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

FORM 10-K

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

FOR THE FISCAL YEAR ENDED December 31, 2023

OR

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

Commission File Number 001-37721

ACACIA RESEARCH CORPORATION

(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

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, 2023, 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 $156,471,000. 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 11, 2024, 99,895,473 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 2024 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, 2023
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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, acquisition and development activities, financial results of our acquired businesses, intellectual property ("IP"), 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:

- The ability of the parties to consummate the Revolution Transaction (as defined below);
- Any delay or failure to consummate the Revolution Transaction due to unsatisfied closing conditions or otherwise;
- Transaction costs associated with the Revolution Transaction;
- The risk of litigation and/or regulatory actions related to the Revolution Transaction;
- Any inability to acquire additional operating businesses and intellectual property assets;
- Costs related to acquiring additional operating businesses and intellectual property;
- Any inability to retain employees and management team(s) at the Company and our operating businesses;
- Any inability to successfully 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;
- 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;
- Any inability of Benchmark to execute its business strategy;
- The potential for oil and gas prices to decline or for the differential between benchmark prices of oil and the wellhead price to increase;
- Oil or natural gas production becoming uneconomic, causing write downs or adversely affecting Benchmark’s ability to borrow;
- Inflationary pressures, supply chain disruptions or labor shortages;
- The ability of our Energy Operations Business to execute its hedging strategy;
- Our Energy Operations Business’ ability to replace reserves and efficiently develop current reserves;
- Risks, operational hazards, unforeseen interruptions and other difficulties involved in the production of oil and natural gas;
- The impact on our Energy Operations Business’ operations of seismic events;
- Climate change legislation, rules regulating air emissions, operational safety laws and regulations and any regulatory changes;

- The loss of any Printronix major customers that generates a large portion of its revenue or the decrease in demand for Printronix' products;
- 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, 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 materially 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," "Acacia," "we," "us," or "our") is focused on acquiring and managing companies across industries including but not limited to the industrial, energy, technology, and healthcare verticals. We focus on identifying, pursuing and acquiring businesses where we are uniquely positioned to deploy our strategy, people and processes to generate and compound shareholder value. We have 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 situations where we believe value is not fully recognized, the value of certain operations are masked by a diversified business mix, or where private ownership has not invested the capital and/or resources necessary to support long-term value. Through our public market activities, we aim to initiate shareholding positions 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 circumstances.

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 economic 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.

People, Process and Performance

Our Company 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 (together with certain funds and accounts affiliated with, or managed by, Starboard Value LP, “Starboard”), the Company's controlling shareholder, 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 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 related to the Series A Redeemable Convertible Preferred Stock in connection with the Recapitalization, including submitting a proposal for stockholder approval to remove the “4.89% blocker” provision contained in the Company's Amended and Restated Certificate of Designations (the “Amendment to the Amended and Restated Certificate of Designations”). The Company’s stockholders approved the Amendment to the Amended and Restated Certificate of Designations at the Company’s annual meeting of stockholders held on May 16, 2023, which became effective on June 30, 2023.

Subsequently, and in accordance with the terms contained in the Second Amended and Restated Certificate of Designations and the Recapitalization Agreement, on July 13, 2023, Starboard converted an aggregate amount of 350,000 shares of Series A Convertible Preferred Stock of the Company, par value $0.001 per share (the “Series A Redeemable Convertible Preferred Stock”) into 9,616,746 shares of common stock, which included 27,704 shares of common stock issued in respect of accrued and unpaid dividends (the “Preferred Stock Conversion”). Further to the terms of the Recapitalization Agreement and in accordance with the terms of the Company’s Series B Warrants (the “Series B Warrants”), on July 13, 2023, Starboard also exercised 31,506,849 of the Series B Warrants through a combination of a “Note Cancellation” and a “Limited Cash Exercise” (each as defined in the Series B Warrants), resulting in the receipt by Starboard of 31,506,849 shares of common stock (the “Series B Warrants Exercise” and, together with the Preferred Stock Conversion, the “Recapitalization Transactions”), the cancellation of $60.0 million aggregate principal amount of the Company’s senior secured notes held by Starboard (as described further in Note 10, the “Senior Secured Notes”) and the receipt by the Company of aggregate gross proceeds of approximately $55.0 million. Following completion of the transactions contemplated by the Recapitalization Agreement, Starboard beneficially owns 61,123,595 shares of common stock as of March 11, 2024, representing approximately 61.2% of the common stock based on 99,895,473 shares of common stock issued and outstanding. No shares of Series A Redeemable Convertible Preferred Stock, no Series B Warrants, nor any Senior Secured Notes remain outstanding. Refer to Note 10 to the consolidated financial statements for a detailed description of the Recapitalization and the Recapitalization Transactions.

Services Agreement

On December 12, 2023, the Company entered into a Services Agreement with Starboard (the "Services Agreement"), pursuant to which, upon the Company's request, Starboard will provide to the Company certain trade execution, research, due diligence and other services. Starboard has agreed to provide the services on an expense reimbursement basis and no separate fee will be charged by Starboard for the services. Pursuant to the Services Agreement, the Company has agreed that Starboard (and certain of its affiliates) will not be liable to the Company for acts or omissions relating to the Services Agreement in the absence of bad faith, fraud, willful misconduct or gross negligence. The Company will also indemnify and advance expenses to Starboard (and certain of its affiliates) against any loss, cost or expense relating to third party claims in connection with the services or the Services Agreement. The Services Agreement provides (i) that certain work product developed by each of the Company and Starboard will be owned by the party that produced such work product and (ii) for mutual confidentiality obligations between the Company and Starboard for information disclosed pursuant to the Services Agreement. Either the Company or Starboard may terminate the Services Agreement at any time upon thirty days' written notice. The Audit Committee of the Board of Directors of the Company (the "Audit Committee"), consisting of entirely of disinterested directors who are independent of Starboard, reviewed, directed the negotiation of the material terms of, and ultimately approved the Services Agreement prior to the Company's execution thereof. The Audit Committee received, reviewed, and considered a number of factors prior to such approval, including, but not limited to, (i) the business purpose of the Services Agreement, (ii) whether comparable terms of the Services Agreement would be available to the Company in a transaction with an unrelated party and (iii) the benefits of the Services Agreement to the Company's business and operations.

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

We seek to 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 the industrial, energy, technology, and healthcare sectors.

Our team is focused on identifying acquisition opportunities across the public and private markets where we are positioned to generate enduring shareholder value. Overall, we believe 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 research process focuses on, though is not limited to, the below considerations:

- 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

Acacia is focused on the identification, acquisition and integration of both public and private companies. We are uniquely positioned to catalyze change with the support of our long-term capital base, depth of industry relationships and differentiated approach to transaction structuring.

Private Market Acquisitions

Acacia is focused on acquiring businesses across the private market landscape. We believe we are uniquely positioned to empower best-in-class operators as they seek to build enduring businesses within their vertical of focus. Partnering with Acacia represents an opportunity for business leaders, entrepreneurs and founders to grow their business without the constraints of a private equity fund.

Public Market Acquisitions

Acacia is focused on acquiring businesses across the public market landscape. We believe we are uniquely positioned to catalyze change within companies where we have developed, alongside our industry advisors, a differentiated view of the value creation opportunity within a given business. We evaluate public companies as currently constructed today, free of historical strategic decisions made with regard to the target in question. Where appropriate, this empowers us to unlock value through, but not limited to, identifying opportunities for improved execution, identifying opportunities where the sum-of-the-parts may be greater than the whole, and acquiring non-core strategic assets.

Once we identify a favorable public market acquisition opportunity, we may purchase a strategic block of shares in the target company. 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.

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 business-wide resources;
- implementing operational efficiencies; and
- sharing best practices across our portfolio companies.

Our Operations

Intellectual Property Operations - Patent Licensing, Enforcement and Technologies Business

We invest in intellectual property ("IP") and related absolute return assets 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.

During the years ended December 31, 2023 and 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.

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 as of December 31, 2023, across nearly 200 patent portfolio licensing and enforcement programs. As of December 31, 2023, we have generated gross licensing revenue of approximately $1.8 billion, and have returned $865.2 million to our patent partners. During the past five calendar years ending on December 31, 2023, we generated gross licensing revenue of approximately $225.7 million and returned approximately $84.9 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.

Energy Operations Business

In November 2023, we invested $10.0 million to acquire a 50.4% equity interest in Benchmark Energy II, LLC ("Benchmark"). Headquartered in Austin, Texas, Benchmark is an independent oil and gas company engaged in the acquisition, production and development of oil and gas assets in mature resource plays in Texas and Oklahoma. Benchmark is run by an experienced management team led by Chief Executive Officer Kirk Goehring, who previously served as Chief Operating Officer of both Benchmark and Jones Energy, Inc. Benchmark’s existing assets consist of over 13,000 net acres primarily located in Roberts and Hemphill Counties in Texas, and an interest in over 125 wells, the majority of which are operated. Benchmark seeks to acquire predictable and shallow decline, cash-flowing oil and gas properties whose value can be enhanced via a disciplined, field optimization strategy, with risk managed through robust commodity hedges and low leverage. Through its investment in Benchmark, the Company, along with the Benchmark management team, will evaluate future growth and acquisitions of oil and gas assets at attractive valuations. The Company's consolidated financial statements include Benchmark's consolidated operations from November 13, 2023 through December 31, 2023. Refer to Note 3 to the consolidated financial statements elsewhere herein for additional information.

On February 16, 2024, Benchmark entered into a Purchase and Sale Agreement (the “Purchase and Sale Agreement”) with Revolution Resources II, LLC, Revolution II NPI Holding Company, LLC, Jones Energy, LLC, Nosley Assets, LLC, Nosley Acquisition, LLC, and Nosley Midstream, LLC (collectively, “Revolution”). Pursuant to the Purchase and Sale Agreement, Benchmark has agreed to purchase and Revolution has agreed to sell certain upstream assets and related facilities (the “Assets”) in Texas and Oklahoma, upon the terms and subject to the conditions of the Purchase and Sale Agreement (such purchase and sale, together with the other transactions contemplated by the Purchase Sale Agreement, the “Revolution Transaction”). The Assets include approximately 140,000 net acres and approximately 470 operated producing wells in the Western Anadarko Basin throughout the Texas Panhandle and Western Oklahoma.

Under the terms and conditions of the Purchase and Sale Agreement, which has an economic effective date of March 1, 2024, the aggregate consideration to be paid to Revolution in the Revolution Transaction will consist of $145.0 million in cash (the “Purchase Price”), subject to customary post-closing adjustments. Benchmark expects the Revolution Transaction to close in the second quarter of 2024 subject to customary closing conditions.

The Company’s expected contribution to Benchmark to fund its portion of the Purchase Price, is $57.5 million, which the Company anticipates will be funded from cash on hand. The remainder of the Purchase Price is expected to be funded by a combination of borrowings by Benchmark under a new revolving credit agreement of approximately $72.5 million and the remaining being funded through a cash contribution of approximately $15 million from McArron Partners, the other investor in Benchmark. Following the Revolution Transaction, the Company’s interest in Benchmark is expected to be approximately 73.1%.

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

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.

Lastly, our Energy Operations Business faces intense competition in identifying, evaluating, and executing attractive oil and gas asset acquisitions from other entities having similar business objectives, including major and independent oil and natural gas companies and private equity groups. Our Energy Operations Business also competes for drilling rigs and other equipment and labor required to drill, complete, operate and develop its properties. Many of our Energy Operations Business’ competitors have substantially greater financial resources, staffs, facilities and other resources. In addition, larger competitors may be able to absorb the burden of any changes in federal, state and local laws and regulations more easily than our Energy Operations Business, which could adversely affect its competitive position. These competitors may be willing and able to pay more for drilling rigs, leasehold and mineral acreage and productive oil and natural gas properties and may be able to identify, evaluate, bid for and purchase a greater number of properties and prospects than our Energy Operations Business can. The oil and natural gas industry also competes with other energy-related industries in supplying the energy and fuel requirements of industrial, commercial and individual consumers.

Information Security

We are highly dependent on informational and operational technology networks and systems to securely process, transmit and store electronic information. Cyberattacks on such systems continue to grow in frequency, complexity and sophistication. 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 informational and operational technology 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 such risks.

Title to Oil and Natural Gas Properties

It is customary in the oil and natural gas industry to make only a preliminary review of title to undeveloped oil and natural gas leases at the time they are acquired and to obtain more extensive title examinations at the time one is preparing to develop the undeveloped leases and when acquiring producing properties. In future acquisitions, our Energy Operations Business will conduct title examinations on material portions of such properties in a manner generally consistent with industry practice. Certain of our Energy Operations Business oil and natural gas properties may be subject to certain imperfections in title, encumbrances, easements, servitudes or other restrictions, none of which, in management's opinion, will in the aggregate materially restrict its operations.

Human Capital

As of December 31, 2023, on a consolidated basis, we had 170 full-time employees and two contractors. We believe we have good relations with our employees. As of December 31, 2023, our parent company had 12 full-time employees and one contractor, our Intellectual Property Operations Business had seven full-time employees and no contractors; our Industrial Operations Business had 145 full-time employees and no contractors; and our Energy Operations Business had six full-time employees and one contractor.

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.

Executive Officers and Directors

Information About our Executive Officers

Name	Position
Martin ("MJ") D. McNulty, Jr.	Chief Executive Officer
Jason Soncini	General Counsel
Robert Rasamny	Chief Administrative Officer
Kirsten Hoover	Interim Chief Financial Officer

Name	Position
Gavin Molinelli	Senior Partner and Co-Portfolio Manager of Starboard Value LP
Martin ("MJ") D. McNulty, Jr.	Chief Executive Officer of the Company
Isaac T. Kohlberg	Senior Associate Provost and Chief Technology Development Officer at Harvard University
Maureen O' Connell	Member of the Board of Directors of Board of ISACA and HH Global Ltd.
Geoff Ribar	Member of the Board of Directors of Director of MACOM Technology
Ajay Sundar	Managing Director at Starboard Value LP
Katharine Wolanyk	Managing Director at Burford Capital, LLC

Where You Can Find Additional Information

For further details of the development of our business, refer to our website at 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 the Pending Revolution Transaction

The consummation of the Revolution Transaction is subject to a number of conditions that may not be satisfied or completed on a timely basis or at all. Accordingly, there can be no assurance as to when or if the Revolution Transaction will be completed, and the failure to complete the Revolution Transaction could have a material and adverse effect on our business, financial condition, results of operations and cash flows.

Although we expect to complete the Revolution Transaction in the second quarter of 2024, there can be no assurances as to the exact timing of the closing or that the Revolution Transaction will be completed at all. The consummation of the Revolution Transaction is subject to the satisfaction or waiver of a number of conditions contained in the related Purchase and Sale Agreement, including, among others, the absence of any governmental order restraining, enjoining or otherwise prohibiting the consummation of the Revolution Transaction or any pending governmental proceeding in respect thereof. Such conditions, some of which are beyond our control, may not be satisfied or waived in a timely manner or at all and therefore make the completion and timing of the Revolution Transaction uncertain. In addition, the Purchase and Sale Agreement contains certain termination rights for both parties, which if exercised will also result in the Revolution Transaction not being consummated. Any such termination or any failure to otherwise complete the Revolution Transaction could result in various consequences, including, among others: our being adversely impacted by the failure to pursue other beneficial opportunities due to the time and resources committed by management to the Revolution Transaction, without realizing any of the benefits of completing the Revolution Transaction; being required to pay our legal, accounting and other expenses relating to the Revolution Transaction; the market price of our common stock being adversely impacted to the extent that the current market price reflects a market assumption that the Revolution Transaction will be completed; and negative reactions from the financial markets that may occur if the anticipated benefits of the Revolution Transaction are not realized. Such consequences could materially and adversely affect our business, financial condition, results of operations and cash flows.

