurisdictions, including North America and the European Union, Printronix is subject to laws and regulations relating to the collection, use, retention, security and transfer of this information including the European Union General Data Protection Regulation ("GDPR"). California also enacted legislation, the California Consumer Privacy Act of 2018 ("CCPA") and the related California Privacy Rights Act ("CPRA") that afford California residents expanded privacy protections and a private right of action for security breaches affecting their personal information. These and other similar laws and regulations are frequently changing and are becoming increasingly complex and sometimes conflict among the various jurisdictions and countries in which Printronix provides services both in terms of substance and in terms of enforceability. This makes compliance challenging and expensive. For example, Printronix's failure to adhere to or successfully implement processes in response to changing regulatory requirements in this area could result in legal liability or impairment to our reputation in the marketplace.

If we or they are unable to protect our or their computer systems, software, networks, data and other technology assets it could have a material adverse effect on our or their business, financial condition and results of operations, and ultimately the value of our businesses.

Public health threats such as COVID-19 or other future pandemics could have a material adverse effect on our operations, the operations of our business partners, and the global economy as a whole.

Public health threats and other highly communicable diseases, outbreaks of which have already occurred in various parts of the world, could adversely impact our operations, as well as the operations of our licensees and other business partners. We have taken precautions in the operation of our own business and maintain an up-to-date disaster recovery and business continuity policy as well as have the systems and support to have our workforce work remotely for an indefinite period of time. However, any further spread of the COVID-19 outbreak, or the occurrence of other similar outbreaks or epidemics, could have a material adverse effect on our business, operations and financial results.

Risks Related to the Recapitalization

The transactions contemplated by the Recapitalization Agreement may be delayed or not occur at all for a variety of reasons, which could prevent the Company from achieving the desired capital structure and have other adverse consequences.

Pursuant to the Recapitalization Agreement, and subject to the receipt of stockholder approval at the Company's next annual meeting of stockholders, the Company will cause the Amended and Restated Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock, dated as of January 7, 2020 (the "Certificate of Designations") to be amended and restated in the form attached to the Recapitalization Agreement in order to remove the "4.89% blocker" provision and, on or prior to July 14, 2023, Starboard will convert an aggregate amount of 350,000 shares of our Series A Convertible Preferred Stock Preferred Stock (the "Series A Preferred Stock") into common stock in accordance with the terms of the Certificate of Designations. There is a possibility that our stockholders may not approve the amendment to the Certificate of Designations and therefore the conversion of the Series A Preferred Stock will remain subject to the "4.89% blocker" in accordance with the Certificate of Designations.

The consummation of the Series B Warrant Exercise (as defined in Note 8 to the accompanying consolidated financial statements), pursuant to the Recapitalization Agreement, is subject to certain conditions, which may not be satisfied, including but not limited to: (i) the absence of any law or order prohibiting the consummation of the transaction as contemplated by the Recapitalization Agreement; (ii) the representations and warranties of the Company and Starboard being true and correct, subject to the materiality standards contained in the Recapitalization Agreement; and (iii) the Company and Starboard having complied in all material respects with their respective obligations under the Recapitalization Agreement.

Moreover, both the Company and Starboard have the right to terminate the Recapitalization Agreement under certain circumstances, including if (i) the parties agree to terminate by mutual consent, (ii) a governmental entity issues an order permanently prohibiting the Recapitalization, (iii) there is an uncured breach of the Recapitalization Agreement by the other party that results in a condition to closing not being capable of being satisfied, or (iv) the Closing does not occur on or before July 31, 2023.

Failure to complete the transactions contemplated by the Recapitalization Agreement could adversely affect our business and the market price of our common stock in a number of ways, including: the market price of our common stock may decline to the extent that the current market price reflects an assumption that these transactions will be completed; we have incurred, and will continue to incur, significant expenses for professional services in connection with these transactions for which we will have received little or no benefit if the transactions contemplated by the Recapitalization Agreement are not consummated; and a failure of these transactions to be completed may result in negative publicity and/or give a negative impression of us in the investment community or business community generally.

Upon the completion of the transactions pursuant to the Recapitalization Agreement, Starboard will beneficially own a significant portion of our outstanding common stock, and therefore have significant influence over the outcome of matters subject to stockholder approval, including a change of control, which could make our common stock less attractive to some investors or otherwise harm our stock price.

As a result of the completion of the transactions contemplated by the Recapitalization Agreement, including the issuance of 15,000,000 shares of common stock in the Concurrent Private Rights Offering (as defined herein), 31,506,849 shares of common stock in the Series B Warrants Exercise (as defined herein) and 9,589,042 shares of common stock in the Series A Convertible Preferred Stock conversion, Starboard may hold up to 61.3% of our common stock, representing up to 61.3% of the voting power of our common stock, based on 43,484,867 shares outstanding as of December 31, 2022.

Recognizing Starboard's significant ownership following the conclusion of the transactions contemplated under the Recapitalization Agreement, we agreed to certain governance provisions with Starboard including that for a period from the date of the Recapitalization Agreement until May 12, 2026 (the "Applicable Period"), the Board will include at least two (2) directors that are independent of, and not affiliates (as defined in Rule 144 of the Securities Act as amended) of, Starboard, with current Board members Maureen O'Connell and Isaac T. Kohlberg satisfying this initial condition. We and Starboard also agreed that Katharine Wolanyk will continue to serve as a director of the Company until at least May 12, 2024 (or such earlier date if Ms. Wolanyk is unwilling or unable to serve as a director for any reason or resigns as a director). The Company and Starboard also agreed that, following the closing of the Series B Warrants Exercise (the

“Closing”) until the end of the Applicable Period, the number of directors serving on the Board will not exceed 10 members.

The Recapitalization Agreement also includes a “fair price” provision requiring, in addition to any other stockholder vote required by the Company’s Certificate of Incorporation or Delaware law, the affirmative vote of the holders of a majority of the outstanding voting stock held by stockholders of the Company other than Starboard and its affiliates, by or with whom or on whose behalf, directly or indirectly, a business combination is proposed, in order to approve such a business combination; provided, that the additional majority voting requirement would not be applicable if either (x) the business combination is approved by the Board by the affirmative vote of at least a majority of the directors who are unaffiliated with Starboard or (y) (i) the consideration to be received by stockholders other than Starboard and its affiliates meets certain minimum price conditions, and (ii) the consideration to be received by stockholders other than Starboard and its affiliates is of the same form and kind as the consideration paid by Starboard and its affiliates.

Starboard will have significant influence over matters submitted to our stockholders for approval, including the election of directors, the approval of any merger, consolidation or sale of all or substantially all of our assets, other decisions affecting our capital structure; amendments to our certificate of incorporation or our bylaws; and our winding up and dissolution. This concentration of voting power might delay, defer or prevent a change in control or delay or prevent a merger, consolidation, takeover or other business combination involving us on terms that other stockholders may desire, which, in each case, could adversely affect the market price of our common stock.

Starboard may seek to cause us to take courses of action that, in its judgment, could enhance its investment in us, but which might involve risks to our other stockholders or adversely affect us or our other stockholders. As a result, the market price of our common stock could decline or stockholders might not receive a premium over the then-current market price of our common stock upon a change in control. In addition, this concentration of share ownership may adversely affect the trading price of our common stock because investors may perceive disadvantages in owning shares in a company with significant stockholders.

Upon the completion of the transactions pursuant to the Recapitalization Agreement, we may become a "controlled company" within the meaning of the Nasdaq listing standards and, as a result, may qualify for, and may decide to rely on, exemptions from certain corporate governance requirements. If we decide to rely on those exemptions, our stockholders will not have the same protections afforded to stockholders of companies that are subject to such requirements.

Upon the completion of the transactions pursuant to the Recapitalization Agreement, Starboard may control a majority of the voting power of our outstanding common stock. As a result, we may qualify as a “controlled company” within the meaning of the corporate governance standards of Nasdaq. Under these rules, a listed company of which more than 50% of the voting power is held by an individual, group or another company is a “controlled company” and may avail itself of certain corporate governance exemptions afforded to controlled companies, including the requirements that a majority of the Board consist of independent directors, we have a nominating and corporate governance committee that is composed entirely of independent directors, and we have a compensation committee that is composed entirely of independent directors.

If we become a controlled company upon the completion of the transactions pursuant to the Recapitalization Agreement, we may decide to rely on some or all of these exemptions. Accordingly, if we decide to rely on those exemptions our stockholders will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of Nasdaq.

Risks Related to our Intellectual Property Business and Industry

Our intellectual property business is reliant on the strength of our patent portfolios and is subject to evolving legislation, regulations, and rules associated with patent law.

The success of our intellectual property business is heavily dependent obtaining and enforcing patents. Patent acquisition and enforcement is costly, time-consuming and inherently uncertain. Obtaining and enforcing patents across various industries, including the life science industry, involves a high degree of technological and legal complexity. Our patent rights may be affected by developments or uncertainty in U.S. or foreign patent statutes, patent case law, U.S. Patent and Trademark Office ("USPTO") rules and regulations and the rules and regulations of foreign patent offices. In addition, the United States may, at any time, enact changes to U.S. patent law and regulations, including by legislation, by regulatory

rulemaking, or by judicial precedent, that adversely affect the scope of patent protection available and weaken the rights of patent owners to obtain patents, enforce against patent infringement and obtain injunctions and/or damages. For example, over the past several years, the Court of Appeals for the Federal Circuit and the Supreme Court issued various opinions, and the USPTO modified its guidance for practitioners on multiple occasions, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. Other countries may likewise enact changes to their patent laws in ways that adversely diminish the scope of patent protection and weaken the rights of patent owners to obtain patents, enforce against patent infringement, and obtain injunctions and/or damages. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. We cannot predict the breadth of claims that may be allowed or enforced in our patents or in third-party patents, and whether Congress or other foreign legislative bodies may pass patent reform legislation that is unfavorable to us, which, may in turn, affect the value of our patent assets.

Further, the United States and other governments may, at any time, enact changes to law and regulation that create new avenues for challenging the validity of issued patents. For example, the America Invents Act created new administrative post-grant proceedings, including post-grant review, *inter-partes* review, and derivation proceedings that allow third parties to challenge the validity of issued patents. This applies to all of our U.S. patents, even those issued before March 16, 2013. Because of a lower evidentiary standard in USPTO proceedings compared to the evidentiary standard in U.S. federal courts necessary to invalidate a patent claim, a third party could potentially provide evidence in a USPTO proceeding sufficient for the USPTO to hold a claim invalid even though the same evidence would be insufficient to invalidate the claim if first presented in a district court action. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on decisions by the U.S. Congress, the federal courts, and the USPTO, the laws and regulations governing patents could change in unpredictable ways that could weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future.

Additionally, new rules regarding the burden of proof in patent enforcement actions could significantly increase the cost of our enforcement actions, and new standards or limitations on liability for patent infringement could negatively impact our revenue derived from such enforcement actions. In addition, recent federal court decisions have lowered the threshold for obtaining attorneys' fees in patent infringement cases and increased the level of deference given to a district court's fee-shifting determination. These decisions may make it easier for district courts to shift a prevailing party's attorneys' fees to a non-prevailing party if the district court believes that the case was weak or conducted in an abusive manner. As a result, defendants in patent infringement actions brought by non-practicing entities may elect not to settle because these decisions make it much easier for defendants to get attorneys' fees.

Finally, it is difficult to predict the outcome of patent enforcement litigation at the trial level and outcomes can be unfavorable. It can be difficult to understand complex patented technologies, and as a result, this may lead to a higher rate of unfavorable litigation outcomes. Moreover, in the event of a favorable outcome, there is often a higher rate of successful appeals in patent enforcement litigation than more standard business litigation. Such appeals are expensive and time consuming, resulting in increased costs and a potential for delayed or foregone revenue opportunities in the event of modification or reversal of favorable outcomes. Although we diligently pursue enforcement litigation, we cannot predict with reliability the decisions made by juries and trial courts.

We expect patent-related legal expenses to continue to fluctuate from period to period.

Our patent-related legal expenses may fluctuate based on the factors summarized herein, in connection with future trial dates, international enforcement, strategic patent portfolio prosecution and our current and future patent portfolio investment, prosecution, licensing and enforcement activities. The pursuit of enforcement actions in connection with our licensing and enforcement programs can involve certain risks and uncertainties, including the following:

- Increases in patent-related legal expenses associated with patent infringement litigation, including, but not limited to, increases in costs billed by outside legal counsel for discovery, depositions, economic analyses, damages assessments, expert witnesses and other consultants, re-exam and inter partes review costs, case-related audio/video presentations and other litigation support and administrative costs could increase our operating costs and decrease our profit generating opportunities;

- Our patented technologies and enforcement actions are complex and, as a result, we may be required to appeal adverse decisions by trial courts in order to successfully enforce our patents. Moreover, such appeals may not be successful;

- New legislation, regulations or rules related to enforcement actions, including any fee or cost shifting provisions, could significantly increase our operating costs and decrease our profit generating opportunities. Increased focus on the growing number of patent-related lawsuits may result in legislative changes which increase our costs and related risks of asserting patent enforcement actions;

- Courts may rule that our subsidiaries have violated certain statutory, regulatory, federal, local or governing rules or standards by pursuing such enforcement actions, which may expose us and our operating subsidiaries to material liabilities, which could harm our operating results and our financial position;

- The complexity of negotiations and potential magnitude of exposure for potential infringers associated with higher quality patent portfolios may lead to increased intervals of time between the filing of litigation and potential revenue events (i.e., markman dates, trial dates), which may lead to increased legal expenses, consistent with the higher revenue potential of such portfolios; and

- Fluctuations in overall patent portfolio related enforcement activities, which are impacted by the portfolio intake challenges discussed above that could harm our operating results and our financial position.

Patent litigation is inherently risky because courts may find our patents invalid, not infringed, or unenforceable, and the USPTO, or other relevant patent office, may either invalidate our patents or materially narrow the scope of their claims during the course of a reexamination, opposition or other such proceeding.

Patent litigation is inherently risky and may result in the invalidation of our patents, even if we are the plaintiff in an underlying action. It is difficult to predict the outcome of patent enforcement litigation at any level.

Although we diligently pursue enforcement litigation, we cannot predict with significant reliability the decisions made by juries and trial courts. At the trial level, it is often difficult for juries and trial judges to understand complex, patented technologies, and as a result, there is a higher rate of successful appeals in patent enforcement litigation than more standard business litigation.

The defendant to any case we bring may file as many appeals as allowed by right, including to District Court, the Federal Circuit and the Supreme Court. Such appeals are expensive and time-consuming, and the outcomes of such appeals are sometimes unpredictable, resulting in increased costs and reduced or delayed revenue which could have a material adverse effect on our results of operations and financial condition. These appeals may also result in the invalidation of our patents, which may have an adverse impact on our operations and financial performance.

The enforcement of our intellectual property depends in part upon our ability to retain the best legal counsel in order to achieve favorable outcomes from litigation, and we may become conflicted out of such representation.

The success of our intellectual property business depends in part upon our ability to retain the best legal counsel to coordinate our patent infringement litigation matters. As our intellectual property business evolves, we expect it will become more difficult to find the best legal counsel to handle all of our patent matters due in part to potential conflicts of interest. This is because, from time to time, the counterparties to our litigation matters have previously engaged world class law firms that are specialized to the industries of the patents at issue in such matters. These previous engagements may have, or may in the future, result in these firms being conflicted out of representing us.

In addition, counterparties in our patent litigation matters may devote a substantial amount of resources to avoid or limit a finding that they are liable for infringing on our patents or, in the event liability is found, to avoid or limit the amount of associated damages. There is a risk these counterparties may file *inter-partes* reviews, reexaminations or other proceedings with the USPTO or other government agencies in the United States or abroad in an attempt to invalidate, narrow the scope or render unenforceable the patents we own or control. If this were to occur, it may have a significant negative impact on the operations of our intellectual property business.

The inability to retain the best legal counsel to represent our operating businesses in infringement actions may result in unfavorable or adverse outcomes, which may result in losses, exhaustion of financial resources or other adverse effects which could encumber our ability to effectively operate our business or execute our business strategy. We cannot ensure that any of our current or prospective patent prosecution or litigation matters will result in a favorable outcome for us.

We may experience delays in successful prosecution, enforcement, and licensing of our patent portfolio.

The value of our patent portfolios is dependent upon the issuance of patents in a timely manner. More patent applications are filed each year, resulting in longer delays in getting patents issued by the USPTO. We believe this increase in patent applications has resulted in longer delays in obtaining approval of pending patent applications. If the USPTO experiences reductions in funding, it could have an adverse impact on the cost of processing pending patent applications and the value of those pending patent applications, negatively impacting the value of our patent portfolio pipeline. Further, reductions in funding from Congress could result in higher patent application filing and maintenance fees charged by the USPTO, causing an increase in our expenses. Application delays could cause delays in recognizing revenue from these patents and could cause us to miss opportunities to license patents before other competing technologies are developed or introduced into the market.

After prosecuting our patents, our Intellectual Property business can incur significant general and administrative and legal expense prior to entering into license agreements and generating license revenues. We spend considerable resources educating prospective licensees on the benefits of a license arrangement with us. As such, we may incur significant losses in any particular period before any associated revenue stream begins.

We are frequently engaged in litigation to enforce the terms of our existing license agreements, protect our trade secrets, or determine the validity and scope of the proprietary rights of others. Enforcement proceedings are typically protracted and complex. The costs are typically substantial, and the outcomes are unpredictable. Enforcement actions divert our managerial, technical, legal and financial resources from business operations and there are no assurances that such enforcement actions will result in favorable results for us.

Patent litigation schedules in general, and in particular trial dates, are subject to routine adjustment, and in most cases delay, as courts adjust their calendars or respond to requests from one or more parties. Trial dates often are rescheduled by the court for various reasons that are often unrelated to the underlying patent assets and typically for reasons that are beyond our control. As a result, to the extent such events are an indicator of possible future revenue opportunities for us, or other outcome determinative events, they may and often do change which can result in delay of the expected scheduled event. Any such delay could be significant and could affect the corresponding future revenue opportunities, thus adversely impacting our business, results of operations and financial condition.

Further, federal courts are becoming more crowded, and as a result, patent enforcement litigation is taking longer. Our patent enforcement actions are almost exclusively prosecuted in federal court. Federal trial courts that hear our patent enforcement actions also hear criminal cases. Criminal cases tend to take priority over our actions. As a result, it is difficult to predict the length of time it will take to complete an enforcement action. Moreover, we believe there is a trend in increasing numbers of civil lawsuits and criminal proceedings before federal judges and, as a result, we believe that the risk of delays in our patent enforcement actions will have a greater negative effect on our business in the future unless this trend changes.

Risks Related to our Operating Businesses

Certain of our operating businesses rely, or may rely in the future, on their intellectual property and licenses to use others' intellectual property for competitive advantage. If our operating businesses are unable to protect their intellectual property or obtain or retain licenses to use other's intellectual property, or if they infringe upon or are alleged to have infringed upon others' intellectual property, it could have a material adverse effect on our financial condition, business and results of operations.

Certain of our operating businesses' success depend in part on their, or licenses to use others', brand names, proprietary technology and manufacturing techniques. These businesses rely on a combination of patents, trademarks, copyrights, trade secrets, confidentiality procedures and contractual provisions to protect their intellectual property rights. The steps they have taken to protect their intellectual property rights may not prevent third parties from using their intellectual property and other proprietary information without their authorization or independently developing intellectual property and other

proprietary information that is similar. In addition, the laws of foreign countries may not protect our businesses' intellectual property rights effectively or to the same extent as the laws of the United States.

Stopping unauthorized use of our operating businesses' proprietary information and intellectual property and defending claims that they have made unauthorized use of others' proprietary information or intellectual property, may be difficult, time consuming, and costly. The use of their intellectual property and other proprietary information by others, and the use by others of their intellectual property and proprietary information, could reduce or eliminate any competitive advantage they have developed, cause them to lose sales or otherwise harm their business.

Our operating businesses may become involved in legal proceedings and claims in the future either to protect their intellectual property or to defend allegations that they have infringed upon others' intellectual property rights. These claims and any resulting litigation could subject them to significant liability for damages and invalidate their property rights. In addition, these lawsuits, regardless of their merits, could be time consuming and expensive to resolve and could divert management's time and attention. The costs associated with any of these actions could be substantial and could have a material adverse effect on their financial condition, business, and results of operations.

Certain of our operating businesses' inability to develop new products and enhance existing products to meet customer product requirements on a cost competitive basis may negatively impact our results of operations.

The future results of operations of our operating businesses, including Printronix, may be adversely affected if they are unable to continue to develop, manufacture and market products that are reliable, competitive, and meet customers' needs. The markets for matrix printers, associated supplies and software are aggressively competitive, especially with respect to pricing and the introduction of new technologies and products offering improved features and functionality. In addition, the introduction of any significant new and/or disruptive technology or business model by a competitor that substantially changes the markets into which our operating businesses sell their products or demand for the products they sell could severely impact sales of their products and our results of operations. The impact of competitive activities on the sales volumes or our revenue, or our inability to effectively deal with these competitive issues, could have a material adverse effect on our ability to attract and retain customers and maintain or grow market share. The competitive pressure to develop technology and products and to increase our investment in research and development and marketing expenditures also could cause significant changes in the level of our operating expense.

Certain of our operating businesses are dependent on a limited number of customers to derive a large portion of their revenue, and the loss of one of these customers may adversely affect the financial condition, business and results of operations of these businesses.

Printronix derives a significant amount of revenue from a concentrated number of retailers, distributors, and manufacturers. Any negative change involving these retailers, distributors, and manufacturers, including industry consolidation, store closings, reduction in purchasing levels or bankruptcies, could negatively impact the sales of these businesses and may have a material adverse effect on the results of operations, financial condition and cash flows of these businesses.

Certain of our operating businesses have limited suppliers for key product components and services they rely on and any interruption in supply could impair their ability to make and deliver their signature products, adversely affecting our business, financial condition, and results of operations.

Outsourced providers and component suppliers have played, and will continue to play, a key role in Printronix's manufacturing operations, field installation and support, and many of its transactional and administrative functions, such as information technology, facilities management, and certain elements of our finance organization. These providers and suppliers might suffer financial setbacks, be acquired by third parties, become subject to exclusivity arrangements that preclude further business with us or be unable to meet our requirements or expectation due to their independent business decisions, or force majeure events that could interrupt or impair their continued ability to perform as we expect.

Although our operating businesses may attempt to select reputable providers and suppliers and attempt to secure their performance on terms documented in written contracts, it is possible that one or more of these providers or suppliers could fail to perform as we expect, or fail to secure or protect intellectual property rights, and such failure could have an adverse impact on our business. In some cases, the requirements of our business mandate that we obtain certain components and sub-assemblies included in our products from a single supplier or a limited group of suppliers. Where practical, we endeavor to establish alternative sources to mitigate the risk that the failure of any single provider or supplier will adversely affect our business, but this is not feasible in all circumstances. There is therefore a risk that a prolonged inability to obtain

certain components or secure key services could impair our ability to manage operations, ship products and generate revenues, which could adversely affect our results of operations and damage our customer relationships.

Failure of certain of our operating businesses to manage inventory levels or production capacity may negatively impact our results of operations.

Printronix's financial performance depends in part upon their ability to successfully forecast the timing and extent of customer demand and reseller demand to manage worldwide distribution and inventory levels. Unexpected fluctuations in customer demand or in reseller inventory levels could disrupt ordering patterns and may adversely affect our financial results, inventory levels and cash flows. In addition, the financial failure or loss of a key customer, reseller or supplier could have a material adverse impact on our financial results. We must also address production and supply constraints, including product disruptions caused by quality issues, and delays or disruptions in the supply of key components necessary for production. Such delays, disruptions or shortages may result in lost revenue or in additional costs to meet customer demand. Our future results of operations and ability to effectively grow or maintain market share may be adversely affected if we are unable to address these issues on a timely basis.

Certain of our operating businesses' inability to perform satisfactorily under service contracts for managed print services may negatively impact our financial performance and results of operations.

Printronix continuously seeks to develop new services and products that complement or leverage the underlying design or process technology of its traditional product and service offerings. Printronix makes significant investments in service and product technologies and anticipate expending significant resources for new software-led services and product development over the next several years. There can be no assurance that Printronix's service and product development efforts will be successful, it will be able to cost effectively develop or manufacture these new services and products, or will be able to successfully market these services and products or that margins generated from sales of these services and products will recover costs of development efforts.

Further, Printronix's inability to perform satisfactorily under service contracts for managed print services and other customer services may result in the loss of customers, loss of reputation and/or financial consequences that may have a material adverse impact our financial results and strategy.

Decreased consumption of supplies could negatively impact the results of operations of certain of our operating businesses.

Printronix expects approximately 48.0% of its revenue for its fiscal year ending March 31, 2023 will be derived from the sale of supplies. Our future results of operations may be adversely affected if the consumption of Printronix's supplies by end users of its products is lower than expected or declines, if there are declines in pricing, unfavorable mix and/or increased costs. Further, changes of printing behavior driven by adoption of electronic processes and/or use of mobile devices such as tablets and smart phones by businesses could result in a reduction in printing, which could adversely impact consumption of supplies.

Due to the international nature of certain of our operating businesses, changes in a country's or region's political or economic conditions or other factors could negatively impact the results of operations of certain of our operating businesses.

We expect revenue derived from international sales will comprise approximately 53.3% of Printronix's revenue for its fiscal year ending March 31, 2023. Accordingly, Printronix's future results could be adversely affected by a variety of factors, including changes in a specific country's or region's political or economic conditions; foreign currency exchange rate fluctuations; conflict and war; trade protection measures; local labor regulations; import, export or other licensing requirements; requirements related to making foreign direct investments; and unexpected changes in legal or regulatory requirements. As an example, in addition to indirectly raising transportation costs of the raw materials Printronix uses to manufacture its products, the invasion of Ukraine by Russia in March 2022 required Printronix to adapt its operations and require its customers in the region to pre-pay expenses such that Printronix can avoid accruing accounts receivable. The duration and magnitude of the impacts of Russia's invasion of Ukraine on Printronix's business remain uncertain, and we will continue to monitor the situation and adapt our operations accordingly.

In addition, changes in tax laws and the ability to repatriate cash accumulated outside the United States in a tax efficient manner may adversely affect Printronix's financial results, investment flexibility and operations. Moreover, margins on

international sales tend to be lower than those on domestic sales, and we believe international operations in emerging geographic markets will be less profitable than operations in the U.S. and European markets, in part, because of the higher investment levels for marketing, selling and distribution required to enter these markets.

In many foreign countries, particularly those with developing economies, it is common for local business practices to be prohibited by laws and regulations applicable to Printronix, such as employment laws, fair trade laws or the Foreign Corrupt Practices Act. Although Printronix implements policies and procedures designed to ensure compliance with these laws, our employees, contractors and agents, as well as those business partners to which Printronix outsources certain business operations, may take actions in violation of these policies. Any such violation, even if prohibited by our policies, could have a material adverse effect on our business and reputation. Because of the challenges in managing a geographically dispersed workforce, there also may be additional opportunities for employees to commit fraud or personally engage in practices which violate our policies and procedures.

Risks Related to our Common Stock

Our quarterly performance may be volatile, which in turn may adversely affect the trading price of our common stock.

Due to the nature of our intellectual property business and reliance on our operating businesses on intellectual property, legal expenses associated with acquisitions, uncertainties regarding the amount and timing of our receipt of license and other fees from potential infringers, stemming primarily from uncertainties regarding the outcome of enforcement actions, rates of adoption of our patented technologies, the growth rates of our existing licensees, and certain other factors, our revenues may vary significantly from quarter to quarter and period to period, which could make our business difficult to manage, adversely affect our business and results of operations, and cause our quarterly and periodic results to fall below market expectations. As a result of these factors, quarter-to-quarter comparisons of our financial results, especially in the short term, may have limited utility as an indicator of future performance. Significant variation in our quarterly performance, compounded by the thin trading volume of our common stock, could significantly and adversely affect the trading price of our common stock.

Future sales of our common stock could reduce the market price of our common stock.

In the future, we may issue securities to raise cash for operations and patent portfolio investments, or pay for interests in additional subsidiary companies by using shares of our common stock or a combination of cash and shares of our common stock. We may also issue securities convertible into our common stock. Any of these events may dilute stockholders' ownership interests in our company and have an adverse impact on the price of our common stock.

Sales of a substantial amount of our common stock in the public market, or the perception that these sales may occur, could reduce the market price of our common stock. This could also impair our ability to raise additional capital through the sale of our securities.

Delaware law and our charter documents contain provisions that could discourage or prevent a potential takeover of our company that might otherwise result in our stockholders receiving a premium over the market price of their shares.

Provisions of Delaware law and our certificate of incorporation and bylaws could make the acquisition of our company by means of a tender offer, proxy contest or otherwise, and the removal of incumbent officers and directors, more difficult. These provisions include:

- Section 203 of the Delaware General Corporation Law, which prohibits a merger with a 15%-or-greater stockholder, such as a party that has completed a successful tender offer, until three years after that party became a 15%-or-greater stockholder;

- the authorization in our certificate of incorporation of undesignated preferred stock, which could be issued without stockholder approval in a manner designed to prevent or discourage a takeover; and

- the general restriction in our certificate of incorporation on any direct or indirect transfers of our common stock if the effect would be to (i) increase the direct or indirect ownership of our common stock by any person or group from less than 4.899% to 4.899% or more of our common stock; or (ii) increase the percentage of our common stock owned directly or indirectly by a person or group owning or deemed to own 4.899% or more of our common stock.

Together, these provisions may make the removal of management more difficult and may discourage transactions that could otherwise involve payment of a premium over prevailing market prices for our common stock.

We do not currently intend to pay dividends on our common stock in the foreseeable future, and consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We do not anticipate paying any cash dividends to holders of our common stock in the foreseeable future. Consequently, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments. There is no guarantee that shares of our common stock will appreciate in value or even maintain the price at which our stockholders have purchased their shares.

The issuance of the Starboard Securities (defined below) to Starboard and its permitted transferees dilutes the ownership and relative voting power of holders of our common stock and Starboard's sale of Company securities may adversely affect the market price of our common stock.

Pursuant to a Securities Purchase Agreement with Starboard, dated November 18, 2019, the Company sold to Starboard (i) 350,000 shares of its newly designated Series A Preferred Stock and Series A Warrants to purchase up to 5 million shares of common stock in 2019, and (ii) Series B Warrants to purchase up to 100 million shares of common stock in 2020. The investment by Starboard is referred to herein as the “Starboard Investment,” and the Series A Preferred Stock, Series A Warrants and Series B Warrants are referred to herein as, collectively, the “Starboard Securities.”

The Series A Preferred Stock held by Starboard represents approximately 17.1% of our outstanding common stock on an as-converted basis. Because holders of our Series A Preferred Stock are entitled to vote, on an as-converted basis, together with holders of our common stock on all matters submitted to a vote of the holders of our common stock, the issuance of the Series A Preferred Stock to Starboard effectively reduces the relative voting power of the holders of our common stock.

In addition, the conversion and/or exercise of the Starboard Securities into common stock would dilute the ownership interest of existing holders of our common stock. Furthermore, any sales in the public market of the common stock issuable upon conversion or exercise of the Starboard Securities could adversely affect prevailing market prices of our common stock. On February 14, 2023, we entered into an amended and restated registration rights agreement (the “Registration Rights Agreement”) with Starboard and certain of its affiliates, as contemplated by the Recapitalization Agreement. Pursuant to the Registration Rights Agreement, the Company has agreed to file a registration statement covering the resale of certain shares of our common stock issuable or issued to Starboard and such affiliates pursuant to or in accordance with Section 1.1 of the Recapitalization Agreement, including the shares issued to Starboard in the Concurrent Private Rights Offering (as defined below), within 90 days after a written request made prior to the first anniversary of the Closing Date (as defined in the Registration Rights Agreement). The Registration Rights Agreement also provides Starboard and such affiliates with additional rights to require that the Company file a registration statement in other circumstances. These registrations may facilitate the resale of such securities into the public market, and any such resale would increase the number of shares of our common stock available for public trading. Sales by Starboard of a substantial number of shares of our common stock in the public market, or the perception that such sales might occur, could have a material adverse effect on the price of our common stock.

Our Series A Preferred Stock has rights, preferences and privileges that are not held by, and are preferential to, the rights of, our common stockholders, which could adversely affect our liquidity and financial condition, result in the interests of holders of our Series A Preferred Stock differing from those of our common stockholders and delay or prevent an attempt to take over the Company.

Starboard and the other holders of our Series A Preferred Stock have a liquidation preference entitling them to be paid, before any payment may be made to holders of our common stock in connection with a liquidation event, an amount per share of Series A Preferred Stock equal to the greater of (i) the stated value thereof plus accrued and unpaid dividends, and (ii) the amount that would have been received had such share of Series A Preferred Stock been converted into common stock immediately prior to such liquidation event.

Holders of Series A Preferred Stock are entitled to a preferential cumulative dividend at the rate of 3.0% per annum, payable quarterly in arrears. Upon the consummation of a suitable investment or acquisition by the Company, such investment to be identified and approved by each of the Company and Starboard, the dividend rate will increase to 8.0% per annum.

The holders of our Series A Preferred Stock also have certain redemption rights, including the right to require us to repurchase all or any portion of the Series A Preferred Stock during certain specified periods and subject to certain conditions set forth in the Certificate of Designations, Preferences, and Rights of Series A Convertible Preferred Stock, or the Certificate of Designations. Holders of the Series A Preferred Stock also have the right, subject to certain exceptions, to require us to repurchase all or any portion of the Series A Preferred Stock upon certain change of control events.

These dividend and share repurchase obligations could impact our liquidity and reduce the amount of cash flows available for working capital, capital expenditures, growth opportunities, acquisitions, and other general corporate purposes. The preferential rights could also result in divergent interests between Starboard and holders of our common stock. Furthermore, a sale of our Company, as a change of control event, may require us to repurchase Series A Preferred Stock, which could have the effect of making an acquisition of the Company more expensive and potentially deterring proposed transactions that may otherwise be beneficial to our stockholders.

Subject to the receipt of stockholder approval at the Company's next annual meeting of stockholders, (i) the Company will cause the Amended and Restated Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock, dated as of January 7, 2020 (the "Certificate of Designations") to be amended and restated in the form attached to the Recapitalization Agreement in order to remove the "4.89% blocker" provision and (ii) on or prior to July 14, 2023,Starboard will convert an aggregate amount of 350,000 shares of Series A Preferred Stock into Common Stock in accordance with the terms of the Certificate of Designations.

We agreed to certain Governance Provisions with Starboard.

In connection with the Starboard Investment, the Company and Starboard entered into a Governance Agreement, dated as of November 18, 2019 and amended on January 7, 2020, (the "Governance Agreement"), which granted to Starboard certain consent and other governance rights.

Under the Recapitalization Agreement, we agreed with Starboard that for a period from the date of the Recapitalization Agreement until May 12, 2026 (the "Applicable Period"), the Board will include at least two (2) directors that are independent of, and not affiliates (as defined in Rule 144 of the Securities Act as amended) of, Starboard, with current Board members Maureen O'Connell and Isaac T. Kohlberg satisfying this initial condition. We and Starboard also agreed that Katharine Wolanyk will continue to serve as a director of the Company until at least May 12, 2024 (or such earlier date if Ms. Wolanyk is unwilling or unable to serve as a director for any reason or resigns as a director). Additionally, within five (5) business days following the date of the Recapitalization Agreement, the Company appointed Gavin Molinelli as a Board member and as Chair of the Board. The Company and Starboard also agreed that, following the closing of the Series B Warrants Exercise (the "Closing") until the end of the Applicable Period, the number of directors serving on the Board will not exceed 10 members. Following the Closing, the Governance Agreement shall be automatically terminated and of no further force and effect without any further action by any party thereto.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Corporate

Our principal executive office is located in New York, New York, where we lease approximately 8,600 square feet of office space, under a lease agreement that expires in 2025. We also have an office for operational and administrative functions located in Irvine, California, where we lease approximately 8,293 square feet of office space, under a lease agreement that expires in 2024. We believe that our facilities are adequate, suitable and of sufficient capacity to support our immediate needs. Refer to Note 11 to the consolidated financial statements elsewhere herein for additional information.

Intellectual Property Operations

Our intellectual property business and its subsidiaries, are based in Frisco, Texas, where we lease office space under a lease agreement that expires in 2023. One additional subsidiary leases office space in Austin, Texas that also expires in 2023. We believe that our intellectual property business' facilities are adequate, suitable and of sufficient capacity to support its immediate needs.

Industrial Operations

Printronix conducts its foreign and domestic operations using leased facilities under non-cancelable operating leases that expire at various dates through 2028. Printronix's principal executive office is located in Irvine, California, under a lease agreement that expires in 2026. Printronix has a manufacturing site located in Malaysia and third-party configuration sites located in the United States, Singapore and Holland, along with sales and support locations around the world to support its global network of users, channel partners and strategic alliances. We believe that Printronix's facilities are adequate, suitable and of sufficient capacity to support its immediate needs. Refer to Note 11 to the consolidated financial statements elsewhere herein for additional information.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of business, we are the subject of, or party to, various pending or threatened legal actions, including various counterclaims in connection with our patent enforcement activities. We believe that any liability arising from these actions will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Our operating subsidiaries are often required to engage in litigation to enforce their patents and patent rights. Certain of our operating subsidiaries are parties to ongoing patent enforcement related litigation, alleging infringement by third-parties of certain of the patented technologies owned or controlled by our operating subsidiaries.

In connection with any of our patent enforcement actions, it is possible that a defendant may claim and/or a court may rule that we have violated statutory authority, regulatory authority, federal rules, local court rules, or governing standards relating to the substantive or procedural aspects of such enforcement actions. In such event, a court may issue monetary sanctions against us or our operating subsidiaries or award attorney’s fees and/or expenses to a defendant(s), which could be material, and if required to be paid by us or our operating subsidiaries, could materially harm our operating results and our financial position.

We spend a significant amount of our financial and management resources to pursue our current litigation matters. We believe that these litigation matters and others that we may in the future determine to pursue could continue for years and continue to consume significant financial and management resources. The counterparties to our litigation are sometimes large, well-financed companies with substantially greater resources than us. We cannot assure you that any of our current or future litigation matters will result in a favorable outcome for us. In addition, in part due to the appeals process and other legal processes, even if we obtain favorable interim rulings or verdicts in particular litigation matters, they may not be predictive of the ultimate resolution of the dispute. Also, we cannot assure you that we will not be exposed to claims or sanctions against us which may be costly or impossible for us to defend. Unfavorable or adverse outcomes may result in losses, exhaustion of financial resources or other adverse effects which could encumber our ability to effectively and efficiently monetize our assets. Refer to Note 11 to the consolidated financial statements elsewhere herein for additional information related to current legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II

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

Market Information

Our common stock trades on The Nasdaq Global Select Market under the symbol "ACTG."