Even if the Revolution Transaction is completed, our Energy Operations Business may be unable to successfully integrate the Assets into its business or achieve the anticipated benefits of the Revolution Transaction.

The success of the Revolution Transaction will depend, in part, on our Energy Operations Business' ability to realize the anticipated benefits and cost savings from integrating the Assets into its business, and there can be no assurance that it will be able to successfully integrate or otherwise realize the anticipated benefits of the Revolution Transaction. Difficulties in integrating the Assets into our Energy Operations Business and its ability to manage the combined business may result in it performing differently than expected, in operational challenges or in the delay or failure to realize anticipated expense-related efficiencies, and could have a material adverse effect on our business, financial condition, results of operations and cash flows. Potential difficulties that may be encountered in the integration process include, among others:

- the inability to successfully integrate the Assets operationally, in a manner that permits us to achieve the full revenue, expected cash flows and cost savings anticipated from the Revolution Transaction;

- not realizing anticipated operating synergies; and

- potential unknown liabilities and unforeseen expenses, delays or regulatory conditions associated with the Revolution Transaction.

Risks Related to Our Business and Business Strategy

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 away 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, Benchmark, 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 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 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 strategy and 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, operations personnel (including operating partners), 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 and management, we must offer a competitive compensation package, which could include a combination of 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 and other performance-based metrics, 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 Company 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 Company 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.

Both we and our operating businesses outsource a number of services to third-party service providers, which are subject to risk of 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. Such diminished control could have an effect on the quality or quantity of products delivered or services rendered, on our ability to quickly respond to changing market conditions, or 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 cyberattacks aimed at theft of sensitive data or inadvertent cybersecurity compromises that are outside of our control. Miscalculations in our outsourcing strategies, deficiencies by our third-party service providers to not perform as anticipated or not adequately protect our data, or delays or difficulties in enhancing business processes, may result in 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 our 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 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 the 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 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 or 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 the inability of their clients to access their systems, such events could result in proprietary, confidential or otherwise protected 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 privacy and security, 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, certain of our operating companies are or may in the future be subject to laws and regulations relating to the collection, use, retention, security and transfer of this information including the European Union and United Kingdom General Data Protection Regulation regimes. 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. Since then, many other U.S. states have passed comprehensive data privacy laws and this number will likely continue to grow. 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 certain of our operating companies provide services both in terms of substance and in terms of enforceability. This makes compliance challenging and expensive. For example, an operating company'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, pandemics and outbreaks of communicable diseases 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, pandemics and outbreaks of communicable diseases 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, future public health threats, pandemics or outbreaks of communicable diseases, similar to the COVID-19 outbreak, could have a material adverse effect on our business, operations and financial results.

Due to the completion of the transactions pursuant to the Recapitalization Agreement, we are a "controlled company" within the meaning of the Nasdaq listing standards and, as a result, qualify for, and may in the future decide to rely on, exemptions from certain corporate governance requirements. As a result, our stockholders will not have the same protections afforded to stockholders of companies that are subject to such requirements if in the future we determine to take advantage of any of the controlled company exemptions.

Due to the completion of the transactions pursuant to the Recapitalization Agreement, Starboard controls a majority of the voting power of our outstanding common stock. As of March 11, 2024, Starboard controlled approximately 61.2% of the voting power of our common stock. As a result, we 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.

As of the date of this Annual Report on Form 10-K, we have not elected to rely on any of these exemptions. However, if in the future we decide to rely on some or all of these 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.

Our principal stockholder, Starboard, controls 61.2% of the voting power of our Common Stock, and its interests may conflict with our other stockholders in the future.

Following completion of the transactions contemplated by the Recapitalization Agreement, Starboard beneficially owns 61,123,595 shares of common stock as of March 11, 2024, representing approximately 61.2% of the common stock based on 99,895,473 shares of common stock issued and outstanding as of such date. As a result, Starboard is able to control the election of our directors and thereby determine our corporate and management policies, including potential mergers or acquisitions, asset sales, amendment of our amended and restated certificate of incorporation or amended and restated bylaws and other significant corporate transactions for so long as Starboard and its affiliates retain significant ownership of us. Starboard and its affiliates may also direct us to make significant changes to our business operations and strategy, including with respect to, among other things, strategic acquisitions, investments and initiatives to reduce costs and expenses. This concentration of our ownership may delay or deter possible changes in control of the Company, which may reduce the value of an investment in our common stock. The interests of Starboard may not coincide with the interests of other holders of our common stock.

In the ordinary course of their business activities, Starboard and its affiliates may engage in activities where their interests conflict with our interests or those of our stockholders. Starboard and its affiliates also may pursue acquisition or investment opportunities that may be complementary to our business and, as a result, those acquisition or investment opportunities may not be available to us. In addition, Starboard may have an interest in pursuing acquisitions, divestitures and other transactions that, in their judgment, could enhance an investment in our Company, even though such transactions might involve risks to our stockholders.

In addition, Starboard and its affiliates are able to determine the outcome of all matters requiring stockholder approval and are able to cause or prevent a change of control of our Company or a change in the composition of our Board and could preclude any acquisition of our Company. This concentration of voting control could deprive our stockholders of an opportunity to receive a premium for shares of common stock as part of a sale of our Company and ultimately might affect the market price of our common stock.

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 on 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.

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 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 they may become conflicted out of representing us.

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.

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 Energy Operations Business and Industry

If oil and gas prices decline from current levels, or if there is an increase in the differential between the NYMEX-WTI and NYMEX-Henry Hub or other benchmark prices of oil and the wellhead price we receive for our production, our cash flows from our Energy Operations Business will decline.

Historically, oil prices have been extremely volatile. The volatility of the energy markets makes it extremely difficult to predict future oil price movements with any certainty.

While our Energy Operations Business hedges a significant portion of its production, lower oil prices may decrease revenues and therefore, cash flows from operations. Prices for oil may fluctuate widely in response to relatively minor changes in supply of and demand for oil. Market uncertainty and a variety of additional factors that are beyond the control of our Energy Operations Business, include: the domestic and foreign supply of and demand for oil; market expectations about future prices of oil; the price and quantity of imports of crude oil; overall domestic and global economic conditions; political and economic conditions in other oil producing countries, including embargoes and continued hostilities in the Middle East and other sustained military campaigns, acts of terrorism or sabotage, and world-wide epidemics, including the coronavirus; the ability of the members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls; trading in oil derivative contracts; the level of consumer product demand; weather conditions and natural disasters; technological advances affecting energy consumption; domestic and foreign governmental regulations and taxes; the proximity, cost, availability and capacity of oil pipelines and other transportation facilities; the impact of the U.S. dollar exchange rates on oil prices; and the price and availability of alternative fuels.

Also, the prices that our Energy Operations Business receives for oil and gas production often reflects a regional discount, based on the location of the production, to the relevant benchmark prices, such as the NYMEX-WTI and NYMEX-Henry Hub, that are used for calculating hedge positions. These discounts, if significant, could similarly adversely affect cash flows from operations and financial condition.

If commodity prices decline from current levels, production from some of Benchmark's assets may become uneconomic and cause write downs of the value of its properties, which may adversely affect its ability to borrow, its financial condition and its ability to make distributions.

If commodity prices decline from current levels, some of Benchmark's assets may become uneconomic and, if the decline is severe or prolonged, a significant portion of such projects may become uneconomic. As producing or development projects become uneconomic, Benchmark's reserve estimates will be adjusted downward, which could negatively impact its borrowing base under its current revolving credit facility and its ability to fund operations.

Additionally, there is a risk that Benchmark will be required to write down the carrying value of its oil and natural gas properties when oil or natural gas prices are low or are declining, as occurred in 2020. In addition, non-cash write-downs may occur if it has:

- downward adjustments to its estimated proved reserves;
- increases in its estimates of development costs; or
- deterioration in its exploration and development results.

A write-down does not affect net cash flows from operating activities, liquidity or capital resources, but it does reduce the book value of net tangible assets, retained earnings and shareholders' equity, and could lower the value of our common stock.

The oil and natural gas industry and the broader U.S. economy have experienced higher than expected inflationary pressures in recent years related to increases in oil and natural gas prices, continued supply chain disruptions, labor shortages and geopolitical instability, among other pressures. Should these conditions persist, it may impact our Energy Operations Business' ability to procure services, materials and equipment on a cost-effective basis, or at all, and, as a result, our business, financial condition, results of operations and cash flows could be materially and adversely affected.

Inflation in the U.S. has become much more significant in recent years, and in 2022 it reached its highest levels in approximately 40 years. Throughout 2022 and 2023, energy companies experienced significant increases in the costs of certain oilfield services, materials and equipment, including diesel, steel, labor, trucking, sand, personnel and completion costs, among others, as a result of the recent increases in oil and natural gas prices, as well as availability constraints, supply chain disruptions, increased demand, labor shortages and wage inflation associated with a low U.S unemployment rate, inflation and other factors. These supply and demand fundamentals have been further aggravated by disruptions in global energy supply caused by multiple geopolitical events, including the ongoing military conflict between Russia and Ukraine and actions of U.S. and other governments and governmental organizations relating to Russia's oil, natural gas and NGLs, including through sanctions, embargoes, import restrictions and commodity price caps. Our Energy Operations Business expects for the foreseeable future to experience supply chain constraints and inflationary pressure on its cost structure. Should oil and natural gas prices remain at their current levels or increase, our Energy Operations Business expects to be subject to additional service cost inflation in future periods, which may increase costs to drill, complete, equip and operate wells. In addition, supply chain disruptions and other inflationary pressures being experienced throughout the U.S. and global economy and in the oil and natural gas industry may limit our Energy Operations Business' ability to procure the necessary products and services needed for drilling, completing and producing wells in a timely and cost-effective manner, which could result in reduced margins and delays to its operations and could, in turn, have a material adverse effect on our business, financial condition, results of operations and cash flows.

The hedging strategy of our Energy Operations Business may be ineffective in mitigating the impact of commodity price volatility on cash flows, which could adversely affect its financial condition.

Benchmark's hedging strategy is to enter into commodity derivative contracts covering a significant portion of its medium-term estimated hydrocarbon production. The prices at which it is able to enter into commodity derivative contracts covering its production in the future will be dependent upon commodity futures prices at the time it enters into these transactions, which may be substantially higher or lower than current prices.

Benchmark's revolving credit facility prohibits it from entering into commodity derivative contracts with the purpose and effect of fixing prices covering all of its estimated future production, and we therefore retain the risk of a price decrease on Benchmark's volumes which we are precluded from securing with commodity derivative contracts. Furthermore, we may be unable to enter into additional commodity derivative contracts during favorable market conditions and, thus, may be unable to lock in attractive future prices for our product sales. Finally, the revolving credit facility and associated amendments may cause Benchmark to enter into commodity derivative contracts at inopportune times.

The hedging activities of our Energy Operations Business could result in cash losses and may limit the prices it would otherwise realize for production, which could reduce cash flows from operations.

Benchmark's hedging strategy may limit its ability to realize cash flows from commodity price increases. Many of its commodity derivative contracts requires Benchmark to make cash payments to the extent the applicable index exceeds a predetermined price, thereby limiting its ability to realize the benefit of increases in oil prices. If Benchmark's actual production and sales for any period are less than its hedged production and sales for that period (including reductions in production due to operational delays), Benchmark might be forced to satisfy all or a portion of its hedging obligations without the benefit of the cash flow from the sale of the underlying physical commodity, which may materially adversely impact its liquidity, financial condition and cash flows from operations.

The hedging transactions of our Energy Operations Business expose it to counterparty credit risk and involve other risks.

Benchmark's hedging transactions exposes it to risk of financial loss if a counterparty fails to perform under a commodity derivative contract. Disruptions in the financial markets could lead to a sudden decrease in a counterparty’s liquidity, which could impair its ability to perform under the terms of the commodity derivative contract and, accordingly, prevent Benchmark from realizing the benefit of the commodity derivative contract.

As a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act and other legislation, hedging transactions and many of Benchmark's contract counterparties have come under increasing governmental oversight and regulations in recent years. Although we cannot predict the ultimate impact of these laws or other proposed laws and the related rulemaking, some of which is ongoing, existing or future regulations may adversely affect the cost and availability of Benchmark's hedging arrangements, including by causing its counterparties, which include lenders under its revolving credit facility, to curtail or cease their derivative activities.

Unless Benchmark replaces the oil and natural gas reserves it produces, its revenues and production will decline, which would adversely affect its cash flows from operations.

Producing oil and natural gas reservoirs are characterized by declining production rates that vary depending upon reservoir characteristics and other factors. The future oil and natural gas reserves and production and, therefore, cash flows from operations of our Energy Operations Business are highly dependent on its success in economically acquiring additional recoverable reserves and efficiently operating its current reserves. The production decline rates of our Energy Operations Business may be significantly higher than currently estimated if its wells do not produce as expected. Further, the decline rate may change when Benchmark makes acquisitions.

Producing oil and natural gas is a costly and high-risk activity with many uncertainties that could adversely affect our Energy Operations Business's activities, financial condition or results of operations.

The cost of operating oil and natural gas properties, is often uncertain, and cost and timing factors can adversely affect the economics of a well. The efforts of our Energy Operations Business may be uneconomical if its properties are productive but do not produce as much oil and natural gas as estimated. Furthermore, the operations of our Energy Operations Business may be curtailed, delayed or canceled as a result of other factors, including: high costs, shortages or delivery delays of equipment, labor or other services; unexpected operational events and conditions; adverse weather conditions and natural disasters; injection plant or other facility or equipment malfunctions and equipment failures or accidents; title disputes; unitization difficulties; pipe or cement failures, casing collapses or other downhole failures; compliance with environmental and other governmental requirements; lost or damaged oilfield service tools; unusual or unexpected geological formations and reservoir pressure; loss of injection fluid circulation; restrictions in access to, or disposal of, water used or produced in oil and natural gas production; costs or delays imposed by or resulting from compliance with regulatory requirements; fires, blowouts, surface craterings, explosions and other hazards that could also result in personal injury and loss of life, pollution and suspension of operations; and uncontrollable flows of oil or well fluids.

If any of these factors were to occur with respect to a particular property, Benchmark could lose all or a part of its investment in the property, or it could fail to realize the expected benefits from the property, either of which could materially and adversely affect the financial condition or results of operations.

Estimated proved reserves and future production rates are based on many assumptions that may prove to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of the estimated reserves of our Energy Operations Business.

It is not possible to measure underground accumulations of oil and natural gas in an exact way. Oil and natural gas reserve engineering is complex, requiring subjective estimates of underground accumulations of oil and natural gas and assumptions concerning future oil and natural gas prices, future production levels and operating and development costs. As a result, estimated quantities of proved reserves, projections of future production rates and the timing of development expenditures may prove inaccurate.

Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves which could affect our Energy Operations Business's results of operations, financial condition and its ability to make distributions.