Holders of Common Stock

On March 13, 2023, there were 62 owners of record of our common stock. The foregoing does not include the number of shareholders whose shares are nominally held by banks, brokerage houses or other institutions, but includes each such institution as one record holder.

Dividend Policy

The current policy of our board of directors is to retain earnings, if any, to provide for our growth. Consequently, we do not expect to pay any cash dividends in the foreseeable future. Further, there can be no assurance that our proposed operations will generate revenues and cash flow needed to declare any future cash dividends or that we will have legally available funds to pay future dividends.

Securities Authorized for Issuance under Equity Compensation Plans

Information required by this item is incorporated by reference to our Definitive Proxy Statement for our 2023 Annual Meeting of Stockholders.

Recent Sales of Unregistered Securities

None.

Stock Repurchases

There were no stock repurchases during the quarter ended December 31, 2022.

Refer to Note 12 to the consolidated financial statements elsewhere herein for additional information related to past repurchase programs.

ITEM 6. [Reserved]

Not applicable.

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

The following discussion should be read in conjunction with our consolidated financial statements included elsewhere in this annual report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these "forward-looking statements" as a result of various factors including the risks we discuss in Item 1A "Risk Factors," and elsewhere herein. For additional information, refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements."

General

We are an opportunistic capital platform that purchases businesses based on the differentials between public and private market valuations. We use a wide range of transactional and operational capabilities to realize the intrinsic value in the businesses that we acquire. Our ideal transactions include the acquisition of public or private companies, the acquisition of divisions of other companies, or structured transactions that can result in the recapitalization or restructuring of the ownership of a business to enhance value.

We are particularly attracted to complex situations, where value is not fully recognized in the public markets, where values of certain operations are masked by a diversified business mix, or where private ownership has not invested capital necessary to drive long-term value. We aim to operate a transactional platform through which we can initiate a strategic block position in public companies as a path to complete whole company acquisitions or strategic transactions that unlock value. We believe this business model is differentiated from private equity funds, which do not typically own public securities prior to acquiring companies, hedge funds, which do not typically acquire entire businesses, and other acquisition vehicles such Special Purpose Acquisition Companies, which are narrowly focused on completing one singular, defining acquisition.

We have a strategic relationship with Starboard that has provided, and we expect will continue to provide, us with industry expertise, and operating partners and industry experts to evaluate potential acquisition opportunities and enhance the oversight and value creation of such businesses once acquired. Starboard has provided ready access to its extensive network of highly successful industry executives and, as part of our relationship, Starboard assists with sourcing and evaluating appropriate acquisition opportunities.

Our focus is companies with market values in the sub-$2 billion range and particularly on businesses valued at $1 billion or less. We are, however, opportunistic, and may pursue acquisitions that are larger under the right circumstance.

Our business is described more fully in Item 1. "Business," of this annual report.

Intellectual Property Operations

We invest in IP and related absolute return assets and engage in the licensing and enforcement of patented technologies. Through our Patent Licensing, Enforcement and Technologies Business, operated under Acacia Research Group, LLC and its wholly-owned subsidiaries ("ARG"), we are a principal in the licensing and enforcement of patent portfolios, with our operating subsidiaries obtaining the rights in the patent portfolio or purchasing the patent portfolio outright. While we, from time to time, partner with inventors and patent owners, from small entities to large corporations, we assume all responsibility for advancing operational expenses while pursuing a patent licensing and enforcement program, and when applicable, share net licensing revenue with our patent partners as that program matures, on a pre-arranged and negotiated basis. We may also provide upfront capital to patent owners as an advance against future licensing revenue.

Currently, on a consolidated basis, our operating subsidiaries own or control the rights to multiple patent portfolios, which include U.S. patents and certain foreign counterparts, covering technologies used in a variety of industries. We generate revenues and related cash flows from the granting of IP rights for the use of patented technologies that our operating subsidiaries control or own.

We have established a proven track record of licensing and enforcement success with over 1,600 license agreements executed to date, across nearly 200 patent portfolio licensing and enforcement programs. As of December 31, 2022, we have generated gross licensing revenue of approximately $1.7 billion, and have returned $849.2 million to our patent partners.

For more information related to our Intellectual Property Operations, refer to additional detailed patent business discussion below.

Industrial Operations

In October 2021, we consummated our first operating company acquisition of Printronix. Printronix is a leading manufacturer and distributor of industrial impact printers, also known as line matrix printers, and related consumables and services. The Printronix business serves a diverse group of customers that operate across healthcare, food and beverage, manufacturing and logistics, and other sectors. This mature technology is known for its ability to operate in hazardous environments. Printronix has a manufacturing site located in Malaysia and third-party configuration sites located in the United States, Singapore and Holland, along with sales and support locations around the world to support its global network of users, channel partners and strategic alliances. This acquisition was made at what we believe to be an attractive purchase price, and we are now supporting existing management in its execution of strategic partnerships to generate growth.

We acquired all of the outstanding stock of Printronix, for a cash purchase price of approximately $37.0 million, which included an initial $33.0 million cash payment and a $4.0 million working capital adjustment. The Company's consolidated financial statements include Printronix's consolidated operations from October 7, 2021 through December 31, 2022. Refer to Note 1 to the consolidated financial statements elsewhere herein for additional information.

For more information related to our Industrial Operations, refer to the section entitled "Industrial Printing Solutions" below.

Recent Business Developments and Trends

Recapitalization

On October 30, 2022, the Company entered into a Recapitalization Agreement with the Investors, pursuant to which, among other things, the Company and Starboard agreed to enter into a series of transactions to restructure Starboard’s existing investments in the Company in order to simplify the Company’s capital structure. Under the Recapitalization Agreement, the Company and Starboard agreed to take certain actions in connection with the Recapitalization. For a detailed description of the Recapitalization and the actions taken and contemplated to be taken in connection therewith, see Note 8 to the consolidated financial statements elsewhere herein.

Change of Chief Executive Officer

Since 2021, we have announced various changes to our Board and senior management, including

- Effective November 1, 2022, Clifford Press resigned as the Chief Executive Officer and President of the Company, and as a member of the Board. Mr. Press’ resignation was not due to any disagreement with the Company on any matter relating to its operations, policies, practices or otherwise known to any executive officer of the Company.

- Effective November 1, 2022, Martin D. McNulty Jr., the Company’s current Chief Operating Officer and Head of M&A, was appointed interim Chief Executive Officer of the Company and will serve as the Principal Executive Officer of the Company. The Board intends to commence a search for a permanent successor.

In addition, there have been other changes to the Company’s management and the Board, as discussed in “Item 1A. Risk Factors — Risks Related to Our Business, Business Strategy, and Platform — Recent changes in the Company’s management team and board of directors, as well as ongoing litigation related to the Company’s former Chief Executive Officer, may be disruptive to, or cause uncertainty in, the Company’s business, results of operations and the price of the Company’s common stock.” Changes in leadership and key management positions have inherent risks, and there are no assurances that any of our recent changes will not affect our operations and financial condition.

Acquisitions

In October 2021, we consummated our first operating company in connection with our acquisition of Printronix. We acquired all of the outstanding stock of Printronix, for a cash purchase price of approximately $37.0 million, which included an initial $33.0 million cash payment and a $4.0 million working capital adjustment. The Company's consolidated financial statements include Printronix's consolidated operations from October 7, 2021 through December 31, 2022. Refer to Note 1 to the consolidated financial statements elsewhere herein for additional information.

In June 2020 we acquired the Life Sciences Portfolio. In connection with the purchase of the equity securities in the Life Sciences Portfolio, we issued to the Investors $115.0 million principal amount of our senior secured notes, or Notes. As of December 31, 2020, all of the equity securities in the Life Sciences Portfolio were transferred to the Company. As of December 31, 2022, we have monetized a majority of the portfolio while retaining an interest in a number of operating businesses, including a controlling interest in one of the companies in the portfolio. Further, some of the businesses in which we continue to hold an interest generate income through the receipt of royalties and milestone payments. Refer to Note 3 to the consolidated financial statements elsewhere herein for more information.

Business Strategy

We intend to grow our company by acquiring additional operating businesses and intellectual property assets. However, we may not complete any acquisitions, and any acquisitions that we complete will be costly and could negatively affect our results of operations, and dilute our stockholders' ownership, or cause us to incur significant expense, and we may not realize the expected benefits of acquisitions.

Patent Licensing and Enforcement

Patent Litigation Trial Dates and Related Trials

As of the date of this report, our operating subsidiaries have four pending patent infringement cases with scheduled trial dates in the next twelve months. Patent infringement trials are components of our overall patent licensing process and are one of many factors that contribute to possible future revenue generating opportunities for us. Scheduled trial dates, as promulgated by the respective court, merely provide an indication of when, in future periods, the trials may occur according to the court's scheduling calendar at a specific point in time. A court may change previously scheduled trial dates. In fact, courts often reschedule trial dates for various reasons that are unrelated to the underlying patent assets and typically for reasons that are beyond our control. While scheduled trial dates provide an indication of the timing of possible future revenue generating opportunities for us, the trials themselves and the immediately preceding periods represent the possible future revenue generating opportunities. These future opportunities can result in varying outcomes. Refer to Item 1A "Risk Factors— Risks Related to our Intellectual Property Business and Industry" for additional information regarding patent litigation and related risks.

Litigation and Licensing Expense

We expect patent-related legal expenses to continue to fluctuate from period to period based on the factors summarized herein, in connection with future trial dates, international enforcement, strategic patent portfolio prosecution and our current and future patent portfolio investment, prosecution, licensing and enforcement activities. Refer to Item 1A "Risk Factors" for additional information regarding litigation and licensing expense risk.

Investments in Patent Portfolios

With respect to our licensing, enforcement and overall business, neither we nor our operating subsidiaries invent new technologies or products; rather, we depend upon the identification and investment in patents, inventions and companies that own IP through our relationships with inventors, universities, research institutions, technology companies and others. If our operating subsidiaries are unable to maintain those relationships and identify and grow new relationships, then we may not be able to identify new technology-based patent opportunities for sustainable revenue and /or revenue growth.

Our current or future relationships may not provide the volume or quality of technologies necessary to sustain our licensing, enforcement and overall business. In some cases, universities and other technology sources compete against us as they seek to develop and commercialize technologies. Universities may receive financing for basic research in exchange for the exclusive right to commercialize resulting inventions. These and other strategies employed by potential partners may reduce the number of technology sources and potential clients to whom we can market our solutions. If we are unable to maintain current relationships and sources of technology or to secure new relationships and sources of technology, such inability may have a material adverse effect on our revenues, operating results, financial condition and ability to maintain our licensing and enforcement business.

Patent Portfolio Intake

One of the significant challenges in the intellectual property industry continues to be quality patent intake due to the challenges and complexity associated with the current patent environment.

During the year ended December 31, 2022, we did not acquire any new patent portfolios. During 2021, we acquired one new patent portfolio consisting of Wi-Fi 6 standard essential patents. In 2020, we acquired five new patent portfolios consisting of (i) flash memory technology, (ii) voice activation and control technology, (iii) wireless networks, (iv) internet search, advertising and cloud computing technology and (v) GPS navigation. The patents and patent rights acquired in 2021 and 2020 have estimated economic useful lives of approximately five years.

Industrial Printing Solutions

Our Printronix subsidiary is a worldwide leader in multi-technology supply-chain printing solutions for a variety of industries, including manufacturing, transportation and logistics, retail distribution, food and beverage distribution, and pharmaceutical distribution. Printronix's line matrix printers are used for mission critical applications within these industries, including labeling and inventory management, build sheets, invoicing, manifests and bills of lading, and reporting. In China, India and other developing countries in Asia and Africa, our printers are also prevalent in the banking and government sectors. Printronix has manufacturing, configuration and/or distribution sites located in Malaysia, the United States, Singapore, China and the Netherlands, along with sales and support locations around the world to support its global network of users, channel partners, and strategic alliances. Printronix designs and manufactures printers and related consumable products for various industrial printing applications. Printers consist of hardware and embedded software and may be sold with maintenance service agreements, which are serviced by outside contractors. Consumable products include inked ribbons which are used within Printronix's printers. Printronix's products are primarily sold through Printronix's global network of channel partners, such as dealers and distributors, to end-users.

Recent Business Matters

Recapitalization Agreement

In order to establish a strategic and ongoing relationship between the Company and Starboard, on November 18, 2019, the Company and Starboard entered into a Securities Purchase Agreement (the "Securities Purchase Agreement"), which provided the terms of Starboard's initial capital commitment in the Company (the "2019 Transaction"). As a result of the 2019 Transaction, which was approved by the Company's stockholders for purposes of NASDAQ Rules 5635(b) and 5635(d) at a stockholder meeting held on February 14, 2020, Starboard acquired the following securities and ownership positions in the Company: (i) 350,000 shares of Series A Preferred Stock, (ii) Series A Warrants to purchase up to 5,000,000 shares of common stock (the "Series A Warrants") and (iii) Series B Warrants to purchase up to 100,000,000 shares of common stock. The Securities Purchase Agreement also established the terms of certain senior secured notes issued by the Company.

On November 12, 2021, the Board formed a Special Committee comprised of directors not affiliated or associated with Starboard in order to explore the possibility of simplifying the Company's capital structure. Management of the Company believes that the Company's capital structure, with multiple different series of securities, makes it difficult for investors to understand and value the Company and is an impediment to new public investment.

Further to this purpose and following ongoing negotiations with Starboard, on October 30, 2022 the Company entered into a Recapitalization Agreement with Starboard, pursuant to which, among other things, the Company and Starboard agreed to enter into a series of transactions to restructure Starboard's existing investments in the Company in order to simplify the Company's capital structure.

Under the Recapitalization Agreement, the Company and Starboard agreed, among other things, to take all of the following actions in connection with restructuring Starboard's existing investments in the Company:

- Series A Warrants. Within five (5) business days following the date of the Recapitalization Agreement, Starboard exercised all of the Series A Warrants for cash, and the Company issued to Starboard 5,000,000 shares of common stock in accordance with the terms of the Series A Warrants and paid to Starboard an aggregate amount of $9,000,000 representing a negotiated settlement of the foregone time value of the Series A Warrants (which amount was paid through a reduction in the exercise price of the Series A Warrants).
- Preferred Stock. Subject to the receipt of stockholder approval at the Company's next annual meeting of stockholders, (i) the Company will cause the Amended and Restated Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock, dated as of January 7, 2020 (the "Certificate of Designations") to be amended and

restated in the form attached to the Recapitalization Agreement in order to remove the "4.89% blocker" provision and (ii) on or prior to July 14, 2023, Starboard will convert an aggregate amount of 350,000 shares of Series A Preferred Stock into common stock in accordance with the terms of the Certificate of Designations.

- Series B Warrants. On or prior to July 14, 2023, Starboard will irrevocably exercise 31,506,849 of the Series B Warrants (as adjusted for any stock dividend, stock split, stock combination, reclassification or similar transaction relating to the common stock occurring after the date of the Recapitalization Agreement), through a "Note Cancellation" (as defined in the Series B Warrants) or a combination of a "Note Cancellation" and a "Limited Cash Exercise" (as defined in the Series B Warrants) in accordance with the terms of the Series B Warrants, as determined by Starboard (the "Series B Warrants Exercise"). The remaining Series B Warrants will be cancelled immediately following the completion of the Rights Offering.
- Rights Offering. The Company agreed to launch the Rights Offering described in further detail in the section titled "*Rights Offering and Concurrent Private Rights Offering*" below. In connection with the Rights Offering, the Company agreed to provide Starboard with rights to purchase 28,647,259 shares of common stock and Starboard committed to purchase a minimum of 15,000,000 shares of common stock.
- Recapitalization Payment. At the closing of the Series B Warrants Exercise, the Company will pay to Starboard an aggregate amount of $66,000,000 (the "Recapitalization Payment") representing a negotiated settlement of the foregone time value of the Series B Warrants and the Series A Preferred Stock (which amount will be paid through a reduction in the exercise price of the Series B Warrants). If stockholder approval for the amendment to the Certificate of Designations to remove the "4.89% blocker provision" is not obtained, the Recapitalization Payment will be reduced by $12,700,000.
- Governance. Under the Recapitalization Agreement, the parties agreed that for a period from the date of the Recapitalization Agreement until May 12, 2026 (the "Applicable Period"), the Board of the Company will include at least two (2) directors that are independent of, and not affiliates (as defined in Rule 144 of the Securities Exchange Act of 1934, as amended) of, Starboard, with current Board members Maureen O'Connell and Isaac T. Kohlberg satisfying this initial condition under the Recapitalization Agreement. The parties also agreed that Katharine Wolanyk would continue to serve as a director of the Company until at least May 12, 2024 (or such earlier date if Ms. Wolanyk is unwilling or unable to serve as a director for any reason or resigns as a director). Additionally, the Company appointed Gavin Molinelli as a member and as Chair of the Board. The Company and Starboard also agreed that, following the closing of the Series B Warrants Exercise until the end of the Applicable Period, the number of directors serving on the Board will not exceed 10 members. Effective as of the later of the Closing and the date on which none of the Notes (as defined in Note 8 to the accompanying consolidated financial statements) remain outstanding, the existing Governance Agreement will be automatically terminated.

Refer to Note 8 to the consolidated financial statements elsewhere herein for more information.

Rights Offering and Concurrent Private Rights Offering

On February 14, 2023, the Company commenced the Rights Offering. Under the terms of the Rights Offering, the Company distributed non-transferable subscription rights to record holders ("Eligible Securityholders") of the Company's common stock held as of 5 p.m. Eastern time on February 13, 2023, the record date for the Rights Offering. The subscription period for the Rights Offering terminated at 5 p.m. Eastern time on March 1, 2023 (the "Expiration Time"). Pursuant to the Rights Offering, Eligible Securityholders received one non-transferable subscription right (a "Subscription Right") for every four shares of common stock owned by such Eligible Securityholders. Each Subscription Right entitled an Eligible Securityholder to purchase, at such Eligible Securityholder's election, one share of common stock at a price of $5.25 per share (the "Subscription Price").

Starboard received private subscription rights to purchase common stock at the Subscription Price pursuant to a concurrent private rights offering (the "Concurrent Private Rights Offering") in connection with their ownership of common stock and, on an as-converted basis, the Company's Series B Warrants and shares of the Series A Preferred Stock. The private subscription rights provided to Starboard pursuant to the Concurrent Private Rights Offering were on substantially the same terms as the Subscription Rights, and were distributed substantially concurrently with the distribution of the Subscription Rights and expired at the Expiration Time. The Company received aggregate gross proceeds of approximately $361,000 from the Rights Offering and aggregate gross proceeds of approximately $78.8 million from the Concurrent Private Rights Offering and issued an aggregate of 15,068,753 shares of common stock.

Industrial Operations Acquisition

Refer to “Recent Business Developments and Trends – *Acquisitions*” above for information related to our Printronix acquisition.

Operating Activities

Intellectual Property Operations

Our Intellectual Property Operations revenues historically have fluctuated quarterly, and can vary significantly period to period, based on a number of factors including the following:

- the dollar amount of agreements executed each period, which can be driven by the nature and characteristics of the technology or technologies being licensed and the magnitude of infringement associated with a specific licensee;
- the specific terms and conditions of agreements executed each period including the nature and characteristics of rights granted, and the periods of infringement or term of use contemplated by the respective payments;
- fluctuations in the total number of agreements executed each period;
- the number of, timing, results and uncertainties associated with patent licensing negotiations, mediations, patent infringement actions, trial dates and other enforcement proceedings relating to our patent licensing and enforcement programs;
- the relative maturity of licensing programs during the applicable periods;
- other external factors, including the periodic status or results of ongoing negotiations, the status or results of ongoing litigations and appeals, actual or perceived shifts in the regulatory environment, impact of unrelated patent related judicial proceedings and other macroeconomic factors;
- the willingness of prospective licensees to settle significant patent infringement cases and pay reasonable license fees for the use of our patented technology, as such infringement cases approached a court determined trial date; and
- fluctuations in overall patent portfolio related enforcement activities which are impacted by the portfolio intake challenges discussed above.

Our management does not attempt to manage for smooth sequential periodic growth in revenues from period to period, and therefore, periodic results can be uneven. Unlike most operating businesses and industries, licensing revenues not generated in a current period are not necessarily foregone but, depending on whether negotiations, litigation or both continue into subsequent periods, and depending on a number of other factors, such potential revenues may be pushed into subsequent annual periods.

Industrial Operations

Refer to "Industrial Printing Solutions" above for information related to Printronix's operating activities.

In addition to the following results of operations discussion, more information related to our Intellectual Property Operations and Industrial Operations segment revenues and cost of revenues, may be found in Note 2 to the consolidated financial statements elsewhere herein.

Results of Operations

The results reflected in this section with respect to Printronix include results for the full year ended December 31, 2022 compared to an approximate three month period ended December 31, 2021 following our acquisition of Printronix.

Summary of Results of Operations

	Years Ended December 31,			
	2022	2021	$ Change	% Change
	(In thousands, except percentage change values)			
Total revenues	$ 59,223	$ 88,047	$ (28,824)	(33 %)
Total costs and expenses	99,315	73,502	25,813	35 %
Operating (loss) income	(40,092)	14,545	(54,637)	(376 %)
Total other (expense) income	(87,058)	160,107	(247,165)	(154 %)
(Loss) income before income taxes	(127,150)	174,652	(301,802)	(173 %)
Income tax benefit (expense)	16,211	(24,287)	40,498	(167 %)
Net (loss) income attributable to Acacia Research Corporation	(125,065)	149,197	(274,262)	(184 %)

Results of Operations - year ended December 31, 2022 compared with the year ended December 31, 2021

Total revenues decreased $28.8 million to $59.2 million for the year ended December 31, 2022, as compared to $88.0 million for the year ended December 31, 2021, due to a decrease in our Intellectual Property Operations revenues. ARG executed 17 new license agreements during 2022, a decrease of six versus the comparable prior period, which contributed to Intellectual Property Operations revenues decreasing by $56.5 million. Refer to “Investments in Patent Portfolios” above for additional information regarding the impact of portfolio acquisition trends on current and future licensing and enforcement related revenues. The decrease was offset by the additional net revenues contributed from Printronix of $27.7 million. Refer to "Revenues" below for further detailed discussion.

Loss before income taxes was $127.2 million for the year ended December 31, 2022, as compared to income of $174.7 million in the prior year. The net decrease was comprised of the change in total revenues described above and other changes in operating expenses and other income or expense as follows:

- Inventor royalties increased $70,000, from $1.1 million to $1.2 million in 2022, primarily due to license agreement activity and related revenues generated with inventor royalty obligations. Refer to "Cost of Revenues – *Intellectual Property Operations*" below for further discussion.

- Contingent legal fees decreased $9.6 million, from $12.1 million to $2.4 million in 2022, primarily due to the decrease in Intellectual Property Operations revenues described above. Refer to "Cost of Revenues – *Intellectual Property Operations*" below for further discussion.

- Litigation and licensing expenses decreased $1.5 million, from $5.5 million to $4.0 million in 2022, primarily due to a net decrease in litigation support and third-party technical consulting expenses associated with ongoing litigation. Refer to "Cost of Revenues – *Intellectual Property Operations*" below for further discussion.

- Amortization of patents expense from our intellectual property operations increased $552,000, from $9.9 million to $10.4 million in 2022, due to an increase in scheduled amortization resulting from the new portfolio acquired in 2021. Refer to "Cost of Revenues – *Intellectual Property Operations*" below.

- Printronix cost of sales, engineering and development expenses, and sales and marketing expenses for 2022 added a total of $19.5 million to our consolidated operating expenses. Refer to "Cost of Revenues – *Industrial Operations*" and "Operating Expenses" below for further discussion.

- We recognized other patent portfolio expense of $162,000 in 2021 for settlement and contingency expenses.

- General and administrative expenses increased $17.0 million, from $35.7 million to $52.7 million in 2022, primarily due to higher parent company and Intellectual Property Operations costs including, parent company consulting and legal fees related to the Recapitalization Agreement and the Life Sciences Portfolio, severance expense, compensation expense for share-based awards, personnel costs and board fees, accounting fees, and $7.2 million from our Industrial Operations general and administrative costs and amortization expense. Refer to "*General and Administrative Expenses*" below for further detail and discussion.

- Compensation expense for share-based awards, included in general and administrative expenses above, increased $1.8 million, from $2.1 million to $3.8 million in 2022, primarily due to restricted stock and option grants issued to employees and the Board in 2022 and 2021, which includes a partial offset by forfeitures for terminated employees.

- Unrealized loss from the change in fair value of our equity securities was $263.7 million in 2022, as compared to an unrealized gain of $87.5 million in the prior year. The unrealized loss and gain were derived from our Life Sciences Portfolio and trading securities portfolio. The current period unrealized loss primarily relates to the reversal of prior period unrealized gains for Life Sciences Portfolio securities that were sold for a realized gain in 2022. Refer to "*Equity Securities Investments*" below for further discussion.

- Realized gain from the sale of our equity securities increased $9.2 million, from $116.1 million to $125.3 million in 2022. The realized gains were derived from our Life Sciences Portfolio and trading securities portfolio. The current period realized gain primarily relates to sales activity from two Life Sciences Portfolio securities and one trading security. Refer to "*Equity Securities Investments*" below for further discussion.

- Earnings on equity investment in joint venture was $42.5 million in 2022, as compared to $3.5 million in the prior year. Refer to "*Equity Securities Investments*" below for a detailed discussion.

- We recognized an unrealized loss of $2.8 million on the fair value investment and a realized gain on sale of investment of $3.6 million in 2021 related to our former investment in Veritone. Refer to "*Equity Securities Investments*" below for further discussion.

- Unrealized gain from the Series A and Series B warrants and the embedded derivative fair value measurements was $13.1 million in 2022, as compared to an unrealized loss of $40.4 million in the prior year. We recognized an unrealized gain of $15.1 million from the fair value measurements of the Series A and Series B warrants and the embedded derivative in 2022, partially offset by a loss of $2.0 million upon the exercise of the Series A warrants in November 2022. Refer to Note 8 to the consolidated financial statements elsewhere herein for additional information regarding the Starboard Securities.

- Loss on foreign currency exchange increased $3.2 million, from $89,000 to $3.3 million in 2022. The increase was primarily derived from our foreign cash accounts exposed to fluctuations in foreign currency exchange rates between the U.S. dollar and the British Pound.

- Interest expense on Senior Secured Notes decreased $1.5 million, from $7.9 million to $6.4 million in 2022, due to decreased interest expense related to recent Note activity. Refer to Note 8 to the consolidated financial statements elsewhere herein for additional information regarding the Starboard Senior Secured Notes.

- Interest income and other, net was $5.4 million in 2022, as compared to $501,000 in the comparable prior period, mainly due to an increase in dividend income from our cash equivalents and equity security investments. Refer to Note 2 to the consolidated financial statements elsewhere herein for additional information regarding our cash and cash equivalents and investments in equity securities.

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Revenues

Intellectual Property Operations

ARG's revenue activity for the periods presented included the following:

	Years Ended December 31,			
	2022	2021	$ Change	% Change
	(In thousands, except percentage change values and count totals)			
Paid-up license revenue agreements	$ 17,788	$ 73,585	$ (55,797)	(76 %)
Recurring license revenue agreements	1,720	2,458	(738)	(30 %)
Total revenues	$ 19,508	$ 76,043	$ (56,535)	(74 %)
New license agreements executed	17	23	(6)	(26 %)
Licensing and enforcement programs generating revenues	8	9	(1)	(11 %)
Licensing and enforcement programs with initial revenues	—	4	(4)	(100 %)
New patent portfolios	—	1	(1)	(100 %)

For the periods presented above, the majority of the revenue agreements executed provided for the payment of one-time, paid-up license fees in consideration for the grant of certain IP Rights for patented technology owned by our operating subsidiaries. These rights were primarily granted on a perpetual basis, extending until the expiration of the underlying patents. Paid-up revenue decreased $55.8 million due to a decrease in the number of agreements executed and a decrease in the average revenue per agreement. Recurring revenue, that provides for quarterly sales-based license fees, decreased $738,000 from various on-going license arrangements.

Refer to Note 2 to the consolidated financial statements elsewhere herein for additional information regarding our revenue arrangements and related concentrations for the periods presented herein.

Refer to “Investments in Patent Portfolios” above for information regarding the impact of portfolio acquisition trends on current and future licensing and enforcement related revenues.

Industrial Operations

Printronix's net revenues for the periods presented included the following:

	Year Ended December 31, 2022	October 7, 2021 to December 31, 2021	$ Change	% Change
	(In thousands, except percentage change value)			
Printers and parts	$ 16,118	$ 4,961	$ 11,157	225 %
Consumable products	19,314	5,973	13,341	223 %
Services	4,283	1,070	3,213	300 %
Total	$ 39,715	$ 12,004	$ 27,711	231 %

Refer to Note 2 to the consolidated financial statements elsewhere herein for additional information regarding Printronix's revenue arrangements and related concentrations. Refer to “Industrial Printing Solutions” above for additional information related to Printronix's operating activities.

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Cost of Revenues

Intellectual Property Operations

	Years Ended December 31,							
	2022		2021		$ Change		% Change	
	(In thousands, except percentage change values)							
Inventor royalties	$	1,212	$	1,142	$	70		6 %
Contingent legal fees		2,444		12,074		(9,630)		(80 %)
Litigation and licensing expenses		3,970		5,462		(1,492)		(27 %)
Amortization of patents		10,403		9,851		552		6 %
Other patent portfolio expense		—		162		(162)		(100 %)
Total	$	18,029	$	28,691	$	(10,662)		(37 %)

Refer to detailed change explanations above for the year ended December 31, 2022 cost of revenues from our Intellectual Property Operations.

The economic terms of patent portfolio related partnering agreements and contingent legal fee arrangements, if any, including royalty obligations, if any, royalty rates, contingent fee rates and other terms and conditions, vary across the patent portfolios owned or controlled by our operating subsidiaries. In certain instances, we have invested in certain patent portfolios without future patent partner royalty obligations. The costs associated with the forementioned obligations fluctuate period to period, based on the amount of revenues recognized each period, the terms and conditions of revenue agreements executed each period and the mix of specific patent portfolios, with varying economic terms and conditions, generating revenues each period.

Litigation and licensing expenses include patent-related litigation, enforcement and prosecution costs incurred by law firms and external patent attorneys engaged on either an hourly basis or a contingent fee basis. Litigation and licensing expenses also includes third-party patent research, development, patent prosecution and maintenance fees, re-exam and inter partes reviews, consulting and other costs incurred in connection with the licensing and enforcement of patent portfolios. Refer to “Investments in Patent Portfolios” above for additional information regarding the impact of portfolio acquisition trends on current and future licensing and enforcement related revenues.

Industrial Operations

Printronix's cost of sales for the years ended December 31, 2022 and 2021 was $19.4 million and $7.4 million, respectively. Printronix's cost of sales figures include the full year ended December 31, 2022 compared to an approximate three month period ended December 31, 2021 following our acquisition of Printronix. Refer to Note 2 to the consolidated financial statements elsewhere herein for additional information regarding Printronix's cost of sales.

Operating Expenses

	Years Ended December 31,							
	2022		2021		$ Change		% Change	
	(In thousands, except percentage change values)							
Engineering and development expenses - industrial operations	$	626	$	200	$	426		213 %
Sales and marketing expenses - industrial operations		8,621		1,538		7,083		461 %
General and administrative costs - intellectual property operations		5,428		6,177		(749)		(12 %)
General and administrative costs - industrial operations		9,986		2,797		7,189		257 %
Parent general and administrative expenses		37,266		26,692		10,574		40 %
Total general and administrative expenses		52,680		35,666		17,014		48 %
Total	$	61,927	$	37,404	$	24,523		66 %

The operating expenses table above includes the Company's general and administrative expenses by operation and Printronix's engineering and development expenses and sales and marketing expenses. The periods presented above include Printronix's operating expenses for the full year ended December 31, 2022 compared to an approximate three month period

ended December 31, 2021 following our acquisition of Printronix. Refer to Note 2 to the consolidated financial statements elsewhere herein for additional information regarding Printronix's operating expenses.

General and Administrative Expenses

A summary of the main drivers of the change in general and administrative expenses is as follows:

	Years Ended December 31, 2022 vs. 2021
	(In thousands)
Personnel costs and board fees	$ 1,391
Variable performance-based compensation costs	(848)
Other general and administrative costs	4,836
General and administrative costs - industrial operations	5,856
Amortization of industrial operations intangible assets	1,333
Compensation expense for share-based awards	1,767
Non-recurring employee severance costs	2,679
Total change in general and administrative expenses	$ 17,014

General and administrative expenses include employee compensation and related personnel costs, including variable performance based compensation and compensation expense for share-based awards, office and facilities costs, legal and accounting professional fees, public relations, stock administration, business development, fixed asset depreciation, amortization of Industrial Operations intangible assets, state taxes based on gross receipts and other corporate costs. The table above includes our Industrial Operations general and administrative expenses for the full year ended December 31, 2022 compared to an approximate three month period ended December 31, 2021 following our acquisition of Printronix.

The increases in personnel cost and board fees for the periods presented were primarily due to an increase in headcount and related costs. The decrease in variable performance-based compensation costs was primarily due to fluctuations in performance-based compensation accruals. The increases in other general and administrative costs, which relates to our parent company and Intellectual Property Operations business, were primarily due to parent company consulting and legal fees related to the Recapitalization Agreement and the Life Sciences Portfolio and higher accounting fees. Compensation expense for share-based awards increased primarily due to restricted stock and option grants issued to employees and the Board in 2022 and 2021. Non-recurring employee severance costs fluctuate based on the severance arrangements of terminated employees. In addition, our Industrial Operations related general and administrative costs and amortization contributed to the increased expenses in 2022. Refer to additional general and administrative change explanations above.

Other Income/Expense

Equity Securities Investments

	Years Ended December 31,			
	2022	2021	$ Change	% Change
	(In thousands, except percentage change values)			
Change in fair value of equity securities	$ (263,695)	$ 87,527	$ (351,222)	(401 %)
Gain on sale of equity securities	125,318	116,129	9,189	8 %
Earnings on equity investment in joint venture	42,531	3,530	39,001	1,105 %
Net realized and unrealized (loss) gain	(95,846)	207,186	(303,032)	(146 %)
Change in fair value of investment	—	(2,752)	2,752	(100 %)
Gain on sale of investment	—	3,591	(3,591)	(100 %)
Total net realized and unrealized (loss) gain	$ (95,846)	$ 208,025	$ (303,871)	(146 %)

Our equity securities investments, including the Life Sciences Portfolio and trading securities portfolio, are recorded at fair value at each balance sheet date. Refer to periodic change explanations above. Refer to Notes 2 and 3 to the consolidated financial statements elsewhere herein for additional information regarding our investment in the Life Sciences Portfolio and other equity securities.

Our results included an unrealized loss from the change in fair value of our equity securities as compared to an unrealized gain in the prior period, while realized gains from the sale of our equity securities increased, as compared to the prior period. These changes were derived from our Life Sciences Portfolio and trading securities portfolio. The current period unrealized loss primarily relates to the reversal of prior period unrealized gains for Life Sciences Portfolio securities that were sold for a realized gain in 2022. The current period realized gain primarily relates to sales activity from two Life Sciences Portfolio securities and one trading security.

During 2021, we began to recognize earnings on our equity investment in joint venture, which is part of the Life Sciences Portfolio. In April 2022, such investment received a certain drug approval from the United States Food and Drug Administration. On a consolidated basis, we were due a milestone payment in the amount of $40.0 million, with interest accrued at 8.5% per year. Our portion of that milestone payment in the amount of $27.2 million, which includes accrued interest, was received in November 2022. In June 2022, in connection with the submission to the European Medicines Agency, on a consolidated basis, we were due an additional milestone payment in the amount of $1.8 million. Our portion of that milestone payment was received in July 2022. During 2022, we recorded consolidated earnings on equity investment of $42.5 million, including the two milestones and accrued interest. Refer to Note 3 to the consolidated financial statements elsewhere herein for additional information.

Our prior year results included an unrealized loss on the fair value investment in Veritone, while we recognized a realized gain on sale of the equity investment in Veritone. Acacia no longer has an investment in Veritone common stock and warrants. Refer to additional change explanations above. Refer to Note 2 to the consolidated financial statements elsewhere herein for additional information regarding our former investment in Veritone.

Income Taxes

	Years Ended December 31,			
	2022	2021	$ Change	% Change
	(In thousands, except percentage change values)			
Income tax benefit (expense)	$ 16,211	$ (24,287)	$ 40,498	(167 %)
Effective tax rate	(13)%	14 %	n/a	(27) %

Our income tax benefit for the year ended December 31, 2022 primarily reflects the decrease in deferred tax liabilities attributable to the unrealized losses recorded, expiration of foreign tax credits and changes in the valuation allowance. Our income tax expense for the year ended December 31, 2021 is primarily comprised of foreign taxes withheld and refunded on revenue agreements with licensees in foreign jurisdictions, state taxes, and the impact of valuation allowance changes.

Our 2022 effective tax rates were lower than the U.S. federal statutory rate primarily due to expiration of foreign tax credits and changes in valuation allowance. Our 2021 effective tax rates were lower than the U.S. federal statutory rate primarily due to the change in valuation allowance, as well as non-deductible items. The effective tax rate may be subject to fluctuations during the year as new information is obtained which may affect the assumptions used to estimate the effective tax rate, including factors such as expected utilization of net operating loss carryforwards, changes in or the interpretation of tax laws in jurisdictions where the Company conducts business, the Company's expansion into new states or foreign countries, and the amount of valuation allowances against deferred tax assets.

The Company has recorded a partial valuation allowance against our net deferred tax assets as of December 31, 2022 and 2021. Refer to Notes 2 and 15 to the consolidated financial statements elsewhere herein for additional income tax information.

Inflation

Historically, inflation has not had a significant impact on us or any of our subsidiaries. While insignificant to our consolidated enterprise, during the year ended December 31, 2022, our Printronix subsidiary experienced some inflation from higher freight costs and in the cost of raw materials than in previous years. While Printronix inventory costs have

been impacted by these inflationary pressures, up to this point Printronix has generally been able to adjust selling prices in response to these higher costs.