Any acquisitions completed by our Energy Operations Business are subject to substantial risks that could adversely affect financial conditions and results of operations.

One of the growth strategies of our Energy Operations Business is to capitalize on opportunistic acquisitions of oil and gas reserves. Our Energy Operations Business may not achieve the expected results of any acquisition it completes, and any adverse conditions or developments related to any such acquisition may have a negative impact on its operations and financial condition. Any acquisition involves potential risks, including, among other things: the validity of assumptions about estimated proved reserves, future production, commodity prices, revenues, operating expenses and costs; an inability to successfully integrate the assets it acquires; a decrease in liquidity by using a significant portion of available cash or borrowing capacity to finance acquisitions; a significant increase in interest expense or financial leverage if it incurs additional debt to finance acquisitions; the assumption of unknown liabilities, losses or costs for which it is not indemnified or for which its indemnity is inadequate; the diversion of management’s attention from other business concerns; an inability to hire, train or retain qualified personnel to manage and operate its growing assets; and the occurrence of other significant charges, such as the impairment of oil properties, goodwill or other intangible assets, asset devaluations or restructuring charges.

The decision to acquire a property will depend in part on the evaluation of data obtained from production reports and engineering studies, geophysical and geological analyses and seismic data and other information, the results of which are often inconclusive and subject to various interpretations.

Also, reviews of properties acquired from third parties may be incomplete because it generally is not feasible to perform an in-depth review of the individual properties involved in each acquisition, given the time constraints imposed by most sellers. Even a detailed review of the properties owned by third parties and the records associated with such properties may not reveal existing or potential problems, nor will such a review permit our Energy Operations Business to become sufficiently familiar with such properties to assess fully the deficiencies and potential issues associated with such properties. Our Energy Operations Business may not always be able to inspect every well on properties owned by third parties, and environmental problems, such as groundwater contamination, are not necessarily observable even when an inspection is undertaken.

Our Energy Operations Business is primarily dependent upon a small number of customers for production sales and may experience a temporary decline in revenues and production if it loses any of those customers.

The loss of customers by our Energy Operations Business could temporarily delay production and sales of oil and natural gas. If our Energy Operations Business were to lose any of its significant customers, we believe that it could identify substitute customers to purchase the impacted production volumes. However, if any of its customers dramatically decreased or ceased purchasing oil from our Energy Operations Business, our Energy Operations Business may have difficulty receiving comparable rates for its production volumes.

In addition, a failure by any of these significant customers, or any purchasers of the production of our Energy Operations Business to perform their payment obligations to us could have a material adverse effect on the results of operations. To the extent that purchasers of production rely on access to the credit or equity markets to fund their operations, there could be an increased risk that those purchasers could default in their contractual obligations. If for any reason our Energy Operations Business was to determine that it was probable that some or all of the accounts receivable from any one or more of the purchasers of production were uncollectible, our Energy Operations Business would recognize a charge in the earnings of that period for the probable loss and could suffer a material reduction in liquidity and ability to make distributions.

Our Energy Operations Business might be unable to compete effectively with larger companies, which might adversely affect its business activities, financial condition and results of operations.

The oil and natural gas industry is intensely competitive, and our Energy Operations Business competes with companies that possess and employ financial, technical and personnel resources substantially greater than theirs. These companies may be able to pay more for properties and evaluate, bid for and purchase a greater number of properties than our Energy Operations Business's financial, technical or personnel resources permit. The ability of our Energy Operations Business to acquire additional properties in the future will depend on its ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment. Many of its larger competitors not only drill for and produce oil and natural gas but also carry on refining operations and market petroleum and other products on a regional, national or worldwide basis. In addition, there is substantial competition for investment capital in the oil and natural gas industry. These larger companies may have a greater ability to continue development activities despite a depressed oil price environment and to absorb the burden of present and future federal, state, local and other laws and regulations. The inability of our Energy Operations Business to compete effectively with larger companies could have a material adverse impact on its business activities, financial condition and results of operations.

Many of our Energy Operations Business's leases are in areas that have been partially depleted or drained by offset wells.

Many of our Energy Operations Business's leases are in areas that have already been partially depleted or drained by earlier offset drilling. The owners of leasehold interests lying contiguous or adjacent to or adjoining our interests could take actions, such as drilling additional wells, which could adversely affect the operations of our Energy Operations Business. When a new well is completed and produced, the pressure differential in the vicinity of the well causes the migration of reservoir fluids towards the new wellbore (and potentially away from existing wellbores). As a result, the drilling and production of these potential locations could cause a depletion of proved reserves, and may inhibit the ability to further develop our reserves.

Our Energy Operations Business's revolving credit facility has restrictions and financial covenants that may restrict its business and financing activities.

Our Energy Operations Business's revolving credit facility restricts, among other things, the ability to incur debt and pay distributions under certain circumstances, and requires it to comply with customary financial covenants and specified financial ratios. If market or other economic conditions deteriorate, the ability of our Energy Operations Business to comply with these covenants may be impaired. If our Energy Operations Business violates any provisions of its revolving credit facility that are not cured or waived within specific time periods, a significant portion of its indebtedness may become immediately due and payable, it could be prohibited from making distributions, and its lenders’ commitment to make further loans may terminate. Our Energy Operations Business might not have, or be able to obtain, sufficient funds to make these accelerated payments. In addition, the obligations of our Energy Operations Business under its revolving credit facility are secured by substantially all of its assets, and if it is unable to repay our indebtedness under the revolving credit facility, the lenders could seek to foreclose on its assets. Further, the terms of our credit agreement require the pre-approval of our lenders in order to reinstate distributions on our common units.

The total amount our Energy Operations Business is able to borrow under its revolving credit facility is limited by a borrowing base, which is primarily based on the estimated value of its oil and natural gas properties and its commodity derivative contracts, as determined by its lenders in their sole discretion. The borrowing base is subject to redetermination on a semi-annual basis and more frequent redetermination in certain circumstances. If its lenders were to decrease the borrowing base to a level below the then outstanding borrowings, the amount exceeding the revised borrowing base could become immediately due and payable. The negative redetermination of the borrowing base could adversely affect our Energy Operations Business's business, results of operations, financial condition and the ability to make distributions. Furthermore, in the future, our Energy Operations Business may be unable to access sufficient capital under its revolving credit facility as a result of any decrease in the borrowing base.

The operations of our Energy Operations Business are subject to operational hazards and unforeseen interruptions for which it may not be adequately insured.

There are a variety of operating risks inherent in the production of oil and natural gas properties, such as leaks, explosions, mechanical problems and natural disasters, all of which could cause substantial financial losses. Any of these or other similar occurrences could result in the disruption of operations, substantial repair costs, personal injury or loss of human life, significant damage to property, environmental pollution, impairment of operations and substantial revenue losses. The location of our Energy Operations Business's wells and other facilities near populated areas, including residential areas, commercial business centers and industrial sites, could significantly increase the level of damages resulting from these risks.

Insurance against all operational risks is not available. Our Energy Operations Business is not fully insured against all risks, including development and completion risks that are generally not recoverable from third parties or insurance. In addition, pollution and environmental risks generally are not fully insurable. Additionally, our Energy Operations Business may elect not to obtain insurance if it believes that the cost of available insurance is excessive relative to the perceived risks presented. Losses could, therefore, occur for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. Moreover, insurance may not be available in the future at commercially reasonable costs and on commercially reasonable terms. Changes in the insurance markets due to weather and adverse economic conditions have made it more difficult to obtain certain types of coverage. As a result, our Energy Operations Business may not be able to obtain the levels or types of insurance it would otherwise have obtained prior to these market changes, and we cannot be sure the insurance coverage it does obtain will not contain large deductibles or fail to cover certain hazards or cover all potential losses. Losses and liabilities from uninsured and under-insured events and delay in the payment of insurance proceeds could have a material adverse effect on the business, financial condition, results of operations and ability of our Energy Operations Business to make distributions.

Our Energy Operations Business depends in part on transportation, pipelines and refining facilities owned by others. Any limitation in the availability of those facilities could interfere with an ability to market production and could harm its business.

The marketability of production depends in part on the availability, proximity and capacity of pipelines, tanker trucks and other transportation methods and refining facilities owned by third parties. The amount of oil that can be produced and sold is subject to curtailment in certain circumstances, such as pipeline interruptions due to scheduled and unscheduled maintenance, excessive pressure, physical damage or lack of available capacity on such systems, tanker truck availability and extreme weather conditions. Also, the shipment of oil on third party pipelines may be curtailed or delayed if it does not meet the quality specifications of the pipeline owners. The curtailments arising from these and similar circumstances may last from a few days to several months. In many cases, our Energy Operations Business is provided only with limited, if any, notice as to when these circumstances will arise and their duration. Any significant curtailment in gathering system or transportation or refining facility capacity could reduce the ability to market oil production and harm our Energy Operations Business. Access to transportation options and the prices our Energy Operations Business receives for production can also be affected by federal and state regulation, including regulation of oil production and transportation, and pipeline safety, as well by general economic conditions and changes in supply and demand. In addition, the third parties on whom our Energy Operations Business relies for transportation services are subject to complex federal, state, tribal and local laws that could adversely affect the cost, manner or feasibility of conducting business.

Climate change legislation, regulatory initiatives and litigation could result in increased operating costs and reduced demand for the oil and natural gas that our Energy Operations Business produces.

We believe it is likely that scientific and political attention to issues concerning the extent, causes of and responsibility for climate change will continue, with the potential for further regulations and litigation that could affect the operations of our Energy Operations Business. Our Energy Operations Business operations result in greenhouse gas (“GHG”) emissions. In December 2009, the Environmental Protection Agency (the “EPA”) published its findings that emissions of carbon dioxide, methane and other GHG present a danger to public health and the environment. Based on these findings, the EPA began adopting and implementing regulations that restrict emissions of GHG under existing provisions of the federal Clean Air

Act ("CAA"), including requirements to reduce emissions of GHG from motor vehicles, requirements associated with certain construction and operating permit reviews for GHG emissions from certain large stationary sources, reporting requirements for GHG emissions from specified large GHG emission sources, including certain owners and operators of onshore oil and natural gas production and rules requiring so-called "green completions" of natural gas wells constructed after January 2015. Our Energy Operations Business currently monitors GHG emissions from operations in accordance with the GHG emissions reporting rule. Data collected from our GHG monitoring activities to date indicate that our Energy Operations Business does not exceed the threshold level of GHG emissions triggering a reporting obligation. To the extent it exceeds the applicable regulatory threshold level in the future, our Energy Operations Business will report the emissions beginning in the applicable period. Also, the U.S. Congress has, from time to time, considered legislation to reduce emissions of GHG, and almost one-half of the states, either individually or through multi-state regional initiatives, have begun implementing legal measures to reduce emissions of GHG. On August 16, 2022, the Inflation Reduction Act of 2022 ("IRA") created the Methane Emissions Reduction Program to incentivize methane emission reductions and, for the first time ever, impose a fee on GHG emissions from certain facilities that exceed specified emissions levels. Further, on November 11, 2022, the EPA issued a supplemental notice of proposed rulemaking on methane and GHG emissions from new and existing sources in the oil and natural gas industry. On December 2, 2023, the EPA issued a prepublication version of a final rule to reduce methane and volatile organic chemicals emissions from the oil and natural gas sector, which strengthens and expands the EPA's November 1, 2021 proposed revisions to the New Source Performance Standards program established under Section 111 of the CAA and creates new emissions restrictions for existing sources as well. On November 17, 2023, the EPA issued a final rule that enables states to implement more stringent methane emissions standards than the federal guidelines require. In addition, under the Paris Agreement, which went into effect on November 4, 2016, countries are required to establish increasingly stringent nationally determined contributions ("NDC"), which set GHG emission reduction goals, every five years beginning in 2020 to mitigate climate change. The United States exited the Paris Agreement in November 2020 but rejoined the agreement effective February 19, 2021. In April 2021, the United States made its NDC submittal, setting a goal to achieve a 50 to 52% reduction from 2005 levels in economy-wide net greenhouse gas pollution in 2030. Further, in November 2021, the United States and other countries entered into the Glasgow Climate Pact, which includes a range of measures designed to address climate change, including but not limited to the phase-out of fossil fuel subsidies, reducing methane emissions 30% by 2030, and cooperating toward the advancement of the development of alternative sources of energy.

The adoption and implementation of any legislation or regulations to reduce GHG emissions or imposing additional GHG reporting obligations could require our Energy Operations Business to incur significant costs to reduce emissions of GHG associated with operations. Any such legislation or regulatory programs could also increase the cost of consuming, and thereby reduce demand for, the oil and natural gas produced by our Energy Operations Business. Consequently, legislation and regulatory programs to reduce emissions of GHGs could have a material adverse effect on our Energy Operations Business. Reduced demand for the oil and natural gas that it produces could also have the effect of lowering the value of its reserves. In addition, there have also been efforts in recent years to influence the investment community, including investment advisors, investment fund managers and certain family foundations, universities, individual investors and sovereign wealth, pension and endowment funds, promoting divestment of, or limit investment in, fossil fuel equities and pressuring lenders to limit or stop funding to companies engaged in the extraction of fossil fuel reserves. Such environmental activism and initiatives aimed at limiting climate change and reducing air pollution could interfere with the business activities, operations and ability to access capital by or of our Energy Operations Business.

Finally, increasing attention to the risks of climate change has resulted in an increased possibility of lawsuits or investigations brought by public and private entities against companies engaged in oil and natural gas production in connection with their GHG emissions. Should we be targeted by any such litigation or investigations, we may incur liability, which, to the extent that societal pressures or political or other factors are involved, could be imposed without regard to the causation of or contribution to the asserted damage, or to other mitigating factors. The ultimate impact of GHG agreements, legislation and measures on our financial performance is highly uncertain because we are unable to predict, for a multitude of individual jurisdictions, the outcome of political decision-making processes and the variables and trade-offs that inevitably occur in connection with such processes.

In an interpretative guidance on climate change disclosures, the SEC indicated that climate change could have an effect on the severity of weather (including hurricanes, droughts and floods), sea levels, the arability of farmland and water availability and quality. If such effects were to occur, there is the potential for our Energy Operations Business's exploration and production operations to be adversely affected. Potential adverse effects could include damages to facilities, or to transportation, pipeline and refinery owned by others on which its operations depend, from powerful winds or rising waters in low-lying areas, disruption of production, less efficient or non-routine operating practices necessitated by climate effects and increased costs for insurance coverage in the aftermath of such effects. Any future exploration and development activities and equipment could also be adversely affected by severe weather conditions such as hurricanes or freezing temperatures, which may cause a loss of production from temporary cessation of activity from regional power outages or lost or damaged facilities and equipment. Such severe weather conditions could also impact access to drilling and production facilities for routine operations, maintenance and repairs and the availability of and access to, necessary third-party services, such as gathering, processing, compression and transportation services. These constraints and the resulting shortages or high costs could delay or temporarily halt our Energy Operations Business's operations and materially increase its operation and capital costs, which could have a material adverse effect on its business, financial condition and results of operations. Significant physical effects of climate change could also have an indirect effect on the financing and operations of our Energy Operations Business by disrupting the transportation or process-related services provided by it or other midstream companies, service companies or suppliers with whom it has a business relationship. Our Energy Operations Business may not be able to recover through insurance some or any of the damages, losses or costs that may result from potential physical effects of climate change.

Regulation in response to seismic activity could increase our operating and compliance costs.