Liquidity and Capital Resources

General

Our foreseeable material cash requirements as of December 31, 2022, are recognized as liabilities or generally are otherwise described in Note 11, "Commitments and Contingencies," to the consolidated financial statements included elsewhere herein. Our most significant liabilities as reflected on our balance sheet as of December 31, 2022 include the Senior Secured Notes and, because of certain provisions in the related agreements that provide for net cash settlement upon a change in control, the Series B Warrants. For additional information, see Note 8, "Starboard Investment" to the consolidated financial statements included elsewhere herein. The Senior Secured Notes mature on July 14, 2023. In accordance with the terms of the Recapitalization Agreement, on or prior to July 14, 2023, a portion of the Series B Warrants are expected to be exercised for common stock through the Series B Warrants Exercise. In addition to the foregoing, we will be required to make the Recapitalization Payment at the closing of the Series B Warrants Exercise.

Cash requirements are generally derived from our operating and investing activities including expenditures for working capital (discussed below), human capital, business development, investments in equity securities and intellectual property, and business combinations. Our facilities lease obligations, guarantees and certain contingent obligations are further described in Note 11 to the consolidated financial statements. Historically, we have not entered into off-balance sheet financing arrangements. At December 31, 2022, we had unrecognized tax benefits, as further described in Note 15 to the consolidated financial statements.

Certain of our operating subsidiaries are often required to engage in litigation to enforce their patents and patent rights. In connection with any of our operating subsidiaries' patent enforcement actions, it is possible that a defendant may request and/or a court may rule that an operating subsidiary has violated statutory authority, regulatory authority, federal rules, local court rules, or governing standards relating to the substantive or procedural aspects of such enforcement actions. In such event, a court may issue monetary sanctions against us or our operating subsidiaries or award attorney's fees and/or expenses to a defendant(s), which could be material.

Our primary sources of liquidity are cash and cash equivalents on hand generated from our operating activities, and as deemed appropriate by management from our availability of Senior Secured Notes (discussed in Note 8 to the consolidated financial statements elsewhere herein). We expect to satisfy our obligations under the existing Senior Secured Notes that mature on July 14, 2023 and make the Recapitalization Payment with cash on hand.

Furthermore, we intend to grow our company by acquiring additional operating businesses and intellectual property assets. We expect to finance such acquisitions through cash on hand or by engaging in equity or debt financing.

Our management believes that our cash and cash equivalent balances, anticipated cash flows from operations and the transactions taken and contemplated to be taken in connection with the Recapitalization, and our availability of Senior Secured Notes will be sufficient to meet our cash requirements through at least twelve months from the date of this report and for the foreseeable future. We may, however, encounter unforeseen difficulties that may deplete our capital resources more rapidly than anticipated, including those set forth under Item 1A, "Risk Factors". Any efforts to seek additional funding could be made through issuances of equity or debt, or other external financing. However, additional funding may not be available to us on favorable terms, or at all. The capital and credit markets have experienced extreme volatility and disruption in recent years, and the volatility and impact of the disruption may continue. At times during this period, the volatility and disruption has reached unprecedented levels. In several cases, the markets have exerted downward pressure on stock prices and credit capacity for certain issuers, and the commercial paper markets may not be a reliable source of short-term financing for us. If we fail to obtain additional financing when needed, we may not be able to execute our business plans and our business, conducted by our operating subsidiaries, may suffer.

Cash, Cash Equivalents and Investments

Our consolidated cash, cash equivalents, equity securities and long-term restricted cash totaled $349.4 million at December 31, 2022, compared to $671.1 million at December 31, 2021.

Cash Flows Summary

The net change in cash and cash equivalents and restricted cash for the periods presented was comprised of the following:

	Years Ended December 31,	
	2022	**2021**
	(In thousands)	
Net cash (used in) provided by:		
Operating activities	$ (37,336)	$ 13,326
Investing activities	184,464	35,751
Financing activities	(166,137)	59,738
Effect of exchange rates on cash and cash equivalents	(2,566)	—
(Decrease) increase in cash and cash equivalents and restricted cash	$ (21,575)	$ 108,815

Cash Flows from Operating Activities

Cash receipts from ARG's licensees totaled $16.6 million and $75.8 million for the years ended December 31, 2022 and 2021, respectively. Cash receipts from Printronix's customers totaled $40.5 million and $11.7 million for the year ended December 31, 2022 and the period from October 7, 2021 through December 31, 2021, respectively. The fluctuations in cash receipts for the periods presented primarily reflects the corresponding fluctuations in revenues recognized during the same periods, as described above, and the related timing of payments received from licensees and customers.

Our reported cash used in operations for the year ended December 31, 2022 was $37.3 million, compared to $13.3 million cash provided by operations in the prior year. Our 2022 cash used in operations was due to net outflows from the total changes in assets and liabilities (refer to *Working Capital* discussion below), most notably from a patent cost related payment of $6.0 million (refer to Note 6 to the consolidated financial statements elsewhere herein for additional information), inventory related purchases and royalties and contingent legal fees related payments, and by the total change in net loss (described above) and related noncash adjustments.

Working Capital

Our working capital related to cash flows from operating activities at December 31, 2022 decreased to $15.1 million, compared to $4.3 million at December 31, 2021, which was comprised of the changes discussed below.

Accounts receivable decreased to $8.2 million at December 31, 2022, compared to $9.5 million at December 31, 2021. Refer to the related cash receipts discussion above. Printronix's inventories increased to $14.2 million at December 31, 2022, compared to $8.9 million at December 31, 2021. Prepaid expenses and other current assets increased to $19.4 million at December 31, 2022, compared to $4.8 million at December 31, 2021, primarily due to certain patent related costs incurred of $15.0 million (refer to Note 6 to the consolidated financial statements elsewhere herein for additional information). Accounts payable, accrued expenses and other current liabilities and accrued compensation increased to $24.8 million at December 31, 2022, compared to $15.4 million at December 31, 2021, primarily due to accrued patent costs of $9.0 million (refer to Note 6 to the consolidated financial statements elsewhere herein for additional information), severance accruals in the fourth quarter of 2022 and higher accounting fees. Royalties and contingent legal fees payable decreased to $699,000 at December 31, 2022, compared to $2.5 million at December 31, 2021 due to the reversal of a previously recorded accrual. Printronix's current deferred revenue increased to $1.2 million at December 31, 2022, compared to $1.1 million at December 31, 2021.

Cash Flows from Investing Activities

Cash flows from investing activities were comprised of the following for the periods presented:

	Years Ended December 31,	
	2022	2021
	(In thousands)	
Acquisition, net of cash acquired	$ —	$ (33,250)
Patent acquisition	(5,000)	(21,000)
Sale of investment at fair value	—	3,591
Purchases of equity securities	(112,142)	(66,624)
Sales of equity securities	273,934	154,784
Cash distributed for notes receivable	—	(4,021)
Distributions received from equity investment in joint venture	28,404	2,362
Purchases of property and equipment	(732)	(91)
Net cash provided by investing activities	$ 184,464	$ 35,751

Cash flows from investing activities for the year ended December 31, 2022 increased to $184.5 million, as compared to cash flow of $35.8 million in the prior year, primarily due to net cash inflows from our Life Sciences Portfolio and trading securities portfolio equity securities transactions in 2022. Refer to "Other Income/Expense – *Equity Securities Investments*" above for additional information.

Cash Flows from Financing Activities

Cash flows from financing activities included the following for the periods presented:

	Years Ended December 31,	
	2022	2021
	(In thousands)	
Repurchase of common stock	$ (50,988)	$ (4,012)
Issuance of Senior Secured Notes, net of lender fee	—	115,000
Paydown of Senior Secured Notes	(120,000)	(50,000)
Dividend on Series A Redeemable Convertible Preferred Stock	(2,799)	(1,452)
Taxes paid related to net share settlement of share-based awards	(1,600)	—
Proceeds from exercise of Series A warrants	9,250	—
Proceeds from exercise of stock options	—	202
Net cash (used in) provided by financing activities	$ (166,137)	$ 59,738

Cash outflows from financing activities for the year ended December 31, 2022 increased to $166.1 million, as compared to cash flow of $59.7 million in the prior year, primarily due to activity related to our Senior Secured Notes and our common stock repurchases (refer to Note 12). Refer to Note 8 to the consolidated financial statements elsewhere herein for additional information related to the Senior Secured Notes.

On October 30, 2022, the Company entered into a Recapitalization Agreement with Starboard and the Investors. Refer to Note 8 to the consolidated financial statements elsewhere herein for additional information.

Critical Accounting Estimates

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. In preparing these financial statements, we make assumptions, judgments and estimates that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition or results of operations. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from

these estimates under different assumptions or conditions. On a regular basis, we evaluate our assumptions, judgments and estimates and make changes accordingly.

We believe that of the significant accounting policies discussed in Note 2 to the consolidated financial statements included elsewhere herein, the following accounting policies require our most difficult, subjective or complex assumptions, judgments and estimates:

- revenue recognition;
- valuation of long-lived assets, goodwill and other intangible assets;
- valuation of Series B Warrants;
- valuation of embedded derivatives; and
- accounting for income taxes.

We discuss below the critical accounting assumptions, judgements and estimates associated with these policies. Historically, our critical accounting estimates relative to our significant accounting policies have not differed materially from actual results. For further information on the related significant accounting policies, refer to Note 2 to the consolidated financial statements.

Revenue Recognition

As described below, significant management judgment must be made and used in connection with the revenue recognized in any accounting period. Material differences may result in the amount and timing of revenue recognized or deferred for any period, if management made different judgments.

Printronix recognizes revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration which it expects to receive for providing those goods or services. To determine the transaction price, Printronix estimates the amount of consideration to which it expects to be entitled in exchange for transferring promised goods or services to a customer. Elements of variable consideration are estimated at the time of sale which primarily include product rights of return, rebates, price protection and other incentives that occur under established sales programs. These estimates are developed using the expected value or the most likely amount method and are reviewed and updated, as necessary, at each reporting period. Revenues, inclusive of variable consideration, are recognized to the extent it is probable that a significant reversal recognized will not occur in future periods. The provision for returns and sales allowances is determined by an analysis of the historical rate of returns and sales allowances over recent quarters, and adjusted to reflect management’s future expectations. For additional information regarding Printronix's net revenues, refer to Note 2 to the consolidated financial statements.

Valuation of Long-lived Assets, Goodwill and Other Intangible Assets

The Company reviews long-lived assets, patents and other intangible assets for potential impairment annually (quarterly for patents) and when events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. In the event the expected undiscounted future cash flows resulting from the use of the asset is less than the carrying amount of the asset, an impairment loss is recorded in an amount equal to the excess of the asset’s carrying value over its fair value. If an asset is determined to be impaired, the loss is measured based on quoted market prices in active markets, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including a discounted value of estimated future cash flows. For additional information regarding ARG's patent portfolio valuation estimates, refer to Note 2 to the consolidated financial statements. The Company did not record any long-lived asset, patent or other intangible asset impairment charges for the years ended December 31, 2022 and 2021.

Goodwill asset impairment reviews include determining the estimated fair values of our reporting units. We evaluate Goodwill for impairment annually in the fourth quarter and on an interim basis if the facts and circumstances lead us to believe that more-likely-than-not there has been an impairment. The key assumptions and inputs used in such determinations may include forecasting revenues and expenses, cash flows and capital expenditures, as well as an appropriate discount rate and other inputs. Significant judgment by management is required in estimating the fair value of a reporting unit and in performing impairment reviews. Due to the inherent subjectivity and uncertainty in forecasting future

cash flows and earnings over long periods of time, actual results may vary materially from the forecasts. If the carrying value of a reporting unit exceeds the estimated fair value of the reporting unit, then the excess, limited to the carrying amount of goodwill, will be charged to operations as an impairment loss. The Company's goodwill balance relates to Printronix, which was acquired on October 7, 2021, refer to Note 1 to the consolidated financial statements for additional information. The Company did not record any goodwill impairment charges for the years ended December 31, 2022 and 2021.

Valuation of Series B Warrants

The fair value of the Series B Warrants are estimated using a Black-Scholes option-pricing model. Refer to Note 9 to the consolidated financial statements for detailed information related to these fair value measurements. Of the assumptions used in the Black-Scholes option-pricing model, volatility changes would have the most significant impact on the fair value. As of December 31, 2022, a hypothetical 10% increase in the volatility would have resulted in an increased liability balance of approximately $133,000 in our Series B Warrants. Refer to Note 8 to the consolidated financial statements for more information.

Valuation of Embedded Derivatives

Embedded derivatives that are required to be bifurcated from their host contract are valued separately from the host instrument. An as-converted value is currently used to estimate the fair value of the embedded derivative in the Series A Redeemable Convertible Preferred Stock. Refer to Note 9 to the consolidated financial statements for detailed information related to this fair value measurement. Of the assumptions used in the as-converted model, discount rate changes would have the most significant impact on the fair value. As of December 31, 2022, a hypothetical 1% increase in the discount rate would have resulted in an increased liability balance of approximately $959,000. Refer to Note 8 to the consolidated financial statements for more information.

Accounting for Income Taxes

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves the estimating of our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheets. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance in a period, we must include an expense within the tax provision in the consolidated statements of operations.

Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and our valuation allowance. Due to uncertainties related to our ability to utilize certain deferred tax assets in future periods, we have recorded a partial valuation allowance against our net deferred tax assets as of December 31, 2022 and 2021. These assets primarily consist of foreign tax credits and net operating loss carryforwards. Refer to Note 15 to the consolidated financial statements for additional information.

In assessing the need for a valuation allowance, management has considered both the positive and negative evidence available, including but not limited to, estimates of future taxable income and related probabilities, estimates surrounding the character of future income and the timing of realization, consideration of the period over which our deferred tax assets may be recoverable, our recent history of net income and prior history of losses, projected future outcomes, industry and market trends and the nature of existing deferred tax assets. In management’s estimate, any positive indicators, including forecasts of potential future profitability of our businesses, are outweighed by the uncertainties surrounding our estimates and judgments of potential future taxable income, primarily due to uncertainties surrounding the timing of realization of future taxable income and the character of such income in particular future periods (i.e. foreign or domestic). In the event that actual results differ from these estimates or we adjust these estimates should we believe we would be able to realize these deferred tax assets in the future, an adjustment to the valuation allowance would increase income in the period such determination was made.

Any changes in the judgments, assumptions and estimates associated with our analysis of the need for a valuation allowance in any future periods could materially impact our financial position and results of operations in the periods in which those determinations are made.

Recent Accounting Pronouncements

Refer to Note 2 to consolidated financial statements included elsewhere herein.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The primary objective of our short-term investment activities is to preserve principal while concurrently maximizing the income we receive from our equity securities without significantly increasing risk. Some of the securities that we invest in may be subject to interest rate risk and/or market risk. This means that a change in prevailing interest rates, with respect to interest rate risk, or a change in the value of the United States equity markets, with respect to market risk, may cause the principal amount or market value of the equity securities to fluctuate. For example, if we hold a security that was issued with a fixed interest rate at the then-prevailing rate and the prevailing interest rate later rises, the current value of the principal amount of our investment may decline. To minimize these risks in the future, we intend to maintain our portfolio of cash equivalents and equity securities in a variety of securities. Cash equivalents are comprised of investments in U.S. treasury securities and AAA rated money market funds that invest in first-tier only securities, which primarily include domestic commercial paper and securities issued or guaranteed by the U.S. government or its agencies. In general, money market funds are not subject to market risk because the interest paid on such funds fluctuates with the prevailing interest rate. Accordingly, a 100 basis point increase in interest rates or a 10% decline in the value of the United States equity markets would not be expected to have a material impact on the value of such money market funds. Declines in interest rates over time will, however, reduce our interest income.

Investment Risk

We are exposed to investment risks related to changes in the underlying financial condition of certain of our equity investments in technology companies. The fair value of these investments can be significantly impacted by the risk of adverse changes in securities markets generally, as well as risks related to the performance of the companies whose securities we have invested in, risks associated with specific industries, and other factors. These investments are subject to significant fluctuations in fair value due to the volatility of the securities markets and of the underlying businesses.

As of December 31, 2022 and 2021, the carrying value of our equity investments in public and private companies was $98.4 million and $398.5 million, respectively.

We record our equity investments in publicly traded companies at fair value, which are subject to market price volatility. As of December 31, 2022, a hypothetical 10% adverse change in the market price of our investments in publicly traded common stock would have resulted in a decrease of approximately $6.2 million in such equity investments. We evaluate our equity investments in private companies for impairment when events and circumstances indicate that the decline in fair value of such assets below the carrying value is other-than temporary.

Foreign Currency Exchange Risk

Although we historically have not had material foreign operations, we are also exposed to market risks related to fluctuations in foreign currency exchange rates between the U.S. dollar, and the British Pound and Euro currency exchange rates, primarily related to foreign cash accounts, a note receivable and certain equity security investments. As of December 31, 2022, a hypothetical 10% change in exchange rates related to our at risk foreign denominated equity securities would have approximately a $4.3 million effect on our financial position and results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and related financial information required to be filed hereunder are indexed under Item 15 of this report and are incorporated herein by reference.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e)and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to ensure that information required to be

disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that this information is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our management, with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2022. Based on the evaluation of our disclosure controls and procedures as of December 31, 2022, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate "internal control over financial reporting," as defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Our management conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2022 based on the criteria set forth in the Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment, our management has concluded that our internal control over financial reporting was effective as of December 31, 2022.

Exemption from Attestation Report of Independent Registered Public Accounting Firm

This Report 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 our independent registered public accounting firm pursuant to the rules of the SEC that permit us to provide only Management's Annual Report because we are a non-accelerated filer.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended December 31, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

In connection with Lawrence Wesley Golby's resignation in November 2022, Mr. Golby and ARG entered into a Separation Agreement and General Release of Claims (the "Golby Separation Agreement"), pursuant to which, Mr. Golby became entitled to receive (i) base salary continuation from November 28, 2022 through February 17, 2023, which totaled $512,000 (ii) a lump sum cash payment equal to $410,096.10, and (iii) payment for three months of both the employer and employee portions of monthly COBRA, which totaled $10,000. In exchange, Mr. Golby released ARG and the Company of any and all claims other than those that by law may not be waived or that relate to Mr. Golby's vested benefits or the terms of the Golby Separation Agreement. Pursuant to the Golby Separation Agreement, Mr. Golby agreed to certain standstill provisions through February 17, 2023. This agreement is filed herewith, refer to Part IV, Item 15, "Exhibits" below.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Except as provided below, in accordance with General Instruction G(3) to Form 10-K, certain information required by this Item is incorporated herein by reference to our definitive proxy statement for our 2023 annual meeting of stockholders to be filed with the SEC within 120 days after the close of our fiscal year.

Code of Conduct

We have adopted a Code of Conduct that applies to all employees, including our principal executive officer and principal financial officer and any persons performing similar functions. Our Code of Conduct is provided on our internet website at www.acaciaresearch.com.

ITEM 11. EXECUTIVE COMPENSATION

In accordance with General Instruction G(3) to Form 10-K, the information required by this Item is incorporated herein by reference to our definitive proxy statement for our 2023 annual meeting of stockholders to be filed with the SEC within 120 days after the close of our fiscal year.

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

In accordance with General Instruction G(3) to Form 10-K, certain information required by this Item is incorporated herein by reference to our definitive proxy statement for our 2023 annual meeting of stockholders to be filed with the SEC within 120 days after the close of our fiscal year.

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

In accordance with General Instruction G(3) to Form 10-K, the information required by this Item is incorporated herein by reference to our definitive proxy statement for our 2023 annual meeting of stockholders to be filed with the SEC within 120 days after the close of our fiscal year.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

In accordance with General Instruction G(3) to Form 10-K, the information required by this Item is incorporated herein by reference to our definitive proxy statement for our 2023 annual meeting of stockholders to be filed with the SEC within 120 days after the close of our fiscal year.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report.

(1) Financial Statements.

	Page
Acacia Research Corporation Consolidated Financial Statements:	
Report of Independent Registered Public Accounting Firm (GRANT THORNTON LLP; New York, NY; PCAOB ID#248)	F-1
Report of Independent Registered Public Accounting Firm (BDO USA, LLP; New York, NY; PCAOB ID#243)	F-3
Consolidated Balance Sheets as of December 31, 2022 and 2021	F-4
Consolidated Statements of Operations for the Years Ended December 31, 2022 and 2021	F-5
Consolidated Statements of Series A Redeemable Convertible Preferred Stock and Stockholders' Equity for the Years Ended December 31, 2022 and 2021	F-6
Consolidated Statements of Cash Flows for the Years Ended December 31, 2022 and 2021	F-7
Notes to Consolidated Financial Statements	F-8

(2) Financial Statement Schedules.

Financial statement schedules are omitted because they are not applicable or the required information is shown in the Financial Statements or the Notes thereto.

(3) Exhibits.

Refer to Item 15(b) below.

(b) Exhibits. The following exhibits are either filed herewith or incorporated herein by reference:

Exhibit Number	Description
2.1**	Agreement and Plan of Merger, dated November 22, 2011, by and among Acacia Research Group LLC, Apollo Patent Corp., Adaptix, Inc., and Baker Communications Fund II (QP), L.P., solely in its capacity as representative for the shareholders of Adaptix, Inc. (incorporated by reference to the Current Report on Form 8-K/A filed on January 19, 2012)
2.2	Transaction Agreement, dated as of June 4, 2020, between LF Equity Income Fund and Acacia Research Corporation (incorporated by reference to the Current Report on Form 8-K filed on June 10, 2020)
3.1	Third Amended and Restated Certificate of Incorporation of Acacia Research Corporation (incorporated by reference to the Current Report on Form 8-K filed on May 20, 2022)
3.2	Amended and Restated Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock, as filed with the Delaware Secretary of State on January 7, 2020 (incorporated by reference to Appendix B to the Definitive Proxy Statement on Schedule 14A filed on January 17, 2020)
3.3	Fourth Amended and Restated Bylaws (incorporated by reference to the Current Report on Form 8-K filed on May 20, 2022)
4.1	Tax Benefits Preservation Plan, dated as of March 16, 2019, by and between Acacia Research Corporation and Computershare Inc., as Rights Agent, which includes the Form of Certificate of Designation, Preferences and Rights of Participating Preferred Stock as Exhibit A, the Form of Rights Certificate as Exhibit B and the Summary of Terms as Exhibit C (incorporated by reference to the Annual Report on Form 10-K for the year ended December 31, 2018, filed on March 15, 2019)
4.2	Description of Acacia Research Corporation Capital Stock (incorporated by reference to the Annual Report on Form 10-K for the year ended December 31, 2019, filed on March 16, 2020)
4.3	Form of Senior Secured Note (incorporated by reference to the Current Report on Form 8-K filed on October 6, 2021)

4.4	Form of Series A Warrant to Purchase Common Stock (incorporated by reference to Appendix C to the Definitive Proxy Statement on Schedule 14A filed on January 17, 2020)
4.5	Form of Series B Warrant to Purchase Common Stock (incorporated by reference to Appendix D to the Definitive Proxy Statement on Schedule 14A filed on January 17, 2020)
4.6	Form of Subscription Rights Certificate (incorporated by reference to the Current Report on Form 8-K filed on February 14, 2023)
4.7	Form of First Amendment to Series B Warrant to Purchase Common Stock (incorporated by reference to the Current Report on Form 8-K filed on August 24, 2022)
4.8	Form of Second Amendment to Series B Warrant to Purchase Common Stock (incorporated by reference to the Current Report on Form 8-K filed on September 15, 2022)
4.9	Form of Third Amendment to Series B Warrant to Purchase Common Stock (incorporated by reference to the Current Report on Form 8-K filed on September 30, 2022)
10.1*	Form of Indemnification Agreement (incorporated by reference to the Annual Report on Form 10-K for the year ended December 31, 2019, filed on March 16, 2020)
10.2*	Acacia Research Corporation Amended and Restated Executive Severance Policy (incorporated by reference to the Annual Report on Form 10-K for the year ended December 31, 2008, filed on February 26, 2009)
10.3	Form of Purchase Agreement (incorporated by reference to the Current Report on Form 8-K filed on February 16, 2012)
10.4*	2013 Acacia Research Corporation Stock Incentive Plan (incorporated by reference to Annex A to the Definitive Proxy Statement on Schedule 14A filed on April 24, 2013)
10.5*	Form of Stock Issuance Agreement under the 2013 Acacia Research Corporation Stock Incentive Plan (incorporated by reference to the Current Report on Form 8-K on May 22, 2013)
10.6*	2016 Acacia Research Corporation Stock Incentive Plan (incorporated by reference to the Quarterly Report on Form 10-Q for the period ended June 30, 2016, filed on August 9, 2016)
10.7*	Form of Stock Option Agreement under the 2016 Acacia Research Corporation Stock Incentive Plan (incorporated by reference to the Annual Report on Form 10-K for the year ended December 31, 2016, filed on March 10, 2017)
10.8*	Form of Stock Issuance Agreement under the 2016 Acacia Research Corporation Stock Incentive Plan (incorporated by reference to the Annual Report on Form 10-K for the year ended December 31, 2016, filed on March 10, 2017)
10.9*	Form of Profits Interest Agreement Under AIP Operation LLC Profits Interest Plan (incorporated by reference to the Quarterly Report on Form 10-Q for the period ended March 31, 2017, filed on May 10, 2017)
10.10*	Employment Agreement, dated June 19, 2020, by and between Acacia Research Group, LLC and Marc W. Booth (incorporated by reference to the Current Report on Form 8-K filed on June 25, 2020)
10.11*	Employment Agreement, dated September 3, 2019, by and among Acacia Research Group LLC, Acacia Research Corporation and Clifford Press (incorporated by reference to the Quarterly Report on Form 10-Q for the period ended September 30, 2019, filed on November 12, 2019)
10.12*	Employment Agreement, dated September 3, 2019, by and among Acacia Research Group LLC, Acacia Research Corporation and Alfred Tobia (incorporated by reference to the Quarterly Report on Form 10-Q for the period ended September 30, 2019, filed on November 12, 2019)
10.13*	Employment Agreement, dated June 4, 2020, by and between Acacia Research Group, LLC and Richard Rosenstein (incorporated by reference to the Current Report on Form 8-K filed on June 4, 2020)
10.14*	Employment Agreement, dated June 4, 2020, by and between Acacia Research Group, LLC and Meredith Simmons (incorporated by reference to the Current Report on Form 8-K filed on June 4, 2020)
10.15*	Employment Agreement, effective March 16, 2021, by and between Acacia Research Group, LLC and Jason Soncini (incorporated by reference to the Current Report on Form 8-K filed on March 22, 2021)
10.16*	Employment Agreement, effective March 10, 2022, among Acacia Research Corporation, Acacia Research Group LLC, and Martin D. McNulty Jr. (incorporated by reference to the Current Report on Form 8-K filed on March 15, 2022)
10.17*#	Separation Agreement and General Release of Claims, effective November 28, 2022, among Acacia Research Group LLC, and Lawrence Wesley Golby (filed herewith as Exhibit 10.1 pursuant to Part II, Item 9B)
10.18*#	Consulting Agreement, effective January 28, 2023, among Acacia Research Corporation and Richard Rosenstein (filed herewith as Exhibit 10.2)
10.19	Securities Purchase Agreement dated November 18, 2019, by and among Acacia Research Corporation, Starboard Value LP and the investors listed on the Schedule of Buyers attached thereto (incorporated by reference to Appendix A to the Definitive Proxy Statement on Schedule 14A filed on January 17, 2020)
10.20	Supplemental Agreement, dated as of June 4, 2020, between Starboard Value, L.P. and Acacia Research Corporation (incorporated by reference to the Current Report on Form 8-K filed on June 10, 2020)

10.21	Exchange Agreement, dated June 30, 2020, among Acacia Research Corporation, Merton Acquisition HoldCo LLC and Starboard Value LP (incorporated by reference to the Current Report on Form 8-K filed on July 7, 2020)
10.22	Stock Pledge Agreement, dated June 30, 2020, entered into by Acacia Research Group LLC, Advanced Skeletal Innovations LLC and Saint Lawrence Communications LLC in favor of Starboard Value Intermediate Fund LP, as collateral agent (incorporated by reference to the Current Report on Form 8-K filed on July 7, 2020)
10.23	Guaranty, dated June 30, 2020, entered into by the Guarantors (as defined therein) in favor of the Holders (as defined therein) (incorporated by reference to the Current Report on Form 8-K filed on July 7, 2020)
10.24	Release of Security Interests in Patents, dated June 30, 2020, between the Releasees (as defined therein) and Starboard Value Intermediate Fund LP, as collateral agent. (incorporated by reference to the Current Report on Form 8-K filed on July 7, 2020)
10.25	Second Supplemental Agreement, dated as of March 31, 2021, between Starboard Value, L.P., Acacia Research Corporation, Merton Acquisition Holdco LLC and certain other direct and indirect subsidiaries of the Company (incorporated by reference to the Current Report on Form 8-K filed on April 6, 2021)
10.26	Third Supplemental Agreement, dated as of June 30, 2021, between Starboard Value, L.P., Acacia Research Corporation, Merton Acquisition Holdco LLC and certain other direct and indirect subsidiaries of the Company (incorporated by reference to the Current Report on Form 8-K filed on July 7, 2021)
10.27	Fourth Supplemental Agreement, dated as of September 30, 2021, between Starboard Value, L.P., Acacia Research Corporation, Merton Acquisition Holdco LLC and certain other direct and indirect subsidiaries of the Company (incorporated by reference to the Current Report on Form 8-K filed on October 6, 2021)
10.28	Note Amendment Agreement, dated as of November 15, 2021, between Starboard Value, L.P., on behalf of the Starboard Funds, Acacia Research Corporation and Merton Acquisition Holdco LLC (incorporated by reference to the Current Report on Form 8-K filed on November 19, 2021)
10.29	Supplement No. 5 and Amendment to the Stock Pledge Agreement, dated November 15, 2021, by and among certain direct and indirect subsidiaries of Acacia Research Corporation and Starboard Value Intermediate Fund LP, as Collateral Agent (incorporated by reference to the Current Report on Form 8-K filed on November 19, 2021)
10.30	Fifth Supplemental Agreement, dated as of November 30, 2021, between Starboard Value, L.P., on behalf of the Starboard Funds, Acacia Research Corporation and Merton Acquisition Holdco LLC (incorporated by reference to the Current Report on Form 8-K filed on December 6, 2021)
10.31	Governance Agreement dated November 18, 2019 and amended January 7, 2020, by and among Acacia Research Corporation and the entities and natural persons set forth on the signature pages thereto (incorporated by reference to Appendix G to the Definitive Proxy Statement on Schedule 14A filed on January 17, 2020)
10.32	Lease Agreement dated June 7, 2019, by and between Acacia Research Corporation and Jamboree Center 4 LLC (incorporated by reference to the Annual Report on Form 10-K for the year ended December 31, 2019, filed on March 16, 2020)
10.33	First Amendment of Lease, dated as of August 5, 2021, between Sage Realty Corporation and Acacia Research Corporation (incorporated by reference to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, filed on November 15, 2021)
10.34	Sixth Supplemental Agreement, dated as of January 31, 2022, among Starboard Value, L.P., on behalf of the Starboard Funds, Acacia Research Corporation and Merton Acquisition Holdco LLC (incorporated by reference to the Current Report on Form 8-K filed on February 4, 2022)
10.35	Seventh Supplemental Agreement, dated as of April 14, 2022, among Starboard Value, L.P., on behalf of the Starboard Funds, Acacia Research Corporation and Merton Acquisition Holdco LLC (incorporated by reference to the Current Report on Form 8-K filed on April 20, 2022)
10.36	Eighth Supplemental Agreement, dated as of July 15, 2022, among Starboard Value, L.P., on behalf of the Starboard Funds, Acacia Research Corporation and Merton Acquisition Holdco LLC (incorporated by reference to the Current Report on Form 8-K filed on July 19, 2022)
10.37	Recapitalization Agreement dated October 30, 2022, by and among Acacia Research Corporation, Starboard Value Partners LP and the investors listed on the Schedule of Investors attached thereto (incorporated by reference to the Current Report on Form 8-K filed on November 1, 2022)
10.38	Amended and Restated Registration Rights Agreement dated as of February 14, 2023, by and among Acacia Research Corporation and the investors listed on the Schedule of Buyers attached thereto (incorporated by reference to the Current Report on Form 8-K filed on February 14, 2023)
16.1	Letter from BDO USA LLC to the SEC dated September 7, 2022 (incorporated by reference to the Current Report on Form 8-K filed on September 7, 2022)
21.1#	List of Subsidiaries
23.1#	Consent of Independent Registered Public Accounting Firm, GRANT THORNTON LLP
23.2#	Consent of Independent Registered Public Accounting Firm, BDO USA, LLP

24.1	Power of Attorney (included in the signature page hereto).
31.1#	Certification of Principal Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934
31.2#	Certification of Principal Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934
32.1†	Certification of Principal Executive Officer Pursuant to Rule 13a-14(b)/15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350
32.2†	Certification of Principal Financial Officer Pursuant to Rule 13a-14(b)/15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350
101#	The following financial statements from the Company's Annual Report on Form 10-K for the years ended December 31, 2022 and 2021, formatted in Inline Extensible Business Reporting Language (iXBRL) include: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Series A Redeemable Convertible Preferred Stock and Stockholders' Equity, (iv) Consolidated Statements of Cash Flows and (v) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
104#	Cover Page Interactive Data File (formatted in iXBRL and included in Exhibit 101).

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* The referenced exhibit is a management contract, compensatory plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-K pursuant to Item 15(a)(3) of Form 10-K.

** Portions of this exhibit have been omitted pursuant to a request for confidential treatment under Rule 24-b-2 of the Securities Exchange Act of 1934, as amended. The omitted material has been separately filed with the Securities and Exchange Commission.

Filed herewith.

† The certifications attached as Exhibits 32.1 and 32.2 that accompany this Annual Report on Form 10-K are not deemed filed with the SEC and are not to be incorporated by reference into any filing of Acacia Research Corporation under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Annual Report on Form 10-K, regardless of any general incorporation language contained in any filing.

(c) Other financial statement schedules.

Not applicable.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

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SIGNATURES

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

ACACIA RESEARCH CORPORATION

Dated: March 17, 2023

By: /s/ Martin D. McNulty Jr.
Martin D. McNulty Jr.
Interim Chief Executive Officer (Principal Executive Officer and Duly Authorized Signatory)

POWER OF ATTORNEY

We, the undersigned directors and officers of Acacia Research Corporation, do hereby constitute and appoint Martin D. McNulty Jr. and Kirsten Hoover, and each of them, as our true and lawful attorneys-in-fact and agents with power of substitution, to do any and all acts and things in our name and behalf in our capacities as directors and officers and to execute any and all instruments for us and in our names in the capacities indicated below, which said attorney-in-fact and agent may deem necessary or advisable to enable said corporation to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with this Annual Report on Form 10-K, including specifically but without limitation, power and authority to sign for us or any of us in our names in the capacities indicated below, any and all amendments hereto; and we do hereby ratify and confirm all that said attorney-in-fact and agent, shall do or cause to be done by virtue hereof.

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

Signature	Title	Date
/s/ Martin D. McNulty Jr. Martin D. McNulty Jr.	Interim Chief Executive Officer (Principal Executive Officer)	March 17, 2023
/s/ Kirsten Hoover Kirsten Hoover	Interim Chief Financial Officer (Principal Financial and Accounting Officer)	March 17, 2023
/s/ Gavin Molinelli Gavin Molinelli	Director	March 17, 2023
/s/ Isaac Kohlberg Isaac Kohlberg	Director	March 17, 2023
/s/ Maureen O'Connell Maureen O'Connell	Director	March 17, 2023
/s/ Jonathan Sagal Jonathan Sagal	Director	March 17, 2023
/s/ Katharine Wolanyk Katharine Wolanyk	Director	March 17, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Acacia Research Corporation
New York, NY

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Acacia Research Corporation (the "Company") as of December 31, 2021, the related consolidated statements of operations, series A redeemable convertible preferred stock and stockholders' equity, and cash flows for the year then ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022, and the results of its operations and its cash flows for the year then ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

Critical Audit Matter

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

Fair value measurement of the embedded derivative in the Series A Redeemable Convertible Preferred Stock

As described further in Notes 8 and 9 to the consolidated financial statements, on October 30, 2022, the Company entered into a Recapitalization Agreement with Starboard and the Investors, pursuant to which, among other things, the Company and Starboard agreed to enter into a series of transactions to restructure Starboard's existing investments in the Company in order to simplify the Company's capital structure. In connection with the Recapitalization Agreement, the Company changed its methodology to an as-converted value (Level 3), based on an expected Series A Convertible Preferred Stock conversion date on or prior to July 14, 2023.

We identified the fair value measurement of the embedded derivative in the Series A Redeemable Convertible Preferred Stock as a critical audit matter.

The principal consideration for our determination that the fair value measurement of the embedded derivative in the Series A Redeemable Convertible Preferred Stock is a critical audit matter are as follows. There is limited observable market data available for the embedded derivative as it is a complex financial instrument and, as such, the fair value measurement requires management to make complex judgments in order to identify and select the significant assumptions, which include the (i) coupon rate, (ii) conversion ratio, (iii) conversion date, and (iv) discount rate. In addition, the fair value measurement of the embedded derivative requires the use of complex financial models. As a result, obtaining sufficient appropriate audit evidence related to the fair value measurement requires significant auditor subjectivity.is management

Our audit procedures related to the fair value measurement of the embedded derivative included the following, among others.

- We obtained an understanding of the design and tested the implementation of relevant controls over estimating the fair value of the embedded derivative.
- With the assistance of our firm valuation specialists, we evaluated the reasonableness of the Company's valuation methodology and assumptions by: (1) comparing selected assumptions against available market data and historical amounts and (2) validating the mathematical accuracy of the model by developing an independent calculation and comparing to management's concluded valuations.

/s/ GRANT THORNTON LLP

We served as the Company’s auditor since 2022.

New York, New York
March 17, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
Acacia Research Corporation
New York, NY

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Acacia Research Corporation (the "Company") as of December 31, 2021, the related consolidated statements of operations, series A redeemable convertible preferred stock and stockholders' equity, and cash flows for the year then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

/s/ BDO USA, LLP

We have served as the Company's auditor from 2021 to 2022.

New York, NY
March 31, 2022

ACACIA RESEARCH CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	December 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 287,786	$ 308,943
Equity securities	61,608	361,778
Equity securities without readily determinable fair value	5,816	5,816
Equity method investments	30,934	30,934
Accounts receivable, net	8,231	9,517
Inventories	14,222	8,930
Prepaid expenses and other current assets	19,388	4,764
Total current assets	427,985	730,682
Long-term restricted cash	—	418
Property, plant and equipment, net	3,537	4,183
Goodwill	7,541	7,470
Other intangible assets, net	36,658	48,793
Leased right-of-use assets	2,005	2,027
Other non-current assets	5,202	5,283
Total assets	$ 482,928	$ 798,856
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK, AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 6,036	$ 5,440
Accrued expenses and other current liabilities	14,058	6,227
Accrued compensation	4,737	3,698
Royalties and contingent legal fees payable	699	2,463
Deferred revenue	1,229	1,114
Senior secured notes payable	60,450	181,248
Total current liabilities	87,209	200,190
Deferred revenue, net of current portion	568	581
Series A warrant liabilities	—	11,291
Series A embedded derivative liabilities	16,835	18,448
Series B warrant liabilities	84,780	96,378
Long-term lease liabilities	1,873	2,027
Deferred income tax liabilities, net	742	18,552
Other long-term liabilities	1,675	6,161
Total liabilities	193,682	353,628
Commitments and contingencies		
Series A redeemable convertible preferred stock, par value $0.001 per share; stated value $100 per share; 350,000 shares authorized, issued and outstanding as of December 31, 2022 and 2021; aggregate liquidation preference of $35,000 as of December 31, 2022 and 2021	19,924	14,753
Stockholders' equity:		
Preferred stock, par value $0.001 per share; 10,000,000 shares authorized; no shares issued or outstanding	—	—
Common stock, par value $0.001 per share; 300,000,000 shares authorized; 43,484,867 and 48,807,748 shares issued and outstanding as of December 31, 2022 and 2021, respectively	43	49
Treasury stock, at cost, 16,183,703 and 5,388,469 shares as of December 31, 2022 and 2021, respectively	(98,258)	(47,281)
Additional paid-in capital	663,284	648,389
Accumulated deficit	(306,789)	(181,724)
Total Acacia Research Corporation stockholders' equity	258,280	419,433
Noncontrolling interests	11,042	11,042
Total stockholders' equity	269,322	430,475
Total liabilities, redeemable convertible preferred stock, and stockholders' equity	$ 482,928	$ 798,856

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

ACACIA RESEARCH CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)

	Years Ended December 31, 2022	2021
Revenues:		
Intellectual property operations	$ 19,508	$ 76,043
Industrial operations	39,715	12,004
Total revenues	59,223	88,047
Costs and expenses:		
Cost of revenues - intellectual property operations	18,029	28,691
Cost of sales - industrial operations	19,359	7,407
Engineering and development expenses - industrial operations	626	200
Sales and marketing expenses - industrial operations	8,621	1,538
General and administrative expenses	52,680	35,666
Total costs and expenses	99,315	73,502
Operating (loss) income	(40,092)	14,545
Other (expense) income:		
Equity securities investments:		
Change in fair value of equity securities	(263,695)	87,527
Gain on sale of equity securities	125,318	116,129
Earnings on equity investment in joint venture	42,531	3,530
Net realized and unrealized (loss) gain	(95,846)	207,186
Change in fair value of investment	—	(2,752)
Gain on sale of investment	—	3,591
Change in fair value of the Series A and B warrants and embedded derivatives	13,102	(40,408)
Loss on foreign currency exchange	(3,324)	(89)
Interest expense on Senior Secured Notes	(6,432)	(7,922)
Interest income and other, net	5,442	501
Total other (expense) income	(87,058)	160,107
(Loss) income before income taxes	(127,150)	174,652
Income tax benefit (expense)	16,211	(24,287)
Net (loss) income including noncontrolling interests in subsidiaries	(110,939)	150,365
Net income attributable to noncontrolling interests in subsidiaries	(14,126)	(1,168)
Net (loss) income attributable to Acacia Research Corporation	$ (125,065)	$ 149,197
(Loss) income per share:		
Net (loss) income attributable to common stockholders - Basic	$ (133,035)	$ 118,804
Weighted average number of shares outstanding - Basic	42,460,504	48,797,290
Basic net (loss) income per common share	$ (3.13)	$ 2.43
Net (loss) income attributable to common stockholders - Diluted	$ (133,035)	$ 188,224
Weighted average number of shares outstanding - Diluted	42,460,504	98,470,870
Diluted net (loss) income per common share	$ (3.13)	$ 1.91

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

ACACIA RESEARCH CORPORATION
CONSOLIDATED STATEMENTS OF SERIES A REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY
(In thousands, except share data)

Year Ended December 31, 2022

	Series A Redeemable Convertible Preferred Stock		Common Stock		Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Noncontrolling Interests in Operating Subsidiaries	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance at December 31, 2021	**350,000**	**$ 14,753**	**48,807,748**	**$ 49**	**$ (47,281)**	**$ 648,389**	**$ (181,724)**	**$ 11,042**	**$ 430,475**
Net (loss) income including noncontrolling interests in subsidiaries	—	—	—	—	—	—	(125,065)	14,126	(110,939)
Distributions to noncontrolling interests in subsidiaries	—	—	—	—	—	—	—	(14,126)	(14,126)
Accretion of Series A Redeemable Convertible Preferred Stock to redemption value	—	5,171	—	—	—	(5,171)	—	—	(5,171)
Dividend on Series A Redeemable Convertible Preferred Stock	—	—	—	—	—	(2,799)	—	—	(2,799)
Exercise of Series A warrants	—	—	5,000,000	5	—	20,645	—	—	20,650
Issuance of common stock for vesting of restricted stock units	—	—	646,668	—	—	—	—	—	—
Issuance of common stock for unvested restricted stock awards, net of forfeitures	—	—	197,999	—	—	—	—	—	—
Shares withheld related to net share settlement of share-based awards	—	—	(372,314)	—	—	(1,600)	—	—	(1,600)
Compensation expense for share-based awards	—	—	—	—	—	3,820	—	—	3,820
Repurchase of common stock	—	—	(10,795,234)	(11)	(50,977)	—	—	—	(50,988)
Balance at December 31, 2022	**350,000**	**$ 19,924**	**43,484,867**	**$ 43**	**$ (98,258)**	**$ 663,284**	**$ (306,789)**	**$ 11,042**	**$ 269,322**

Year Ended December 31, 2021

	Series A Redeemable Convertible Preferred Stock		Common Stock		Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Noncontrolling Interests in Operating Subsidiaries	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance at December 31, 2020	**350,000**	**$ 10,924**	**49,279,453**	**$ 49**	**$ (43,270)**	**$ 651,416**	**$ (330,921)**	**$ 11,042**	**$ 288,316**
Net income including noncontrolling interests in subsidiaries	—	—	—	—	—	—	149,197	1,168	150,365
Distributions to noncontrolling interests in subsidiaries	—	—	—	—	—	—	—	(1,168)	(1,168)
Accretion of Series A Redeemable Convertible Preferred Stock to redemption value	—	3,829	—	—	—	(3,829)	—	—	(3,829)
Dividend on Series A Redeemable Convertible Preferred Stock	—	—	—	—	—	(1,452)	—	—	(1,452)
Stock options exercised	—	—	60,000	1	—	201	—	—	202
Issuance of common stock for vesting of restricted stock units	—	—	28,834	—	—	—	—	—	—
Issuance of common stock for unvested restricted stock awards, net of forfeitures	—	—	223,565	—	—	—	—	—	—
Compensation expense for share-based awards	—	—	—	—	—	2,053	—	—	2,053
Repurchase of common stock	—	—	(784,104)	(1)	(4,011)	—	—	—	(4,012)
Balance at December 31, 2021	**350,000**	**$ 14,753**	**48,807,748**	**$ 49**	**$ (47,281)**	**$ 648,389**	**$ (181,724)**	**$ 11,042**	**$ 430,475**

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

ACACIA RESEARCH CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended December 31,	
	2022	**2021**
Cash flows from operating activities:		
Net (loss) income including noncontrolling interests in subsidiaries	$ (110,939)	$ 150,365
Adjustments to reconcile net (loss) income including noncontrolling interests in subsidiaries to net cash (used in) provided by operating activities:		
Change in fair value of investment	—	2,752
Gain on sale of investment	—	(3,591)
Depreciation and amortization	13,514	10,688
Amortization of debt discount and issuance costs	90	110
Change in fair value of Series A redeemable convertible preferred stock embedded derivatives	(1,613)	(8,280)
Change in fair value of Series A warrants	(1,895)	4,651
Change in fair value of Series B warrants	(11,598)	44,037
Loss on exercise of Series A warrants	2,004	—
Compensation expense for share-based awards	3,820	2,053
Loss on foreign currency exchange	3,324	89
Change in fair value of equity securities	263,695	(87,527)
Gain on sale of equity securities	(125,318)	(116,129)
Earnings on equity investment in joint venture	(42,531)	(3,530)
Deferred income taxes	(17,810)	15,742
Changes in assets and liabilities:		
Accounts receivable	998	(747)
Inventories	(5,291)	1,906
Prepaid expenses and other assets	(5,986)	(78)
Accounts payable and accrued expenses	(136)	760
Royalties and contingent legal fees payable	(1,764)	301
Deferred revenue	100	(246)
Net cash (used in) provided by operating activities	(37,336)	13,326
Cash flows from investing activities:		
Acquisition, net of cash acquired	—	(33,250)
Patent acquisition	(5,000)	(21,000)
Sale of investment at fair value	—	3,591
Purchases of equity securities	(112,142)	(66,624)
Sales of equity securities	273,934	154,784
Cash distributed for notes receivable	—	(4,021)
Distributions received from equity investment in joint venture	28,404	2,362
Purchases of property and equipment	(732)	(91)
Net cash provided by investing activities	184,464	35,751
Cash flows from financing activities:		
Repurchase of common stock	(50,988)	(4,012)
Issuance of Senior Secured Notes, net of lender fee	—	115,000
Paydown of Senior Secured Notes	(120,000)	(50,000)
Dividend on Series A Redeemable Convertible Preferred Stock	(2,799)	(1,452)
Taxes paid related to net share settlement of share-based awards	(1,600)	—
Proceeds from exercise of Series A warrants	9,250	—
Proceeds from exercise of stock options	—	202
Net cash (used in) provided by financing activities	(166,137)	59,738
Effect of exchange rates on cash and cash equivalents	(2,566)	—
(Decrease) increase in cash and cash equivalents and restricted cash	(21,575)	108,815
Cash and cash equivalents and restricted cash, beginning	309,361	200,546
Cash and cash equivalents and restricted cash, ending	$ 287,786	$ 309,361
Supplemental schedule of cash flow information:		
Interest paid	$ 7,229	$ 7,336
Income taxes paid	384	25
Noncash investing and financing activities:		
Patent acquisition in exchange of notes receivable	—	4,000
Accrued patent costs	9,000	5,000
Distribution to noncontrolling interests in subsidiaries	14,126	1,168

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

ACACIA RESEARCH CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Acacia Research Corporation (the “Company,” "Acacia," “we,” “us,” or "our") is an opportunistic capital platform that purchases businesses based on the differentials between public and private market valuations. We use a wide range of transactional and operational capabilities to realize the intrinsic value in the businesses that we acquire. Our ideal transactions include the acquisition of public or private companies, the acquisition of divisions of other companies, or structured transactions that can result in the recapitalization or restructuring of the ownership of a business to enhance value.

Our focus is companies with market values in the sub-$2 billion range and particularly on businesses valued at $1 billion or less. We are, however, opportunistic, and may pursue acquisitions that are larger under the right circumstance.

We operate our business based on three key principles of People, Process and Performance and have built a management team with demonstrated expertise in Research, Transactions and Execution, and Operations and Management of our targeted acquisitions.

We utilized these skill sets and resources to acquire a portfolio of equity securities of public and private life science businesses, or the “Life Sciences Portfolio,” in June 2020. As of December 31, 2022, we have monetized a majority of the portfolio while retaining an interest in a number of operating businesses, including a controlling interest in one of the companies in the portfolio. Further, some of the businesses in which we continue to hold an interest generate revenues through the receipt of royalties. Refer to Note 3 for additional information.

Relationship with Starboard Value, LP

Our strategic relationship with Starboard Value, LP (“Starboard”) provides us access to industry expertise, and operating partners and industry experts to evaluate potential acquisition opportunities and enhance the oversight and value creation of such businesses once acquired. Starboard has provided, and we expect will continue to provide, ready access to its extensive network of industry executives and, as part of our relationship, Starboard has assisted, and we expect will continue to assist, with sourcing and evaluating appropriate acquisition opportunities. Refer to Note 8 for additional information.

Recapitalization

On October 30, 2022, the Company entered into a Recapitalization Agreement (the “Recapitalization Agreement”) with Starboard and certain funds and accounts affiliated with, or managed by, Starboard (collectively, the “Investors”), pursuant to which, among other things, the Company and Starboard agreed to enter into a series of transactions (the “Recapitalization”) to restructure Starboard’s existing investments in the Company in order to simplify the Company’s capital structure. Under the Recapitalization Agreement, the Company and Starboard agreed to take certain actions in connection with the Recapitalization. Refer to Note 8 for a detailed description of the Recapitalization and the actions taken and contemplated to be taken in connection therewith.

Intellectual Property Operations – Patent Licensing, Enforcement and Technologies Business

The Company invests in intellectual property and related absolute return assets and engages in the licensing and enforcement of patented technologies. Through our Patent Licensing, Enforcement and Technologies Business, operated under Acacia Research Group, LLC and its wholly-owned subsidiaries ("ARG"), we are a principal in the licensing and enforcement of patent portfolios, with our operating subsidiaries obtaining the rights in the patent portfolio or purchasing the patent portfolio outright. While we, from time to time, partner with inventors and patent owners, from small entities to large corporations, we assume all responsibility for advancing operational expenses while pursuing a patent licensing and enforcement program. When applicable, we share net licensing revenue with our patent partners as that program matures, on a pre-arranged and negotiated basis. We may also provide upfront capital to patent owners as an advance against future licensing revenue.

Currently, on a consolidated basis, our operating subsidiaries own or control the rights to multiple patent portfolios, which include U.S. patents and certain foreign counterparts, covering technologies used in a variety of industries. ARG generates

revenues and related cash flows from the granting of IP rights for the use of patented technologies that its operating subsidiaries control or own.

Our Patent Licensing, Enforcement and Technologies Business depends upon the identification and investment in new patents, inventions and companies that own IP through relationships with inventors, universities, research institutions, technology companies and others. If ARG's operating subsidiaries are unable to maintain those relationships and identify and grow new relationships, then they may not be able to identify new technology-based opportunities for sustainable revenue and/or revenue growth.

During the year ended December 31, 2022, ARG did not obtain control of any new patent portfolios. During the year ended December 31, 2021, ARG obtained control of one new patent portfolio.

Industrial Operations Acquisition

On October 7, 2021, we consummated our first operating company acquisition of Printronix Holding Corporation and subsidiaries ("Printronix"). Printronix is a leading manufacturer and distributor of industrial impact printers, also known as line matrix printers, and related consumables and services. The Printronix business serves a diverse group of customers that operate across healthcare, food and beverage, manufacturing and logistics, and other sectors. This mature technology is known for its ability to operate in hazardous environments. Printronix has a manufacturing site located in Malaysia and third-party configuration sites located in the United States, Singapore and Holland, along with sales and support locations around the world to support its global network of users, channel partners and strategic alliances. This acquisition was made at what we believe to be an attractive purchase price, and we are now supporting existing management in its execution of strategic partnerships to generate growth.

We acquired all of the outstanding stock of Printronix, for a cash purchase price of approximately $37.0 million, which included an initial $33.0 million cash payment and a $4.0 million working capital adjustment. The Company's consolidated financial statements include Printronix's consolidated operations from October 7, 2021 through December 31, 2022. As of December 31, 2021, management finalized the valuations of all acquired assets and liabilities assumed in the acquisition and there was no contingent consideration.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles

The consolidated financial statements and accompanying notes are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

Reclassifications

Certain prior period amounts in the consolidated financial statements have been reclassified to conform to the current period presentation. These changes had no impact on the previously reported consolidated results of operations or cash flows.

Principles of Consolidation

The consolidated financial statements include the accounts of Acacia and its wholly and majority-owned and controlled subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Noncontrolling interests in Acacia's majority-owned and controlled operating subsidiaries ("noncontrolling interests") are separately presented as a component of stockholders' equity. Consolidated net income or (loss) is adjusted to include the net (income) or loss attributed to noncontrolling interests in the consolidated statements of operations. Refer to the Consolidated Statements of Series A Redeemable Convertible Preferred Stock and Stockholders' Equity for noncontrolling interests activity.

In 2020, in connection with the transaction with Link Fund Solutions Limited, which is more fully described in Note 3, the Company acquired equity securities of Malin J1 Limited ("MalinJ1"). MalinJ1 is included in the Company's consolidated financial statements because the Company, through its interest in the equity securities of MalinJ1, has the ability to control

the operations and activities of MalinJ1. Viamet HoldCo LLC, a Delaware limited liability company and wholly-owned subsidiary of Acacia, is the majority shareholder of MalinJ1.

Segment Reporting

The Company uses the management approach, which designates the internal organization that is used by management for making operating decisions and assessing performance as the basis of the Company's reportable segments. Refer to Note 17 for additional information regarding our two reportable business segments: Intellectual Property Operations and Industrial Operations.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Acacia believes that, of the significant accounting policies described herein, the accounting policies associated with revenue recognition, estimates of variable consideration for revenue, including sales returns, the valuation of equity securities without readily determinable fair value, the determination of excess and obsolete inventories, bad debt allowances and product warranty liabilities, the valuation of Series A redeemable convertible preferred stock (the "Series A Redeemable Convertible Preferred Stock"), embedded derivatives, Series A warrants (the "Series A Warrants") and Series B warrants (the "Series B Warrants"), stock-based compensation expense, impairment of goodwill, patent-related and other intangible assets, the determination of the economic useful life of amortizable intangible assets, and income taxes and valuation allowances against net deferred tax assets, require its most difficult, subjective or complex judgments.

Revenue Recognition

Intellectual Property Operations

ARG's revenue is recognized upon transfer of control (i.e., by the granting) of promised bundled IP Rights and other contractual performance obligations to licensees in an amount that reflects the consideration we expect to receive in exchange for those IP Rights. Revenue contracts that provide promises to grant the right to use IP Rights as they exist at the point in time at which the IP Rights are granted, are accounted for as performance obligations satisfied at a point in time and revenue is recognized at the point in time that the applicable performance obligations are satisfied and all other revenue recognition criteria have been met.

For the periods presented, revenue contracts executed by ARG primarily provided for the payment of contractually determined, one-time, paid-up license fees in consideration for the grant of certain IP Rights for patented technologies owned or controlled by ARG. Revenues also included license fees from sales-based revenue contracts, the majority of which were originally executed in prior periods, which provide for the payment of quarterly license fees based on quarterly sales of applicable product units by licensees ("Recurring License Revenue Agreements"). Revenues may also include court ordered settlements or awards related to our patent portfolio or sales of our patent portfolio. IP Rights granted included the following, as applicable: (i) the grant of a non-exclusive, future license to manufacture and/or sell products covered by patented technologies, (ii) a covenant-not-to-sue, (iii) the release of the licensee from certain claims, and (iv) the dismissal of any pending litigation. The IP Rights granted were generally perpetual in nature, extending until the legal expiration date of the related patents. The individual IP Rights are not accounted for as separate performance obligations, as (i) the nature of the promise, within the context of the contract, is to grant combined items to which the promised IP Rights are inputs and (ii) the Company's promise to grant each individual IP right described above to the customer is not separately identifiable from other promises to grant IP Rights in the contract.

Since the promised IP Rights are not individually distinct, ARG combined each individual IP Right in the contract into a bundle of IP Rights that is distinct, and accounted for all of the IP Rights promised in the contract as a single performance obligation. The IP Rights granted were "functional IP rights" that have significant standalone functionality. ARG's subsequent activities do not substantively change that functionality and do not significantly affect the utility of the IP to which the licensee has rights. ARG's operating subsidiaries have no further obligation with respect to the grant of IP Rights, including no express or implied obligation to maintain or upgrade the technology, or provide future support or services. The contracts provide for the grant of the licenses, covenants-not-to-sue, releases, and other significant deliverables upon execution of the contract. Licensees legally obtain control of the IP Rights upon execution of the

contract. As such, the earnings process is complete and revenue is recognized upon the execution of the contract, when collectability is probable and all other revenue recognition criteria have been met. Revenue contracts generally provide for payment of contractual amounts within 15-90 days of execution of the contract, or the end of the quarter in which the sale or usage occurs for Recurring License Revenue Agreements. Contractual payments made by licensees are generally non-refundable.

For sales-based royalties from Recurring License Revenue Agreements, ARG includes in the transaction price some or all of an amount of estimated variable consideration to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Notwithstanding, revenue is recognized for a sales-based royalty promised in exchange for a license of IP Rights when the later of (i) the subsequent sale or usage occurs, or (ii) the performance obligation to which some or all of the sales-based royalty has been allocated has been satisfied. Estimates are generally based on historical levels of activity, if available.

Revenues from contracts with significant financing components (either explicit or implicit) are recognized at an amount that reflects the price that a licensee would have paid if the licensee had paid cash for the IP Rights when they are granted to the licensee. In determining the transaction price, ARG adjusts the promised amount of consideration for the effects of the time value of money. As a practical expedient, ARG does not adjust the promised amount of consideration for the effects of a significant financing component if ARG expects, at contract inception, that the period between when the entity grants promised IP Rights to a customer and when the customer pays for the IP Rights will be one year or less.

In general, ARG is required to make certain judgments and estimates in connection with the accounting for revenue contracts with customers. Such areas may include identifying performance obligations in the contract, estimating the timing of satisfaction of performance obligations, determining whether a promise to grant a license is distinct from other promised goods or services, evaluating whether a license transfers to a customer at a point in time or over time, allocating the transaction price to separate performance obligations, determining whether contracts contain a significant financing component, and estimating revenues recognized at a point in time for sales-based royalties.

License revenues were comprised of the following for the periods presented:

	Years Ended December 31,	
	2022	**2021**
	(In thousands)	
Paid-up license revenue agreements	$ 17,788	$ 73,585
Recurring License Revenue Agreements	1,720	2,458
Total	$ 19,508	$ 76,043

Industrial Operations

Printronix recognizes revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration which it expects to receive for providing those goods or services. To determine the transaction price, Printronix estimates the amount of consideration to which it expects to be entitled in exchange for transferring promised goods or services to a customer. Elements of variable consideration are estimated at the time of sale which primarily include product rights of return, rebates, price protection and other incentives that occur under established sales programs. These estimates are developed using the expected value or the most likely amount method and are reviewed and updated, as necessary, at each reporting period. Revenues, inclusive of variable consideration, are recognized to the extent it is probable that a significant reversal recognized will not occur in future periods. The provision for returns and sales allowances is determined by an analysis of the historical rate of returns and sales allowances over recent quarters, and adjusted to reflect management's future expectations.

Printronix enters into contract arrangements that may include various combinations of tangible products (which include printers, consumables and parts) and services, which are generally capable of being distinct and accounted for as separate performance obligations. Printronix evaluates whether two or more contracts should be combined and accounted for as a single contract and whether the combined or single contract has more than one performance obligation. This evaluation requires judgement, and the decision to combine a group of contracts or separate the combined or single contract into multiple distinct performance obligations may impact the amount of revenue recorded in a reporting period. Printronix deems performance obligations to be distinct if the customer can benefit from the product or service on its own or together

with readily available resources (i.e. capable of being distinct) and if the transfer of products or services is separately identifiable from other promises in the contract (i.e. distinct within the context of the contract).

For contract arrangements that include multiple performance obligations, Printronix allocates the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices for each performance obligation. In general, standalone selling prices are observable for tangible products and standard software while standalone selling prices for repair and maintenance services are developed with an expected cost-plus margin or residual approach. Regional pricing, marketing strategies and business practices are evaluated to derive the estimated standalone selling price using a cost-plus margin methodology.

Printronix recognizes revenue for each performance obligation upon transfer of control of the promised goods or services. Control is deemed to have been transferred when the customer has the ability to direct the use of and has obtained substantially all of the remaining benefits from the goods and services. The determination of whether control transfers at a point in time or over time requires judgment and includes consideration of the following: (i) the customer simultaneously receives and consumes the benefits provided as Printronix performs its promises, (ii) the performance creates or enhances an asset that is under control of the customer, (iii) the performance does not create an asset with an alternative use to Printronix, and (iv) Printronix has an enforceable right to payment for its performance completed to date.

Revenues for products are generally recognized upon shipment, whereas revenues for services are generally recognized over time, assuming all other criteria for revenue recognition have been met. Incremental costs of obtaining a contract are expensed as incurred. Service revenue commissions are tied to the revenue recognized during the current year of the related sale.

Printronix offers printer-maintenance services through service agreements that customers may purchase separately from the printer. These agreements commence upon expiration of the standard warranty period. Printronix provides the point-of-customer-contact, dispatches calls and sells the parts used for printer repairs to service providers. Printronix contracts third parties to perform the on-site repair services at the time of sale which covers the period of service at a set amount. The maintenance service agreements are separately priced at a stand-alone value. For those transactions in which maintenance service agreements are purchased concurrently with the purchase of printers, the revenue is deferred based on the selling price, which approximates the stand-alone value for separately sold maintenance services agreements. Revenue from maintenance service contracts are recognized on a straight-line basis over the period of each individual contract, which is consistent with the pattern in which the benefit is consumed by the customer.

Printronix's net revenues were comprised of the following for the periods presented:

	Year Ended December 31, 2022	October 7, 2021 to December 31, 2021
	(In thousands)	
Printers, consumables and parts	$ 35,432	$ 10,934
Services	4,283	1,070
Total	$ 39,715	$ 12,004

Refer to Note 17 for additional information regarding net sales to customers by geographic region.

Deferred revenue in the consolidated balance sheets represents a contract liability under Accounting Standards Codification ("ASC") 606 and consists of payments and billings in advance of the performance. Printronix recognized approximately $3.8 million and $800,000 in revenue that was previously included in the beginning balance of deferred revenue during the year ended December 31, 2022 and the period from October 7, 2021 through December 31, 2021, respectively.

Printronix's payment terms vary by the type and location of its customers and the products, solutions or services offered. The time between invoicing and when payment is due is not significant. In instances where the timing of revenue recognition differs from the timing of invoicing, Printronix has determined that its contracts do not include a significant financing component.

Printronix's remaining performance obligations, following the transfer of products to customers, primarily relate to repair and support services. The aggregated transaction price allocated to remaining performance obligations for arrangements

with an original term exceeding one year was $681,000 and $772,000, inclusive of deferred revenue, as of December 31, 2022 and 2021, respectively. On average, remaining performance obligations as of December 31, 2022 are expected to be recognized over a period of approximately two years.

Cost of Revenues

Intellectual Property Operations

Cost of revenues include the costs and expenses incurred in connection with ARG’s patent licensing and enforcement activities, including inventor royalties paid to patent owners, patent maintenance and prosecution costs, contingent legal fees paid to external patent counsel, other patent-related legal expenses paid to external patent counsel, licensing and enforcement related research, consulting and other expenses paid to third-parties and the amortization of patent-related investment costs. Cost of revenues were comprised of the following for the periods presented:

	Years Ended December 31,	
	2022	**2021**
	(In thousands)	
Inventor royalties	$ 1,212	$ 1,142
Contingent legal fees	2,444	12,074
Litigation and licensing expenses	3,970	5,462
Amortization of patents	10,403	9,851
Other patent portfolio expense	—	162
Total	$ 18,029	$ 28,691

Inventor Royalties and Contingent Legal Expenses

Inventor royalties are expensed in the consolidated statements of operations in the period that the related revenues are recognized. Patent costs, including any upfront advances paid to patent owners by ARG’s operating subsidiaries, that are recoverable from future net revenues are amortized over the estimated economic useful life of the related patents, or as the prepaid royalties are earned by the inventor, as appropriate, and the related expense is included in amortization expense in the consolidated statements of operations. Any unamortized upfront advances recovered from net revenues are expensed in the period recovered and included in amortization expense in the consolidated statements of operations.

Contingent legal fees are expensed in the consolidated statements of operations in the period that the related revenues are recognized. In instances where there are no recoveries from potential infringers, no contingent legal fees are paid; however, ARG’s operating subsidiaries may be liable for certain out of pocket legal costs incurred pursuant to the underlying legal services agreement.

Inventor royalty and contingent legal agreements generally provide for payment by ARG of contractual amounts 30 days subsequent to the quarter end during which related license fee payments are received from licensees by ARG.

Litigation and Licensing Expenses

Litigation and licensing expenses include patent-related litigation, enforcement and prosecution costs incurred by law firms and external patent attorneys engaged on either an hourly basis or a contingent fee basis. Litigation and licensing expenses also includes third-party patent research, development, patent prosecution and maintenance fees, re-exam and inter partes reviews, consulting and other costs incurred in connection with the licensing and enforcement of patent portfolios.

Industrial Operations

Included in cost of sales are inventory costs (refer to "Inventories" below), indirect labor, overhead and warranty costs. Printronix offers both assurance-type and service-type product warranties with varying terms depending on the product, region and customer contracts. Warranty periods range from three months to two years. The provision for warranty costs is determined by applying the historical claims experience and estimated repair costs to the outstanding units under warranty.

The following is a summary of the accrued warranty liabilities, which are included in accrued expenses and other current liabilities, and other long-term liabilities in the consolidated balance sheets:

	Year Ended December 31, 2022	October 7, 2021 to December 31, 2021
	(In thousands)	
Beginning balance	$ 222	$ 260
Estimated future warranty expense	25	17
Warranty claims settled	(116)	(55)
Ending balance	$ 131	$ 222

Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk are cash equivalents and accounts receivable. The Company places its cash equivalents primarily in highly rated money market funds, investments in U.S. treasury securities and investment grade marketable securities. Cash and cash equivalents are also invested in deposits with certain financial institutions and may, at times, exceed federally insured limits. The Company has not experienced any significant losses on its deposits of cash and cash equivalents.

Intellectual Property Operations

Three licensees individually accounted for 15%, 15% and 27% of revenues recognized during the year ended December 31, 2022. Two licensees individually accounted for 66% and 16% of revenues recognized during the year ended December 31, 2021.

Historically, ARG has not had material foreign operations. Based on the jurisdiction of the entity obligated to satisfy payment obligations pursuant to the applicable license revenue arrangement, for the years ended December 31, 2022 and 2021, 3% and 69%, respectively, of revenues were attributable to licensees domiciled in foreign jurisdictions. Refer to Note 17 for additional information regarding revenue from customers by geographic region.

Two licensees individually represented approximately 57% and 43% of accounts receivable at December 31, 2022. Two licensees individually represented approximately 59% and 41% of accounts receivable at December 31, 2021.

Industrial Operations

No single Printronix customer accounted for more than 10% of revenue for the years ended December 31, 2022 and 2021. Printronix has significant foreign operations, refer to Note 17 for additional information regarding net sales to customers by geographic region.

Two Printronix customers individually accounted for 15% and 11% of accounts receivable as of December 31, 2022, and one customer represented 11% of accounts receivable as of December 31, 2021. Exposure to credit risk is limited by the large number of customers comprising the remainder of the Printronix customer base and by periodic customer credit evaluations performed by Printronix.

No single Printronix vendor accounted for 10% or more of purchases for the years ended December 31, 2022 and 2021. Accounts payable to two vendors represented 21% and 13% of accounts payable as of December 31, 2022, and one vendor represented 14% of accounts payable as of December 31, 2021.

Cash and Cash Equivalents

The Company considers all highly liquid securities with original maturities of three months or less when purchased to be cash equivalents. For the periods presented, Acacia's cash equivalents are comprised of investments in U.S. treasury securities and AAA rated money market funds that invest in first-tier only securities, which primarily include domestic commercial paper and securities issued or guaranteed by the U.S. government or its agencies.

Equity Securities

Investments in equity securities are reported at fair value on a recurring basis, with related realized and unrealized gains and losses in the value of such securities recorded in the consolidated statements of operations in other income or (expense). Dividend income is included in other income or (expense). Refer to Note 3 for additional information.

Equity Securities Without Readily Determinable Fair Value

For equity securities that do not have a readily determinable fair value, the Company elected to report them under the measurement alternative. They are reported at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. The fair values of the private company securities were estimated based on recent financing transactions and secondary market transactions and factoring in any adjustments for illiquidity or preference of these securities. Changes in fair value are reported in the consolidated statements of operations in other income or (expense). To date, the Company has not recorded any impairments nor upward or downward adjustments on our equity securities without readily determinable fair values held as of December 31, 2022 and 2021. Refer to Note 3 for additional information.

Equity Method Investments

Equity investments in common stock and in-substance common stock without readily determinable fair values in companies over which the Company has the ability to exercise significant influence, are accounted for using the equity method of accounting. Acacia includes its proportionate share of earnings and/or losses of its equity method investees in earnings on equity investment in joint venture in the consolidated statements of operations. Refer to Note 3 for additional information.

Investments in preferred stock with substantive liquidation preferences are accounted for at cost, (subject to impairment considerations, as described below, if any), as adjusted for the impact of changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. In-substance common stock is an investment in an entity that has risk and reward characteristics that are substantially similar to that entity's common stock. An investment in preferred stock with substantive liquidation preferences over common stock, is not substantially similar to common stock, and therefore is not considered in-substance common stock. A liquidation preference is substantive if the investment has a stated liquidation preference that is significant, from a fair value perspective, in relation to the purchase price of the investment. A liquidation preference in an investee that has sufficient subordinated equity from a fair value perspective is substantive because, in the event of liquidation, the investment will not participate in substantially all of the investee's losses, if any. The initial determination of whether an investment is substantially similar to common stock is made on the initial date of investment if the Company has the ability to exercise significant influence over the operating and financial policies of the investee. That determination is reconsidered if (i) contractual terms of the investment are changed, (ii) there is a significant change in the capital structure of the investee, including the investee's receipt of additional subordinated financing, or (iii) the Company obtains an additional interest in an investment, resulting in the method of accounting for the cumulative interest being based on the characteristics of the investment at the date at which the Company obtains the additional interest.

Investment at Fair Value

On an individual investment basis, Acacia may elect to account for investments in companies where the Company has the ability to exercise significant influence over operating and financial policies of the investee, at fair value. If the fair value method is applied to an investment that would otherwise be accounted for under the equity method of accounting, it is applied to all of the financial interests in the same entity that are eligible items (i.e., common stock and warrants). As part of the Company's equity securities in the Life Sciences Portfolio, the Company has elected to apply the fair value method to one investment, refer to Note 3 for additional information.

During 2016 and 2017, Acacia made certain investments in Veritone, Inc. ("Veritone"). As a result of these transactions, Acacia received shares of Veritone common stock and warrants. We elected the fair value method for our investment in Veritone upon acquisition. During 2018, Acacia began to divest its investments in Veritone. During 2020, Acacia sold its remaining shares of common stock. During the quarter ended March 31, 2021, included in the consolidated statement of operations, Acacia recorded an unrealized loss of $2.8 million from our investment in warrants, as reflected in the change in fair value of investment, and Acacia exercised all remaining warrants and recorded a realized gain on sale of investment of $3.6 million. Since March 2021, the Company no longer has an investment in Veritone common stock and warrants.

Impairment of Investments

Acacia reviews its investments quarterly for indicators of other-than-temporary impairment. This determination requires significant judgment. In making this judgment, Acacia considers available quantitative and qualitative evidence in evaluating potential impairment of its investments. If the cost of an investment exceeds its fair value, Acacia evaluates, among other factors, general market conditions and the duration and extent to which the fair value is less than cost. Acacia also considers specific adverse conditions related to the financial health of and business outlook for the investee, including industry and sector performance, changes in technology, and operational and financing cash flow factors. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded in the consolidated statements of operations and a new cost basis in the investment is established.

Accounts Receivable and Allowance for Doubtful Accounts

Intellectual Property Operations

ARG performs credit evaluations of its licensees with significant receivable balances, if any, and has not experienced any significant credit losses. Accounts receivable are recorded at the executed contract amount and generally do not bear interest. Collateral is not required. An allowance for doubtful accounts may be established to reflect the Company's best estimate of probable losses inherent in the accounts receivable balance, and is reflected as a contra-asset account on the balance sheets and a charge to general and administrative expenses in the consolidated statements of operations for the applicable period. The allowance is determined based on known troubled accounts, historical experience, and other currently available evidence. There was no allowance for doubtful accounts established as of December 31, 2022 and 2021.

Industrial Operations

Printronix's accounts receivable are recorded at the invoiced amount and do not bear interest. Printronix performs initial and periodic credit evaluations on customers and adjusts credit limits based upon payment history and the customer's current creditworthiness. The allowance for doubtful accounts is determined by evaluating individual customer receivables, based on contractual terms, reviewing the financial condition of customers, and from the historical experience of write-offs. Receivable losses are charged against the allowance when management believes the account has become uncollectible. Subsequent recoveries, if any, are credited to the allowance. As of December 31, 2022 and 2021, Printronix's combined allowance for doubtful accounts and allowance for sales returns was $22,000 and $78,000, respectively.

Inventories

Printronix's inventories, which include material, labor and overhead costs, are valued at the lower of cost or net realizable value. Cost is determined at standard cost adjusted on a first-in, first-out basis for variances. Cost includes shipping and handling fees and other costs, including freight insurance and customs duties for international shipments, which are subsequently expensed to cost of sales. Printronix evaluates and records a provision to reduce the carrying value of inventory for estimated excess and obsolete stocks based upon forecasted demand, planned obsolescence and market conditions. Refer to Note 4 for additional information.

Long-Term Notes Receivable

On October 13, 2021, Adaptix Limited issued £2.95 million, approximately $4.0 million at the exchange rate on October 13, 2021, in limited unsecured notes due in 2026 to Radcliffe 2 Ltd., a subsidiary of Merton Healthcare Holdco II LLC. The interest rate on the notes is 8.0% per year. During the years ended December 31, 2022 and 2021, we recorded $291,000 and $69,000, respectively, in interest income related to the notes. As of December 31, 2022 and 2021, the receivable including interest was $3.9 million and $4.0 million, respectively, and is included in other non-current assets in the consolidated balance sheets.