Recent earthquakes in northern and central Oklahoma and elsewhere have prompted concerns about seismic activity and possible relationships with the energy industry, in particular a possible connection between the operation of injection wells used for produced water disposal and the increased occurrence of seismic activity. Legislative and regulatory initiatives intended to address these concerns may result in additional levels of regulation that could lead to operational delays, increases in operating and compliance costs or other adverse affects to the operations or Energy Operations Business. To date, these regulations have not adversely impacted such operations.

The adoption and implementation of any new laws, rules, regulations, requests, or directives that restrict the ability to dispose of water, including by plugging back the depths of disposal wells, reducing the volume of oil and natural gas wastewater disposed in such wells, restricting disposal well locations, or by requiring the shut-down of disposal wells, could have a material adverse effect on the ability of our Energy Operations Business to produce oil and natural gas economically, or at all, and accordingly, could materially and adversely affect the business, financial condition and results of operations of our Energy Operations Business.

Rules regulating air emissions from oil and natural gas operations could result in increased capital expenditures and operating costs of our Energy Operations Business.

In recent years, the EPA issued final rules to subject oil and natural gas operations to regulation under the New Source Performance Standards (“NSPS”) and National Emission Standards for Hazardous Air Pollutants (“NESHAP”) programs under the CAA and to impose new and amended requirements under both programs. The EPA rules include NSPS standards for completions of hydraulically fractured oil and natural gas wells, compressors, controllers, dehydrators, storage tanks, natural gas processing plants and certain other equipment. These rules have required changes to our operations, including the installation of new equipment to control emissions. In January 2023, the EPA announced a proposed consent decree that, if finalized as proposed, would establish a December 10, 2024 deadline for the EPA to review and propose revisions to the NESHAP for oil and natural gas production facilities and natural gas transmission and storage facilities, which may require us to make additional changes to our operations. In December 2023, the EPA issued final NSPS updates and emission guidelines to reduce methane and other pollutants from the oil and gas industry. In addition, several states are pursuing similar measures to regulate emissions of methane from new and existing sources within the oil and natural gas source category. As a result of this continued regulatory focus, future federal and state regulations of the oil and natural gas industry remain a possibility. Compliance with existing or new air emission requirements could increase costs of development and production, though we do not expect these requirements to be any more burdensome to our Energy Operations Business than to other similarly situated companies involved in oil and natural gas exploration and production activities.

Our Energy Operations Business's operations are subject to environmental and operational safety laws and regulations that may expose it to significant costs and liabilities.

Our Energy Operations Business may incur significant costs and liabilities as a result of environmental and safety requirements applicable to oil and natural gas development and production activities. These costs and liabilities could arise under a wide range of federal, state, tribal and local environmental and safety laws and regulations, including regulations and enforcement policies, which have tended to become increasingly strict over time. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, imposition of cleanup and site restoration costs and liens, liability for natural resource damages, and to a lesser extent, issuance of injunctions to limit or cease operations. In addition, our Energy Operations Business may experience delays in obtaining or be unable to obtain required permits, which may delay or interrupt operations and limit growth and revenue. Claims for damages to persons or property from private parties and governmental authorities may result from environmental and other impacts of operations.

Strict, joint and several liabilities may be imposed under certain environmental laws, which could cause our Energy Operations Business to become liable for the conduct of others or for consequences of its own actions that were in compliance with all applicable laws at the time those actions were taken. New laws, regulations or enforcement policies could be more stringent and impose unforeseen liabilities or significantly increase compliance costs. If our Energy Operations Business is not able to recover the resulting costs through insurance or increased revenues, its ability to make cash distributions.

Other Risks Related to our Industrial Operations Business

Our Industrial Operations Business relies, or may rely in the future, on its intellectual property and licenses to use others' intellectual property for competitive advantage. If our Industrial Operations Business is unable to protect its intellectual property or obtain or retain licenses to use other's intellectual property, or if it infringes upon or are alleged to have infringed upon others' intellectual property, it could have a material adverse effect on our Industrial Operations Business's financial condition, business and results of operations.

Our Industrial Operations Business's success depend in part on its, or licenses to use others', brand names, proprietary technology and manufacturing techniques. It relies on a combination of patents, trademarks, copyrights, trade secrets, confidentiality procedures and contractual provisions to protect these 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 Industrial Operations Business's proprietary information and intellectual property and defending claims that it has made unauthorized use of others' proprietary information or intellectual property, may be difficult, time consuming, and costly. The use of intellectual property and other proprietary information by others could reduce or eliminate any competitive advantage our Industrial Operations Business has developed, cause it to lose sales or otherwise harm its business.

Our Industrial Operations Business may become involved in legal proceedings and claims in the future either to protect its intellectual property or to defend allegations that it infringed upon others' intellectual property rights. These claims and any resulting litigation could subject our Industrial Operations Business to significant liability for damages and invalidate its 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 our Industrial Operations Business's financial condition, business, and results of operations.

Our Industrial Operations Business's inability to develop new products and enhance existing products to meet customer product requirements on a cost competitive basis may negatively impact its results of operations.

The future results of operations of our Industrial Operations Business may be adversely affected if it is 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 Industrial Operations Business sells its products or demand for the products it sells 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 investment in research and development and marketing expenditures also could cause significant changes in the level of the operating expenses of our Industrial Operations Business.

Our Industrial Operations is dependent on a limited number of customers to derive a large portion of its revenue, and the loss of one of these customers may adversely affect its financial condition, business and results of operations.

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 Printronix and may have a material adverse effect on our Industrial Operations Business's results of operations, financial condition, and cash flows.

Our Industrial Operations Business has limited suppliers for key product components and services and any interruption in supply could impair its ability to make and deliver its signature products, adversely affecting its 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 its 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 our Industrial Operations Business or be unable to meet its requirements or expectation due to independent business decisions, or force majeure events that could interrupt or impair its continued ability to perform as we expect.

Although our Industrial Operations Business may attempt to select reputable providers and suppliers and attempt to secure its 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 Industrial Operations Business. In some cases, the requirements of Industrial Operations Business's business mandate that it obtain certain components and sub-assemblies included in its products from a single supplier or a limited group of suppliers. Where practical, our Industrial Operations Business endeavors to establish alternative sources to mitigate the risk that the failure of any single provider or supplier will adversely affect its 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 Industrial Operations Business's ability to manage operations, ship products and generate revenues, which could adversely affect its results of operations and damage its customer relationships.

Failure of our Industrial Operations Business to manage inventory levels or production capacity may negatively impact its results of operations.

Printronix's financial performance depends in part upon its 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 its 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 its financial results. Our Industrial Operations Business 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 Industrial Operations Business's future results of operations and ability to effectively grow or maintain market share may be adversely affected if it is unable to address these issues on a timely basis.

Decreased consumption of supplies could negatively impact the results of operations of certain of our Industrial Operations Business.

Printronix expects approximately 58.0% of its revenue for its fiscal year ending March 31, 2024 will be derived from the sale of supplies. Printronix's future results of operations may be adversely affected if the consumption of its 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 our Industrial Operations Business, changes in a country's or region's political or economic conditions or other factors could negatively impact its results of operations.

We expect revenue derived from international sales by our Industrial Operations Business will comprise approximately 63.0% of Printronix's revenue for its fiscal year ending March 31, 2024. 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, its 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 its policies, could have a material adverse effect on our Industrial Operations 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 the policies and procedures of our Industrial Operations Business.

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.

In addition, Starboard beneficially owns 61,123,595 shares of our common stock as of March 11, 2024, representing approximately 61.2% of our common stock, based on 99,895,473 shares of common stock issued and outstanding as of such date. As a result, Starboard and its affiliates are able to determine the outcome of all matters requiring stockholder approval and are able to cause or prevent a change of control of our Company or a change in the composition of our Board and could preclude any acquisition of our Company.

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.

Starboard's sale of Company securities may adversely affect the market price 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 (as described in Note 10 to the accompanying consolidated financial statements). The Registration Rights Agreement provides Starboard and such affiliates with rights to require that the Company file a registration statement in certain 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.

We agreed to certain Governance Provisions with Starboard.

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 directors that are independent of, and not affiliates (as defined in Rule 144 of the Securities Act of 1933, 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 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 until the end of the Applicable Period, the number of directors serving on the Board will not exceed 10 members.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Risk Management and Strategy

We have developed and implemented various processes to oversee and manage the cybersecurity risks that may impact our business and have integrated this cybersecurity risk management framework into our Company’s broader risk management framework.

Managing Material Risks & Integrated Overall Risk Management

To manage cybersecurity risk and threats, we have developed and continuously review and update our internal risk controls (“Cyber Risk Controls”), which include administrative, physical, and technical controls and which are aligned to the CIS Critical Security Controls and the National Institute of Standards and Technology Cybersecurity Framework. The Cyber Risk Controls are in many cases integrated with our other controls, policies, procedures and programs to maximize their effectiveness. Likewise, our internal cybersecurity control group meets regularly to discuss and review identified cyber threats and risks as well as to conduct cybersecurity threat scenario planning. Identified cybersecurity risks are then further analyzed by other risk management personnel as part of our enterprise risk management process.

We also have processes in place to stay informed of and monitor prevention, detection, mitigation, and remediation of cybersecurity risks, including but not limited to: employing appropriate incident prevention and detection software where appropriate; employing industry-standard encryption protocols where appropriate; conducting regular vulnerability scans; applying patches in a timely manner; conducting penetration tests and implementing recommended corrective actions in a timely manner; maintaining a well-defined incident response plan and supporting procedures; conducting regular phishing simulations and tabletop exercises; and requiring employees to complete cybersecurity training.

Engaging Third Parties on Risk Management

We collaborate with vendors, service providers, assessors, auditors, consultants, and other third parties on an as-needed basis to develop secure informational and operational technology systems and protect against cybersecurity threats. For example, we engage third-party security experts to conduct risk assessments and program enhancements, including vulnerability assessments, cybersecurity tabletop exercises, and internal and external penetration tests.

Managing Third-Party Cybersecurity Risk

We recognize the potential cybersecurity risks associated with the use of third parties that provide services to us, process information on our behalf, or have access to our informational or operational technology systems, and we have processes in place to oversee and manage these risks. For example, we evaluate third-party service providers’ cybersecurity policies, procedures, and practices annually to ensure sufficiently reasonable security measures are in place. We also seek to mitigate third-party cybersecurity risk through contractual safeguards, and/or regular review of the internal control reports of such third parties, and incorporating third-party risk into our incident response plans.

Material Impact from Cybersecurity Incidents

While we have experienced and will continue to experience varying cyber incidents in the normal conduct of our business, thus far to our knowledge, such incidents have not materially affected, and are not reasonably likely to materially affect, the Company, including its business strategy, results of operations, or financial condition.

Governance

Management Personnel

Our internal cybersecurity control group has responsibility for assessing, monitoring, and managing risks related to cybersecurity threats. The control group is comprised of members of senior leadership, including in-house legal counsel, and multiple independent third-party Certified Information Systems Security Professional (CISSP) Information Technology and Cybersecurity consultants. Specifically, we have retained a Virtual Cheif Information Security Officer and other members of our cybersecurity control group, each of whom supports our cybersecurity risk management and governance practices. Such retained individuals have substantial prior work experience in various roles involving cybersecurity risk management and information technology, including security, compliance, systems and programming, and bring a wealth of expertise in their roles. These individuals are informed about, and monitor the prevention, mitigation, detection and remediation of cybersecurity incidents through their management of, and participation in, the cybersecurity risk management and strategy process described above, and report to our internal cybersecurity control group and executive team on a regular basis (at least monthly).

Monitor Cybersecurity Incidents

Our internal cybersecurity control group meets on a monthly or more frequent basis to discuss and assess risks related to cybersecurity threats and review any reported cybersecurity incidents. The reviews include a review of the incident log, assessments of risks identified by multiple independent third parties and a review of our cyber risk as well as cybersecurity threat modeling. Identified risks related to cybersecurity threats are further analyzed as part of our enterprise risk management process. Our employees are provided with regular security policy and security awareness training including identifying potential cybersecurity incidents and reporting them to our security incident response team.

Board of Directors Oversight

The Audit Committee of our Board of Directors has oversight responsibility for the policies, processes and risks relating to cybersecurity. A senior member of our internal group attends all scheduled Audit Committee meetings and provides in-depth reports to the committee on cybersecurity risks and updates on the status of projects to strengthen the Company's cybersecurity systems and improve cyber readiness. Moreover on a quarterly basis, a senior member of our internal control group reports to the Audit Committee and assists the committee with its review of relevant cybersecurity risks and evaluation and updating of our Cyber Risk Controls. Certain members of our Audit Committee have specific experience in information security and cybersecurity, and the Company has made cybersecurity training available to members of the Audit Committee.

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 2027. 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 13 to the consolidated financial statements elsewhere herein for additional information.

Intellectual Property Operations

Our Patent Licensing, Enforcement and Technologies Business, is based in Frisco, Texas, where we lease office space under a lease agreement that expires in 2024. One additional subsidiary leases office space in Austin, Texas that also expires in 2024. We believe that our Patent Licensing, Enforcement and Technologies Business's 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 13 to the consolidated financial statements elsewhere herein for additional information.

Energy Operations

Benchmark is based in Austin, Texas, and has assets of over 13,000 net acres primarily located in Roberts and Hemphill Counties in Texas, and an interest in over 125 wells, the majority of which are operated. We believe that our energy operations' facilities are adequate, suitable and of sufficient capacity to support its immediate needs.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of business, we or our various businesses and operations are the subject of, or party to, various pending or threatened legal actions, including various counterclaims in connection with 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. For information regarding certain pending litigation, see Note 13 to our consolidated financial statements.

Intellectual Property Operations

Our Intellectual Property Operations Business is often required to engage in litigation to enforce its patents and patent rights. Certain of its 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 its operating subsidiaries.

In connection with any of its patent enforcement actions, it is possible that a defendant may claim and/or a court may rule that our Intellectual Property Operations Business 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 it or its 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 it or its operating subsidiaries, could materially harm its operating results and its financial position.

Our Intellectual Property Operations Business spends a significant amount of its financial and management resources to pursue its current litigation matters. These litigation matters and others that it may in the future determine to pursue could continue for years and continue to consume significant financial and management resources. The counterparties to its litigation matters are sometimes large, well-financed companies with substantially greater resources. We cannot assure you that any of our Intellectual Property Operations Business current or future litigation matters will result in a favorable outcome for it. In addition, in part due to the appeals process and other legal processes, even if our Intellectual Property Operations Business obtains 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 our Intellectual Property Operations Business will not be exposed to claims or sanctions against it which may be costly or impossible for it to defend. Unfavorable or adverse outcomes may result in losses, exhaustion of financial resources or other adverse effects which could encumber our Intellectual Property Operations Business’s ability to effectively and efficiently monetize its assets. Refer to Note 13 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 11, 2024, there were 63 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 2024 Annual Meeting of Stockholders.

Recent Sales of Unregistered Securities

None.

Stock Repurchases

There were no stock repurchases during the quarter ended December 31, 2023.

On November 9, 2023, the Board of Directors of the Company approved a stock repurchase program authorizing the Company to purchase up to an aggregate of $20 million of the Company's common stock subject, to a cap of 5,800,000 shares of common stock. The repurchase authorization has no time limit and does 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 Securities Exchange Act of 1934, as amended. As of December 31, 2023, the remaining availability under the stock repurchase program was $20 million.

Refer to Note 14 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 above entitled "Cautionary Note Regarding Forward-Looking Statements."

General

We are focused on acquiring and managing companies across industries – including but not limited to the industrial, energy, technology, and healthcare verticals. We focus on identifying, pursuing and acquiring businesses where we are uniquely positioned to deploy our differentiated strategy, people and processes to generate and compound shareholder value. We have 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 we believe value is not fully recognized, the value of certain operations are masked by a diversified business mix, or where private ownership has not invested the capital and/or resources necessary to support long-term value. Through our public market activities, we aim to initiate strategic block positions 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 $1billion 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 economic 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.

People, Process and Performance

Our Company 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 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.

Intellectual Property Operations

The Company through its Patent Licensing, Enforcement and Technologies Business invests 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 our wholly owned subsidiary, Acacia Research Group, LLC, and its wholly-owned subsidiaries (collectively, *"*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 as of December 31, 2023, across nearly 200 patent portfolio licensing and enforcement programs. As of December 31, 2023, we have generated gross licensing revenue of approximately $1.8 billion, and have returned $865.2 million to our patent partners. During the past five calendar years ending on December 31, 2023, we generated gross licensing revenue of approximately $225.7 million and returned approximately $84.9 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 initiative to reduce costs and operate more efficiently and in its execution of strategic partnerships to generate growth.

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

Energy Operations

In November 2023, we invested $10.0 million to acquire a 50.4% equity interest in Benchmark. Headquartered in Austin, Texas, Benchmark is an independent oil and gas company engaged in the acquisition, production and development of oil and gas assets in mature resource plays in Texas and Oklahoma. Benchmark is run by an experienced management team led by Chief Executive Officer Kirk Goehring, who previously served as Chief Operating Officer of both Benchmark and Jones Energy, Inc. Benchmark's existing assets consist of over 13,000 net acres primarily located in Roberts and Hemphill Counties in Texas, and an interest in over 125 wells, the majority of which are operated. Acacia has made a control investment in Benchmark and intends to utilize its significant capital base to acquire predictable and shallow decline, cash-flowing oil and gas properties whose value can be enhanced via a disciplined, field optimization strategy, with risk managed through robust commodity hedges and low leverage. Through its investment in Benchmark, the Company, along with the Benchmark management team, will evaluate future growth and acquisitions of oil and gas assets at attractive valuations. The Company's consolidated financial statements include Benchmark's consolidated operations from November 13, 2023 through December 31, 2023. Refer to Note 3 to the consolidated financial statements elsewhere herein for additional information.

For more information, refer to the section entitled *"Energy Operations"* 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. Subsequently, and in accordance with the terms contained in the Series A Redeemable Convertible Preferred Stock, as amended, and the Recapitalization Agreement, on July 13, 2023, Starboard completed the Preferred Stock Conversion.

Further to the terms of the Recapitalization Agreement and in accordance with the terms of the Series B Warrants, on July 13, 2023, Starboard completed the Series B Warrants Exercise, the cancellation of $60.0 million aggregate principal amount of the Senior Secured Notes held by Starboard and the receipt by the Company of aggregate gross proceeds of approximately $55.0 million.

Starboard beneficially owns 61,123,595 shares of our common stock as of March 11, 2024, representing approximately 61.2% of the common stock based on 99,895,473 shares of common stock issued and outstanding as of such date and no shares of Series A Redeemable Convertible Preferred Stock, no Series B Warrants, nor any Senior Secured Notes remain outstanding.

For a detailed description of the Series B Warrants Exercise, and the cancellations of the Senior Secured notes, the Recapitalization, the Recapitalization Agreement, and the Recapitalization Transactions, see Notes 1 and 10 to the consolidated financial statements.

Change of Chief Executive Officer and Litigation Settlement

Since 2021, we have announced various changes to our Board and senior management. Changes in leadership and key management positions have inherent risks, and there are no assurances that any of our recent changes or future changes will not affect our operations and financial condition.

On September 19, 2023, the Company together with ARG amicably settled with Clifford Press, former President and Chief Executive Officer of the Company, all claims, including counterclaims filed by Mr. Press, in connection with the arbitration demand previously filed by the Company against Mr. Press. As part of the settlement, and, in exchange for, among other things, a release of claims by Mr. Press in favor of the Company and agreements by Mr. Press related to non-interference and cooperation, the Company paid to Mr. Press a total of $770,000 along with reimbursement of certain counsel fees and expenses in the amount of $480,000.

In February 2024, after over one year of service from Mr. McNulty as the Company's Interim Chief Executive Officer, the Board appointed Mr. McNulty as Chief Executive Officer of the Company on a permanent basis. In addition, the Board expanded the size of the Board from six to seven directors and the Board appointed Mr. McNulty Jr. as a director of the Company to serve until the Company's 2024 annual meeting of stockholders and until his successor is duly elected and qualified.

Life Sciences Portfolio

In June 2020 we acquired a portfolio of investments in 18 public and private life sciences companies (the "Life Sciences Portfolio"). 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. Through the end of 2023, we have received proceeds of $507.1 million as we monetized the Life Sciences portfolio. We retained an investment in the Life Sciences Portfolio consisting of public and private securities valued at $82.8 million at December 31, 2023. On January 19, 2024, we completed the sale of our 33,023,210 shares of Arix Bioscience PLC ("Arix") to RTW Biotech Opportunities Operating Ltd, a subsidiary of RTW Biotech Opportunities Ltd, for $57.1 million in aggregate (representing £1.43 per share at an exchange rate of 1.2087 USD/GBP). Following the completion of the share sale, we no longer own any shares of Arix. Additionally, 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 4 to the consolidated financial statements elsewhere herein for more information.

Acquisitions

In October 2021, we consummated our first operating company acquisition 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. Refer to Note 1 to the consolidated financial statements elsewhere herein for additional information.

In November 2023, we invested $10.0 million to acquire a 50.4% equity interest in Benchmark. Headquartered in Austin, Texas, Benchmark is an independent oil and gas company engaged in the acquisition, production and development of oil and gas assets in mature resource plays in Texas and Oklahoma.

On February16, 2024, Benchmark entered into a Purchase and Sale Agreement. Pursuant to the Purchase and Sale Agreement, Benchmark has agreed to purchase and Revolution has agreed to sell the Assets, which include approximately 140,000 net acres and approximately 470 operated producing wells in the Western Anadarko Basin throughout the Texas Panhandle and Western Oklahoma.

Under the terms and conditions of the Purchase and Sale Agreement, which has an economic effective date of March 1, 2024, the aggregate consideration to be paid to Revolution in the Revolution Transaction will consist of $145 million in cash, subject to customary post-closing adjustments. Benchmark expects the Revolution Transaction to close in the second quarter of 2024 subject to customary closing conditions, as more fully described below.

The Company's expected contribution to Benchmark to fund its portion of the Purchase Price for the Revolution Transaction is $57.5 million which the Company anticipates will be funded from cash on hand. The remainder of the Purchase Price is expected to be funded by a combination of borrowings by Benchmark under a new revolving credit agreement of approximately $72.5 million and the remaining being funded through a cash contribution of approximately $15 million from McArron Partners, the other investor in Benchmark. Following the Revolution Transaction, the Company's interest in Benchmark is expected to be approximately 73.1%.

Business Strategy

We intend to grow our Company by acquiring additional operating businesses, energy assets 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.

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, 2023, our Printronix subsidiary experienced some inflation from higher cost of raw materials than in previous years due to higher electronic and electrical and metal components. 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. Printronix have also implemented cost rationalization measures to combat the rising cost that is driven by inflation and currency pressures. Additionally, our Energy Operations Business may experience inflation. The oil and natural gas industry and the broader U.S. economy have experienced higher than expected inflationary pressures in recent years related to increases in oil and natural gas prices, continued supply chain disruptions, labor shortages and geopolitical instability, among other pressures.

Patent Licensing and Enforcement

Patent Litigation Trial Dates and Related Trials

As of the date of this Annual Report, our Patent Licensing, Enforcement and Technologies Business has one pending patent infringement case with scheduled trial dates in the next twelve months. Patent infringement trials are components of its overall patent licensing process and are one of many factors that contribute to possible future revenue generating opportunities. 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 the control of our Patent Licensing, Enforcement and Technologies Business. While scheduled trial dates provide an indication of the timing of possible future revenue generating opportunities, 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" of this Annual Report 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" of this Annual Report 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 years ended December 31, 2023 and 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 Operations Business

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.

Energy Operations Business

Headquartered in Austin, Texas, Benchmark is an independent oil and gas company engaged in the acquisition, production and development of oil and gas assets in mature resource plays in Texas and Oklahoma. Benchmark is run by an experienced management team led by Chief Executive Officer Kirk Goehring, who previously served as Chief Operating Officer of both Benchmark and Jones Energy, Inc. Benchmark's existing assets consist of over 13,000 net acres primarily located in Roberts and Hemphill Counties in Texas, and an interest in over 125 wells, the majority of which are operated. Acacia has made a control investment in Benchmark and intends to utilize its significant capital base to acquire predictable and shallow decline, cash-flowing oil and gas properties whose value can be enhanced via a disciplined, field optimization strategy, with risk managed through robust commodity hedges and low leverage. Through its investment in Benchmark, the Company, along with the Benchmark management team, will evaluate future growth and acquisitions of oil and gas assets at attractive valuations.

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 Operations Business" above for information related to Printronix's operating activities.

Energy Operations

Refer to "Energy Operations Business" above for information related to Benchmark's operating activities.

In addition to the following results of operations discussion, more information related to our Intellectual Property Operations, Industrial Operations and Energy Operations segment revenues, cost of revenues and cost of production may be found in Notes 2 and 19 to the consolidated financial statements.

Results of Operations

The results reflected in this section with respect to Benchmark for the year ended December 31, 2023 include results for the period from November 13, 2023 to December 31, 2023 following our acquisition of Benchmark.

Summary of Results of Operations

	Years Ended December 31,			
	2023	2022	$ Change	% Change
	(In thousands, except percentage change values)			
Total revenues	$ 125,102	$ 59,223	$ 65,879	111 %
Total costs and expenses	104,166	99,315	4,851	5 %
Operating income (loss)	20,936	(40,092)	61,028	(152 %)
Total other income (expense)	46,490	(87,058)	133,548	(153 %)
Income (loss) before income taxes	67,426	(127,150)	194,576	(153 %)
Income tax benefit	1,504	16,211	(14,707)	(91 %)
Net income (loss) attributable to Acacia Research Corporation	67,060	(125,065)	192,125	(154 %)

Results of Operations - year ended December 31, 2023 compared with the year ended December 31, 2022

Total revenues increased $65.9 million to $125.1 million for the year ended December 31, 2023, as compared to $59.2 million for the year ended December 31, 2022, primarily due to an increase in our Intellectual Property Operations revenues partially offset by a decrease in Industrial Operations revenues. ARG revenues increased due to one patent portfolio that generated license revenue in the fourth quarter of 2023, which contributed to Intellectual Property Operations revenues increasing by $69.6 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 in Industrial Operations revenue of $4.6 million is due to lower units of printers sold. Refer to “Industrial Operations – *Revenues*” below for further detailed discussion. In addition, post-acquisition revenues from Benchmark for the period from November 13, 2023 to December 31, 2023 contributed $848,000. Refer to “Energy Operations – *Revenues*” below for further discussion.

Income before income taxes was $67.4 million for the year ended December 31, 2023, as compared to loss of $127.2 million in the prior year. The net increase 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 decreased $187,000, from $1.2 million to $1.0 million in 2023, primarily due to license agreement activity and related revenues generated in 2023 with no inventor royalty obligations. Refer to "Intellectual Property Operations – *Cost of Revenues*" below for further discussion.

- Contingent legal fees increased $8.6 million, from $2.4 million to $11.0 million in 2023, primarily due to the change in Intellectual Property Operations revenues described above. Refer to "Intellectual Property Operations – *Cost of Revenues*" below for further discussion.

- Litigation and licensing expenses increased $6.8 million, from $4.0 million to $10.8 million in 2023, primarily due to a net increase in litigation support and third-party technical consulting expenses associated with ongoing litigation. Refer to "Intellectual Property Operations – *Cost of Revenues*" below for further discussion.

- Printronix cost of sales, engineering and development expenses, and sales and marketing expenses decreased approximately $3.0 million, from $28.6 million to $25.7 million in 2023. Refer to "Industrial Operations – *Cost of Revenues*" and "Operating Expenses" below for further discussion.

- Post-acquisition cost of production from Benchmark for the period from November 13, 2023 through December 31, 2023 added operating expenses in the amount of $656,000 in 2023. Refer to "Energy Operations – *Cost of Production"* below for further discussion.

- General and administrative expenses decreased $9.0 million, from $52.7 million to $43.7 million in 2023, primarily due to lower parent company and Intellectual Property Operations costs including, compensation expense for share-based awards, personnel costs, severance costs and our Industrial Operations general and administrative costs, offset partially by an increase in variable performance-based compensation costs and the addition of $264,000 expenses from our Energy Operations related to post-acquisition general and administrative costs from Benchmark for the period from November 13, 2023 through December 31, 2023. 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, decreased $523,000, from $3.8 million to $3.3 million in 2023, primarily due to forfeitures for terminated employees, which was partially offset by restricted stock and option grants issued to employees and the Board in 2023 and 2022.

- Unrealized gain from the change in fair value of our equity securities was $31.4 million in 2023, as compared to an unrealized loss of $263.7 million in the prior year. The unrealized gain and loss were derived from our Life Sciences Portfolio and trading securities portfolio. The prior year unrealized loss primarily relates to the reversal of unrealized gains previously recorded for shares sold during the year for realized gains. Refer to "*Equity Securities Investments*" below for further discussion.

- Realized loss from the sale of equity securities was $10.9 million in 2023, as compared to a realized gain of $125.3 million in the prior year. The realized gains and losses were similarly derived from the sales activity from our Life Sciences Portfolio and trading securities portfolio. Refer to "*Equity Securities Investments*" below for further discussion.

- Earnings on equity investment in joint venture decreased $38.4 million, from $42.5 million to $4.2 million in 2023. The current year includes the earnings on equity investment in joint venture from two milestone payments while the prior year included higher milestone payment amounts with related accrued interest and earnings on equity investment in the joint venture. Refer to "*Equity Securities Investments*" below for a detailed discussion.

- Unrealized gain from the Series B warrants and the embedded derivative fair value measurements was $8.2 million in 2023, as compared to an unrealized gain of $13.1 million from the Series A and Series B warrants and embedded derivative fair value measurements in the prior year. Refer to Notes 10 and 11 to the consolidated financial statements elsewhere herein for additional information regarding the Starboard Securities and fair value measurements.

- Gain on foreign currency exchange was $53,000 in 2023, as compared to a loss on foreign currency exchange of $3.3 million in the prior year. The gains and losses were 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 $4.5 million, from $6.4 million to $1.9 million in 2023, due to the cancellation of the remaining $60.0 million aggregate principal amount outstanding of the Senior Secured Notes on July 13, 2023, pursuant to the Series B Warrants Exercise. Refer to Note 10 to the consolidated financial statements elsewhere herein for additional information regarding the Starboard Senior Secured Notes.