Long-Term Restricted Cash

Restricted cash related to a standby letter of credit, which expired and was cancelled in March 2022.

Property, Plant and Equipment

Property and equipment are recorded at cost. Major additions and improvements that materially extend useful lives of property and equipment are capitalized. Maintenance and repairs are charged against the results of operations as incurred. When these assets are sold or otherwise disposed of, the asset and related depreciation are relieved, and any gain or loss is included in the consolidated statements of operations for the period of sale or disposal. Refer to Note 5 for additional information. Depreciation and amortization is computed on a straight-line basis over the following estimated useful lives of the assets:

Machinery and equipment	2 to 10 years
Furniture and fixtures	3 to 5 years
Computer hardware and software	3 to 5 years
Leasehold improvements	2 to 5 years (Lesser of lease term or useful life of improvement)

Goodwill and Other Intangible Assets

Goodwill represents the excess of the acquisition price of a business over the fair value of identified net assets of that business. We evaluate goodwill for impairment annually in the fourth quarter and on an interim basis if the facts and circumstances lead us to believe that more-likely-than-not there has been an impairment. When evaluating goodwill for impairment, we estimate the fair value of the reporting unit. Several methods may be used to estimate a reporting unit's fair value, including, but not limited to, discounted projected future net earnings or net cash flows and multiples of earnings. If the carrying amount of a reporting unit, including goodwill, exceeds the estimated fair value, then the excess is charged to earnings as an impairment loss. Refer to Note 6 for additional information.

ARG's patents include the cost of patents or patent rights acquired from third-parties or obtained in connection with business combinations. ARG's patent costs are amortized utilizing the straight-line method over their estimated useful lives, ranging from five to ten years. Refer to Note 6 for additional information.

Printronix's intangible assets consist of trade names and trademarks, patents and customer and distributor relationships. These definite-lived intangible assets, at the time of acquisition, are recorded at fair value and are stated net of accumulated amortization. Printronix currently amortizes the definite-lived intangible assets on a straight-line basis over their estimated useful lives of seven years. Refer to Note 6 for additional information.

Leases

The Company's leases primarily consist of facility leases which are classified as operating leases. The Company assesses whether an arrangement contains a lease at inception. The Company recognizes a lease liability to make contractual payments under all leases with terms greater than twelve months and a corresponding right-of-use asset, representing its right to use the underlying asset for the lease term. Lease expense is recognized on a straight-line basis over the lease term. Refer to Note 11 for additional information.

Impairment of Long-lived Assets

The Company reviews long-lived assets, patents and other intangible assets for potential impairment annually (quarterly for patents) and when events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. In the event the expected undiscounted future cash flows resulting from the use of the asset is less than the carrying amount of the asset, an impairment loss is recorded in an amount equal to the excess of the asset's carrying value over its fair value. If an asset is determined to be impaired, the loss is measured based on quoted market prices in active markets, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including a discounted value of estimated future cash flows.

In the event that management decides to no longer allocate resources to a patent portfolio, an impairment loss equal to the remaining carrying value of the asset is recorded. Fair value is generally estimated using the "Income Approach," focusing on the estimated future net income-producing capability of the patent portfolios over their estimated remaining economic useful life. Estimates of future after-tax cash flows are converted to present value through "discounting," including an estimated rate of return that accounts for both the time value of money and investment risk factors. Estimated cash inflows

are typically based on estimates of reasonable royalty rates for the applicable technology, applied to estimated market data. Estimated cash outflows are based on existing contractual obligations, such as contingent legal fee and inventor royalty obligations, applied to estimated license fee revenues, in addition to other estimates of out-of-pocket expenses associated with a specific patent portfolio's licensing and enforcement program. The analysis also contemplates consideration of current information about the patent portfolio including, status and stage of litigation, periodic results of the litigation process, strength of the patent portfolio, technology coverage and other pertinent information that could impact future net cash flows. Refer to Note 6 for additional information.

Series A Warrants and Series B Warrants

The fair value of the Series A Warrants and the Series B Warrants were estimated using a Black-Scholes option-pricing model. Refer to Notes 8 and 9 for additional information related to the Series A Warrants and the Series B Warrants and their fair value measurements.

Embedded Derivatives

Embedded derivatives that are required to be bifurcated from their host contract are valued separately from the host instrument. Refer to Notes 8 and 9 for additional information related to the embedded derivatives and their fair value measurements.

Contingent Liabilities

The Company, from time to time, is involved in certain legal proceedings. Based upon consultation with outside counsel handling its defense in these matters and the Company's analysis of potential outcomes, if the Company determines that a loss arising from such matters is probable and can be reasonably estimated, an estimate of the contingent liability is recorded in its consolidated financial statements. If only a range of estimated loss can be determined, an amount within the range that, based on estimates, assumptions and judgments, reflects the most likely outcome, is recorded as a contingent liability in the consolidated financial statements. In situations where none of the estimates within the estimated range is a better estimate of probable loss than any other amount, the Company records the low end of the range. Any such accrual would be charged to expense in the appropriate period. Litigation expenses for these types of contingencies are recognized in the period in which the litigation services were provided. Refer to Note 11 for additional information.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, restricted cash, accounts receivables and current liabilities approximates their fair values due to their short-term maturities. Refer to Note 9 for additional information.

Fair Value Measurements

U.S. GAAP defines fair value as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date, and also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs, where available. Refer to Note 9 for additional information.

Treasury Stock

Repurchases of the Company's outstanding common stock are accounted for using the cost method. The applicable par value is deducted from the appropriate capital stock account on the formal or constructive retirement of treasury stock. Any excess of the cost of treasury stock over its par value is charged to additional paid-in capital and reflected as treasury stock in the consolidated balance sheets. Refer to Note 12 for additional information.

Engineering and Development

Engineering and development costs are expensed as incurred and consist of labor, supplies, consulting and other costs related to developing and improving Printronix's products.

Advertising

Printronix expenses advertising costs, including promotional literature, brochures and trade shows, as incurred. Advertising expense was approximately $315,000 and $52,000 during the year ended December 31, 2022 and the period from October 7, 2021 through December 31, 2021, respectively, and is included in sales and marketing expenses in the consolidated statements of operations.

Stock-Based Compensation

The compensation cost for all stock-based awards is measured at the grant date, based on the fair value of the award, and is recognized as an expense on a straight-line basis over the employee’s requisite service period (generally the vesting period of the equity award) which is currently one to four years. The fair value of restricted stock awards (“RSAs”) and restricted stock units (“RSUs”) are determined by the product of the number of shares or units granted and the grant date market price of the underlying common stock. The fair value of each option award is estimated on the date of grant using a Black-Scholes option-pricing model. Forfeitures are accounted for as they occur. Refer to Note 13 for additional information.

Foreign Currency Gains and Losses

In connection with our Printronix business, the U.S. dollar is the functional currency for all of the foreign subsidiaries. Transactions that are recorded in currencies other than the U.S. dollar may result in transaction gains or losses at the end of the reporting period and when trade receipts and payments occur. For these subsidiaries, the assets and liabilities have been re-measured at the end of the period for changes in exchange rates, except inventories and property, plant and equipment, which have been remeasured at historical average rates. The consolidated statements of operations have been reevaluated at average rates of exchange for the reporting period, except cost of sales and depreciation, which have been reevaluated at historical rates. Although Acacia historically has not had material foreign operations, Acacia is exposed to fluctuations in foreign currency exchange rates between the U.S. dollar, and the British Pound and Euro currency exchange rates, primarily related to foreign cash accounts, a note receivable and certain equity security investments. All foreign currency exchange activity is recorded in the consolidated statements of operations.

Income Taxes

Income taxes are accounted for using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in Acacia’s consolidated financial statements or consolidated income tax returns. A valuation allowance is established to reduce deferred tax assets if all, or some portion, of such assets will more than likely not be realized, or if it is determined that there is uncertainty regarding future realization of such assets. When the Company establishes or reduces the valuation allowance against its deferred tax assets, the provision for income taxes will increase or decrease, respectively, in the period such determination is made.

Under U.S. GAAP, a tax position is a position in a previously filed tax return or a position expected to be taken in a future tax filing that is reflected in measuring current or deferred income tax assets and liabilities. Tax positions are recognized only when it is more likely than not (likelihood of greater than 50%), based on technical merits, that the position will be sustained upon examination. Tax positions that meet the more likely than not threshold are measured using a probability weighted approach as the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement. Refer to Note 15 for additional information.

Income/Loss Per Share

For periods in which the Company generates net income, the Company computes basic net income per share attributable to common stockholders using the two-class method required for capital structures that include participating securities. Under the two-class method, securities that participate in non-forfeitable dividends, such as the Company’s outstanding unvested restricted stock and Series A Redeemable Convertible Preferred Stock, are considered participating securities and are allocated a portion of the Company’s earnings. For periods in which the Company generates a net loss, net losses are not allocated to holders of the Company’s participating securities as the security holders are not contractually obligated to share in the Company’s losses.

Basic net income/loss per share of common stock is computed by dividing net income/loss attributable to common stockholders by the weighted average number of shares of common stock outstanding for the period. Diluted net income/loss per share of common stock is computed by dividing net income/loss attributable to common stockholders by the weighted average number of common and dilutive common equivalent shares outstanding for the period using the treasury

stock method or the as-converted method, or the two-class method for participating securities, whichever is more dilutive. Potentially dilutive common stock equivalents consist of stock options, restricted stock units, unvested restricted stock, Series A Redeemable Convertible Preferred Stock, Series A Warrants and Series B Warrants. Refer to Note 16 for additional information.

Recent Accounting Pronouncements

Recently Adopted

In June 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2022-03, "Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions." The amendments in this update clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. As such, an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction (e.g. an entity cannot apply a discount to the price of an equity security subject to a lock-up agreement). The amendments also require the following disclosures for equity securities subject to contractual sale restrictions: (i) the fair value of equity securities subject to contractual sale restrictions reflected in the balance sheet, (ii) the nature and remaining duration of the restriction(s), and (iii) the circumstances that could cause a lapse in the restriction(s). The amendments are to be applied prospectively and are effective on January 1, 2024 for public entities, with early adoption permitted. The Company adopted the update on June 30, 2022. The adoption of the update did not have an impact on the Company's financial position, results of operations or financial statement disclosures.

Not Yet Adopted

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," to replace the incurred loss methodology with an expected credit loss model that requires consideration of a broader range of information to estimate credit losses over the lifetime of the asset, including current conditions and reasonable and supportable forecasts in addition to historical loss information, to determine expected credit losses. Pooling of assets with similar risk characteristics and the use of a loss model are also required. Also, in April 2019, the FASB issued ASU No. 2019-04, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments," to clarify the inclusion of recoveries of trade receivables previously written off when estimating an allowance for credit losses. The amendments in these updates will be adopted by the Company on January 1, 2023. Management has completed its evaluation of the impact that the amendments in these updates will have on the Company's consolidated financial statements and there are no significant implementation matters that still need to be addressed. Based on Management's evaluation of the new standard, the Company does not expect it to have a material effect on the Company's consolidated financial statements or disclosures, accordingly, a cumulative-effect adjustment to the opening accumulated deficit as of January 1, 2023 is not expected.

In August 2020, the FASB issued ASU No. 2020-06, "Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity," to simplify the accounting for convertible instruments by eliminating large sections of the existing guidance in this area. It also eliminates several triggers for derivative accounting, including a requirement to settle certain contracts by delivering registered shares. This update reduces the number of accounting models for convertible instruments, revises the derivatives scope exception, and provides targeted improvements for earnings per share. Upon adoption, companies have the option to apply a modified or full retrospective transition approach. The amendments in this update will currently be effective for the Company on January 1, 2024, with early adoption permitted. Management is currently evaluating the impact that the amendments in this update may have on the Company's consolidated financial statements.

In October 2021, the FASB issued ASU No. 2021-08, "Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers," to require that an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with "Revenue from Contracts with Customers (Topic 606)." At the acquisition date, an acquirer should account for the related revenue contracts in accordance with Topic 606 as if it had originated the contracts. The amendments in this update will be applied prospectively and will be adopted by the Company on January 1, 2023. Management does not expect the adoption of this new standard to have a material effect on the Company's consolidated financial statements.

3. EQUITY SECURITIES

Equity securities for the periods presented were comprised of the following:

Security Type	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
		(In thousands)		
December 31, 2022:				
Equity securities - Life Sciences Portfolio	$ 28,498	$ 14,815	$ (617)	$ 42,696
Equity securities - other common stock	34,885	4	(15,977)	18,912
Total	$ 63,383	$ 14,819	$ (16,594)	$ 61,608
December 31, 2021:				
Equity securities - Life Sciences Portfolio	$ 56,037	$ 262,811	$ (1,488)	$ 317,360
Equity securities - other common stock	43,822	2,068	(1,472)	44,418
Total	$ 99,859	$ 264,879	$ (2,960)	$ 361,778

Equity Securities Portfolio Investment

On April 3, 2020, the Company entered into an Option Agreement with LF Equity Income Fund, which included general terms through which the Company was provided the option to purchase the Life Sciences Portfolio for an aggregate purchase price of £223.9 million, approximately $277.5 million at the exchange rate on April 3, 2020.

For accounting purposes, the total purchase price of the Life Sciences Portfolio was allocated to the individual equity securities based on their individual fair values as of April 3, 2020, in order to establish an appropriate cost basis for each of the acquired securities. The fair values of the public company securities were based on their quoted market price. The fair values of the private company securities were estimated based on recent financing transactions and secondary market transactions and factoring in a discount for the illiquidity of these securities. Included in our consolidated balance sheets as of December 31, 2022 and 2021, the total fair value of the remaining Life Sciences Portfolio investment was $68.4 million and $343.1 million, respectively.

As part of the Company’s acquisition of equity securities in the Life Sciences Portfolio, the Company acquired an equity interest in Arix Bioscience PLC (“Arix”), a public company listed on the London Stock Exchange. During the year ended December 31, 2022, the Company increased its investment in Arix amounting to approximately 26% as of December 31, 2022. In addition, two members of the Company's Board of Directors (the “Board”) have seats on the board of Arix, which is currently made up of five board members. Although the Company is presumed to have significant influence over operating and financial policies of Arix, we have elected to account for the investment under the fair value method. To date, the Company has not received any dividends from Arix. As of December 31, 2022, this investment did not meet the significance thresholds for additional summarized income statement disclosures, as defined by the SEC. As of December 31, 2022, the aggregate carrying amount of our Arix investment was $42.7 million, and is included in equity securities in the consolidated balance sheet.

The following unrealized and realized gains or losses from our investment in the Life Sciences Portfolio are recorded in the change in fair value of equity securities and gain or loss on sale of equity securities, respectively, in the consolidated statements of operations:

	Years Ended December 31,	
	2022	2021
	(In thousands)	
Change in fair value of equity securities of public companies	$ (247,126)	$ 188,875
Conversion of equity securities without readily determinable fair value to equity securities of public companies	—	(102,067)
Gain on sale of equity securities of public companies	111,717	115,172
Net realized and unrealized (loss) gain	$ (135,409)	$ 201,980

As part of the Company's acquisition of equity securities in the Life Sciences Portfolio, the Company acquired a majority interest in the equity securities of MalinJ1 (63.9%), which were transferred to the Company on December 3, 2020. The acquisition of the MalinJ1 securities was accounted for as an asset acquisition as there was a change of control of MalinJ1 and substantially all of the fair value of the assets acquired was concentrated in a single identifiable asset, an investment in Viamet Pharmaceuticals Holdings, LLC ("Viamet"). As such, the cost basis of the MalinJ1 securities was used to allocate to the Viamet investment, the single identifiable asset, and no goodwill was recognized. The Company through its consolidation of MalinJ1 accounts for the Viamet investment under the equity method as MalinJ1 owns 41.0% of outstanding shares of Viamet. As of December 31, 2022 and 2021, this investment did not meet the significance thresholds for additional summarized income statement disclosures, as defined by the SEC. During the years ended December 31, 2022 and 2021, our consolidated earnings on equity investment was $42.5 million and $3.5 million, respectively, included in the consolidated statements of operations. During the year ended December 31, 2022, distributions received were $28.4 million to Acacia and $14.1 million to noncontrolling interests. During the year ended December 31, 2021, distributions received were $2.4 million to Acacia and $1.2 million to noncontrolling interests.

In April 2022, Viamet received a certain drug approval from the United States Food and Drug Administration ("FDA"). In connection with the FDA approval, MalinJ1 was due a milestone payment in the amount of $40.0 million. The Company's portion of that milestone payment was received in November 2022 in the amount of $27.2 million, including interest accrued at 8.5% per year. In June 2022, in connection with the submission to the European Medicines Agency, MalinJ1 was due an additional milestone payment in the amount of $1.8 million. The Company's portion of that milestone payment was received in July 2022 in the approximate amount of $1.2 million. During 2022, the Company has recorded consolidated earnings on equity investment of $42.5 million, including the two milestones and accrued interest.

4. INVENTORIES

Printronix's inventories consisted of the following:

	December 31,	
	2022	2021
	(In thousands)	
Raw materials	$ 4,335	$ 3,207
Subassemblies and work in process	3,045	1,712
Finished goods	7,340	4,011
	14,720	8,930
Inventory reserves	(498)	—
Total inventories	$ 14,222	$ 8,930

5. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consisted of the following:

	December 31,	
	2022	2021
	(In thousands)	
Machinery and equipment	$ 3,057	$ 2,077
Furniture and fixtures	585	1,036
Computer hardware and software	660	614
Leasehold improvements	1,025	1,034
	5,327	4,761
Accumulated depreciation and amortization	(1,790)	(578)
Property, plant and equipment, net	$ 3,537	$ 4,183

Total depreciation and amortization expense in the consolidated statements of operations was $1.4 million and $438,000 for the years ended December 31, 2022 and 2021, respectively. Our Intellectual Property Operations and parent company include depreciation and amortization in general and administrative expenses. For the year ended December 31, 2022, our Industrial Operations allocated depreciation and amortization, totaling $1.3 million, to all applicable operating expense categories, including cost of sales of $1.1 million. For the period from October 7, 2021 through December 31, 2021, our Industrial Operations allocated depreciation and amortization, totaling $684,000, to all applicable operating expense categories, including cost of sales of $257,000.

6. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Changes in the carrying amount of goodwill consisted of the following:

	Years Ended December 31,	
	2022	2021
	(In thousands)	
Beginning balance	$ 7,470	$ —
Acquisition of business	—	7,470
Tax adjustment (Note 15)	71	—
Impairment losses	—	—
Ending balance	$ 7,541	$ 7,470

The ending balance of goodwill includes no accumulated impairment losses to date. All goodwill is allocated to our Industrial Operations segment, refer to Note 1 for additional information related to the Printronix acquisition.

Other intangible assets, net consisted of the following:

	December 31, 2022			
	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Book Value
			(In thousands)	
Patents:				
Intellectual property operations	6 years	$ 331,403	$ (304,744)	$ 26,659
Industrial operations	7 years	3,400	(597)	2,803
Total patents		334,803	(305,341)	29,462
Customer relationships - industrial operations	7 years	5,300	(931)	4,369
Trade name and trademarks - industrial operations	7 years	3,430	(603)	2,827
Total		$ 343,533	$ (306,875)	$ 36,658

	December 31, 2021			
	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Book Value
			(In thousands)	
Patents:				
Intellectual property operations	6 years	$ 331,403	$ (294,341)	$ 37,062
Industrial operations	7 years	3,400	(112)	3,288
Total patents		334,803	(294,453)	40,350
Customer relationships - industrial operations	7 years	5,300	(174)	5,126
Trade name and trademarks - industrial operations	7 years	3,430	(113)	3,317
Total		$ 343,533	$ (294,740)	$ 48,793

Total other intangible asset amortization expense in the consolidated statements of operations was $12.1 million and $10.3 million for the years ended December 31, 2022 and 2021, respectively. The Company did not record charges related to impairment of other intangible assets for the years ended December 31, 2022 and 2021. There was no accelerated amortization of other intangible assets for the years ended December 31, 2022 and 2021. During 2021, ARG reduced its gross patent costs and accumulated amortization by approximately $35.0 million for patents that were fully amortized. Intellectual Property Operations amortization of patents is expensed in cost of revenues and Industrial Operations amortization is expensed in general and administrative expenses.

The following table presents the scheduled annual aggregate amortization expense (in thousands):

Years Ending December 31,	
2023	$ 12,068
2024	10,693
2025	8,347
2026	2,483
2027	1,733
Thereafter	1,334
Total	$ 36,658

During the year ended December 31, 2022, ARG entered into an agreement granting ARG the exclusive option to acquire all rights to license and enforce a patent portfolio and all future patents and patent applications, and incurred $15.0 million of certain patent and patent rights costs, of which $6.0 million was paid in 2022 and $9.0 million is accrued and included in

accrued expenses and other current liabilities (see Note 7), and is due in three $3.0 million installments in February, April and June 2023. The patent costs are included in prepaid expenses and other current assets in the consolidated balance sheet as of December 31, 2022.

7. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following:

	December 31,	
	2022	2021
	(In thousands)	
Accrued consulting and other professional fees	$ 1,173	$ 438
Customer deposit	—	3,000
Income taxes payable	474	506
Product warranty liability, current	36	84
Service contract costs, current	280	307
Short-term lease liability	1,559	935
Accrued patent cost (see Note 6)	9,000	—
Other accrued liabilities	1,536	957
Total	$ 14,058	$ 6,227

8. STARBOARD INVESTMENT

Recapitalization Agreement

On October 30, 2022 the Company entered into the Recapitalization Agreement with Starboard and the Investors, pursuant to which, among other things, the Company and Starboard agreed to enter into a series of transactions to restructure Starboard's existing investments in the Company in order to simplify the Company's capital structure. As applicable, the following discussion of Starboard's investments in the Company reflect the transactions effected or to be effected pursuant to the Recapitalization Agreement.

Series A Redeemable Convertible Preferred Stock

On November 18, 2019, the Company entered into a Securities Purchase Agreement with the Investors pursuant to which the Company issued (i) 350,000 shares of Series A Redeemable Convertible Preferred Stock with a par value of $0.001 per share and a stated value of $100 per share, and (ii) Series A Warrants to purchase up to 5 million shares of the Company's common stock to the Investors. The Securities Purchase Agreement also established the terms of certain senior secured notes and additional Series B Warrants which may be issued to Starboard in the future. On June 4, 2020, the Company entered into a Supplemental Agreement, as defined below under "Senior Secured Notes", with certain contractual agreements affecting the Series A Redeemable Convertible Preferred Stock, reflected below.

The Series A Redeemable Convertible Preferred Stock can be converted into a number of shares of common stock equal to (i) the stated value thereof plus accrued and unpaid dividends, divided by (ii) the conversion price of $3.65 (subject to certain anti-dilution adjustments). Holders may elect to convert the Series A Redeemable Convertible Preferred Stock into common stock at any time. The Company may elect to convert the Series A Redeemable Convertible Preferred Stock into shares of common stock any time on or after November 15, 2025, provided that the closing price of the Company's common stock equals or exceeds 190% of the conversion price for 30 consecutive trading days and assuming certain other conditions of the common stock have been met.

Holders have the option to redeem all or a portion of the Series A Redeemable Convertible Preferred Stock during the period of May 15, 2022 through August 15, 2022, provided that there is not outstanding at least $50.0 million aggregate principal of senior secured notes to the Investors pursuant to the Securities Purchase Agreement at the time of the redemption. Holders also have the option to redeem all or a portion of the Series A Redeemable Convertible Preferred Stock during the period of November 15, 2024 through February 15, 2025. Additionally, holders have the option to redeem all or a portion of the Series A Redeemable Convertible Preferred Stock upon the occurrence of (i) a change of control or (ii) various other triggering events, such as the suspension from trading or delisting of the Company's common stock. If the

Series A Redeemable Convertible Preferred Stock is redeemed at the option of the holders, the redemption price may include a make-whole amount or a stated premium, depending on the redemption scenario.

The Company may redeem all, and not less than all, of the Series A Redeemable Convertible Preferred Stock (i) upon a change of control or (ii) during the period of May 15, 2022 through August 15, 2022, provided that there is not outstanding at least $50.0 million aggregate principal of the senior secured notes at the time of the redemption, and assuming certain conditions of the common stock have been met. If the Series A Redeemable Convertible Preferred Stock is redeemed at the option of the Company, the redemption price would include a make-whole amount or a 15% premium depending on the circumstances.

If any Series A Redeemable Convertible Preferred Stock remains outstanding on November 15, 2027, the Company shall redeem such Series A Redeemable Convertible Preferred Stock in cash.

In all redemption scenarios, the redemption price for the Series A Redeemable Convertible Preferred Stock includes the stated value plus accrued and unpaid dividends. In addition, depending on the redemption scenario, the redemption price may also include a make-whole amount or stated premium as described above.

When the Company issues Notes, the Holder may exchange the Series A Redeemable Convertible Preferred Stock for (i) Notes and (ii) Series B Warrants to purchase common stock.

The Series A Redeemable Convertible Preferred Stock accrues cumulative dividends quarterly at annual rate of 3.0% on the stated value. Upon certain triggering events, the dividend rate will increase to 7.0% if the triggering event occurs before an approved investment or 10.0% on the stated value if the triggering event occurs after an approved investment. In connection with the approved investment in June 2020, the Company and the Investors agreed that the dividend rate on the Series A Redeemable Convertible Preferred Stock would accrue at 3.0% so long as no triggering event occurs and the Company maintains $35.0 million in escrow. Series A Redeemable Convertible Preferred Stock also participates on an as-converted basis in any regular or special dividends paid to common stockholders. During October 2021, the Company consummated a suitable acquisition, accordingly $35.0 million was released to the Company from escrow (refer to Note 1 for discussion related to the Printronix acquisition). Upon consummation of the approved acquisition in October 2021, the dividend rate increased to 8.0% on the stated value. There are no accrued and unpaid dividends as of December 31, 2022 and 2021.

Holders of the Series A Redeemable Convertible Preferred Stock have the right to vote with common stockholders on an as-converted basis on all matters. Holders of Series A Redeemable Convertible Preferred Stock will also be entitled to a separate class vote with respect to amendments to the Company's organizational documents that generally have an adverse effect on the Series A Redeemable Convertible Preferred Stock.

Upon liquidation of the Company, holders of Series A Redeemable Convertible Preferred Stock have a liquidation preference over holders of our common stock and will be entitled to receive, prior to any distribution to holders of our common stock, an amount equal to the greater of (i) the stated value plus accrued and unpaid dividends or (ii) the amount that would have been received if the Series A Redeemable Convertible Preferred Stock had been converted into common stock immediately prior to the liquidation event at the then effective conversion price.

In connection with the issuance of the Series A Redeemable Convertible Preferred Stock, the Company executed a Registration Rights Agreement with Starboard and the Investors and a Governance Agreement with Starboard and certain affiliates of Starboard. Under the Registration Rights Agreement, the Company agreed to provide certain registration rights with respect to the Series A Redeemable Convertible Preferred Stock and shares of common stock issued upon conversion.

In accordance with the Recapitalization Agreement, subject to the receipt of stockholder approval at the Company's next annual meeting of stockholders, (i) the Company will cause the Certificate of Designations to be amended and restated in the form attached to the Recapitalization Agreement in order to remove the "4.89% blocker" provision and (ii) on or prior to July 14, 2023, the Investors will convert an aggregate amount of 350,000 shares of Preferred Stock into common stock in accordance with the terms of the Certificate of Designations.

The Company determined that certain features of the Series A Redeemable Convertible Preferred Stock should be bifurcated and accounted for as a derivative. Each of these features are bundled together as a single, compound embedded derivative.

During 2019, total proceeds received and transaction costs incurred from the issuance of the Series A Redeemable Convertible Preferred Stock amounted to $35.0 million and $1.3 million, respectively. Proceeds received were allocated based on the fair value of the instrument without the Series A Warrants and of the Series A Warrants themselves at the time of issuance. The proceeds allocated to the Series A Redeemable Convertible Preferred Stock were then further allocated between the host preferred stock instrument and the embedded derivative, with the embedded derivative recorded at fair value and the Series A Redeemable Convertible Preferred Stock recorded at the residual amount. The portion of the proceeds allocated to the Series A Warrants, embedded derivative, and Series A Redeemable Convertible Preferred Stock was $4.8 million, $21.2 million, and $8.9 million, respectively. Transaction costs were also allocated between the Series A Redeemable Convertible Preferred Stock and the Series A Warrants on the same basis as the proceeds. The transaction costs allocated to the Series A Redeemable Convertible Preferred Stock were treated as a discount to the Series A Redeemable Convertible Preferred Stock. The transaction costs allocated to the Series A Warrants were expensed as incurred.

The Company classifies the Series A Redeemable Convertible Preferred Stock as mezzanine equity as the instrument would become redeemable at the option of the holder in various scenarios or otherwise on November 15, 2027. As it is probable that the Series A Redeemable Convertible Preferred Stock would become redeemable, the Company accretes the instrument to its redemption value using the effective interest method and recognizes any changes against additional paid in capital in the absence of retained earnings. The Company determined that upon entering into the Recapitalization Agreement, the Series A Redeemable Convertible Preferred Stock was not modified related to the redemption, as such action is subject to the receipt of stockholder approval at the Company's next annual meeting of stockholders. Accordingly, the Series A Redeemable Convertible Preferred Stock will continue to be classified as temporary equity and will continue to be accreted to its redemption value to the earliest redemption date of November 15, 2024. Accretion for the years ended December 31, 2022 and 2021 was $5.2 million and $3.8 million, respectively.

The following features of the Series A Redeemable Convertible Preferred Stock are required to be bifurcated from the host preferred stock and accounted for separately as an embedded derivative: (i) the right of the holders to redeem the shares (the "put option"), (ii) the right of the holders to receive common stock upon conversion of the shares (the "conversion option"), (iii) the right of the Company to redeem the shares (the "call option"), and (iv) the change in dividend rate upon consummation of an approved investment or a triggering event (the "contingent dividend rate feature").

These features are required to be accounted for separately from the Series A Redeemable Convertible Preferred Stock because the features were determined to be not clearly and closely related to the debt-like host and also did not meet any other scope exceptions for derivative accounting. Therefore, these features are bundled together and are accounted for as a single, compound embedded derivative liability.

Accordingly, we have recorded an embedded derivative liability representing the combined fair value of each of these features. The embedded derivative liability is adjusted to reflect fair value at each period end with changes in fair value recorded as other income or (expense) in the "Change in fair value of the Series A and B warrants and embedded derivatives" financial statement line item of the consolidated statements of operations. In connection with the Recapitalization Agreement, the Company determined that the embedded features will continue to be bifurcated from the host Series A Redeemable Convertible Preferred Stock and accounted for separately as a compound derivative. As of December 31, 2022 and 2021, the fair value of the Series A embedded derivative was $16.8 million and $18.4 million, respectively.

Series A Warrants

On November 18, 2019, in connection with the issuance of the Series A Redeemable Convertible Preferred Stock, the Company issued detachable Series A Warrants to acquire up to 5 million shares of common stock at a price of $3.65 per share (subject to certain anti-dilution adjustments) at any time during a period of eight years beginning on the instrument's issuance date of the Series A Warrants. The fair value of the Series A Warrants was $4.8 million upon issuance. As of December 31, 2022, the Series A Warrants have been fully exercised, as described below.

In accordance with the terms of the Recapitalization Agreement, within five (5) business days following the date of the Recapitalization Agreement, the Investors were required to consummate the Series A Warrants Exercise, and the Company was to issue to the Investors shares of common stock in accordance with the terms of the Series A Warrants and to pay to Starboard an aggregate amount of $9.0 million representing a negotiated settlement of the foregone time value of the Series A Warrants (which amount was paid through a reduction in the exercise price of the Series A Warrants). Effective as of November 1, 2022, the Investors exercised the Series A Warrants in full and the Company issued an aggregate of

5,000,000 shares of the Company's common stock to the Investors in consideration of their payment of the cash exercise price of $9.3 million, which amount represents a reduction in the exercise price to account for a negotiated settlement by the parties to account for the forgone time value of money of the Series A Warrants.

The Series A Warrants were classified as a liability in accordance with ASC 480, "Distinguishing Liabilities from Equity", as the agreement provided for net cash settlement upon a change in control, which is outside the control of the Company. As a result of the Series A Warrants exercise on November 1, 2022 and related warrant modification, the Company recognized the common stock issued at its fair value in equity and an approximate $2.0 million charge as a component of the change in fair value of the Series A Warrants in other expense.

The Series A Warrants were recognized at fair value at each reporting period until exercised, with changes in fair value recognized in other income or (expense) in the consolidated statements of operations. As of December 31, 2022 and 2021, the fair value of the Series A Warrants was zero and $11.3 million, respectively.

Series B Warrants

On February 25, 2020, pursuant to the terms of the Securities Purchase Agreement with Starboard and the Investors, the Company issued Series B Warrants to purchase up to 100 million shares of the Company's common stock at an exercise price (subject to certain price-based anti-dilution adjustments) of either (i) $5.25 per share, if exercising by cash payment, within 30 months from the issuance date (i.e., August 25, 2022); or (ii) $3.65 per share, if exercising by cancellation of a portion of Notes. The Company issued the Series B Warrants for an aggregate purchase price of $4.6 million. The Series B Warrants expire on November 15, 2027.

In connection with the issuance of the Notes on June 4, 2020, the terms of certain of the Series B Warrants were amended to permit the payment of the lower exercise price of $3.65 through the payment of cash, rather than only through the cancellation of Notes outstanding, at any time until the expiration date of November 15, 2027. 31,506,849 of the Series B Warrants are subject to this adjustment with the remaining balance of 68,493,151 Series B Warrants continuing under their original terms (the Series B Warrants not subject to such adjustment, the "Unadjusted Series B Warrants"). As of December 31, 2022, the Series B Warrants have not been exercised.

During the third quarter of 2022, the cash exercise feature of the Unadjusted Series B Warrants expiration date of August 25, 2022 was extended to October 28, 2022. On October 28, 2022, the cash exercise feature of the Unadjusted Series B Warrants expired, which resulted in a fair value of zero for the related 68,493,151 warrants.

In accordance with the terms of the Recapitalization Agreement, on or prior to July 14, 2023 (unless stockholder approval is required), the Company and Starboard will amend the Series B Warrant Agreement to remove the 4.89% blocker, and Starboard will irrevocably exercise 31,506,849 of the Series B Warrants (as adjusted for any stock dividend, stock split, stock combination, reclassification or similar transaction relating to the common stock occurring after the date of the Recapitalization Agreement), through the Series B Warrants Exercise. In March 2023, the remaining Series B Warrants were cancelled immediately following the completion of the Rights Offering (as described below).

At the closing of the Series B Warrants Exercise (the "Closing"), the Company will pay to Starboard an aggregate amount of $66.0 million (the "Recapitalization Payment") representing a negotiated settlement of the foregone time value of the Series B Warrants and the Series A Redeemable Convertible Preferred Stock (which amount will be paid through a reduction in the exercise price of the Series B Warrants). As a result of the Recapitalization Agreement, the conversion of the Series A Redeemable Convertible Preferred Stock is probable (as discussed above), therefore, the Recapitalization Payment effectively modifies the exercise price of the Series B Warrants. Upon the Closing, the Investors will exercise the Series B Warrants at a reduced price and the Company will issue an aggregate of 31,506,849 shares of the Company's common stock to the Investors in consideration of their cash payment and cancellation of any outstanding Notes. If stockholder approval for the amendment to the Certificate of Designations to remove the "4.89% blocker" provision is not obtained, the Recapitalization Payment will be reduced by $12.7 million.

The Series B Warrants are classified as a liability in accordance with ASC 480, "Distinguishing Liabilities from Equity", as the agreement provides for net cash settlement upon a change in control, which is outside the control of the Company. In connection with the Recapitalization Agreement and related warrant modification, the Company recognized the incremental fair value as a component of the change in fair value of the Series B Warrants in other expense as of December 31, 2022.

The Series B Warrants will be recognized at fair value at each reporting period until exercised or expiration, with changes in fair value recognized in other income or (expense) in the consolidated statements of operations. As of December 31, 2022 and 2021, the total fair value of the Series B Warrants was $84.8 million and $96.4 million, respectively.

Senior Secured Notes

On June 4, 2020, pursuant to the Securities Purchase Agreement dated November 18, 2019 with Starboard and the Investors, the Company issued $115.0 million in Notes to the Investors. Also on June 4, 2020, in connection with the issuance of the Notes, the Company entered into a Supplemental Agreement with Starboard (the “Supplemental Agreement”), as discussed further below.

On June 30, 2020, the Company entered into an Exchange Agreement (the “Exchange Agreement”) with Merton Acquisition HoldCo LLC, a Delaware limited liability company and wholly-owned subsidiary of the Company (“Merton”) and Starboard, on behalf of itself and on behalf of certain funds and accounts under its management, including the holders of the Notes. Pursuant to the Exchange Agreement, the holders of the Notes exchanged the entire outstanding principal amount for new senior notes (the “New Notes”) issued by Merton having an aggregate outstanding original principal amount of $115.0 million.

The New Notes bear interest at a rate of 6.00% per annum and had an initial maturity date of December 31, 2020. The New Notes are fully guaranteed by the Company and are secured by an all-assets pledge of the Company and Merton and non-recourse equity pledges of each of the Company’s material subsidiaries. Pursuant to the Exchange Agreement, the New Notes (i) are deemed to be “Notes” for purposes of the Securities Purchase Agreement, (ii) are deemed to be “June 2020 Approved Investment Notes” for purposes of the Supplemental Agreement, and with the Company agreeing to redeem $80.0 million principal amount of the New Notes by September 30, 2020 and $35.0 million principal amount of the New Notes by December 31, 2020, and (iii) are deemed to be “Notes” for the purposes of the Series B Warrants, and therefore may be tendered pursuant to a Note Cancellation under the Series B Warrants on the terms set forth in the Series B Warrants and the New Notes. Delivery of notes in the form of the New Notes will also satisfy the delivery of Exchange Notes pursuant to Section 16(i) of the Certificate of Designations of the Company’s Series A Convertible Preferred Stock, par value $0.001 per share (the “Certificate of Designations”). The New Notes will not be deemed to be “Notes” for the purposes of the Registration Rights Agreement, dated as of November 18, 2019, by and among the Company, Starboard and the Investors.