- Interest income and other, net was $15.5 million in 2023, as compared to $5.4 million in the prior year, mainly due to an increase in interest income from our cash equivalents, offset partially by an increase in the write off of the remaining limited unsecured notes of Adaptix Limited. 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.

Intellectual Property Operations

Revenues

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

	Years Ended December 31,			
	2023	2022	$ Change	% Change
	(In thousands, except percentage change values and count totals)			
Paid-up license revenue agreements	$ 87,835	$ 17,788	$ 70,047	394 %
Recurring license revenue agreements	1,321	1,720	(399)	(23 %)
Total revenues	$ 89,156	$ 19,508	$ 69,648	357 %
New license agreements executed	16	17	(1)	(6 %)
Licensing and enforcement programs generating revenues	7	8	(1)	(13 %)

For the periods presented above, the majority of the revenue agreements executed during the relevant period 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 increased $70.0 million due to one patent portfolio that generated license revenue in the fourth quarter of 2023. Recurring revenue, that provides for quarterly sales-based license fees, decreased $399,000 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.

Cost of Revenues

	Years Ended December 31,			
	2023	2022	$ Change	% Change
	(In thousands, except percentage change values)			
Inventor royalties	$ 1,025	$ 1,212	$ (187)	(15 %)
Contingent legal fees	10,998	2,444	8,554	350 %
Litigation and licensing expenses	10,771	3,970	6,801	171 %
Amortization of patents	11,370	10,403	967	9 %
Total	$ 34,164	$ 18,029	$ 16,135	89 %

Refer to detailed change explanations above for the year ended December 31, 2023 and 2022 regarding cost of revenues for 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

Revenues

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

	Years Ended December 31,			
	2023	2022	$ Change	% Change
	(In thousands, except percentage change value)			
Printers and parts	$ 12,513	$ 16,118	$ (3,605)	(22 %)
Consumable products	19,091	19,314	(223)	(1 %)
Services	3,494	4,283	(789)	(18 %)
Total	$ 35,098	$ 39,715	$ (4,617)	(12 %)

For the periods presented above, the majority of the contract agreements executed in the relevant period include various combinations of tangible products (which include printers, consumables and parts) and services. Revenue from printers and parts decreased $3.6 million due to a decrease in the number of printer units sold. 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 Operations Business” above for additional information related to Printronix's operating activities.

Cost of Revenues

	Years Ended December 31,			
	2023	2022	$ Change	% Change
	(In thousands, except percentage change values)			
Cost of revenues - industrial operations	$ 18,009	$ 19,359	$ (1,350)	(7 %)

Refer to detailed change explanations above for the years ended December 31, 2023 and 2022 regarding cost of revenues for our Industrial Operations. The decrease in Printronix's cost of revenues for the year ended December 31, 2023 is due to change in revenue described above. Refer to Note 2 to the consolidated financial statements elsewhere herein for additional information regarding Printronix's cost of sales.

Energy Operations

Revenues

Benchmark's revenues from November 13, 2023 through December 31, 2023 included the following (in thousands):

Oil sales	$ 256
Natural gas sales	372
Natural gas liquids sales	220
Total	$ 848

Refer to Note 2 to the consolidated financial statements elsewhere herein for additional information regarding Benchmark's revenue arrangements and related concentrations.

Cost of Production

Benchmark's cost of production from November 13, 2023 through December 31, 2023 was $656,000. Refer to Note 2 to the consolidated financial statements elsewhere herein for additional information regarding Benchmark's cost of production.

Operating Expenses

	Years Ended December 31, 2023	Years Ended December 31, 2022	$ Change	% Change
	(In thousands, except percentage change values)			
Engineering and development expenses - industrial operations	$ 735	$ 626	$ 109	17 %
Sales and marketing expenses - industrial operations	6,908	8,621	(1,713)	(20 %)
General and administrative costs - intellectual property operations	7,402	5,428	1,974	36 %
General and administrative costs - industrial operations	8,722	9,986	(1,264)	(13 %)
General and administrative costs - energy operations	264	—	264	n/a
Parent general and administrative expenses	27,306	37,266	(9,960)	(27 %)
Total general and administrative expenses	43,694	52,680	(8,986)	(17 %)
Total	$ 51,337	$ 61,927	$ (10,590)	(17 %)

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 table includes Benchmark's general and administrative costs for the post acquisition period from November 13, 2023 through December 31, 2023. 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, 2023 vs. 2022
	(In thousands)
Personnel costs and board fees	$ (1,005)
Variable performance-based compensation costs	1,047
Other general and administrative costs	(3,772)
General and administrative costs - industrial operations	(1,264)
General and administrative costs - energy operations	264
Compensation expense for share-based awards	(523)
Non-recurring employee severance costs	(3,733)
Total change in general and administrative expenses	$ (8,986)

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 Energy Operations general and administrative expenses for the post acquisition period from November 13, 2023 through December 31, 2023.

The decrease in personnel cost and board fees and compensation expense for share-based awards was primarily due to a decrease in headcount and related costs. The increase in variable performance-based compensation costs was primarily due to fluctuations in performance-based compensation accruals. The decrease in other general and administrative costs, which relates to our parent company and Intellectual Property Operations business, were primarily due to lower legal fees. Refer to Note 2 to the consolidated financial statements elsewhere herein for the additional information regarding the limited unsecured notes. The decrease in general and administrative costs of Industrial Operations is due to Printronix's initiative to reduce costs and operate more efficiently. Non-recurring employee severance costs fluctuate based on the severance arrangements of terminated employees. In addition, our Energy Operations related general and administrative costs increased from post-acquisition expenses from Benchmark for the period from November 13, 2023 through December 31, 2023. Refer to additional general and administrative change explanations above.

Other Income/Expense

Equity Securities Investments

	Years Ended December 31,			
	2023	**2022**	**$ Change**	**% Change**
	(In thousands, except percentage change values)			
Change in fair value of equity securities	$ 31,423	$ (263,695)	$ 295,118	(112 %)
(Loss) gain on sale of equity securities	(10,930)	125,318	(136,248)	(109 %)
Earnings on equity investment in joint venture	4,167	42,531	(38,364)	(90 %)
Total net realized and unrealized gain (loss)	$ 24,660	$ (95,846)	$ 120,506	(126 %)

Our equity securities investments, including the Life Sciences Portfolio and trading securities portfolio, are recorded at fair value at each balance sheet date. During the fourth quarter of 2022, Acacia fully exited its position in Oxford Nanopore. Refer to periodic change explanations above. Refer to Notes 2 and 4 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 gain from the change in fair value of our equity securities as compared to an unrealized loss in the prior year, and included realized loss from the sale of our equity securities as compared to a realized gain in the prior year. These changes were derived from our Life Sciences Portfolio and trading securities portfolio. The current period unrealized gain primarily relates to our Life Sciences Portfolio and trading securities portfolio. The current period realized loss primarily relates to sales activity from trading securities portfolio.

During 2023, we recorded consolidated earnings on equity investment in joint venture, which is part of the Life Sciences Portfolio, of $4.2 million for two milestones earned during the period. During 2022, we recorded consolidated earnings on equity investment of $42.5 million, including two milestones and accrued interest that were due in 2022. Refer to Note 4 to the consolidated financial statements elsewhere herein for additional information.

Income Taxes

	Years Ended December 31,			
	2023	**2022**	**$ Change**	**% Change**
	(In thousands, except percentage change values)			
Income tax benefit	$ 1,504	$ 16,211	$ (14,707)	(91 %)
Effective tax rate	(2)%	(13)%	n/a	11 %

Our income tax benefit for the year ended December 31, 2023 is primarily attributable to the use of tax attributes against 2023 earnings and the release of valuation allowance on the remaining federal net operating losses. 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 2023 effective tax rate was lower than the U.S. federal statutory rate primarily due to utilization of foreign tax credits, changes in valuation allowance, as well as non-deductible items. Our 2022 effective tax rate was 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, 2023 and 2022. Refer to Notes 2 and 17 to the consolidated financial statements elsewhere herein for additional income tax information.

Liquidity and Capital Resources

General

Our foreseeable material cash requirements as of December 31, 2023, are recognized as liabilities or generally are otherwise described in Note 13, "Commitments and Contingencies," to the consolidated financial statements included elsewhere herein.

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 13 to the consolidated financial statements. Historically, we have not entered into off-balance sheet financing arrangements. At December 31, 2023, we had unrecognized tax benefits, as further described in Note 17 to the consolidated financial statements.

On July 13, 2023, in accordance with the terms of the Recapitalization Agreement, Starboard completed the Series B Warrants Exercise and pursuant to the Series B Warrants Exercise, the Company cancelled $60.0 million aggregate principal amount of Senior Secured Notes held by Starboard and received aggregate gross proceeds of approximately $55.0 million. At the closing of the Series B Warrants Exercise, the Company effectively paid to Starboard an aggregate amount of $66.0 million representing a negotiated settlement of the foregone time value of the Series B Warrants and the Series A Redeemable Convertible Preferred Stock (which amount was paid through a reduction in the exercise price of the Series B Warrants). This effectively modified the exercise price of the Series B Warrants. Upon the Series B Warrants Exercise, the Investors exercised the Series B Warrants at a reduced price and Company issued 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 Senior Secured Notes. No shares of Series A Redeemable Convertible Preferred Stock, no Series B Warrants, nor any Senior Secured Notes remain. For additional information, see Note 10, "Starboard Investment" 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.

At December 31, 2023, our primary sources of liquidity are cash and cash equivalents on hand and cash generated from our operating activities. Our cash and cash equivalents on hand includes proceeds of the completed Rights Offering and Concurrent Private Rights Offering (each as defined in Note 10 to the consolidated financial statements).

The Company’s expected contribution to Benchmark to fund its portion of the Purchase Price for the Revolution Transaction is $57.5 million, which the Company anticipates will be funded from cash on hand. The remainder of the Purchase Price is expected to be funded by a combination of borrowings by Benchmark under a new revolving credit agreement of approximately $72.5 million and the remaining being funded through a cash contribution of approximately $15 million from McArron Partners, the other investor in Benchmark.

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 and cash flows from operations will be sufficient to meet our cash requirements through at least twelve months from the date of this Annual 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 and equity securities totaled $403.2 million at December 31, 2023, compared to $349.4 million at December 31, 2022.

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,	
	2023	**2022**
	(In thousands)	
Net cash provided by (used in):		
Operating activities	$ (22,506)	$ (37,336)
Investing activities	16,178	184,464
Financing activities	58,632	(166,137)
Effect of exchange rates on cash and cash equivalents	1	(2,566)
Increase (decrease) in cash and cash equivalents	$ 52,305	$ (21,575)

Cash Flows from Operating Activities

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

	Years Ended December 31,	
	2023	2022
	(In thousands)	
Net income (loss) including noncontrolling interests in subsidiaries	$ 68,930	$ (110,939)
Adjustments to reconcile net income (loss) including noncontrolling interests in subsidiaries to net cash used in operating activities:		
Depreciation, depletion and amortization	14,728	13,514
Amortization of debt discount and issuance costs	—	90
Change in fair values Series A redeemable convertible preferred stock embedded derivatives, Series A warrants and Series B warrants	(6,716)	(15,106)
Loss on exercise of Series A warrants	—	2,004
Gain on exercise of Series B warrants	(1,525)	—
Compensation expense for share-based awards	3,297	3,820
(Gain) loss on foreign currency exchange	(53)	3,324
Change in fair value of equity securities	(31,423)	263,695
Loss (gain) on sale of equity securities	10,930	(125,318)
Unrealized gain on derivatives	(781)	—
Earnings on equity investment in joint venture	(4,167)	(42,531)
Deferred income taxes	(3,657)	(17,810)
Changes in assets and liabilities:		
Accounts receivable	(70,313)	998
Inventories	3,301	(5,291)
Prepaid expenses and other assets	(820)	(5,986)
Accounts payable and accrued expenses	(4,651)	(136)
Royalties and contingent legal fees payable	751	(1,764)
Deferred revenue	(337)	100
Net cash used in operating activities	$ (22,506)	$ (37,336)

Cash receipts from ARG's licensees totaled $12.2 million and $16.6 million for the years ended December 31, 2023 and 2022, respectively. Cash receipts from Printronix's customers totaled $37.3 million and $40.5 million for the years ended December 31, 2023 and 2022, respectively. Cash receipts from Benchmark's customers totaled $1.8 million for the post acquisition period from November 13, 2023 through December 31, 2023. 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, 2023 was $22.5 million, compared to $37.3 million in the prior year. The decrease in cash used in operations was primarily due to net outflows from the total changes in assets and liabilities (refer to *Working Capital* discussion below), increase in accounts receivable and inventory related sales, and by the total change in net income (described above) and related noncash adjustments.

Working Capital

Our working capital related to cash flows from operating activities at December 31, 2023 increased to $87.0 million, compared to $15.1 million at December 31, 2022, which was comprised of the changes in assets and liabilities presented above. The increase is primarily due to change in accounts receivable, which is related to the timing of the cash receipts related to Intellectual Property Operations Business.

Cash Flows from Investing Activities

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

	Years Ended December 31, 2023	Years Ended December 31, 2022
	(In thousands)	
Acquisition, net of cash acquired (Note 3)	$ (9,409)	$ —
Cash reinvested	9,965	—
Patent acquisition	(6,000)	(5,000)
Purchases of equity securities	(13,072)	(112,142)
Sales of equity securities	32,106	273,934
Distributions received from equity investment in joint venture	2,777	28,404
Purchases of property and equipment	(189)	(732)
Net cash provided by investing activities	$ 16,178	$ 184,464

Cash flows from investing activities for the year ended December 31, 2023 decreased to $16.2 million, as compared to cash flow of $184.5 million in the prior year, primarily due to net cash inflows from our Life Sciences Portfolio, trading securities portfolio equity securities transactions and Acacia's acquisition of Benchmark in 2023. Refer to "Other Income/Expense – *Equity Securities Investments*" and "Recent Business Developments and Trends - *Acquisitions*" above and Notes 3 and 4 to the consolidated financial statements elsewhere herein for additional information related to Acacia's acquisition of Benchmark and Life Sciences Portfolio, respectively.

Cash Flows from Financing Activities

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

	Years Ended December 31, 2023	Years Ended December 31, 2022
	(In thousands)	
Repurchase of common stock	$ —	$ (50,988)
Paydown of Revolving Credit Facility	(7,700)	—
Paydown of Senior Secured Notes	(60,000)	(120,000)
Dividend on Series A Redeemable Convertible Preferred Stock	(1,400)	(2,799)
Taxes paid related to net share settlement of share-based awards	(614)	(1,600)
Proceeds from Rights Offering	79,111	—
Proceeds from exercise of Series A warrants	—	9,250
Proceeds from exercise of Series B warrants	49,000	—
Proceeds from exercise of stock options	235	—
Net cash provided by (used in) financing activities	$ 58,632	$ (166,137)

Cash inflows from financing activities for the year ended December 31, 2023 increased to $58.6 million, as compared to cash outflow of $166.1 million in the prior year, primarily due to activity related to the Rights Offering and Concurrent Private Rights Offering. On October 30, 2022, the Company entered into a Recapitalization Agreement with Starboard and the Investors. On July 13, 2023, Starboard completed the Series B Warrants Exercise through a combination of a "Note Cancellation" and a "Limited Cash Exercise." Refer to Note 10 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;
- estimates of crude oil and natural gas reserves
- 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.

Benchmark recognizes revenue when performance obligations are satisfied at the point control of the product is transferred to the customer. Virtually all of Benchmark's contracts' pricing provisions are tied to a market index, with certain adjustments based on, among other factors, whether a well delivers to a gathering or transmission line, quality of the oil and natural gas products and prevailing supply and demand conditions. As a result, the price of the oil and natural gas fluctuate to remain competitive with other available oil and natural gas supplies. To the extent actual volumes and prices of oil and natural gas products are unavailable at the time of reporting, Benchmark will estimate the amounts. For additional information regarding Benchmark's revenues, refer to Note 2 to the consolidated financial statements. The differences between such estimates and actual amounts of oil and natural gas sales are recorded in the following month upon receipt of payment from the customer and any differences have historically been insignificant.

Estimate of Crude Oil and Natural Gas Reserves

Estimates of crude oil and natural gas reserves, as determined by independent petroleum engineers, are continually subject to revision based on price, production history and other factors. Estimated crude oil and natural gas reserves affect the carrying value of oil and gas properties, depreciation, depletion and amortizations, asset retirement obligations, and evaluation of impairment of oil and natural gas properties. Changes in the estimated reserves could have a significant impact on future results of operations.

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, 2023 and 2022.

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 primarily Printronix, which was acquired on October 7, 2021, and Benchmark, which was acquired on November 13, 2023, refer to Notes 1 and 3 to the consolidated financial statements for additional information. The Company did not record any goodwill impairment charges for the years ended December 31, 2023 and 2022.

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, 2023, the fair value of the Series B Warrants is zero. Refer to Note 10 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 was used to estimate the fair value of the embedded derivative in the Series A Redeemable Convertible Preferred Stock when it was outstanding. Refer to Note 11 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 had the most significant impact on the fair value. As of December 31, 2023, the fair value of the embedded derivative in the Series A Redeemable Convertible Preferred Stock is zero because it is no longer outstanding. Refer to Note 10 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, 2023 and 2022. These assets primarily consist of foreign tax credits and net operating loss carryforwards. Refer to Note 17 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, 2023 and 2022, the carrying value of our equity investments in public and private companies was $99.8 million and $98.4 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, 2023, 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 $599,000 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, 2023, a hypothetical 10% change in exchange rates related to our at risk foreign denominated equity securities would have approximately a $5.7 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, 2023. Based on the evaluation of our disclosure controls and procedures as of December 31, 2023, 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, 2023 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, 2023.

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, 2023 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

During the three months ended December 31, 2023, no director or officer (as defined in Rule 16a-1(f) of the Exchange Act) of Acacia Research Group adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

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 2024 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 2024 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, the information required by this Item is incorporated herein by reference to our definitive proxy statement for our 2024 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 2024 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 2024 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.

(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
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	Fifth Amended and Restated Bylaws of Acacia Research Corporation (incorporated by reference to Exhibit 3.1 to Amendment No.1 to the Company's Current Report on Form 8-K filed on August 2, 2023)
3.3	Certificate of Retirement of Series A Convertible Preferred Stock (incorporated by reference to Exhibit 3.2 to Amendment No. 1 to the Company's Current Report on Form 8-K filed on August 2, 2023)
4.1	Description of Acacia Research Corporation Capital Stock (incorporated by reference to Exhibit 4.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2019, filed on March 16, 2020)
10.1*	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.1 to the Company's 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 Exhibit 10.26 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008, filed on February 26, 2009)
10.3*	2013 Acacia Research Corporation Stock Incentive Plan (incorporated by reference to Annex A to the Company's Definitive Proxy Statement on Schedule 14A filed on April 24, 2013)
10.4*	Form of Stock Issuance Agreement under the 2013 Acacia Research Corporation Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K on May 22, 2013)
10.5*	2016 Acacia Research Corporation Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2016, filed on August 9, 2016)
10.6*	Form of Stock Option Agreement under the 2016 Acacia Research Corporation Stock Incentive Plan (incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K for the year ended December 31, 2016, filed on March 10, 2017)

10.7*	Form of Stock Issuance Agreement under the 2016 Acacia Research Corporation Stock Incentive Plan (incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the year ended December 31, 2016, filed on March 10, 2017)
10.8*	Form of Profits Interest Agreement Under AIP Operation LLC Profits Interest Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2017, filed on May 10, 2017)
10.9*	Employment Agreement, dated June 19, 2020, by and between Acacia Research Group, LLC and Marc W. Booth (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 25, 2020)
10.10*	Employment Agreement, dated June 4, 2020, by and between Acacia Research Group, LLC and Richard Rosenstein (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 4, 2020)
10.11*	Separation Agreement and General Release of Claims, effective November 28, 2022, among Acacia Research Group LLC, and Lawrence Wesley Golby (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed on March 17, 2023)
10.12*	Consulting Agreement, effective January 28, 2023, among Acacia Research Corporation and Richard Rosenstein (incorporated by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed on March 17, 2023)
10.13*	Employment Agreement, effective March 16, 2021, by and between Acacia Research Group, LLC and Jason Soncini (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 22, 2021)
10.14*	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2023, filed on August 3, 2023)
10.15*	Form of Performance-Based Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2023, filed on August 3, 2023)
10.16*	Amended and Restated Employment Agreement, effective February 13, 2024, by and between Acacia Research Corporation and Martin D. McNulty, Jr. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 14, 2024)
10.17*#	Employment Agreement, effective May 3, 2023, among Acacia Research Corporation and Robert Rasamny (filed herewith as Exhibit 10.17)
10.18	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 Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 1, 2022)
10.19	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 Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 14, 2023)
10.20	Purchase and Sale Agreement dated February 16, 2024 by and between Revolution Resources II, LLC, Revolution II NPI Holding Company, LLC, Jones Energy, LLC, Nosley Assets, LLC, Nosley Acquisition, LLC, and Nosley Midstream, LLC, as Sellers, and BE Anadarko II, LLC, as Buyer (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 20, 2024)
10.21#	Services Agreement dated December 12, 2023 by and between Starboard Value LP and Acacia Research Corporation (filed herewith as Exhibit 10.21)
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
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
97.1#	Acacia Research Corporation Compensation Recovery Policy

101#	The following financial statements from the Company's Annual Report on Form 10-K for the years ended December 31, 2023 and 2022, 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.

** This filing excludes certain schedules and exhibits pursuant to Item 601(a)(5) of Regulation S-K, which the registrant agrees to furnish supplementally to the Securities and Exchange Commission upon request; provided, however, that the registrant may request confidential treatment for any schedules or exhibits so furnished.

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.

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 14, 2024

By: /s/ Martin D. McNulty Jr.
Martin D. McNulty Jr.
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.	Chief Executive Officer and Director (Principal Executive Officer)	March 14, 2024
/s/ Kirsten Hoover Kirsten Hoover	Interim Chief Financial Officer (Principal Financial and Accounting Officer)	March 14, 2024
/s/ Gavin Molinelli Gavin Molinelli	Director	March 14, 2024
/s/ Isaac Kohlberg Isaac Kohlberg	Director	March 14, 2024
/s/ Maureen O'Connell Maureen O'Connell	Director	March 14, 2024
/s/ Geoffrey Ribar Geoffrey Ribar	Director	March 14, 2024
/s/ Ajay Sundar Ajay Sundar	Director	March 14, 2024
/s/ Katharine Wolanyk Katharine Wolanyk	Director	March 14, 2024

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Acacia Research Corporation

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Acacia Research Corporation and subsidiaries (the “Company”) as of December 31, 2023 and 2022, the related consolidated statements of operations, Series A redeemable convertible preferred stock and stockholders’ equity, and cash flows for each of the two years in the period ended December 31, 2023, 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 as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion

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

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

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

Critical audit 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 matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit 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 Note 10 and Note 11 to the consolidated financial statements, certain features of the Series A Redeemable Convertible Preferred Stock should be bifurcated and accounted for as a derivative. The Company determined that the embedded features would continue to be bifurcated from the host Series A Redeemable Convertible Preferred Stock and accounted for separately as a compound derivative until its conversion to common stock on July 13, 2023 in connection with Recapitalization agreement. 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 as a critical audit matter is 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, among other things, the credit-risk adjusted 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.

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

- 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 have served as the Company's auditor since 2022.

New York, New York
March 14, 2024

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

	December 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 340,091	$ 287,786
Equity securities	63,068	61,608
Equity securities without readily determinable fair value	5,816	5,816
Equity method investments	30,934	30,934
Accounts receivable, net	80,555	8,231
Inventories	10,921	14,222
Prepaid expenses and other current assets	23,127	19,388
Total current assets	554,512	427,985
Property, plant and equipment, net	2,356	3,537
Oil and natural gas properties, net	25,117	—
Goodwill	8,990	7,541
Other intangible assets, net	33,556	36,658
Operating lease, right-of-use assets	1,872	2,005
Deferred income tax assets, net	2,915	—
Other non-current assets	4,227	5,202
Total assets	$ 633,545	$ 482,928
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK, AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,261	$ 6,036
Accrued expenses and other current liabilities	8,405	14,058
Accrued compensation	4,207	4,737
Royalties and contingent legal fees payable	10,786	699
Deferred revenue	977	1,229
Senior secured notes payable	—	60,450
Total current liabilities	27,636	87,209
Deferred revenue, net of current portion	458	568
Series A embedded derivative liabilities	—	16,835
Series B warrant liabilities	—	84,780
Long-term lease liabilities	1,736	1,873
Deferred income tax liabilities, net	—	742
Revolving credit facility	10,525	—
Other long-term liabilities	3,581	1,675
Total liabilities	43,936	193,682
Commitments and contingencies		
Series A redeemable convertible preferred stock, par value $0.001 per share; stated value $100 per share; zero and 350,000 shares authorized, issued and outstanding as of December 31, 2023 and 2022, respectively; aggregate liquidation preference of zero and $35,000 as of December 31, 2023 and 2022, respectively	—	19,924
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; 99,895,473 and 43,484,867 shares issued and outstanding as of December 31, 2023 and 2022, respectively	100	43
Treasury stock, at cost, 16,183,703 shares as of December 31, 2023 and 2022	(98,258)	(98,258)
Additional paid-in capital	906,153	663,284
Accumulated deficit	(239,729)	(306,789)
Total Acacia Research Corporation stockholders' equity	568,266	258,280
Noncontrolling interests	21,343	11,042
Total stockholders' equity	589,609	269,322
Total liabilities, redeemable convertible preferred stock, and stockholders' equity	$ 633,545	$ 482,928

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, 2023	2022
Revenues:		
Intellectual property operations	$ 89,156	$ 19,508
Industrial operations	35,098	39,715
Energy operations	848	—
Total revenues	125,102	59,223
Costs and expenses:		
Cost of revenues - intellectual property operations	34,164	18,029
Cost of revenues - industrial operations	18,009	19,359
Cost of production - energy operations	656	—
Engineering and development expenses - industrial operations	735	626
Sales and marketing expenses - industrial operations	6,908	8,621
General and administrative expenses	43,694	52,680
Total costs and expenses	104,166	99,315
Operating income (loss)	20,936	(40,092)
Other income (expense):		
Equity securities investments:		
Change in fair value of equity securities	31,423	(263,695)
(Loss) gain on sale of equity securities	(10,930)	125,318
Earnings on equity investment in joint venture	4,167	42,531
Net realized and unrealized gain (loss)	24,660	(95,846)
Change in fair value of the Series A and B warrants and embedded derivatives	8,241	13,102
Gain (loss) on foreign currency exchange	53	(3,324)
Interest expense on Senior Secured Notes	(1,930)	(6,432)
Interest income and other, net	15,466	5,442
Total other income (expense)	46,490	(87,058)
Income (loss) before income taxes	67,426	(127,150)
Income tax benefit	1,504	16,211
Net income (loss) including noncontrolling interests in subsidiaries	68,930	(110,939)
Net income attributable to noncontrolling interests in subsidiaries	(1,870)	(14,126)
Net income (loss) attributable to Acacia Research Corporation	$ 67,060	$ (125,065)
Income (loss) per share:		
Net income (loss) attributable to common stockholders - Basic	$ 55,140	$ (133,035)
Weighted average number of shares outstanding - Basic	75,296,025	42,460,504
Basic net income (loss) per common share	$ 0.73	$ (3.13)
Net income (loss) attributable to common stockholders - Diluted	$ 53,208	$ (133,035)
Weighted average number of shares outstanding - Diluted	92,411,818	42,460,504
Diluted net income (loss) per common share	$ 0.58	$ (3.13)

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, 2023								
	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, 2022	**350,000**	**$ 19,924**	**43,484,867**	**$ 43**	**$ (98,258)**	**$ 663,284**	**$ (306,789)**	**$ 11,042**	**$ 269,322**
Net income including noncontrolling interests in subsidiaries	—	—	—	—	—	—	67,060	1,870	68,930
Distributions to noncontrolling interests in subsidiaries	—	—	—	—	—	—	—	(1,390)	(1,390)
Accretion of Series A Redeemable Convertible Preferred Stock to redemption value	—	3,230	—	—	—	(3,230)	—	—	(3,230)
Dividend on Series A Redeemable Convertible Preferred Stock	—	—	—	—	—	(1,400)	—	—	(1,400)
Conversion of Series A Redeemable Convertible Preferred Stock to common stock	(350,000)	(23,154)	9,616,746	10	—	36,023	—	—	36,033
Exercise of Series B warrants	—	—	31,506,849	32	—	129,462	—	—	129,494
Stock options exercised	—	—	67,500	—	—	235	—	—	235
Issuance of common stock from the Rights Offering	—	—	15,068,753	15	—	79,096	—	—	79,111
Issuance of common stock for vesting of restricted stock units	—	—	327,684	—	—	—	—	—	—
Issuance of common stock for unvested restricted stock awards, net of forfeitures	—	—	(34,167)	—	—	—	—	—	—
Shares withheld related to net share settlement of share-based awards	—	—	(142,759)	—	—	(614)	—	—	(614)
Compensation expense for share-based awards	—	—	—	—	—	3,297	—	—	3,297
Acquisition of Benchmark	—	—	—	—	—	—	$ —	$ 9,821	$ 9,821
Balance at December 31, 2023	**—**	**$ —**	**99,895,473**	**$ 100**	**$ (98,258)**	**$ 906,153**	**$ (239,729)**	**$ 21,343**	**$ 589,609**