Because the New Notes are to be settled within twelve months pursuant to their terms, they are classified as current liabilities in the consolidated balance sheets. The Company capitalized $4.6 million in lender fees associated with the issuance of the Notes and amortized such fees over the approximate seven month period ended December 31, 2020, which was the initial redemption date of the Notes. There was $0.5 million and $1.3 million accrued and unpaid interest on the New Notes as of December 31, 2022 and 2021, respectively.

On January 29, 2021, the Company redeemed $50.0 million of the New Notes and on March 31, 2021, the Company reissued $50.0 million of the New Notes. On June 30, 2021, the Company issued $30.0 million in additional New Notes (the “June 2021 Merton Notes”) and amended the maturity date of the New Notes to October 15, 2021. On September 30, 2021, the Company issued $35.0 million in additional New Notes (the “September 2021 Merton Notes”) and amended the maturity date of the New Notes to December 1, 2021. The June 2021 Merton Notes and the September 2021 Merton Notes cannot be used to exercise Series B Warrants issued to Starboard. On November 30, 2021, the Company amended the maturity date of the New Notes to January 31, 2022. On January 31, 2022, the Company amended the maturity date of the New Notes to April 15, 2022, and agreed to repay an aggregate of $15.0 million principal amount of the New Notes, resulting in a principal amount outstanding of $165.0 million. On April 14, 2022, the Company amended the New Notes to extend the maturity date to July 15, 2022, permit the investment in certain types of derivative instruments and permit certain guarantees in connection with such derivative instruments, each as defined therein, and agreed to repay an aggregate of $50.0 million principal amount of the New Notes, resulting in a principal amount outstanding of $115.0 million. On July 15, 2022, the Company amended the maturity date of the New Notes to July 14, 2023, and agreed to repay an aggregate of $55.0 million principal amount of the New Notes, resulting in a principal amount outstanding of $60.0 million. The total principal amount outstanding of New Notes as of December 31, 2022 and 2021 was $60.0 million and $180.0 million, respectively.

Modifications to Series A Redeemable Convertible Preferred Stock and Series B Warrants

The June 4, 2020 Supplemental Agreement also provided for (i) a waiver of increased dividends under the original terms of the Series A Redeemable Convertible Preferred Stock that would have otherwise accrued due to the Company's use of the $35.0 million proceeds received from Starboard and the Investors upon the issuance of the Series A Redeemable Convertible Preferred Stock in November 2019, (ii) the replacement of original optional redemption rights for the Series A Redeemable Convertible Preferred Stock provided to both the Company and the holders that otherwise would have been nullified through the issuance of the Notes, and (iii) an amendment to the terms of the previously issued Series B Warrants to permit the payment of the lower exercise price of $3.65 through the payment of cash, rather than only through the cancellation of Notes outstanding, at any time until the expiration of the Series B Warrants on November 15, 2027. 31,506,849 of the Series B Warrants are subject to this adjustment with the remaining balance of 68,493,151 Series B Warrants continuing under their original terms.

We analyzed the amendments to the Series A Redeemable Convertible Preferred Stock and determined that the amendments were not significant. Therefore, the amendments are accounted for as a modification on a prospective basis.

The incremental fair value of the Series B Warrants associated with the modification of their terms in connection with the issuance of the Notes was $1.3 million and is recognized as a discount on the Notes and will be amortized to interest expense over the contractual life of the Notes. For the years ended December 31, 2022 and 2021, $90,000 and $103,000, respectively, was amortized to interest expense. The discount was fully amortized during the quarter ended September 30, 2022.

Rights Offering and Concurrent Private Rights Offering

On February 14, 2023, pursuant to the requirements of the Recapitalization Agreement and in accordance with the terms of the Series B Warrants, the Company commenced a rights offering (the "Rights Offering"). Under the terms of the Rights Offering, the Company distributed non-transferable subscription rights to record holders ("Eligible Securityholders") of the Company's common stock held as of 5 p.m. Eastern time on February 13, 2023, the record date for the Rights Offering. The subscription period for the Rights Offering terminated at 5 p.m. Eastern time on March 1, 2023 (the "Expiration Time"). Pursuant to the Rights Offering, Eligible Securityholders received one non-transferable subscription right (a "Subscription Right") for every four shares of common stock owned by such Eligible Securityholders. Each Subscription Right entitles an Eligible Securityholder to purchase, at such Eligible Securityholder's election, one share of common stock at a price of $5.25 per share (the "Subscription Price").

The Investors received private subscription rights to purchase common stock at the Subscription Price pursuant to a concurrent private rights offering (the "Concurrent Private Rights Offering") in connection with their ownership of common stock and, on an as-converted basis, the Company's Series B Warrants and shares of the Company's Series A Redeemable Convertible Preferred Stock. The private subscription rights provided to the Investors pursuant to the Concurrent Private Rights Offering were on substantially the same terms as the Subscription Rights, and were distributed substantially concurrently with the distribution of the Subscription Rights and expired at the Expiration Time.

The Company determined that upon entering into the Recapitalization Agreement on October 30, 2022, the Rights Offering and Concurrent Private Rights Offering and related commitment required no recognition in the Company's financial statements. The Company recognized the proceeds received from the sale of the shares in equity when the sale occurred.

The Company received aggregate gross proceeds of approximately $361,000 from the Rights Offering and aggregate gross proceeds of approximately $78.8 million from the Concurrent Private Rights Offering.

After giving effect to the issuance of 68,753 shares of common stock in the Rights Offering and 15,000,000 shares of Common Stock in the Concurrent Private Rights Offering, the Company has 58,543,312 shares of common stock issued and outstanding. Following the Closing, Starboard may be deemed the beneficial owner of 20,000,000 shares of common stock, representing approximately 34.2% of the issued and outstanding common stock as of March 6, 2023. The Rights Offering was made pursuant to a prospectus supplement to the Company's shelf registration statement on Form S-3 (No. 333-249984), filed with the SEC on February 14, 2023.

Other Provisions of the Recapitalization Agreement

On February 14, 2023, Company entered into an amended and restated Registration Rights Agreement with Starboard as contemplated by the Recapitalization Agreement.

Pursuant to the amended Registration Rights Agreement, the Company has agreed to file a registration statement covering the resale of the shares of Common Stock, issuable or issued to Starboard pursuant to or in accordance with Section 1.1 of the Recapitalization Agreement, including the shares issued to Starboard in the Concurrent Private Rights Offering, within 90 days after a written request made prior to the first anniversary of the Closing Date (as defined in the Registration Rights Agreement). The Registration Rights Agreement also provides Starboard with additional rights to require that the Company file a registration statement in other circumstances. The Registration Rights Agreement includes other customary terms.

The Recapitalization Agreement includes a “fair price” provision requiring, in addition to any other stockholder vote required by the Company’s Certificate of Incorporation or Delaware law, the affirmative vote of the holders of a majority of the outstanding voting stock held by stockholders of the Company other than Starboard and its affiliates, by or with whom or on whose behalf, directly or indirectly, a business combination is proposed, in order to approve such a business combination; provided, that the additional majority voting requirement would not be applicable if either (x) the business combination is approved by the Board by the affirmative vote of at least a majority of the directors who are unaffiliated with Starboard or (y) (i) the consideration to be received by stockholders other than Starboard and its affiliates meets certain minimum price conditions, and (ii) the consideration to be received by stockholders other than Starboard and its affiliates is of the same form and kind as the consideration paid by Starboard and its affiliates.

The consummation of the Series B Warrant Exercise is subject to certain conditions, including: (i) the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976; (ii) the absence of any law or order prohibiting the consummation of the Series B Warrant Exercise; (iii) the representations and warranties of the Company and Starboard being true and correct, subject to the materiality standards contained in the Recapitalization Agreement; and (iv) the Company and Starboard having complied in all material respects with their respective obligations under the Recapitalization Agreement.

The Recapitalization Agreement may be terminated by either party under certain circumstances, including if (i) the parties agree to terminate by mutual consent, (ii) a governmental entity issues an order permanently prohibiting the Recapitalization, (iii) there is an uncured breach of the Recapitalization Agreement by the other party that results in a condition to Closing not being capable of being satisfied, or (iv) the Closing does not occur on or before July 31, 2023.

The Recapitalization Agreement also provides that, effective as of the later of the Closing and the date on which no Notes remain outstanding, (i) the Securities Purchase Agreement and (ii) that certain Governance Agreement, dated as of November 18, 2019, as amended and restated on January 7, 2020, shall be automatically terminated and of no further force and effect without any further action by any party thereto.

9. FAIR VALUE MEASUREMENTS

U.S. GAAP defines fair value as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date, and also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs, where available. The three-level hierarchy of valuation techniques established to measure fair value is defined as follows:

(i) Level 1 - *Observable Inputs*: Quoted prices in active markets for identical investments;

(ii) Level 2 - *Pricing Models with Significant Observable Inputs*: Other significant observable inputs, including quoted prices for similar investments, interest rates, credit risk, etc.; and

(iii) Level 3 - *Unobservable Inputs*: Unobservable inputs reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model. Management estimates include certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs, including the entity’s own assumptions in determining the fair value of derivatives and certain investments.

Whenever possible, the Company is required to use observable market inputs (Level 1) when measuring fair value. In such cases, the level at which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The assessment of the significance of a particular input requires judgment and considers

factors specific to the asset or liability being measured. In certain cases, inputs used to measure fair value may fall into different levels of the fair value hierarchy.

The Company held the following types of financial instruments at fair value on a recurring basis as of December 31, 2022 and 2021:

Equity Securities. Equity securities includes investments in public company common stock and are recorded at fair value based on the quoted market price of each share on the valuation date. The fair value of these securities are within Level 1 of the valuation hierarchy. Equity investments that do not have regular market pricing, but for which fair value can be determined based on other data values or market prices, are recorded at fair value within Level 2 of the valuation hierarchy. The Company has elected to apply the fair value method to one equity securities investment that would otherwise be accounted for under the equity method of accounting. As of December 31, 2022, the aggregate carrying amount of this investment was $42.7 million, and is included in equity securities, in the consolidated balance sheet (refer to Note 3 for additional information). At December 31, 2021, our Level 2 equity securities included an investment measured with an applied pricing model that included significant observable inputs to the public company common stock value. The fair value of this Level 2 equity security investment as of December 31, 2021 was estimated based on a discount of 3 percent determined using the following significant inputs to the pricing model: expected term of restriction of 3 months and volatility of approximately 45 percent.

Series A Warrants. Series A Warrants were recorded at fair value, using a Black-Scholes option-pricing model (Level 3). During the quarter ended March 31, 2021, there was a change in estimate with regard to the calculation of the volatility assumption used in the Black-Scholes option-pricing model. As a result, the Series A Warrants were measured as Level 3 as opposed to Level 2 as measured previously. On November 1, 2022, the Series A Warrants were exercised in full (refer to Note 8 for additional information). The fair value of the Series A Warrants as of December 31, 2021 was estimated based on the following significant assumptions: volatility of 30 percent, risk-free rate of 1.33 percent, term of 5.79 years and a dividend yield of 0 percent. Refer to the "*Embedded derivative liabilities"* discussion below for additional information on assumptions.

Series B Warrants. Series B Warrants are recorded at fair value, using a Black-Scholes option-pricing model (Level 3). During the quarter ended March 31, 2021, there was a change in methodology used to an acceptable Black-Scholes option-pricing model from a Monte Carlo valuation technique. On October 28, 2022, the cash exercise feature of the Unadjusted Series B Warrants expired, which resulted in a fair value of zero for such warrants (refer to Note 8 for additional information). The fair value of the remaining Series B Warrants as of December 31, 2022 was estimated based on the following significant assumptions: volatility of 53 percent, risk-free rate of 4.76 percent, term of 0.54 years and a dividend yield of 0 percent. The fair value of the two Series B Warrants as of December 31, 2021 was estimated based on the following significant assumptions: (1) volatility of 30 percent, risk-free rate of 1.34 percent, term of 5.88 years and a dividend yield of 0 percent, and (2) volatility of 25 percent, risk-free rate of 0.25 percent, term of 0.65 years and a dividend yield of 0 percent. Refer to the "*Embedded derivative liabilities"* discussion below for additional information on assumptions.

Embedded derivative liabilities. Embedded derivatives that are required to be bifurcated from their host contract are evaluated and valued separately from the host instrument. During the quarter ended December 31, 2022 in connection with the Recapitalization Agreement, the Company changed its methodology to an as-converted value (Level 3), based on an expected Series A Convertible Preferred Stock conversion date on or prior to July 14, 2023 (refer to Note 8 for additional information). As of September 30, 2022, a binomial lattice framework was used to estimate the fair value of the embedded derivative in the Series A Convertible Preferred Stock (Level 3). The binomial model utilizes the Tsiveriotis and Fernandes implementation in which a convertible instrument is split into two separate components within a single lattice framework: a cash-only component which is subject to the selected risk-adjusted discount rate and an equity component which is subject only to the risk-free rate. The binomial model considers the (i) implied volatility of the value of our common stock, (ii) appropriate risk-free interest rate, (iii) credit spread, (iv) dividend yield, (v) dividend accrual (and a step-up in rates), and (vi) event probabilities of the various conversion and redemption scenarios.

The volatility of the Company's common stock is estimated by analyzing the Company's historical volatility, implied volatility of publicly traded stock options, and the Company's current asset composition and financial leverage. Prior to December 31, 2022, the selected volatility, as described herein, represented a haircut from the Company's actual realized historical volatility. A volatility haircut is a concept used to describe a commonly observed occurrence in which the volatility implied by market prices involving options, warrants and convertible debt is lower than historical actual realized volatility. Prior to December 31, 2022, the assumed base case term used in the valuation models was the period remaining

until November 15, 2027, the Series A Redeemable Convertible Preferred Stock maturity date. The risk-free interest rate was based on the yield on the U.S. Treasury with a remaining term equal to the expected term of the conversion and early redemption options. The significant assumptions utilized in the Company's as-converted valuation of the embedded derivative at December 31, 2022 were as follows: coupon rate of 8.00 percent, conversion ratio of 27.40, conversion date of July 14, 2023 and a discount rate of 16.30 percent. The significant assumptions utilized in the Company's binomial model valuation of the embedded derivative at December 31, 2021 were as follows: volatility of 30 percent, risk-free rate of 1.30 percent, term of 5.87 years, a dividend yield of 0 percent and a discount rate of 9.60 percent. The fair value measurement of the embedded derivative is sensitive to these assumptions and changes in these assumptions could result in a materially different fair value measurement.

Financial assets and liabilities measured at fair value on a recurring basis were as follows:

	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets				
December 31, 2022:				
Equity securities	$ 61,608	$ —	$ —	$ 61,608
December 31, 2021:				
Equity securities	$ 113,630	$ 248,148	$ —	$ 361,778
Liabilities				
December 31, 2022:				
Series A embedded derivative liabilities	—	—	16,835	16,835
Series B warrants	—	—	84,780	84,780
Total	$ —	$ —	$ 101,615	$ 101,615
December 31, 2021:				
Series A warrants	$ —	$ —	$ 11,291	$ 11,291
Series A embedded derivative liabilities	—	—	18,448	18,448
Series B warrants	—	—	96,378	96,378
Total	$ —	$ —	$ 126,117	$ 126,117

The following table sets forth a summary of the changes in the estimated fair value of the Company's Level 3 liabilities, which are measured at fair value as a on a recurring basis:

	Series A Warrant Liabilities	Series A Embedded Derivative Liabilities	Series B Warrant Liabilities	Total
	(In thousands)			
Balance at December 31, 2020	$ —	$ 26,728	$ 52,341	$ 79,069
Transfer to Level 3	6,640	—	—	6,640
Remeasurement to fair value	4,651	(8,280)	44,037	40,408
Balance at December 31, 2021	11,291	18,448	96,378	126,117
Exercise of warrants	(9,396)	—	—	(9,396)
Remeasurement to fair value	(1,895)	(1,613)	(11,598)	(15,106)
Balance at December 31, 2022	$ —	$ 16,835	$ 84,780	$ 101,615

In accordance with U.S. GAAP, from time to time, the Company measures certain assets at fair value on a nonrecurring basis. The Company reviews the carrying value of equity securities without readily determinable fair value, equity method investments and patents on a quarterly basis for indications of impairment, and other long-lived assets at least annually.

When indications of potential impairment are identified, the Company may be required to determine the fair value of those assets and record an adjustment for the carrying amount in excess of the fair value determined. Any fair value determination would be based on valuation approaches, which are appropriate under the circumstances and utilize Level 2 and Level 3 measurements as required.

10. RELATED PARTY TRANSACTIONS

During 2019, Acacia purchased shares of common stock of Drive Shack, Inc. ("Drive Shack") for an aggregate purchase price of $2.4 million. At the time, Drive Shack and our former Chief Executive Officer were related parties as he was a board member of Drive Shack until June 2021. During the quarter ended September 30, 2021, Acacia sold its investment receiving proceeds of $1.8 million and recognized a loss of $515,000.

The Company reimbursed an aggregate amount of $46,000 during the year ended December 31, 2022 to a former executive officer in connection with legal fees incurred following such officer's departure from the Company. The Company reimbursed an aggregate amount of $408,000 during the quarter ended December 31, 2021.

Refer to Note 8 for information about the Recapitalization Agreement with Starboard.

11. COMMITMENTS AND CONTINGENCIES

Facility Leases

Acacia primarily leases office facilities under operating lease arrangements that will end in various years through February 2025.

On June 7, 2019, Acacia entered into a building lease agreement with Jamboree Center 4 LLC. Pursuant to the lease, we have leased 8,293 square feet of office space in Irvine, California. The lease commenced on August 1, 2019. The term of the lease is 60 months from the commencement date, provides for annual rent increases, and does not provide us the right to early terminate or extend our lease terms.

On January 7, 2020, Acacia entered into a building lease agreement with Sage Realty Corporation. Pursuant to the lease, as amended, we have leased approximately 8,600 square feet of office space for our corporate headquarters in New York, New York. The lease commenced on February 1, 2020. The term of the initial lease was 24 months from the commencement date, provides for annual rent increases, and does not provide us the right to early terminate or extend our lease terms. During August 2021, we entered into a first amendment of the New York office lease, to commence for a period of three years upon landlord's substantial completion of adequate substitution space. On January 25, 2022, the substitution space was substantially completed and the new expiration date is February 28, 2025. During July 2022, we entered into a second amendment of the New York office lease, to add space to the existing premises and increase the annual fixed rent through the existing expiration date. The new fixed rent commenced upon landlord's substantial completion of the additional space, which occurred on September 19, 2022.

Printronix conducts its foreign and domestic operations using leased facilities under non-cancelable operating leases that expire at various dates through February 2028. Printronix has leased 73,649 square feet of facilities space, of which the significant leases are as follows:

- On November 10, 2020, Printronix entered into a building lease agreement with PPC Irvine Center Investment, LLC for 8,662 square feet of office space in Irvine, California. The lease commenced on April 1, 2021. The term of the lease is 65 months from the commencement date, provides for annual rent increases and provides the right to early terminate the lease under certain circumstances, as well as extend the lease term.

- On September 30, 2019, Printronix entered into a building lease agreement with Dynamics Sing Sdn. Bhd for 52,000 square feet of warehouse/manufacturing space in Johor, Malaysia. The lease commenced on December 29, 2019. The term of the lease is 48 months from the commencement date, has no annual rent increases and provides the right to early terminate or extend our lease term. The Malaysia factory lease has two renewal options for an additional four years and one additional renewal option for two years.

- On June 2, 2022, Printronix entered into a building lease agreement with HSBC Institutional Trust Services (Singapore) Limited for 4,560 square feet of office space in Singapore. The lease commenced on June 13, 2022. The term of the lease is 36 months from the commencement date, has no annual rent increases and does not provide the right to early terminate or extend the lease term.

- On November 28, 2019, Printronix entered into a building lease agreement with PF Grand Paris for 3,045 square feet of office space in Paris, France. The lease commenced on March 1, 2019. The term of the lease is 109 months from the commencement date, has no annual rent increases and provides the right to early terminate the lease under certain circumstances, however does not provide for an extension of the lease term.

- On November 1, 2020, Printronix entered into a building lease agreement with Shanghai SongYun Enterprise Management Center for 2,422 square feet of office space in Shanghai, China. The lease commenced on November 1, 2020. The term of the lease is 48 months from the commencement date, has no annual rent increases and provides the right to early terminate or extend the lease term.

The Company's operating lease costs were $1.5 million, and $851,000 for the years ended December 31, 2022 and 2021, respectively.

The table below presents aggregate future minimum lease payments due under the Company's leases discussed above, reconciled to long-term lease liabilities and short-term lease liabilities (included in accrued expenses and other current liabilities) included in the consolidated balance sheet as of December 31, 2022 (in thousands):

Years Ending December 31,	
2023	$ 1,539
2024	1,137
2025	453
2026	238
2027	65
Thereafter	—
Total minimum payments	3,432
Less: short-term lease liabilities	(1,559)
Long-term lease liabilities	$ 1,873

Inventor Royalties and Contingent Legal Expenses

In connection with the investment in certain patents and patent rights, certain of Acacia's operating subsidiaries executed related agreements which grant to the former owners of the respective patents or patent rights, the right to receive inventor royalties based on future net revenues (as defined in the respective agreements) generated as a result of licensing and otherwise enforcing the respective patents or patent portfolios.

Acacia's operating subsidiaries may retain the services of law firms that specialize in patent licensing and enforcement and patent law in connection with their licensing and enforcement activities. These law firms may be retained on a contingent fee basis whereby such law firms are paid on a scaled percentage of any negotiated fees, settlements or judgments awarded based on how and when the fees, settlements or judgments are obtained.

Patent Enforcement and Legal Proceedings

The Company is subject to claims, counterclaims and legal actions that arise in the ordinary course of business. Management believes that the ultimate liability with respect to these claims and legal actions, if any, will not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

Certain of Acacia's operating subsidiaries are often required to engage in litigation to enforce their patents and patent rights. In connection with any of Acacia's operating subsidiaries' patent enforcement actions, it is possible that a defendant may request and/or a court may rule that an operating subsidiary has violated statutory authority, regulatory authority, federal rules, local court rules, or governing standards relating to the substantive or procedural aspects of such enforcement

actions. In such event, a court may issue monetary sanctions against Acacia or its operating subsidiaries or award attorney's fees and/or expenses to a defendant(s), which could be material.

In December 2017, the Federal Court of Canada allowed a counterclaim for invalidity of a patent asserted by Rapid Completions LLC and awarded costs payable by Rapid Completions LLC. During the year ended December 31, 2021, the Company made approximately $1.2 million in settlement payments. This settlement was fully paid as of December 31, 2021 and all claims were withdrawn.

On September 6, 2019, Slingshot Technologies, LLC, or Slingshot, filed a lawsuit in Delaware Chancery Court against the Company and ARG, or collectively, the Acacia Entities, Monarch Networking Solutions LLC ("Monarch"), Acacia board member Katharine Wolanyk, and Transpacific IP Group, Ltd., or Transpacific. Slingshot alleges that the Acacia Entities and Monarch misappropriated its confidential and proprietary information, purportedly furnished to the Acacia Entities and Monarch by Ms. Wolanyk, in acquiring a patent portfolio from Transpacific after Slingshot's exclusive option to purchase the same patent portfolio from Transpacific had already expired. Slingshot seeks monetary damages, as well as equitable and injunctive relief related to its alleged right to own the portfolio. On March 15, 2021, the court issued orders granting Monarch's motion to dismiss for lack of personal jurisdiction and Ms. Wolanyk's motion to dismiss for lack of subject matter jurisdiction. The remaining parties served written discovery requests and responses, exchanged their respective document productions, and completed depositions as of October 27, 2022. On November 18, 2022, the Acacia Entities and Transpacific filed motions for summary judgment on Slingshot's claims. As the Acacia Entities argue in their motion, discovery has confirmed that Slingshot's allegations are baseless, the Acacia Entities neither had access to nor used Slingshot's information in acquiring the portfolio, and the Acacia Entities acquired the portfolio as a result of the independent efforts of their IP licensing group. Slingshot filed its opposition to the summary judgment motions on December 23, 2022, and the Acacia Entities and Transpacific filed their replies on January 10, 2023. The Chancery Court took off calendar the two-day trial on liability that had been scheduled for April 18–19, 2023, and instead set the hearing on the summary judgment motions for April 19, 2023.

The Company resolved a legal dispute with a third-party relating to an agreement entered into in connection with the Life Sciences Portfolio and paid $4.8 million in the fourth quarter of 2022 to the third-party.

Guarantees and Indemnifications

Certain of Acacia's operating subsidiaries have made guarantees and indemnities under which they may be required to make payments to a guaranteed or indemnified party, in relation to certain transactions, including revenue transactions in the ordinary course of business. In connection with certain facility leases, Acacia and certain of its operating subsidiaries have indemnified lessors for certain claims arising from the facilities or the leases. Acacia indemnifies its directors and officers to the maximum extent permitted under the laws of the State of Delaware. However, Acacia has a directors and officers insurance policy that may reduce its exposure in certain circumstances and may enable it to recover a portion of future amounts that may be payable, if any. The duration of the guarantees and indemnities varies and, in many cases is indefinite but subject to statute of limitations. The majority of guarantees and indemnities do not provide any limitations of the maximum potential future payments that Acacia could be obligated to make. To date, Acacia has made no payments related to these guarantees and indemnities. Acacia estimates the fair value of its indemnification obligations to be insignificant based on this history and therefore, have not recorded any liability for these guarantees and indemnities in the consolidated balance sheets. Additionally, no events or transactions have occurred that would result in a material liability at December 31, 2022.

Printronix posted collateral in the form of a surety bond or other similar instruments, which are issued by independent insurance carriers (the "Surety"), to cover the risk of loss related to certain customs and employment activities. If any of the entities that hold such bonds should require payment from the Surety, Printronix would be obligated to indemnify and reimburse the Surety for all costs incurred. As of December 31, 2022 and 2021, Printronix had approximately $100,000 of these bonds outstanding.

Environmental Cleanup

Printronix maintained a manufacturing operation in a leased facility in Irvine, California from 1980 to 1994. The facility was used for similar manufacturing operations by another tenant from 1968 to 1977. The manufacturing operations employed by the previous tenant are believed to have resulted in the contamination of soil and groundwater under the facility which included chlorinated volatile organic compounds ("VOCs"). Evidence indicates that the VOCs requiring cleanup were used by the prior tenant and not by Printronix. Printronix worked with the prior tenant, which agreed to share

the costs of the activities in an equal percentage with Printronix, and the state regulatory agencies, including the California Department of Toxic Substances Control, to investigate and cleanup the subsurface contamination. A significant soil cleanup project was completed in 2017.

In 2020, Printronix executed an agreement with the prior tenant whereby the prior tenant would take 100% responsibility for the costs and process of the cleanup going forward. Printronix is in process of filing for release of such responsibility from a governmental agency and so may currently be found to be secondarily liable if the prior tenant cannot fulfil their responsibilities under the agreement. Accordingly, Printronix no longer takes part in monitoring or paying for any future investigation or cleanup activity. Printronix expects to have no such further costs associated with this facility. During 2020, Printronix was able to recover $24,000 from the prior tenant. Since that date and for the year ended December 31, 2022, Printronix has incurred no related legal fees.

12. STOCKHOLDERS' EQUITY

Repurchases of Common Stock

On December 6, 2021, the Board approved a stock repurchase program, which authorized the purchase of up to $15.0 million of the Company's common stock through open market purchases, through block trades, through 10b5-1 plans, or by means of private purchases, from time to time, through December 6, 2022. During February 2022, we completed the December 2021 program with total common stock purchases of 3,125,819 shares for the aggregate amount of $15.0 million.

On March 31, 2022, the Board approved a stock repurchase program for up to $40.0 million of shares of common stock. The repurchase authorization had no time limit and did not require the repurchase of a minimum number of shares. The common stock may be repurchased on the open market, in block trades, or in privately negotiated transactions, including under plans complying with the provisions of Rule 10b5-1 and Rule 10b-18 of the Exchange Act. During July 2022, we completed the March 2022 program with total common stock purchases of 8,453,519 shares for the aggregate amount of $40.0 million.

Stock repurchases, all of which were purchased as part of a publicly announced plan or program, were as follows:

	Total Number of Shares Purchased	Average Price paid per Share	Approximate Dollar Value of Shares that May Yet be Purchased under the Program
			(In thousands)
December 1, 2021 - December 31, 2021	784,104	$ 5.12	$ 11,004
January 1, 2022 - January 31, 2022	1,588,820	$ 4.85	$ 3,286
February 1, 2022 - February 28, 2022	752,895	$ 4.36	$ —
Total repurchases in the quarter	2,341,715	$ 4.69	
Total program repurchases	3,125,819	$ 4.80	
April 1, 2022 - April 30, 2022	692,538	$ 4.48	$ 36,901
May 1, 2022 - May 31, 2022	2,192,238	$ 4.59	$ 26,832
June 1, 2022 - June 30, 2022	3,262,043	$ 4.71	$ 11,480
Total repurchases in the quarter	6,146,819	$ 4.64	
July 1, 2022 - July 31, 2022	2,306,700	$ 4.98	$ —
Total program repurchases	8,453,519	$ 4.73	

In determining whether or not to repurchase any shares of Acacia's common stock, the Board considers such factors, among others, as the impact of the repurchase on Acacia's cash position, as well as Acacia's capital needs and whether there is a better alternative use of Acacia's capital. Acacia has no obligation to repurchase any amount of its common stock under its Stock Repurchase Programs. Repurchases to date were made in the open market in compliance with applicable SEC rules. The authorizations to repurchase shares presented an opportunity to reduce the outstanding share count and enhance stockholder value.

Tax Benefits Preservation Plan

The Company has a provision in its Amended and Restated Certificate of Incorporation, as amended (the "Charter Provision") which generally prohibits transfers of its common stock that could result in an ownership change. Like the Plan, the purpose of the Charter Provision is to protect the Company's ability to utilize potential tax assets, such as net operating loss carryforwards and tax credits to offset potential future taxable income. The Charter Provision was approved by the Company's stockholders on July 15, 2019.

13. EQUITY-BASED INCENTIVE PLANS

Stock-Based Incentive Plans

The 2013 Acacia Research Corporation Stock Incentive Plan ("2013 Plan") and the 2016 Acacia Research Corporation Stock Incentive Plan ("2016 Plan") (collectively, the "Plans") were approved by the stockholders of Acacia in May 2013 and June 2016, respectively. The Plans allow grants of stock options, stock awards and performance shares with respect to Acacia common stock to eligible individuals, which generally includes directors, officers, employees and consultants. Except as noted below, the terms and provisions of the Plans are identical in all material respects.

Acacia's compensation committee administers the discretionary option grant and stock issuance programs. The compensation committee determines which eligible individuals are to receive option grants or stock issuances under those programs, the time or times when the grants or issuances are to be made, the number of shares subject to each grant or issuance, the status of any granted option as either an incentive stock option or a non-statutory stock option under the federal tax laws, the vesting schedule to be in effect for the option grant or stock issuance and the maximum term for which any granted option is to remain outstanding. The exercise price of options is generally equal to the fair market value of Acacia's common stock on the date of grant. Options generally begin to be exercisable one year after grant and expire ten years after grant. Stock options with time-based vesting generally vest over three to four years and restricted shares with time-based vesting generally vest in full after one to four years (generally representing the requisite service period). The Plans terminate no later than the tenth anniversary of the approval of the incentive plans by Acacia's stockholders.

The Plans provide for the following separate programs:

Stock Issuance Program. Under the stock issuance program, eligible individuals may be issued shares of common stock directly, upon the attainment of performance milestones or the completion of a specified period of service or as a bonus for past services. Under this program, the purchase price for the shares shall not be less than 100% of the fair market value of the shares on the date of issuance, and payment may be in the form of cash or past services rendered. The eligible individuals receiving RSAs shall have full stockholder rights with respect to any shares of common stock issued to them under the Stock Issuance Program, whether or not their interest in those shares is vested. Accordingly, the eligible individuals shall have the right to vote such shares and to receive any regular cash dividends paid on such shares. The eligible individuals receiving RSUs shall not have full stockholder rights until they vest.

Discretionary Option Grant Program. Under the discretionary option grant program, Acacia's compensation committee may grant (1) non-statutory options to purchase shares of common stock to eligible individuals in the employ or service of Acacia or its subsidiaries (including employees, non-employee board members and consultants) at an exercise price not less than 85% of the fair market value of those shares on the grant date, and (2) incentive stock options to purchase shares of common stock to eligible employees at an exercise price not less than 100% of the fair market value of those shares on the grant date (not less than 110% of fair market value if such employee actually or constructively owns more than 10% of Acacia's voting stock or the voting stock of any of its subsidiaries).

The number of shares of common stock initially reserved for issuance under the 2013 Plan was 4,750,000 shares. No new additional shares will be added to the 2013 Plan without security holder approval (except for shares subject to outstanding awards that are forfeited or otherwise returned to the 2013 Plan). The stock issuable under the 2013 Plan shall be shares of

authorized but unissued or reacquired common stock, including shares repurchased by the Company on the open market. In June 2016, 625,390 shares of common stock available for issuance under the 2013 Plan were transferred into the 2016 Plan. At December 31, 2022, there were 175,119 shares available for grant under the 2013 Plan.

The number of shares of common stock initially reserved for issuance under the 2016 Plan was 4,500,000 shares plus 625,390 shares of common stock available for issuance under the 2013 Plan, as of the effective date of the 2016 Plan. In May 2022, security holders approved an increase of 5,500,000 shares of common stock authorized to be issued pursuant to the 2016 Plan. At December 31, 2022, there were 6,540,370 shares available for grant under the 2016 Plan.

Upon the exercise of stock options, the granting of RSAs, or the delivery of shares pursuant to vested RSUs, it is Acacia's policy to issue new shares of common stock. The Board may amend or modify the Plans at any time, subject to any required stockholder approval. As of December 31, 2022, there are 8,868,208 shares of common stock reserved for issuance under the Plans.

The following table summarizes stock option activity for the Plans:

	Options	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life
			(In thousands)	
Outstanding at December 31, 2020	310,083	$ 4.41	$ 104	2.2 years
Granted	393,750	$ 5.84	$ —	
Exercised	(60,000)	$ 3.36	$ 177	
Forfeited/Expired	(88,416)	$ 3.97	$ 103	
Outstanding at December 31, 2021	555,417	$ 5.61	$ 71	7.3 years
Granted	1,155,000	$ 3.61	$ —	
Exercised	—	$ —	$ —	
Forfeited/Expired	(400,000)	$ 4.17	$ 148	
Outstanding at December 31, 2022	1,310,417	$ 4.29	$ 535	8.0 years
Exercisable at December 31, 2022	262,917	$ 5.37	$ 33	3.7 years
Vested and expected to vest at December 31, 2022	1,310,417	$ 4.29	$ 535	8.0 years
Unrecognized stock-based compensation expense at December 31, 2022 (in thousands)	$ 1,024			
Weighted average remaining vesting period at December 31, 2022	2.3 years			

Stock options granted in 2022 are time-based and will vest in full after three to four years. During the year ended December 31, 2022, the Company granted 1,155,000 stock options at a weighted average grant-date fair value of $1.19 per share using the Black-Scholes option-pricing model. The fair value was estimated based on the following weighted average assumptions: volatility of 30 percent, risk-free interest rate of 1.85 percent, term of 6.11 years and a dividend yield of 0 percent as the Company does not pay common stock dividends. The volatility of the Company's common stock was estimated by analyzing the Company's historical volatility, implied volatility of publicly traded stock options, and the Company's current asset composition and financial leverage (refer to Note 9 "*Embedded derivative liabilities*" for additional information). The risk-free rate was based on the term assumption and U.S. Treasury constant maturities as published by the Federal Reserve. The Company currently uses the "simplified" method for determining the term, due to the limited option grant history, which assumes that the exercise date of an option would be halfway between its vesting date and the expiration date. The aggregate fair value of options vested during the year ended December 31, 2022 and 2021 was $235,000 and $18,000.

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The following table summarizes nonvested restricted stock activity for the Plans:

	RSAs		RSUs	
	Shares	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2020	684,006	$ 3.38	986,500	$ 1.58
Granted	324,401	$ 5.56	506,500	$ 5.84
Vested	(394,169)	$ 3.30	(28,834)	$ 3.19
Forfeited	(96,669)	$ 3.77	(450,000)	$ 1.42
Nonvested at December 31, 2021	517,569	$ 4.74	1,014,166	$ 3.73
Granted	296,000	$ 3.62	709,804	$ 3.73
Vested	(309,567)	$ 4.57	(646,668)	$ 2.65
Forfeited	(98,001)	$ 4.87	(235,000)	$ 4.21
Nonvested at December 31, 2022	406,001	$ 4.02	842,302	$ 4.42
Unrecognized stock-based compensation expense at December 31, 2022 (in thousands)	$ 1,160		$ 2,507	
Weighted average remaining vesting period at December 31, 2022	1.7 years		1.8 years	

RSAs and RSUs granted in 2022 are time-based and will vest in full after one to four years. The aggregate fair value of RSAs vested during the year ended December 31, 2022 and 2021 was $1.4 million and $1.3 million. The aggregate fair value of RSUs vested during the year ended December 31, 2022 and 2021 was $1.7 million and $92,000. During the year ended December 31, 2022, RSAs and RSUs totaling 956,235 shares were vested and 372,314 shares of common stock were withheld to pay applicable required employee statutory withholding taxes based on the market value of the shares on the vesting date.

Certain RSUs were granted in September 2019 with market-based vesting conditions that vest based upon the Company achieving specified stock price targets over a three-year period. The effect of a market condition is reflected in the estimate of the grant-date fair value of the options utilizing a Monte Carlo valuation technique. Compensation expense is recognized with a market-based vesting condition provided that the requisite service is rendered, regardless of when, if ever, the market condition is satisfied. Assumptions utilized in connection with the Monte Carlo valuation technique, that resulted in a fair value of $1.42 per unit, included: risk-free interest rate of 1.38 percent, term of 3.00 years, expected volatility of 38 percent and expected dividend yield of 0 percent. The risk-free interest rate was determined based on the yields available on U.S. Treasury zero-coupon issues. The expected stock price volatility was determined using historical volatility. The expected dividend yield was based on expectations regarding dividend payments. During the year ended December 31, 2021, 450,000 RSUs were forfeited, leaving 450,000 units with market-based vesting conditions outstanding and unvested at prior period end. The remaining units fully vested on September 3, 2022. Compensation expense (credit) for RSUs with market-based vesting conditions for the years ended December 31, 2022 and 2021, was $143,000 and $(71,000), respectively.

Compensation expense (credit) for share-based awards recognized in general and administrative expenses was comprised of the following:

	Years Ended December 31,	
	2022	2021
	(In thousands)	
Options	$ 488	$ 104
RSAs	1,360	1,521
RSUs	1,972	428
Total compensation expense for share-based awards	$ 3,820	$ 2,053

Total unrecognized stock-based compensation expense as of December 31, 2022 was $4.7 million, which will be amortized over a weighted average remaining vesting period of 1.9 years.

Profits Interest Plan

Profits Interest Units (“PIUs”) were accounted for in accordance with ASC 718, “Compensation - Stock Compensation.” The vesting conditions did not meet the definition of service, market or performance conditions, as defined in ASC 718. As such, the PIUs were classified as liability awards. Compensation expense was adjusted for changes in fair value prorated for the portion of the requisite service period rendered. Initially, compensation expense was recognized on a straight-line basis over the employee’s requisite service period (generally the vesting period of the equity award) which was five years. Upon full vesting of the award, which occurred during the three months ended September 30, 2017, previously unrecognized compensation expense was immediately recognized in the period. The Company has a purchase option to purchase the vested PIUs that are not otherwise forfeited after termination of continuous service. The exercise price of the purchase option is the fair market value of the PIUs on the date of termination of continuous service. The individuals holding PIUs are no longer employed by the Company. Included in other long-term liabilities in the consolidated balance sheets as of December 31, 2022 and 2021, the PIUs totaled $591,000, which was their fair value as of December 31, 2018 after termination of service.

14. RETIREMENT SAVINGS PLANS AND SEVERANCE

Retirement Savings Plans

Acacia has an employee savings and retirement plan under Section 401(k) of the Internal Revenue Code. The plan is a defined contribution plan in which eligible employees may elect to have a percentage of their compensation contributed to the plan, subject to certain guidelines issued by the Internal Revenue Service. During the years ended December 31, 2022 and 2021, Acacia's total contribution to the plan was $173,000 and zero.

In the United States of America, Printronix has a 401(k) Savings and Investment Plan, for all eligible U.S. employees, which is designed to be tax deferred in accordance with the provisions of Section 401(k). Printronix matches employee contributions dollar-for-dollar up to the first 1 percent of compensation, and then an additional $0.50 to-the-dollar on the next 1 percent of employee compensation. Printronix's contributions have graded-vesting annually and become fully vested to the employee after four full years of employment. During the year ended December 31, 2022, Printronix's total contribution to the plan was $45,500. For the period from October 7, 2021 through December 31, 2021, Printronix's total contribution to the plan was $9,000.

Printronix has statutory obligations to contribute to overseas employee retirement funds or the local social security pension funds in China, Malaysia, Singapore, France, Netherlands and the United Kingdom. During the year ended December 31, 2022, Printronix's total contribution overseas was $711,000. For the period from October 7, 2021 through December 31, 2021, Printronix's total contribution overseas was $189,000.

Severance

During the years ended December 31, 2022 and 2021, Acacia entered into separation agreements related to the termination of certain employees. The separation agreements generally provide base salary continuation payments and payments of employee and employer portions of monthly COBRA for a specified period. During the years ended December 31, 2022 and 2021, Acacia's total severance expenses were $3.2 million and $473,000, respectively.

15. INCOME TAXES

The components of (loss) income before income taxes were as follows:

	Years Ended December 31,	
	2022	2021
	(In thousands)	
Domestic	$ (126,810)	$ 175,635
Foreign	(340)	(983)
Total	$ (127,150)	$ 174,652

For purposes of reconciling the Company's provision for income taxes at the statutory rate and the Company's income tax expense (benefit) at the effective tax rate, a notional 21% tax rate was applied as follows:

	Years Ended December 31,	
	2022	2021
Statutory federal tax rate - expense (benefit)	(21)%	21 %
Foreign rate differential	— %	5 %
Noncontrolling interests in operating subsidiaries	(2)%	— %
Nondeductible permanent items	— %	(1)%
Expired tax attributes	6 %	4 %
Derivative fair value adjustment	(2)%	5 %
Valuation allowance	7 %	(21)%
Other	(1)%	1 %
Effective income tax rate	(13)%	14 %

Acacia's income tax benefit (expense) for the periods presented consisted of the following:

	Years Ended December 31,	
	2022	2021
	(In thousands)	
Current:		
Federal	$ (54)	$ —
State	(482)	(15)
Foreign	(606)	(8,530)
Total current	(1,142)	(8,545)
Deferred:		
Federal	24,789	(54,165)
State	259	1,573
Foreign	(28)	332
Total deferred	25,020	(52,260)
Change in valuation allowance	(7,667)	36,518
Income tax benefit (expense)	$ 16,211	$ (24,287)

The tax effects of temporary differences and carryforwards that give rise to significant portions of deferred tax assets and liabilities consisted of the following:

	December 31,	
	2022	2021
	(In thousands)	
Deferred tax assets:		
Net operating loss and capital loss carryforwards and credits	$ 47,386	$ 78,428
Unrealized gain on investments held at fair value	35	—
Compensation expense for share-based awards	607	383
Fixed assets and intangibles	—	—
Basis of investments in affiliates	—	18
Accrued liabilities and other	1,551	1,495
Lease liability	784	726
State taxes	94	—
Total deferred tax assets	50,457	81,050
Valuation allowance	(48,250)	(40,585)
Total deferred tax assets, net of valuation allowance	2,207	40,465
Deferred tax liabilities:		
ROU Asset	(782)	(726)
Fixed assets and intangibles	(2,166)	(2,572)
Unrealized gain on investments held at fair value	—	(55,696)
Other	—	(23)
Total deferred tax liabilities	(2,948)	(59,017)
Net deferred tax liabilities	$ (742)	$ (18,552)

As of December 31, 2022 and 2021, management assessed the realizability of deferred tax assets and evaluated the need for a valuation allowance for deferred tax assets on a jurisdictional basis. This evaluation utilizes the framework contained in ASC 740, "Income Taxes," wherein management analyzes all positive and negative evidence available at the balance sheet date to determine whether all or some portion of the Company's deferred tax assets will not be realized. Under this guidance, a valuation allowance must be established for deferred tax assets when it is more-likely-than-not that the asset will not be realized. In assessing the realization of the Company's deferred tax assets, management considers all available evidence, both positive and negative.

Based upon available evidence, it was concluded on a more-likely-than-not basis that as of December 31, 2022 a valuation allowance of $48.3 million was needed for foreign tax credits and certain state tax attributes the Company estimates will expire prior to utilization. As of December 31, 2021, the Company recorded a full valuation allowance of $40.6 million. The valuation allowance increased by $7.7 million for the year ended December 31, 2022 as a result of the use of the NOLs against realized gains and unrealized losses. The valuation allowance decreased by $(36.4) million for the year ended December 31, 2021 as a result of the use of the NOLs and increase in unrealized gains.

At December 31, 2022, Acacia had U.S. federal and state income tax net operating loss carryforwards (“NOLs”) totaling approximately $63.8 million and $36.0 million, respectively. Pursuant to the Tax Cuts and Jobs Act ("TCJA") enacted by the U.S. federal government in December 2017, for federal income tax purposes, NOL carryovers generated for our tax years beginning January 1, 2018 can be carried forward indefinitely but will be subject to a taxable income limitation. All federal losses are post TCJA NOLs, which do not expire. The $36.0 million of state NOLs will expire in varying amounts through 2040.

As of December 31, 2022 Acacia had combined foreign NOLs available to reduce future taxable income of approximately $1.9 million. As of December 31, 2022 a valuation of $1.9 million had been recorded against the related deferred tax assets for those NOLs that are not more likely than not to be fully utilized in reducing future taxable income.

As of December 31, 2022, Acacia had approximately $31.2 million of foreign tax credits, expiring between 2023 and 2032. In general, foreign taxes withheld may be claimed as a deduction on future U.S. corporate income tax returns, or as a credit against future U.S. income tax liabilities, subject to certain limitations.

During the fourth quarter of 2022, the Company finalized Printronix's pre-acquisition income tax returns and recorded an adjustment to the assets acquired and liabilities assumed. As a result, the Company recognized an increase in goodwill of $71,000 from the initial assessment as of the acquisition date.

The following changes occurred in the amount of unrecognized tax benefits:

	Years Ended December 31,	
	2022	2021
	(In thousands)	
Beginning balance	$ 887	$ 731
Additions for current year tax positions	—	27
Additions included in purchase accounting for prior year positions	—	129
Reductions for prior year tax positions	(127)	—
Ending Balance (excluding interest and penalties)	760	887
Interest and penalties	—	—
Total	$ 760	$ 887

At December 31, 2022 and 2021, the Company had total unrecognized tax benefits of approximately $760,000 and $887,000, respectively. At December 31, 2022 and 2021, $760,000 and $108,000, respectively, of unrecognized tax benefits are recorded in other long-term liabilities. At December 31, 2022, if recognized, $760,000 of tax benefits would impact the Company's effective tax rate.

Acacia recognizes interest and penalties with respect to unrecognized tax benefits in income tax expense (benefit). No interest and penalties have been recorded for the unrecognized tax benefits for the periods presented. Acacia has identified no uncertain tax position for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within 12 months.

Acacia is subject to taxation in the U.S. and in various state/foreign jurisdictions and incurs foreign tax withholdings on revenue agreements with licensees in certain foreign jurisdictions. With no material exceptions, Acacia is no longer subject to U.S. federal or state examinations by tax authorities for years before 2018. The Company's 2018 through 2022 tax years generally remain subject to examination by federal, state and foreign tax authorities. As the Company has incurred losses in most jurisdictions, the taxing authorities can generally challenge 2015 through 2021 either the amount of carryforward deduction reported in the open year or the amount of a net operating loss deduction that is absorbed in a closed year and supports the determination of the available net operating loss deduction for the open year under examination.

Deferred income taxes have not been provided for undistributed earnings of the Company's consolidated foreign subsidiaries, as earnings are permanently reinvested, however, no deferred tax liability would be necessary as the parent entity would not be required to include the distribution into income as the amount would be tax free under current law.

TCJA subjects a US shareholder to tax on GILTI earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740 No. 5. Accounting for Global Intangible Low-Taxed Income, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or to provide for the tax expense related to GILTI in the year the tax is incurred as a period expense only. We have elected to account for GILTI in the year the tax is incurred.

On March 11, 2021 the United States enacted the American Rescue Plan Act of 2021. This Act includes various income and payroll tax measures. The Company does not expect a material impact from the American Rescue Plan on its consolidated financial statements and related disclosures.

On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022, which includes a 15% minimum tax on the adjusted financial statement income of corporations with a three taxable year average annual adjusted financial statement income in excess of $1 billion, a 1% excise tax on net stock repurchases made by publicly traded U.S. corporations and several tax incentives to promote clean energy. The alternative minimum tax and excise tax are effective in taxable years beginning after December 31, 2022. These tax law changes are not expected to significantly impact the Company's consolidated financial statements. The Company will continue to evaluate its impact as further information becomes available.

16. INCOME/LOSS PER SHARE

The following table presents the calculation of basic and diluted income/loss per share of common stock:

	Years Ended December 31,	
	2022	2021
	(In thousands, except share and per share data)	
Numerator:		
Net (loss) income attributable to Acacia Research Corporation	$ (125,065)	$ 149,197
Dividend on Series A redeemable convertible preferred stock	(2,799)	(1,452)
Accretion of Series A redeemable convertible preferred stock	(5,171)	(3,829)
Undistributed earnings allocated to participating securities	—	(25,112)
Net (loss) income attributable to common stockholders - Basic	(133,035)	118,804
Add: Dividend on Series A redeemable convertible preferred stock	—	1,452
Add: Accretion of Series A redeemable convertible preferred stock	—	3,829
Less: Change in fair value of Series A redeemable convertible preferred stock embedded derivative	—	(8,280)
Less: Change in fair value of Series A warrants	—	—
Less: Change in fair value of dilutive Series B warrants	—	44,037
Add: Interest expense associated with Starboard Notes, net of tax	—	4,658
Add: Undistributed earnings allocated to participating securities	—	25,112
Reallocation of undistributed earnings to participating securities	—	(1,388)
Net (loss) income attributable to common stockholders - Diluted	$ (133,035)	$ 188,224
Denominator:		
Weighted average shares used in computing net (loss) income per share attributable to common stockholders - Basic	42,460,504	48,797,290
Potentially dilutive common shares:		
Series A Preferred Stock	—	9,589,041
Restricted stock units	—	758,682
Stock options	—	37,167
Series A Warrants	—	—
Series B Warrants	—	39,288,690
Weighted average shares used in computing net (loss) income per share attributable to common stockholders - Diluted	42,460,504	98,470,870
Basic net (loss) income per common share	$ (3.13)	$ 2.43
Diluted net (loss) income per common share	$ (3.13)	$ 1.91
Anti-dilutive potential common shares excluded from the computation of diluted net income/loss per share:		
Equity-based incentive awards	2,558,720	393,750
Series A warrants	—	5,000,000
Series B warrants	100,000,000	—
Total	102,558,720	5,393,750

17. SEGMENT REPORTING

As of December 31, 2022, the Company operates and reports its results in two reportable segments: Intellectual Property Operations and Industrial Operations. Historically, the Company has managed and reported under a single reporting segment. In October 2021, the Company acquired Printronix, which comprises all of the operations of the Company's Industrial Operations reportable segment and led to the identification of the additional reporting segment.

The Company reports segment information based on the management approach and organizes its businesses based on products and services. The management approach designates the internal reporting used by the chief operating decision maker for decision making and performance assessment as the basis for determining the Company's reportable segments. The performance measure of the Company's reportable segments is primarily income or (loss) from operations. Income or (loss) from operations for each segment includes all revenues, cost of revenues, gross profit and other operating expenses directly attributable to the segment. Other than the Company's equity securities investments, specific asset information is not included in managements review at this time.

The Company's Intellectual Property Operations segment invests in IP and related absolute return assets, and engages in the licensing and enforcement of patented technologies. Through our Patent Licensing, Enforcement and Technologies Business we are a principal in the licensing and enforcement of patent portfolios, with our operating subsidiaries obtaining the rights in the patent portfolio or purchasing the patent portfolio outright. While we, from time to time, partner with inventors and patent owners, from small entities to large corporations, we assume all responsibility for advancing operational expenses while pursuing a patent licensing and enforcement program. When applicable, we share net licensing revenue with our patent partners as that program matures, on a prearranged and negotiated basis. We may also provide upfront capital to patent owners as an advance against future licensing revenue. Currently, on a consolidated basis, our operating subsidiaries own or control the rights to multiple patent portfolios, which include U.S. patents and certain foreign counterparts, covering technologies used in a variety of industries. We generate revenues and related cash flows from the granting of IP rights for the use of patented technologies that our operating subsidiaries control or own.

The Company's Industrial Operations segment generates operating income by designing and manufacturing printers and consumable products for various industrial printing applications. Printers consist of hardware and embedded software and may be sold with maintenance service agreements. Consumable products include inked ribbons which are used in Printronix's printers. Printronix's products are primarily sold through channel partners, such as dealers and distributors, to end-users. The Industrial Operations reporting segment did not exist prior to the acquisition of Printronix in October 2021, accordingly, the periods presented below include Printronix's operations for the full year ended December 31, 2022 compared to an approximate three month period ended December 31, 2021.

The Company's segment information is as follows:

	Years Ended December 31,					
	2022			2021		
	Intellectual Property Operations	Industrial Operations	Total	Intellectual Property Operations	Industrial Operations	Total
	(In thousands)					
Revenues:						
License fees	$ 19,508	$ —	$ 19,508	$ 76,043	$ —	$ 76,043
Printers and parts	—	16,118	16,118	—	4,961	4,961
Consumable products	—	19,314	19,314	—	5,973	5,973
Services	—	4,283	4,283	—	1,070	1,070
Total revenues	19,508	39,715	59,223	76,043	12,004	88,047
Cost of revenues:						
Inventor royalties	1,212	—	1,212	1,142	—	1,142
Contingent legal fees	2,444	—	2,444	12,074	—	12,074
Litigation and licensing expenses	3,970	—	3,970	5,462	—	5,462
Amortization of patents	10,403	—	10,403	9,851	—	9,851
Other patent portfolio expense	—	—	—	162	—	162
Cost of sales	—	19,359	19,359	—	7,407	7,407
Total cost of revenues	18,029	19,359	37,388	28,691	7,407	36,098
Segment gross profit	1,479	20,356	21,835	47,352	4,597	51,949
Other operating expenses:						
Engineering and development expenses	—	626	626	—	200	200
Sales and marketing expenses	—	8,621	8,621	—	1,538	1,538
Amortization of intangible assets	—	1,732	1,732	—	399	399
General and administrative expenses	5,428	8,254	13,682	6,177	2,398	8,575
Total other operating expenses	5,428	19,233	24,661	6,177	4,535	10,712
Segment operating (loss) income	$ (3,949)	$ 1,123	(2,826)	$ 41,175	$ 62	41,237
Parent general and administrative expenses			37,266			26,692
Operating (loss) income			(40,092)			14,545
Total other (expense) income			(87,058)			160,107
(Loss) income before income taxes			$ (127,150)			$ 174,652

	December 31,	
	2022	2021
	(In thousands)	
Equity securities investments:		
Equity securities	$ 61,608	$ 361,778
Equity securities without readily determinable fair value	5,816	5,816
Equity method investments	30,934	30,934
Total parent equity securities investments	98,358	398,528
Other parent assets	156,394	172,726
Segment total assets:		
Intellectual property operations	176,119	175,286
Industrial operations	52,057	52,316
Total assets	$ 482,928	$ 798,856

The Company's revenues and long-lived tangible assets by geographic area are presented below. Intellectual Property Operations revenues are attributed to licensees domiciled in foreign jurisdictions. Printronix's net sales to external customers are attributed to geographic areas based upon the final destination of products shipped. The Company, primarily through its Printronix subsidiary, has identified three global regions for marketing its products and services: Americas, Europe, Middle East and Africa, and Asia-Pacific. Assets are summarized based on the location of held assets.

	Years Ended December 31,					
	2022			2021		
	Intellectual Property Operations	Industrial Operations	Total	Intellectual Property Operations	Industrial Operations	Total
	(In thousands)					
Revenues by geographic area:						
United States	$ 18,882	$ 15,541	$ 34,423	$ 23,256	$ 4,937	$ 28,193
Canada and Latin America	11	2,145	2,156	402	251	653
Total Americas	18,893	17,686	36,579	23,658	5,188	28,846
Europe, Middle East and Africa	589	9,298	9,887	1,841	2,589	4,430
China	—	5,207	5,207	—	1,910	1,910
India	—	2,957	2,957	—	1,076	1,076
Asia-Pacific, excluding China and India	26	4,567	4,593	50,544	1,241	51,785
Total Asia-Pacific	26	12,731	12,757	50,544	4,227	54,771
Total revenues	$ 19,508	$ 39,715	$ 59,223	$ 76,043	$ 12,004	$ 88,047

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	December 31, 2022		
	Intellectual Property Operations	Industrial Operations	Total
	(In thousands)		
Long-lived tangible assets by geographic area:			
United States	$ 324	$ 302	$ 626
Malaysia	—	2,703	2,703
Other foreign countries	—	208	208
Total	$ 324	$ 3,213	$ 3,537

	December 31, 2021		
	Intellectual Property Operations	Industrial Operations	Total
	(In thousands)		
Long-lived tangible assets by geographic area:			
United States	$ 204	$ 473	$ 677
Malaysia	—	3,203	3,203
Other foreign countries	—	303	303
Total	$ 204	$ 3,979	$ 4,183

18. SUBSEQUENT EVENTS

Change of Chief Financial Officer

Effective January 27, 2023, Richard Rosenstein resigned as the Chief Financial Officer of the Company. Mr. Rosenstein's departure is not the result of any dispute or disagreement with the Company, including with respect to matters related to the Company's accounting practices, general policies or financial reporting. Acacia and Mr. Rosenstein entered into a consulting agreement upon his departure, in accordance with Mr. Rosenstein will serve as a consultant through April 30, 2023. Effective as of January 28, 2023, Kirsten Hoover, who currently serves as Acacia's Corporate Controller and previously held other senior finance roles at the Company, assumed the role of interim Chief Financial Officer. The Board is currently searching for a permanent successor.

Rights Offering and Concurrent Private Rights Offering

On February 14, 2023, pursuant to the requirements of the Recapitalization Agreement and in accordance with the terms of the Series B Warrants, the Company commenced a Rights Offering and Concurrent Private Rights Offering, which were completed on March 1, 2023. The Company received aggregate gross proceeds of approximately $361,000 from the Rights Offering and aggregate gross proceeds of approximately $78.8 million from the Concurrent Private Rights Offering. Refer to Note 8 for additional information.

SEPARATION AGREEMENT AND GENERAL RELEASE OF CLAIMS

THIS SEPARATION AGREEMENT AND GENERAL RELEASE OF CLAIMS (“**Separation Agreement**”) is entered into as of this 28 day of November, 2022 by and between Wesley Golby (“**Employee**”), and Acacia Research Group LLC, a Texas limited liability company (the “**Company**”) (each sometimes referred to herein as a “**Party**” and collectively as the “**Parties**”).

WHEREAS, the Employee’s employment with the Company was terminated on November 28, 2022 (the “**Separation Date**”) on the terms set forth herein; and

WHEREAS, the Parties agree that Employee shall receive certain severance benefits on the terms set forth herein.

NOW, THEREFORE, in consideration of, and subject to, the severance benefits payable to Employee pursuant to this Separation Agreement as described below, the adequacy of which is hereby acknowledged by Employee, and that Employee acknowledges that Employee would not otherwise be entitled to receive, Employee and the Company hereby agree as follows:

1. Termination of Employment. Subject to the terms and conditions of this Separation Agreement, the Employee’s employment with the Company was terminated on the Separation Date.

2. General Release of Claims by Employee.

2.1 Release and Discharge of Claims. In consideration for the promises and covenants contained herein, other than the rights and benefits granted to Employee hereunder, Employee irrevocably and unconditionally releases and discharges the Company and Acacia Research Corporation (“**ARC**”) and all of their affiliated and related entities, and their, and their affiliated and related entities’, respective agents, officers, directors, stockholders, members, employees, attorneys, insurers, subsidiaries, predecessors, successors and assigns (“**Company Releasees**”), from any and all claims, liabilities, obligations, promises, causes of actions, actions, suits, or demands, of whatsoever kind or character, known or unknown, suspected to exist or not suspected to exist, anticipated or not anticipated, arising from or relating to any omissions, acts or facts that have occurred up until and including the date of this Separation Agreement, including but not limited to those arising from or related or attributable to Employee’s employment with the Company and his separation from such employment (“**Claims**”). Such Claims include, but are not limited to, claims based upon any violation of the Company’s policies and regulations or any written or oral contract or agreement between the Company and Employee; tort and common law claims including but not limited to claims for wrongful or retaliatory discharge, emotional distress, defamation, slander, libel or false imprisonment, claims for attorneys’ fees, back pay, front pay or reinstatement; claims based upon employment discrimination or harassment of any kind or nature, and claims based upon alleged violation of: the Americans With Disabilities Act, as amended (42 U.S.C. section 12101, et seq.); 42 U.S.C. sections 1981 and 1983; the New York State Human Rights Law (NYSHRL), the New York Labor Law (NYLL) (including but not limited to the Retaliatory Action by Employers Law, the New York State Worker Adjustment and Retraining Notification Act, all provisions prohibiting discrimination and retaliation, and all provisions regulating wage and hour law), the New York Civil Rights Law, Section 125 of the New York Workers' Compensation Law, Article 23-A of the New York Correction Law, the New York City Human Rights Law (NYCHRL), and the New York City Earned Sick Leave Law (NYCESLL), State wage and hour laws; or any other State, Federal or local statutes or laws. Employee further acknowledges that such Claims also include claims based on the Age Discrimination in Employment Act, as amended (29 U.S.C. section 621, et seq.) (the “**ADEA**”) and the Older Workers Benefit Protection Act (29 U.S.C. §626(f)), as amended (the “**OWBPA**”). The provisions of this Section do not release claims that cannot be released as a matter of law.

2.2 Claims Not Released. Employee is not waiving any rights Employee may have to: (i) Employee's own vested accrued employee benefits under Employer's health, welfare, or retirement benefits plans as of the Separation Date; (ii) benefits or rights to seek benefits under applicable workers' compensation or unemployment insurance or indemnification statutes; (iii) pursue claims which by law cannot be waived by signing this Separation Agreement; (iv) enforce this Separation Agreement; or (v) challenge the validity of this Separation Agreement.

2.3 Government Agencies. Nothing in this Separation Agreement prohibits or prevents Employee from filing a charge with or participating, testifying, or assisting in any investigation, hearing, action, or other proceeding before any federal, state, or local government agency (*e.g.*, EEOC, DFEH, NLRB, SEC, *etc*.), nor does anything in this Separation Agreement preclude, prohibit, or otherwise limit, in any way, Employee's rights and abilities to contact, communicate with, report matters to, or otherwise participate in any whistleblower program administered by any such agencies. However, to the maximum extent permitted by law and expressly excluding Employee's participation in any federal whistleblower programs, Employee agrees that if such an administrative claim is made, Employee shall not be entitled to recover any individual monetary relief or other individual remedies.

2.4 Consideration Period. Employee acknowledges that this Separation Agreement was presented to him on the date indicated above and that Employee is entitled to have 45 days' time in which to consider it. Employee further acknowledges that the Company has advised Employee that Employee is waiving his rights under the ADEA, and that Employee has been advised to consult with an attorney of his choice before signing this Separation Agreement, and Employee has had sufficient time to consider the terms of this Separation Agreement. Employee represents and acknowledges that if Employee executes this Separation Agreement before 45 days have elapsed, Employee does so knowingly, voluntarily, and upon the advice and with the approval of Employee's legal counsel (if any), and that Employee voluntarily waives any remaining consideration period. Employee agrees that the 45-day consideration period began on the date this Separation Agreement first was delivered to Employee and that if Employer changes any of the terms of the offer contained in the Separation Agreement (whether the changes are material or not), the 45-day consideration period shall not be restarted but shall continue without interruption.

2.5 Revocation. Employee understands that after executing this Separation Agreement, Employee has the right to revoke it within seven calendar days after his execution of it. Employee understands that this Separation Agreement will not become effective and enforceable unless the seven-day revocation period passes and Employee does not revoke this Separation Agreement in writing. Employee understands that this Separation Agreement may not be revoked after the seven-day revocation period has passed. Employee also understands that any revocation of this Separation Agreement must be made in writing and state, "I hereby revoke my acceptance of our Separation Agreement and General Release of All Claims." and delivered to Acacia Research Group, attention Jason Soncini, 767 Third Avenue, 6th Floor, New York, NY 10017, and postmarked within seven calendar days after the Employee's execution of this Separation Agreement.

2.6 Effectiveness. Employee understands that this Separation Agreement shall become effective, irrevocable, and binding upon Employee on the eighth day after his execution of it (the "Effective Date"), so long as Employee has not revoked it within the time period and in the manner specified herein. Employee further understands that Employee will not be given any severance benefits under the Separation Agreement until the effective date of this Separation Agreement.

3. Consideration. In consideration for signing this Separation Agreement complying with its terms, and provided Employee does not subsequently revoke this Separation Agreement within the allotted time, Employer agrees:

3.1 to pay to the Employee his biweekly base salary as of the date of this Separation Agreement of $17,307.70, less lawful deductions, on the Company's regular biweekly

payroll dates through February 17, 2023, in accordance with the Company's normal payroll policies and procedures (the "**Severance Period**");

3.2 to pay the Employee on the first regular pay date after the Effective Date $410,096.10, less lawful deductions and in accordance with the Company's normal payroll policies and procedures;

3.3 Commencing within thirty (30) days following Employee signing this Separation Agreement, should the Employee timely and properly elect continuation of medical insurance coverage pursuant to COBRA (as defined below), the Company will pay the full cost of the premium for three (3) months for the continuation of medical, dental and vision coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"), for Employee and Employee's eligible dependents who were covered under the Company's health plans as of the date hereof; provided, however, that the Company's obligation to make the payments under this Section 3.3 shall cease at such time as the Employee has obtained healthcare coverage from a third party employer or another source.

4. Eligibility Requirements/Applicable Data. The decisional unit is all deal team employees and New York based administrative staff of Acacia Research Group LLC as of November 17, 2022. Employees were selected for layoff as part of the 2022 Restructuring Program (the "Program") based on a variety of factors including the needs of the business and the skills and capabilities of the employees. Attached as Exhibit "A" is a list of the job titles and ages as of November 17, 2022 of all individuals eligible for and selected for layoff under the Program and offered consideration for signing a Separation Agreement. Except for those employees selected for layoff, no other employee is eligible or offered consideration in exchange for signing the waiver. Attached as Exhibit "B" is a list of the job titles and ages of all individuals who were eligible but not selected for layoff under the Program.

5. Additional Agreements and Acknowledgments.

5.1 Timely Payments. Employee affirms that Employee timely has been paid or has received all compensation, wages, bonuses, commissions and benefits which are due and payable as of the date of execution of this Separation Agreement. Employee further affirms that Employee has been reimbursed for all expenses necessarily incurred by Employee in following the Company's directions or in performing Employee's duties.

5.2 Workplace Injuries. Employee also affirms that Employee has no known workplace injuries or occupational diseases, and that Employee has been granted or has not been denied any leave to which Employee was entitled under any disability accommodation laws.

5.3 No Retaliation. Employee further affirms that Employee has not been retaliated against for reporting any allegations of wrongdoing by the Company or any of its officers, directors or employees including, but not limited to, allegations of corporate fraud.

5.4 Intellectual Property. The Employee agrees that any and all discoveries, concepts, ideas, inventions, writings, plans, articles, devices, products, designs, treatments, structures, processes, methods, formulae, techniques and drawings, and improvements or modifications related to the foregoing that are in any way directly related to the Company's active patent portfolios, which are made, developed, created, contributed to, reduced to practice, or conceived by the Employee, whether solely or jointly with others, in connection with the Employee's services to the Company (collectively, the "**Intellectual Property**") shall be and shall remain the exclusive property of the Company, and, to the extent applicable, a "work made for hire," and the Company shall own all rights, title and interests thereto, including, without limitation, all rights under copyright, patent, trademark, statutory, common law and/or otherwise. By the Employee's execution of this Separation Agreement, the Employee hereby irrevocably and unconditionally assigns to the Company all right, title and interest in any such Intellectual Property.

The Employee further agrees to take all such steps and all further action as the Company may reasonable request to effectuate the foregoing, including, without limitation, the execution and delivery of such documents and applications as the Company may reasonably request to secure the rights to Intellectual Property worldwide by patent, copyright or otherwise to the Company or its successors and assigns. The Employee further agrees promptly and fully to disclose any Intellectual Property to the officers of the Company and to deliver to such officers all papers, drawings, models, data and other material (collectively, the "**Material**") relating to any Intellectual Property made, reduced to practice, developed, created or contributed to by the Employee and, upon termination, or expiration of this Separation Agreement, to turn over to the Company all such Material. To the extent that the Employee has signed any other assignment of inventions agreement, such agreement continues in full force and effect.

5.5 Non-disparagement. The Employee agrees not to engage in any wrongful conduct that is injurious to the Company or ARC, or their respective subsidiaries', officers' or directors' reputation or interest, including but not limited to, disparaging, inducing or encouraging others to disparage or bring claims against the Company or ARC, or their respective subsidiaries, officers or directors, or making or causing to be made any statement that is critical of or otherwise maligns the business reputation of the Company or ARC, or their respective subsidiaries, officers or directors, except as otherwise required by law ("**Required Disclosure**"); provided, that in making a Required Disclosure, Employee shall provide prior notice of such Required Disclosure to the Company as far in advance as reasonably practicable (unless prohibited by law), so that the Company may intervene, appear or otherwise object, including by requesting a confidential hearing or confidential treatment at the Company's sole expense. In addition, during the Severance Period, the Employee agrees not to provide any testimony or other information to any party in any proceeding or otherwise, that is or could be construed to be adverse to the Company or ARC or their respective interests.

5.6 Standstill. Unless otherwise required by law, from the date hereof through the end of the Severance Period, without the Company's prior written consent, the Employee will not, herself or through any affiliate, representative or other person, acting alone or as part of a "group" (within the meaning of Section 13(d)(3) of the Securities and Exchange Act of 1934), directly or indirectly: (i) effect or seek, offer or propose (whether publicly or otherwise) to effect, or cause or participate in or in any way assist any other person to effect or seek, offer or propose (whether publicly or otherwise) to effect or participate in, (A) any acquisition of all or substantially all of the securities (or beneficial ownership thereof) or assets of ARC or any of its subsidiaries; (B) any tender or exchange offer or merger or other business combination involving ARC or any of its subsidiaries; (C) any recapitalization, restructuring, liquidation, dissolution or other extraordinary transaction with respect to ARC or any of its subsidiaries; or (D) any "solicitation" of "proxies" (as such terms are used in the proxy rules of the Securities and Exchange Commission) with respect to any securities of ARC, including without limitation to vote any securities of ARC or to provide or withhold consents or agent designations with respect to any securities of ARC, (ii) form, advise, join or in any way participate in a group in connection with the types of matters set forth in (i) above, (iii) otherwise act, alone or in concert with others, to seek to control or influence the management, Board of Directors or policies of ARC or any of its subsidiaries, (iv) take any action which might force ARC to make a public announcement regarding any of the types of matters set forth in (i) above, (v) publicly announce any intention, plan or arrangement inconsistent with the foregoing, or (vi) enter into any discussions, arrangements or agreements with any third party relating to any of the foregoing. The Employee also agrees during such period not to request ARC (or its directors, officers, employees or agents), directly or indirectly, to amend or waive any provision of this paragraph (including this sentence).

5.7 Cooperation. Employee shall cooperate with the Company and its affiliates, agents, accountants and attorneys in connection with any inquiries related to the Company's or its affiliates' (including, without limitation ARC) legal matters, as well as with any internal investigation, any administrative, regulatory or judicial investigation or proceeding or any dispute with a third party as reasonably requested by the Company (including being available to the Company upon

reasonable notice for interviews, depositions and factual investigations, appearing at the Company's request to give testimony without requiring service of a subpoena or other legal process, volunteering to the Company all pertinent information and turning over to the Company all relevant documents which are or may come into the Employee's possession, all at times and on schedules that are reasonably consistent with the Employee's other permitted activities and commitments). In the event the Company requires the Employee's cooperation in accordance with this Section 5.7, the Company shall reimburse the Employee solely for reasonable their time, legal fees and travel expenses (including lodging and meals), upon submission of receipts, incurred by the Employee in connection with the performance of his obligations under this Section 5.7.

5.7 Return of Company Property. Except as otherwise agreed in writing by the Parties hereto, Employee acknowledges and affirms that he has returned to the Company all property belonging to the Company, including all credit cards, ID cards, electronic devices, any and all original and duplicate copies of all his work product and of files, calendars, books, records, notes, notebooks, manuals, computer disks, diskettes, and any other magnetic and other media materials he has in his possession or under his control which contains Confidential Information (as defined below) of the Company.

5.7 Confidentiality. Employee agrees at all times during the term of his employment and thereafter, to hold in strictest confidence, and not to use, except for the benefit of the Company to the extent necessary to perform his obligations to the Company as an employee of the Company, or to disclose to any person, firm, corporation or other entity without written authorization of the Company, any Confidential Information of the Company. Employee further agrees not to make copies of such Confidential Information except as authorized by the Company. Employee understands that "**Confidential Information**" means any Company or ARC proprietary information, technical data, trade secrets or know-how, including, but not limited to, research, product plans, products, services, suppliers, Customer lists and Customers, prices and costs, markets, software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware configuration information, marketing, licenses, finances, budgets or other business information disclosed to him by the Company either directly or indirectly in writing, orally or by drawings or observation of parts or equipment or created by him during the term of his employment, whether or not during working hours. Employee further understands that Confidential Information includes, but is not limited to, information pertaining to any aspect of the Company's or ARC's business which is either information not known by actual or potential competitors of the Company or ARC or other third parties not under confidentiality obligations to the Company or ARC, or is otherwise proprietary information of the Company, ARC or their respective Customers or suppliers, whether of a technical nature or otherwise. Employee also understands that Confidential Information does not include any of the foregoing items which has become publicly and widely known and made generally available through no wrongful act of hers or of others who were under confidentiality obligations as to the item or items involved.

5.8 Specific Performance and Injunctive Relief. The Employee agrees that any violation by him or his representatives or advisors of this Separation Agreement would be highly injurious to the Company and would cause irreparable harm to the Company. By reason of the foregoing, the Employee consents and agrees that if he or his representatives or advisors violate any provision of this Separation Agreement, the Company shall be entitled, in addition to any other rights and remedies that it may have, to obtain from any court of competent jurisdiction specific performance and/or injunctive or other relief (without the requirement of posting of a bond or other security) in order to enforce, or prevent any violation of, the provisions of this Separation Agreement.

6. No Admission of Wrongdoing. The Parties agree that neither this Separation Agreement nor the furnishing of consideration for this Separation Agreement shall be deemed or construed at any time for any purpose as an admission of wrongdoing or evidence of any liability or unlawful conduct of any kind.

7. No Assignment. Employee represents and warrants to the Company Releasees that there has been no assignment or other transfer of any interest in any Claim that Employee may have against the Company Releasees, or any of them. Employee agrees to indemnify and hold harmless the Company Releasees from any liability, claims, demands, damages, costs, expenses and attorneys' fees incurred as a result of any such assignment or transfer from Employee.

8. Paragraph Headings. The headings of the several paragraphs in this Separation Agreement are inserted solely for the convenience of the Parties and are not a part of and are not intended to govern, limit or 9id in the construction of any term or provision hereof.

9. Severability. The invalidity or unenforceability of any provision of this Separation Agreement shall not affect the validity or enforceability of any other provision of this Separation Agreement, which shall remain in full force and effect.

10. Governing Law. This Separation Agreement will be governed by and construed in accordance with the laws of the United States and the State of New York applicable to contracts made and to be performed wholly within such State, and without regard to the conflicts of laws principles thereof.

11. Counterparts. This Separation Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

12. Construction. The language in all parts of this Separation Agreement shall in all cases be construed simply, according to its fair meaning, and not strictly for or against any of the Parties hereto. Without limitation, there shall be no presumption against any Party on the ground that such Party was responsible for drafting this Separation Agreement or any part thereof.

13. Entire Agreement. This Separation Agreement sets forth the entire agreement of the Parties in respect of the subject matter contained herein and therein and supersede all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any Party hereto, and any prior agreement of the Parties in respect of the subject matter contained herein.

14. Amendment. No provision of this Separation Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Employee and such officer of the Company as may be specifically designated by the Board of Directors of the Company.

15. Understanding and Authority. The Parties understand and agree that all terms of this Separation Agreement are contractual and are not a mere recital and represent and warrant that they are competent to covenant and agree as herein provided. The Parties have carefully read this Agreement in its entirety; fully understand and agree to its terms and provisions; and intend and agree that it is final and binding on all Parties.

EMPLOYEE UNDERSTANDS AND ACKNOWLEDGES THAT EMPLOYEE HAS UP TO FORTY-FIVE (45) CALENDAR DAYS TO REVIEW THIS SEPARATION AGREEMENT PRIOR TO EXECUTION OF THIS SEPARATION AGREEMENT. EMPLOYEE FURTHER UNDERSTANDS AND ACKNOWLEDGES THAT ANY MODIFICATIONS, MATERIAL OR OTHERWISE, MADE TO THIS SEPARATION AGREEMENT DO NOT RESTART OR AFFECT IN ANY MANNER THE ORIGINAL FORTY-FIVE (45) CALENDAR DAY CONSIDERATION PERIOD.

HAVING ELECTED TO EXECUTE THIS SEPARATION AGREEMENT, TO FULFILL THE PROMISES AND TO RECEIVE THE CONSIDERATION SET FORTH IN SECTION 3 ABOVE, EMPLOYEE FREELY AND KNOWINGLY, AND AFTER DUE CONSIDERATION, ENTERS INTO THIS SEPARATION AGREEMENT

INTENDING TO WAIVE, SETTLE AND RELEASE ALL CLAIMS EMPLOYEE HAS OR MIGHT HAVE AGAINST THE RELEASED PARTIES AS OF THE DATE OF EXECUTION OF THIS SEPARATION AGREEMENT.

IN WITNESS WHEREOF, and intending to be legally bound, the Parties have executed the foregoing Separation Agreement as of the date first written above.

Acacia Research Corporation, sole member of Acacia Research Group LLC

By: /s/ Martin McNulty, Jr.______
Name: Martin McNulty, Jr.
Its: Interim Chief Executive Officer

EMPLOYEE

/s/ Wesley Golby______
Wesley Golby

Exhibit 10.2

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (this "Consulting Agreement") is entered into as of this 8 day of January, 2023 and shall become effective as of the 28th day of January, 2023 (the "Effective Date"), by and between Acacia Research Corporation, a Delaware corporation ("Acacia" or the "Company") and Richard Rosenstein (the "Consultant").

WHEREAS, the Consultant was employed by Acacia Research Group LLC, a Texas limited liability company and a subsidiary of the Company ("ARG"), pursuant to an Amended and Restated Employment Agreement by and between ARG and the Consultant, dated as of June 4, 2020 (the "Employment Agreement");

WHEREAS, on January 3, 2023, the Consultant delivered to the Board of Directors of the Company (the "Board") notice of his resignation without Good Reason (as defined in the Employment Agreement) from the Company effective January 27, 2023; and

WHEREAS, Company desires to retain the consulting services of the Consultant and the Consultant wishes to provide consulting services to the Board and the Company as of the Effective Date.

NOW, THEREFORE, in consideration of the foregoing recitations, the mutual promises hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are acknowledged hereby, the parties hereto, intending legally to be bound, hereby covenant and agree as follows:

SECTION 1. DUTIES. During the Term (as hereinafter defined), the Consultant will consult with and assist the Board and the Company (including, at the request of the Board, any advisors or representatives of the Board of the Company) in connection with those aspects of the Company's business that Consultant was involved during, or would be familiar with as a result of, his employment with the Company, and shall perform such services as are reasonably requested by the Board or the Company's officers from time to time. Notwithstanding the foregoing, Consultant will not be authorized or required to enter into any agreements or sign any authorizations or certifications on behalf of the Company or its affiliates, including in connection with any public filings. In performing the consulting services hereunder, the Consultant shall make himself reasonably available as requested by the Board, or any advisors or representatives of the Board of the Company, and shall perform such services in a diligent and responsive manner. Without limiting the foregoing, the Consultant shall not be required to perform such services in excess of eight (8) hours per week, unless agreed by the Consultant, provided it is agreed by the parties that such Services shall be performed outside of normal working hours except under exigent circumstances.

SECTION 2. TERM. The "Term," as used in this Consulting Agreement, shall mean the period of time commencing on the Effective Date and terminating on April 30, 2023; provided, that, in the event that the Consultant has revoked the release set forth in Section 7(a) below after his execution of it as provided in Section 7(d) below, then this Consulting Agreement shall automatically terminate and neither the Company nor the Consultant shall have any obligations to each other hereunder.

SECTION 3. COMPENSATION.

a. Fees. In consideration for the satisfaction of the Consultant's duties as described in Section 1 hereto, the Company or one of its affiliates shall pay to the Consultant fees in an aggregate amount equal to Ten Thousand Dollars ($10,000) (the "Fees"), payable over the course of Term in pro-rata biweekly installments, in arrears, on the same dates the Company (or its applicable affiliate) makes payroll payments to its employees. The Consultant will receive an Internal Revenue Service Form 1099 with respect to the Fees; shall be solely responsible for paying all taxes in connection with the Fees; and shall indemnify the Company and its affiliates, and hold them all harmless, from and against any and all taxes, penalties, or other liability in connection therewith; provided that nothing herein shall require such indemnification if the Consultant's failure

to pay such taxes resulted from the Company's failure to timely issue a Form 1099 or from other interference by the Company.

b. **Expense Reimbursement.** In accordance with Section 8(c) of the Employment Agreement, the Company shall reimburse Consultant for all reasonable business expenses actually paid or incurred by Consultant in the course of, pursuant to and in furtherance of providing the services hereunder during the Term, including travel expenses in cases where such travel has been approved in advance by the Company, and such reimbursement of expenses shall be made no later than thirty (30) days following such submission of supporting documentation.

c. **Equity Awards.** During the Term, as additional consideration for the Consultant's services hereunder, the Consultant shall be treated as if he remains in "Service" for purposes of all duly-issued stock options, restricted stock awards, and other stock awards held by Consultant as of the Effective Date, and all such awards shall continue to vest during the Term in accordance with the terms and subject to the conditions of the applicable agreement(s) and plan documents governing such awards, provided that: (i) that certain Restricted Stock Unit Award Agreement, dated August 23, 2021, as amended, by and between the Company and Consultant, pursuant to which Consultant was granted 45,000 Restricted Stock Units shall be deemed terminated, and all rights of Consultant thereunder shall be forfeited by Consultant, in each case, as of the Effective Date; (ii) that certain Stock Option Award Agreement, dated August 23, 2021, by and between the Company and Consultant, pursuant to which Consultant was granted an Option to purchase 112,500 shares of common stock of the Company shall be deemed terminated, and all rights of Consultant thereunder shall be forfeited by Consultant, in each case, as of the Effective Date, and (iii) that certain Restricted Stock Unit Agreement, dated June 4, 2020, as amended, by and between the Company and Consultant, shall be modified and amended to provide that 7,208 restricted stock units scheduled to vest on June 4, 2023 shall be accelerated and vest on March 8, 2023, subject to Consultant's continuous Service to the Company through such date and otherwise in accordance with the terms of the applicable agreement(s) and plan documents governing such awards. For purposes of this Agreement, all duly-issued stock options, restricted stock, and other stock awards held by Consultant as of the Effective Date (other than those being terminated in accordance with sub-clauses (i) and (ii), above) shall be the "Continuing Equity Awards." For avoidance of doubt, the Consultant will not be an "employee" for any purpose hereunder, or under any other agreement, and nothing this Agreement or in the services Consultant provides pursuant hereto shall be construed to the contrary.

d. **Waiver of Other Compensation and Benefits.** During the Term, the Consultant shall receive the Fees and the amounts set forth in this Section 3 in lieu of, and shall not be entitled to receive, any new equity awards and other benefits.

e. **No Other Compensation.** Except for the payments and benefits provided for in this Consulting Agreement, and any other vested benefits due to the Consultant pursuant to the terms and conditions of any employee benefit plan in which the Consultant was a participant on or prior to the Effective Date, the Consultant acknowledges and agrees that he is entitled to no other compensation, payments, benefits or agreements from the Company of any kind or nature whatsoever, including, without limitation, pursuant to the Employment Agreement; provided, however, that nothing herein shall affect the Consultant's rights to indemnification, advancement, defense or reimbursement pursuant to any applicable D&O policies or any similar insurance policies, the Company's amended and restated by-laws as amended or applicable law or other applicable agreements, contracts or policies.

SECTION 4. TERMINATION. Subject to the provisions of Section 2 above, this Consulting Agreement shall terminate on expiration of the Term (subject to any provisions that survive), unless extended upon the mutual agreement of the Consultant and the Company.

SECTION 5. INTELLECTUAL PROPERTY. The Consultant agrees that any and all discoveries, concepts, ideas, inventions, writings, plans, articles, devices, products, designs, treatments, structures, processes, methods, formulae, techniques and drawings, and improvements or modifications related to the foregoing that are in any way directly related to the Company's active patent portfolios, which are made, developed, created, contributed to, reduced to practice, or conceived by the Consultant, whether solely or jointly with others, in connection with the Consultant's services to the Company (collectively, the "Intellectual Property") shall be and shall remain the exclusive property of the Company, and, to the extent applicable, a "work made for hire," and the Company shall own all rights, title and interests thereto, including, without limitation, all rights under copyright, patent, trademark, statutory, common law and/or otherwise. By the Consultant's execution of this Consulting Agreement, the Consultant hereby irrevocably and unconditionally assigns to the Company all right, title and interest in any such Intellectual Property. The Consultant further agrees to take all such steps and all further action as the Company may reasonable request to effectuate the foregoing, including, without limitation, the execution and delivery of such documents and applications as the Company may reasonably request to secure the rights to Intellectual Property worldwide by patent, copyright or otherwise to the Company or its successors and assigns. The Consultant further agrees promptly and fully to disclose any Intellectual Property to the officers of the Company and to deliver to such officers all papers, drawings, models, data and other material (collectively, the "Material") relating to any Intellectual Property made, reduced to practice, developed, created or contributed to by the Consultant and, upon termination, or expiration of this Consulting Agreement, to turn over to the Company all such Material. To the extent that the Consultant has signed any other assignment of inventions agreement, such agreement continues in full force and effect. Any intellectual property which was developed by the Consultant prior to the date of the Consultant's Employment Agreement, or which is developed by the Consultant during the Term or after the termination of this Consulting Agreement and is not directly related to the Company's or any of its affiliates' active patent portfolios, shall be owned by the Consultant.

SECTION 6. ADDITIONAL AGREEMENTS.

a. **Conflicts; Non-Solicitation.** During the Term, the Consultant agrees not to accept employment with or perform services for any other entity, group or individual if such employment or service would in conflict with or interfere in any way with the Company's business interests (as reasonably determined by the Company). During the Term, the Consultant shall not: (a) solicit for employment or employ any employee of the Company or any of its affiliates or any person who is an independent contractor involved with the Company or any of its affiliates or (b) induce, attempt to induce or knowingly encourage any Customer of the Company or any of its affiliates to divert any business or income from the Company or any of its affiliates or to stop or alter the manner in which they are then doing business with the Company or any of its affiliates. The term "Customer" shall mean any individual or business firm that was or is a customer or client, or one that was or is a party in an investor agreement with, or whose business was actively solicited by, the Company or any of its affiliates at any time, regardless of whether such customer was generated, in whole or in part, by the Consultant's efforts. For avoidance of doubt, nothing in this paragraph or elsewhere in this Consulting Agreement limits Consultant's post-employment obligations under the Employment Agreement or any other agreement, including but not limited to Consultant's continuing obligations under Section 8 of the Employment Agreement ("Covenants").

b. **Non-disparagement.** Each of the Consultant and the Company agrees not to engage in any wrongful conduct that is injurious to the other party or, where applicable, the other party's subsidiaries', officers' or directors' reputation or interest, including but not limited to, disparaging, inducing or encouraging others to disparage or bring claims against the other party or, where applicable, its subsidiaries, officers or directors, or making or causing to be made any statement that is critical of or otherwise maligns the business reputation of the other party or, where applicable, the other party's subsidiaries, officers or directors; provided that nothing herein shall prevent a party from (i) testifying truthfully under oath pursuant to any lawful court order or subpoena, responding to any request of the Board or its designees, or as otherwise required by law ("Required Disclosure"); provided, that the party making a Required Disclosure shall provide prior

notice of such Required Disclosure as far in advance as reasonably practicable (unless prohibited by law), so that the other party may intervene, appear or otherwise object, including by requesting a confidential hearing or confidential treatment at the non-disclosing party's sole expense; or (ii) sharing information (except information protected by the Company's or its affiliates' attorney-client or work product privilege) with law enforcement, an attorney, or any federal, state, or local government agencies, regulators, or officials (including the Securities and Exchange Commission) for the purpose of investigating, reporting, or complaining of a suspected violation of law, whether in response to a subpoena or otherwise, without notice to the other party. Further, nothing herein shall be read to prevent the Company from making public filings or other public disclosures in accordance with applicable securities and other laws or regulations.

c. **Standstill.** During the Term, without the Company's prior written consent, the Consultant will not, himself or through any affiliate, representative or other person, acting alone or as part of a "group" (within the meaning of Section 13(d)(3) of the Securities and Exchange Act of 1934), directly or indirectly: (i) effect or seek, offer or propose (whether publicly or otherwise) to effect, or cause or participate in or in any way assist any other person to effect or seek, offer or propose (whether publicly or otherwise) to effect or participate in, (A) any acquisition of all or substantially all of the securities (or beneficial ownership thereof) or assets of the Company or any of its subsidiaries; (B) any tender or exchange offer or merger or other business combination involving the Company or any of its subsidiaries; (C) any recapitalization, restructuring, liquidation, dissolution or other extraordinary transaction with respect to the Company or any of its subsidiaries; or (D) any "solicitation" of "proxies" (as such terms are used in the proxy rules of the Securities and Exchange Commission) with respect to any securities of the Company, including without limitation to vote any securities of the Company or to provide or withhold consents or agent designations with respect to any securities of the Company, (ii) form, advise, join or in any way participate in a group in connection with the types of matters set forth in (i) above, (iii) otherwise act, alone or in concert with others, to seek to control or influence the management, Board or policies of the Company or any of its subsidiaries, (iv) take any action which might force the Company to make a public announcement regarding any of the types of matters set forth in (i) above, (v) publicly announce any intention, plan or arrangement inconsistent with the foregoing, or (vi) enter into any discussions, arrangements or agreements with any third party relating to any of the foregoing. The Consultant also agrees during such period not to request the Company (or its directors, officers, employees or agents), directly or indirectly, to amend or waive any provision of this paragraph (including this sentence).

d. **Confidentiality**. The Consultant agrees on behalf of himself and on behalf of his agents, attorneys, heirs, executors, administrators, and assigns that this Consulting Agreement, and any and all matters concerning the Consultant's service to the Company prior to and during the Term, except information which prior to time of disclosure was in the public domain, will be regarded as privileged communications between the parties, and that neither he nor any of his agents, attorneys, heirs, executors, administrators or assigns will reveal, disseminate by publication of any sort, or release in any manner or means this Consulting Agreement or any matters, factual or legal, concerning this Consulting Agreement to any other person or entity, except as required by legal process (in which case, the Consultant agrees to promptly provide written notice of said legal process as set forth below prior to the production of the requested information) or as otherwise provided in Section 6(b), above. Notwithstanding the foregoing, the Consultant may reveal the relevant terms of this Consulting Agreement to his spouse, attorneys, accountants, financial advisors and governmental authorities.

e. **Specific Performance and Injunctive Relief**. The Consultant agrees that any violation by him or his representatives or advisors of this Consulting Agreement would be highly injurious to the Company and would cause irreparable harm to the Company. By reason of the foregoing, the Consultant consents and agrees that if he or his representatives or advisors violate any provision of this Consulting Agreement, the

Company shall be entitled, in addition to any other rights and remedies that it may have, to obtain from any court of competent jurisdiction specific performance and/or injunctive or other relief (without the requirement of posting of a bond or other security) in order to enforce, or prevent any violation of, the provisions of this Consulting Agreement. In addition, in the event of a breach or violation by the Consultant of Section 6 of this Consulting Agreement, any other material breach or violation of this Consulting Agreement by the Consultant or Consultant's voluntary resignation, in addition to all other available legal and equitable rights and remedies, the Company shall have the right to terminate any continuing obligation which it may then have to Consultant to make any further payments under this Consulting Agreement.

SECTION 7. GENERAL RELEASE

a. **General Release**. In further consideration of the covenants undertaken herein by the parties, including, without limitation, the payments and benefits described in this Consulting Agreement, each party hereto (a "Releasing Party") hereby waives, releases and forever discharges the other party and, where applicable, any of the other party's past or present predecessors, parents, subsidiaries, affiliates, and related companies, including, but not limited to, ARG (collectively, all of the foregoing, the "Party Affiliates"), and all of the parties' and the Party Affiliates' respective past and present parents, subsidiaries and affiliates and all of their past and present employees, directors, officers, members, partners, principals, attorneys, representatives, insurers, agents, shareholders, successors, and assigns (individually and collectively "Releasees") from and with respect to any and all legally waivable claims, liabilities, obligations, grievances, injuries, controversies, agreements, covenants, promises, debts, accounts, actions, causes of action, suits, arbitrations, sums of money, attorneys' fees, costs, damages, or any right to any monetary recovery or any other personal relief, whether known or unknown, in law or in equity, by contract, tort or pursuant to federal, state or local statute, regulation, ordinance or common law, which the Releasing Party now has, ever had, or may hereafter have, based upon or arising from any fact or set of facts, whether known or unknown to the Releasing Party, from the beginning of time until the Effective Date. Without limiting the generality of the foregoing, this waiver, release, and discharge includes any claim or right asserted or which could have been asserted by the Consultant against the Company or any of the other Releasees and/or based upon or arising under any federal, state or local tort, fair employment practices, equal opportunity, or wage and hour laws, including, but not limited to, the Americans With Disabilities Act, as amended (42 U.S.C. section 12101, et seq.); 42 U.S.C. sections 1981 and 1983; the New York State Human Rights Law (NYSHRL), the New York Labor Law (NYLL) (including but not limited to the Retaliatory Action by Employers Law, the New York State Worker Adjustment and Retraining Notification Act, all provisions prohibiting discrimination and retaliation, and all provisions regulating wage and hour law), the New York Civil Rights Law, Section 125 of the New York Workers' Compensation Law, Article 23-A of the New York Correction Law, the New York City Human Rights Law (NYCHRL), and the New York City Earned Sick Leave Law (NYCESLL), State wage and hour laws; or any other State, Federal or local statutes or laws. Employee further acknowledges that such Claims also include claims based on the Age Discrimination in Employment Act, as amended (29 U.S.C. section 621, et seq.) (the "ADEA") and the Older Workers Benefit Protection Act (29 U.S.C. §626(f)), as amended (the "OWBPA"), including all amendments thereto. The release, waiver, and discharge hereunder also covers any claim for any salary, bonus, severance benefits, separation pay, or other post-employment payments of any type, whether based on the Employment Agreement or otherwise, except for the Fees described herein and for Executive's rights with respect to the Continuing Equity Awards. Upon the expiration of the Term, the parties shall sign a release in the form attached hereto as Exhibit A.

Notwithstanding the generality of the foregoing, nothing herein constitutes a release or waiver by the Consultant or the Company of: (i) any claim or right that may arise after the expiration of the Term of this Consulting Agreement; (ii) any claim or right

the Consultant or the Company may have under this Consulting Agreement; (iii) any vested benefits due to the Consultant pursuant to the terms and conditions of any Company employee benefit plan in which the Consultant was a participant on or prior to the Effective Date; and (iv) any claim or right the Consultant or, where applicable, the Company or its affiliates may have to indemnification, advancement, defense or reimbursement pursuant to any applicable D&O policies, any similar insurance policies, the Company's amended and restated by-laws as amended or applicable law.

b. **Representations; Covenant Not to Sue**. Each Releasing Party represents and affirms that (i) neither it nor any person, organization or entity acting on its behalf has commenced, maintained, prosecuted, or participated in any complaint, claim or action against the other party and/or its Releasees, in any court or before any administrative, investigative or arbitral body or agency, (ii) that to the best of the Releasing Party's knowledge and belief, there is no outstanding claim or demand for relief against the other party and/or its Releasees by the Releasing Party or any person, organization, or entity acting on the Releasing Party's behalf and (iii) that neither the Releasing Party nor any person, organization or entity acting on its behalf will commence, maintain, prosecute or participate in any complaint, claim of any nature or description or action, against the Company or any Company Releasee for any claim released herein in any court or before any arbitral body. Notwithstanding the foregoing, this Consulting Agreement does not extend to those rights, which as a matter of law cannot be waived.

c. Consultant acknowledges that this Agreement was presented to him on the date indicated above and that Consultant is entitled to have twenty-one (21) days' time in which to consider it. Consultant further acknowledges that the Company has advised Consultant that Consultant is waiving his rights under the ADEA, and that Consultant should obtain advice concerning this Agreement from an attorney of his choice, and Consultant has had sufficient time to consider the terms of this Agreement. Consultant represents and acknowledges that if Consultant executes this Agreement before twenty-one (21) days have elapsed, Consultant does so knowingly, voluntarily, and upon the advice and with the approval of Consultant's legal counsel (if any), and that Consultant voluntarily waives any remaining consideration period.

d. Consultant understands that after executing this Agreement, Consultant has the right to revoke it within seven (7) days after his execution of it. Consultant understands that this Agreement will not become effective and enforceable unless the seven (7) day revocation period passes and Consultant does not revoke this Agreement in writing. Consultant understands that this Agreement may not be revoked after the seven (7) day revocation period has passed. Consultant also understands that any revocation of this Agreement must be made in writing and delivered to the Company at its principal place of business within the seven (7) day period.

SECTION 8. SECTION 409A. The parties agree that the amounts and benefit payable hereunder are either exempt from or compliant with Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations and other guidance promulgated thereunder ("Section 409A"), and the parties agree not to take any position inconsistent with such agreement for any reporting purposes, whether internal or external, and to cause their affiliates, successors and assigns not to take any such inconsistent position. Notwithstanding anything in this Consulting Agreement to the contrary, any payments or benefits due hereunder that constitute non-exempt "deferred compensation" (as defined in Section 409A) that are otherwise payable by reason of a "separation from service" (as defined in Section 409A) will not be paid or provided to the Consultant unless and until the Consultant has undergone a separation from service. If, and only if, the Consultant is a "specified employee" (as defined in Section 409A) and a payment or benefit provided for in this Consulting Agreement would be subject to additional tax under Section 409A if such payment or benefit is paid within six (6) months after the expiration of the Term, then such payment or benefit shall not be paid (or commence) during the six-month period immediately following the expiration of the Term except as provided in the immediately following sentence. In such an event, any payment or benefits that otherwise would have been made or provided during such six-month period and that would have incurred such additional tax under Section 409A shall

instead be paid to the Consultant in a lump-sum cash payment on the first business day following the expiration of six (6) months after the expiration of the Term, or, if earlier, within ten (10) days following the date of the Consultant's death. The Consultant's right to receive any installment payments under this Consulting Agreement shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment as permitted under Section 409A. If the Consultant is entitled to any reimbursement of expenses or in-kind benefits that are includable in the Consultant's federal gross taxable income, the amount of such expenses reimbursable or in-kind benefits provided in any one calendar year shall not affect the expenses eligible for reimbursement or the in-kind benefits to be provided in any other calendar year, and the reimbursement of an eligible expense must be made no later than December 31 of the year after the year in which the expense was incurred. The Consultant's right to reimbursement of expenses or in-kind benefits under this Consulting Agreement shall not be subject to liquidation or exchange for another benefit.

SECTION 9. MISCELLANEOUS.

a. Indemnification of Payments. Notwithstanding any provision of this Consulting Agreement to the contrary, the Company, and its respective officers, directors, employees and representatives, neither represent nor warrant the tax treatment under any federal, state, local, or foreign laws or regulations thereunder (individually and collectively referred to as the "Tax Laws") of any payment or benefits contemplated by this Consulting Agreement including, but not limited to, when and to what extent such payments or benefits may be subject to tax, penalties and interest under the Tax Laws. The Consultant will indemnify and hold the Company harmless against the payment of taxes, interest, penalties, fines or other liabilities or costs that may be assessed by the Internal Revenue Service, or any other taxing authority and/or any other governmental agency (whether federal, state or local), in connection with payments under this Consulting Agreement, or any penalties or fines that may be assessed by the Internal Revenue Service against the Company for failing to timely withhold and deposit taxes with respect to amounts payable to the Consultant under this Consulting Agreement.

b. Survival. The rights and obligations of the parties under this Consulting Agreement shall survive as provided herein or if necessary or desirable to accomplish the purposes of other surviving provisions following the termination of this Consulting Agreement, regardless of the manner of or reasons for such termination. For clarification purposes and without implication that the contrary would otherwise be true, it is expressly understood and agreed that Sections 4, 5, 6, 7, 8 and 9 shall survive the termination of this Consulting Agreement or the Term, unless expressly limited to the Term, regardless of the manner of or reasons for such termination.

c. Return of Company's Property. By signing this Consulting Agreement, the Consultant affirms that, except as otherwise agreed in writing by the parties hereto, upon the expiration of the Term he shall return to the Company all property belonging to the Company, including all credit cards, ID cards, electronic devices, any and all original and duplicate copies of all his work product and of files, calendars, books, records, notes, notebooks, manuals, computer disks, diskettes, and any other magnetic and other media materials he has in his possession or under his control which contains confidential or proprietary information of the Company.

d. Entire Agreement; Amendment. This Consulting Agreement and the other agreements referenced herein and therein constitute the entire agreement between the parties hereto with respect to the Consultant's services to the Company during the Term, and supersedes all prior agreements, understandings, negotiations and discussions, both written and oral, among the parties hereto. For avoidance of doubt, nothing in this Consulting Agreement limits the Consultant's continuing obligations to the Company and its affiliates under his Employment Agreement and/or the other agreements referenced herein. This Consulting Agreement may not be amended or modified in any way except by a written instrument executed by each of the parties hereto.

e. **Notice.** All notices under this Consulting Agreement shall be in writing and shall be given by personal delivery, or by registered or certified United States mail, postage prepaid, return receipt requested, to the address set forth below:

If to the Consultant: Richard Rosenstein

____
____

If to the Company: Acacia Research Corporation
767 Third Avenue, 6th Floor
New York, NY 10017
Attention: General Counsel

or to such other person or persons or to such other address or addresses as Consultant and the Board or the Company or their respective successors or assigns may hereafter furnish to the other by notice similarly given. Notices, if personally delivered, shall be deemed to have been received on the date of delivery, and if given by registered or certified mail, shall be deemed to have been received on the fifth (5th) business day after mailing.

f. **Governing Law.** This Consulting Agreement will be governed by and construed in accordance with the laws of the United States and the State of New York applicable to contracts made and to be performed wholly within such State, and without regard to the conflicts of laws principles thereof.

g. **Arbitration**. Any dispute, controversy or claim arising out of or relating to this Consulting Agreement, which dispute, controversy or claim is not settled in writing within ten (10) business days after the date on which a party to this Consulting Agreement gives written notice to the other that a dispute, controversy or claim exists, shall be settled by a confidential arbitration conducted in Manhattan, New York in accordance with the provisions of the Judicial Arbitration and Mediation Services then in force (the "Rules") and the laws of the State of Delaware. In the event that a party requests arbitration, it shall serve upon the other party a written demand for confidential arbitration stating the substance of the controversy, dispute or claim and the contention of the party requesting arbitration and both parties shall execute a standard confidentiality agreement in which each party will agree, unless required by applicable law, to keep confidential all aspects of the arbitration, including the fact that the parties are arbitrating a dispute and the outcome of such arbitration. If possible, one neutral arbitrator will be selected by mutual agreement. If the parties do not select the arbitrator by mutual agreement, the arbitrator shall be selected in accordance with the Rules. The parties hereto agree that the fact of arbitration, the matters submitted in arbitration, witness statements, the reasoning of the arbitrators, and the award be maintained as confidential by all participants in the arbitration, including, but not limited to, the arbitrators, witnesses, experts and administrative personnel, except as required by law or financial reporting requirements. The parties shall abide by all awards rendered in the arbitration proceedings and all such awards may be enforced and executed upon in any court having jurisdiction over the party against whom enforcement of such award is sought; provided, however, that without consent of the parties hereto, only such information as is required by law shall be disclosed in connection with enforcement of such award.

h. **Assignment: Successors and Assigns.** No party hereto may make any direct or indirect assignment or subcontracting of this Consulting Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other parties hereto. This Consulting Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, personal representatives, executors, legal representatives, successors and permitted assigns.

i. **Severability.** The invalidity of any one or more of the words, phrases, sentences, clauses, sections or subsections contained in this Consulting Agreement shall not affect

the enforceability of the remaining portions of this Consulting Agreement or any part thereof, all of which are inserted conditionally on their being valid in law, and, in the event that any one or more of the words, phrases, sentences, clauses, sections or subsections contained in this Consulting Agreement shall be declared invalid by a court of competent jurisdiction, then this Consulting Agreement shall be construed as if such invalid word or words, phrase or phrases, sentence or sentences, clause or clauses, section or sections, or subsection or subsections had not been inserted.

j. **Enforcement**. The failure of any party hereto to insist in one or more instances on performance by another party hereto of any obligation, condition or other term of this Consulting Agreement in strict accordance with the provisions hereof shall not be construed as a waiver of any right granted hereunder or of the future performance of any obligation, condition or other term of this Consulting Agreement in strict accordance with the provisions hereof, and no waiver with respect thereto shall be effective unless contained in a writing signed by or on behalf of the waiving party. The remedies in this Consulting Agreement shall be cumulative and are not exclusive of any other remedies provided by law.

k. **Counterparts; Facsimile**. This Consulting Agreement may be executed in multiple counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts taken together shall constitute one and the same instrument. Any signature page delivered by facsimile or PDF signature shall be binding to the same extent as an original signature page with regard to any agreement subject to the terms hereof or any amendment thereto.

[Signature page follows.]

IN WITNESS WHEREOF, the undersigned have executed this Consulting Agreement as of the date first above written.

/s/ Richard Rosenstein____________________
Richard Rosenstein (Consultant)

ACACIA RESEARCH CORPORATION

By: /s/ Martin McNulty__
Name: Martin D. McNulty Jr.__
Title: Chief Executive Officer__

Rosenstein Consulting Agreement Signature Page

EXHIBIT A
FORM OF RELEASE

In consideration of the covenants undertaken in the Consulting Agreement (the "Agreement"), effective as of January 28, 2023 by and between Acacia Research Corporation (the "Company") and Richard Rosenstein (the "Consultant"), including, without limitation, the payments and benefits described in the Agreement, each of the Company and the Consultant hereby waives, releases and forever discharges the other party and any of the other party's past and present predecessors, parents, subsidiaries, affiliates, and related companies, including, but not limited to, Acacia Research Group LLC (collectively, all of the foregoing, the "Party Affiliates"), and all of the parties' and the Party Affiliates' respective past and present parents, subsidiaries and affiliates and all of their past and present employees, directors, officers, members, partners, principals, attorneys, representatives, insurers, agents, shareholders, successors, and assigns (individually and collectively, the "Releasees") from and with respect to any and all legally waivable claims, liabilities, obligations, grievances, injuries, controversies, agreements, covenants, promises, debts, accounts, actions, causes of action, suits, arbitrations, sums of money, attorneys' fees, costs, damages, or any right to any monetary recovery or any other personal relief, whether known or unknown, in law or in equity, by contract, tort or pursuant to federal, state or local statute, regulation, ordinance or common law, which either party now has, or ever had, against the other party based upon or arising from any fact or set of facts, whether known or unknown to the Company or the Consultant, as the case may be, from the beginning of time until the expiration of the Term. Without limiting the generality of the foregoing, this waiver, release, and discharge includes any claim or right asserted or which could have been asserted by the Consultant against the Company or any of the Releasees and/or based upon or arising under any federal, state or local tort, fair employment practices, equal opportunity, or wage and hour laws, including, but not limited to, the Americans With Disabilities Act, as amended (42 U.S.C. section 12101, et seq.); 42 U.S.C. sections 1981 and 1983; the New York State Human Rights Law (NYSHRL), the New York Labor Law (NYLL) (including but not limited to the Retaliatory Action by Employers Law, the New York State Worker Adjustment and Retraining Notification Act, all provisions prohibiting discrimination and retaliation, and all provisions regulating wage and hour law), the New York Civil Rights Law, Section 125 of the New York Workers' Compensation Law, Article 23-A of the New York Correction Law, the New York City Human Rights Law (NYCHRL), and the New York City Earned Sick Leave Law (NYCESLL), State wage and hour laws; or any other State, Federal or local statutes or laws. Employee further acknowledges that such Claims also include claims based on the Age Discrimination in Employment Act, as amended (29 U.S.C. section 621, et seq.) (the "ADEA") and the Older Workers Benefit Protection Act (29 U.S.C. §626(f)), as amended (the "OWBPA"), including all amendments thereto. The release, waiver, and discharge hereunder also covers any claim for any salary, bonus, severance benefits, separation pay, or other post-employment payments of any type, whether based on the Amended and Restated Employment Agreement by and between Acacia Research Group LLC and the Consultant, dated as of June 4, 2020, or otherwise, except for the Fees described the Agreement and for Executive's rights with respect to the Continuing Equity Awards (as defined in Section 3(c) of the Agreement). The provisions of this release do not release claims that cannot be released as a matter of law.

Notwithstanding the generality of the foregoing, nothing in this Consulting Agreement constitutes a release or waiver by the Consultant or the Company of: (i) any claim or right that may arise after the expiration of the Term of this Consulting Agreement; (ii) any claim or right the Consultant or the Company may have under this Consulting Agreement; (iii) any vested benefits due to the Consultant pursuant to the terms and conditions of any Company employee benefit plan in which the Consultant was a participant on or prior to the Effective Date; and (iv) any claim or right the Consultant or, to the extent applicable, the Company may have pursuant to indemnification, advancement, defense or reimbursement pursuant to any applicable D&O policies, any similar insurance policies, the Company's amended and restated by-laws as amended or applicable law.

Each of the Consultant and the Company represents and affirms that (i) neither it nor any person, organization or entity acting on its behalf has commenced, maintained, prosecuted, or participated in any complaint, claim or action against the other party and/or its Releasees, in any court or before any administrative, investigative or arbitral body or agency, (ii) that to the best of the Consultant's or the Company's knowledge and belief, there is no outstanding claim or demand for relief against the other

party and/or or its Releasees by it or any person, organization, or entity acting on its behalf, and (iii) that neither it nor any person, organization or entity acting on its behalf will commence, maintain, prosecute or participate in any complaint, claim of any nature or description or action, against the other party or any of its Releasees for any claim released herein in any court or before any court or arbitral body. Notwithstanding the foregoing, this release does not extend to those rights, which as a matter of law cannot be waived.

EXHIBIT 21.1

SUBSIDIARIES OF THE REGISTRANT

The following is a listing of the significant subsidiaries of Acacia Research Corporation:

	Jurisdiction of Incorporation
Acacia Global Acquisition LLC and subsidiaries	Delaware
Acacia Research Group, LLC, formerly Acacia Patent Acquisition, LLC and subsidiaries	Delaware
Pixel Acquisition Holdco LLC	Delaware
Printronix Holding Corp.	Delaware
Printronix LLC	Delaware
Merton Acquisition Holdco LLC	Delaware

Acacia Global Acquisition LLC and Acacia Research Group, LLC wholly own multiple consolidated operating subsidiaries that are included in Acacia Research Corporation's consolidated financial statements included elsewhere herein, each of which are separate and distinct legal entities, and all of which are in the patent acquisition, development, licensing and enforcement business. All of the operating subsidiaries wholly owned by Acacia Global Acquisition LLC and Acacia Research Group, LLC operate in the United States.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 17, 2023 with respect to the consolidated financial statements included in the Annual Report of Acacia Research Corporation on Form 10-K for the year ended December 31, 2022. We consent to the incorporation by reference of said report in the Registration Statements of Acacia Research Corporation on Forms S-3 (No. 333-249984) and on Forms S-8 (No. 333-189135 and No. 333-217878).

/s/ GRANT THORNTON LLP

New York, New York
March 17, 2023

EXHIBIT 23.2

Consent of Independent Registered Public Accounting Firm

Acacia Research Corporation
New York, New York

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-249984) and Forms S-8 (No. 333-189135 and No. 333-217878) of Acacia Research Corporation of our report dated March 31, 2022 relating to the consolidated financial statements, which appears in this Form 10-K.

/s/ BDO USA, LLP

New York, NY

March 17, 2023

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Martin D. McNulty Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of Acacia Research 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; and

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

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

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

Date: March 17, 2023

/s/ Martin D. McNulty Jr.

Martin D. McNulty Jr.
Interim Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kirsten Hoover, certify that:

1. I have reviewed this Annual Report on Form 10-K of Acacia Research 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; and

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

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

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

Date: March 17, 2023

/s/ Kirsten Hoover
Kirsten Hoover
Interim Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Acacia Research Corporation (the "Company") on Form 10-K for the fiscal year December 31, 2022, as filed with the Securities and Exchange Commission on March 17, 2023 (the "Report"), I, Martin D. McNulty Jr., Interim Chief Executive Officer of the Company, hereby certify, pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

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

Date: March 17, 2023

By: /s/ Martin D. McNulty Jr.
Martin D. McNulty Jr.
Interim Chief Executive Officer

This certification accompanies the Report pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates it by reference.

EXHIBIT 32.2

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Acacia Research Corporation (the "Company") on Form 10-K for the fiscal year December 31, 2022, as filed with the Securities and Exchange Commission on March 17, 2023 (the "Report"), I, Kirsten Hoover, Interim Chief Financial Officer of the Company, hereby certify, pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

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

Date: March 17, 2023

By: /s/ Kirsten Hoover
Kirsten Hoover
Interim Chief Financial Officer

This certification accompanies the Report pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates it by reference.