	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**

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,	
	2023	2022
Cash flows from operating activities:		
Net income (loss) including noncontrolling interests in subsidiaries	$ 68,930	$ (110,939)
Adjustments to reconcile net income (loss) including noncontrolling interests in subsidiaries to net cash used in operating activities:		
Depreciation, depletion and amortization	14,728	13,514
Amortization of debt discount and issuance costs	—	90
Change in fair value of Series A redeemable convertible preferred stock embedded derivatives	(3,954)	(1,613)
Change in fair value of Series A warrants	—	(1,895)
Change in fair value of Series B warrants	(2,762)	(11,598)
Loss on exercise of Series A warrants	—	2,004
Gain on exercise of Series B warrants	(1,525)	—
Compensation expense for share-based awards	3,297	3,820
(Gain) loss on foreign currency exchange	(53)	3,324
Change in fair value of equity securities	(31,423)	263,695
Loss (gain) on sale of equity securities	10,930	(125,318)
Earnings on equity investment in joint venture	(4,167)	(42,531)
Unrealized gain on derivatives	(781)	—
Deferred income taxes	(3,657)	(17,810)
Changes in assets and liabilities:		
Accounts receivable	(70,313)	998
Inventories	3,301	(5,291)
Prepaid expenses and other assets	(820)	(5,986)
Accounts payable and accrued expenses	(4,651)	(136)
Royalties and contingent legal fees payable	751	(1,764)
Deferred revenue	(337)	100
Net cash used in operating activities	(22,506)	(37,336)
Cash flows from investing activities:		
Acquisition, net of cash acquired (Note 3)	(9,409)	—
Cash reinvested	9,965	—
Patent acquisition	(6,000)	(5,000)
Purchases of equity securities	(13,072)	(112,142)
Sales of equity securities	32,106	273,934
Distributions received from equity investment in joint venture	2,777	28,404
Purchases of property and equipment	(189)	(732)
Net cash provided by investing activities	16,178	184,464
Cash flows from financing activities:		
Repurchase of common stock	—	(50,988)
Paydown of Revolving Credit Facility	(7,700)	—
Paydown of Senior Secured Notes	(60,000)	(120,000)
Dividend on Series A Redeemable Convertible Preferred Stock	(1,400)	(2,799)
Taxes paid related to net share settlement of share-based awards	(614)	(1,600)
Proceeds from Rights Offering	79,111	—
Proceeds from exercise of Series A warrants	—	9,250
Proceeds from exercise of Series B warrants	49,000	—
Proceeds from exercise of stock options	235	—
Net cash provided by (used in) financing activities	58,632	(166,137)
Effect of exchange rates on cash and cash equivalents	1	(2,566)
Increase (decrease) in cash and cash equivalents	52,305	(21,575)
Cash and cash equivalents, beginning	287,786	309,361
Cash and cash equivalents, ending	$ 340,091	$ 287,786
Supplemental schedule of cash flow information:		
Interest paid	$ 2,513	$ 7,229
Income taxes paid	831	384
Noncash investing and financing activities:		
Accrued patent costs	4,000	9,000
Distribution to noncontrolling interests in subsidiaries	1,390	14,126

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 focused on acquiring and managing companies across industries including but not limited to the industrial, energy, technology, and healthcare verticals. We focus on identifying, pursuing and acquiring businesses where we are uniquely positioned to deploy our differentiated strategy, people and processes to generate and compound shareholder value. We have 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 we believe value is not fully recognized, the value of certain operations are masked by a diversified business mix, or where private ownership has not invested the capital and/or resources necessary to support long-term value. Through our public market activities, we aim to initiate strategic block positions 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.

Relationship with Starboard Value, LP

Our strategic relationship with Starboard Value, LP (together with certain funds and accounts affiliated with, or managed by, Starboard Value LP, "Starboard"), the Company's controlling shareholder, 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 10 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. Subsequently, and in accordance with the terms contained in the Second Amended and Restated Certificate of Designations and the Recapitalization Agreement, on July 13, 2023, Starboard converted an aggregate amount of 350,000 shares of Series A Convertible Preferred Stock of the Company, par value $0.001 per share (the "Series A Redeemable Convertible Preferred Stock") into 9,616,746 shares of common stock, which included 27,704 shares of common stock issued in respect of accrued and unpaid dividends (the "Preferred Stock Conversion"). Further to the terms of the Recapitalization Agreement and in accordance with the terms of the Company's Series B Warrants (the "Series B Warrants"), on July 13, 2023, Starboard also exercised 31,506,849 of the Series B Warrants through a combination of a "Note Cancellation" and a "Limited Cash Exercise" (each as defined in the Series B Warrants), resulting in the receipt by Starboard of 31,506,849 shares of common stock (the "Series B Warrants Exercise" and, together with the Preferred Stock Conversion, the "Recapitalization Transactions"), the cancellation of $60.0 million aggregate principal amount of the Company's senior secured notes held by Starboard (as described further in Note 10, the "Senior Secured Notes") and the receipt by the Company of aggregate gross proceeds of approximately $55.0 million. As a result of the Recapitalization Transactions, Starboard beneficially owned 61,123,595 shares of common stock as of July 13, 2023, representing approximately 61.2% of the common stock based on 99,886,322 shares of common stock issued and outstanding as of such date. No shares of Series A Redeemable Convertible Preferred Stock, no Series B Warrants, nor any

Senior Secured Notes remain outstanding. Refer to Note 10 for a detailed description of the Recapitalization and the Recapitalization Transactions.

Intellectual Property Operations – Patent Licensing, Enforcement and Technologies Business

The Company through its Patent Licensing, Enforcement and Technologies Business 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 our wholly owned subsidiary, Acacia Research Group, LLC, and its wholly-owned subsidiaries (collectively, "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. 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 years ended December 31, 2023 and 2022, ARG did not obtain control of any new patent portfolios.

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 initiative to reduce costs and operate more efficiently and 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.

Energy Operations Acquisition

In November 13, 2023, we invested $10.0 million to acquire a 50.4% equity interest in Benchmark Energy II, LLC ("Benchmark"). Headquartered in Austin, TX, Benchmark is an independent oil and gas company engaged in the acquisition, production and development of oil and gas assets in mature resource plays in Texas and Oklahoma. Benchmark is run by an experienced management team led by Chief Executive Officer Kirk Goehring, who previously served as Chief Operating Officer of both Benchmark and Jones Energy, Inc. Benchmark's existing assets consist of over 13,000 net acres primarily located in Roberts and Hemphill Counties in Texas, and an interest in over 125 wells, the majority of which are operated. Benchmark seeks to acquire predictable and shallow decline, cash-flowing oil and gas properties whose value can be enhanced via a disciplined, field optimization strategy, with risk managed through robust commodity hedges and low leverage. Through its investment in Benchmark, the Company, along with the Benchmark management team, will evaluate future growth and acquisitions of oil and gas assets at attractive valuations. The Company's consolidated financial statements include Benchmark's consolidated operations from November 13, 2023 through December 31, 2023. Refer to Note 3 for additional information related to the Benchmark acquisition.

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").

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 4, 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.

In November 2023, we invested $10.0 million to acquire a 50.4% equity interest in Benchmark. Benchmark is included in the Company's consolidated financial statements because Benchmark is a variable interest entity ("VIE"). We determined that we have the power to direct the activities that most significantly impact Benchmark's economic performance and we (i) are obligated to absorb the losses that could be significant to Benchmark or (ii) hold the right to receive benefits from Benchmark that could potentially be significant to it.

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 19 for additional information regarding our three reportable business segments: Intellectual Property Operations, Industrial Operations and Energy 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, allowance for credit losses and product warranty liabilities, the valuation of Series A redeemable convertible preferred stock, embedded derivatives, and Series B warrants, estimated crude oil and natural gas reserves, fair value of assets and liabilities acquired in a business combination, 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,	
	2023	2022
	(In thousands)	
Paid-up license revenue agreements	$ 87,835	$ 17,788
Recurring License Revenue Agreements	1,321	1,720
Total	$ 89,156	$ 19,508

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. As a practical expedient, incremental costs of obtaining a contract are expensed as incurred when the expected amortization period is one year or less. Service revenue commissions are tied to the revenue recognized during the current year of the related sale. All taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue producing transaction and collected from a customer (e.g., sales, use, value added, and some excise taxes) are excluded from revenue.

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:

	Years Ended December 31,	
	2023	2022
	(In thousands)	
Printers, consumables and parts	$ 31,604	$ 35,432
Services	3,494	4,283
Total	$ 35,098	$ 39,715

Refer to Note 19 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 $1.4 million and $1.7 million in revenue that was previously included in the beginning balance of deferred revenue during the years ended December 31, 2023 and 2022, 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 included in deferred revenue was $567,000 and $681,000 as of December 31, 2023 and 2022, respectively. Printronix adopted the practical expedient not to disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less. On average, remaining performance obligations as of December 31, 2023 are expected to be recognized over a period of approximately two years.

Energy Operations

Benchmark recognizes revenues from sales of oil and natural gas products upon transfer of control of the product to the customer. Benchmark's contracts' pricing provisions are tied to a market index, with certain adjustments based on, among other factors, whether a well delivers to a gathering or transmission line, quality of the oil and natural gas products and prevailing supply and demand conditions. As a result, the price of the oil and natural gas fluctuate to remain competitive with other available oil and natural gas supplies. To the extent actual volumes and prices of oil and natural gas products are unavailable at the time of reporting, Benchmark will estimate the amounts. Benchmark records the differences between such estimates and actual amounts of oil and natural gas sales in the following month upon receipt of payment from the customer and any differences have historically been insignificant.

Benchmark sells oil production to customers at the wellhead or other contractually agreed upon delivery locations. Revenue is recognized when control transfers to the customer upon delivery to the contractually agreed upon delivery point, at which the customer takes custody, title, and risk of loss of the product. Revenue is recorded based on contract pricing terms which reflect prevailing market prices, net of pricing differentials. Oil revenue is recognized during the month in which control transfers to the customer, and it is probable Benchmark will collect the consideration it is entitled to receive.

Benchmark's natural gas and natural gas liquids are sold to midstream customers at the lease location, inlet of the midstream entity's gathering system, the tailgate of a natural gas processing plant, or other contractual delivery point. The midstream entity gathers, processes, and remits proceeds to Benchmark for the resulting sale of natural gas and natural gas liquids, and generally includes a reduction for contractual fees and for percent of proceeds. For the contracts where Benchmark maintains control through the outlet of the midstream processing facility, Benchmark recognizes revenue on a gross basis, with gathering, transportation, and processing fees presented as an expense on the consolidated statements of operations. Alternatively, where Benchmark relinquishes control at the inlet of the midstream processing facility, Benchmark recognizes natural gas and natural gas liquids revenues are based on the net amount of the proceeds received from the midstream processing entity as customer.

Benchmark's proportionate share of production from non-operated properties is generally marketed at the discretion of the operators with Benchmark receiving a net payment from the operator representing Benchmark's proportionate share of sales proceeds, which is net of costs incurred by the operator, if any. Such non-operated revenues are recognized at the net amount of proceeds to be received by Benchmark during the month in which production occurs, and it is probable Benchmark will collect the consideration it is entitled to receive. Proceeds are generally received by Benchmark within two to three months after the month in which production occurs.

Benchmark's revenue from November 13, 2023 through December 31, 2023 were comprised of the following (in thousands):

Oil sales	$	256
Natural gas sales		372
Natural gas liquids sales		220
Total	$	848

Cost of Revenues and Cost of Production

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,			
	2023		**2022**	
	(In thousands)			
Inventor royalties	$	1,025	$	1,212
Contingent legal fees		10,998		2,444
Litigation and licensing expenses		10,771		3,970
Amortization of patents		11,370		10,403
Total	$	34,164	$	18,029

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 revenues 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:

	Years Ended December 31,	
	2023	**2022**
	(In thousands)	
Beginning balance	$ 131	$ 222
Estimated future warranty expense	65	25
Warranty claims settled	(100)	(116)
Ending balance	$ 96	$ 131

Energy Operations

Cost of production includes production costs, including lease operating expenses, production taxes, gathering transportation, and marketing costs, are expensed as incurred.

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 and other high quality money market instruments with certain financial institutions and majority of the bank accounts exceed federally insured limits. The Company has not experienced any significant losses on its deposits of cash and cash equivalents.

Intellectual Property Operations

Two licensees individually accounted for 59% and 26% of revenues recognized during the year ended December 31, 2023. Three licensees accounted for more than 10% of total recognized revenue, ranging from 15% to 27%, during the year ended December 31, 2022.

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, 2023 and

2022, 10% and 3%, respectively, of revenues were attributable to licensees domiciled in foreign jurisdictions. Refer to Note 19 for additional information regarding revenue from customers by geographic region.

Two licensees individually represented approximately 72% and 26% of accounts receivable at December 31, 2023. Two licensees individually represented approximately 57% and 43% of accounts receivable at December 31, 2022.

Industrial Operations

No single Printronix customer accounted for more than 10% of revenue for the years ended December 31, 2023 and 2022. Printronix has significant foreign operations, refer to Note 19 for additional information regarding net sales to customers by geographic region.

Two Printronix customers individually accounted for 19% and 10% of accounts receivable as of December 31, 2023, and two customers individually accounted for 15% and 11% of accounts receivable as of December 31, 2022. 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.

One Printronix vendor individually accounted for 12% of purchases for the year ended December 31, 2023 and no single Printronix vendor accounted for 10% or more of purchases for the year ended December 31, 2022. Accounts payable to six vendors represented 12% to 24% of accounts payable as of December 31, 2023, and two vendors represented 21% and 13% of accounts payable as of December 31, 2022.

Energy Operations

Five Benchmark customers accounted for more than 10% of total revenues recognized, ranging from 11% to 29%, during the period from November 13, 2023 through December 31, 2023. Two Benchmark customers individually accounted for 27% and 20% of accounts receivable as of December 31, 2023. Benchmark does not have any foreign operations, refer to Note 19 for additional information regarding revenue from customers by geographic region.

Benchmark's financial condition, results of operations, and capital resources are highly dependent upon the prevailing market prices of, and supply and demand for, crude oil and natural gas. These commodity prices are subject to wide fluctuations and market uncertainties due to a variety of factors that are beyond Benchmark's control. These factors include the level of global and regional supply and demand for the petroleum products, the establishment of and compliance with production quotas by oil exporting countries, weather conditions, the price and availability of alternative fuels, and overall economic conditions, both foreign and domestic. Benchmark cannot predict future oil and natural gas prices with any degree of certainty.

Sustained weakness in oil and natural gas prices may adversely affect the financial condition and results of operations and may also reduce the amount of net oil and natural gas reserves Benchmark can produce economically. Similarly, any improvement in oil and natural gas prices can have a favorable impact on the Benchmark's financial condition, results of operations, and capital resources.

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 4 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, 2023 and 2022. Refer to Note 4 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 4 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 4 for additional information.

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 Credit Losses

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 credit losses 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 credit losses established as of December 31, 2023 and 2022.

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 credit losses 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, 2023 and 2022, Printronix's combined allowance for credit losses and allowance for sales returns was $56,000 and $22,000, respectively.

Energy Operations

Benchmark's oil and gas accounts receivable consist of crude oil, natural gas and natural gas liquids sales proceeds receivable from purchasers. Accounts receivable – joint interest owners consist of amounts due from joint interest partners for operating costs. Benchmark's accounts receivable are recorded at the invoiced amount and do not bear interest. An allowance for credit losses may be established to reflect management'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 by evaluating individual customer receivables based on known troubled accounts, historical experience, and other currently available evidence. There was no allowance for credit losses established as of December 31, 2023.

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 5 for additional information related to Printronix's inventories.

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 the Company. The interest rate on the notes is 8.0% per year. During the years ended December 31, 2023 and 2022, we recorded $146,000 and $291,000, respectively, in interest income related to the notes. During September 2023, the Company assessed the collectability of the limited unsecured notes based on the Adaptix's capability of repaying the limited unsecured notes according to its terms. As such, of the $3.8 million limited unsecured notes and $515,000 in interest receivable, the Company collected $2 million and wrote off the remaining limited unsecured notes totaling $2.3 million which is reflected in interest income and other, net on the consolidated statements of operations. As of December 31, 2023 and 2022, the receivable including interest was zero and $3.9 million, respectively, and was included in other non-current assets in the consolidated balance sheets.

Derivative Financial Instruments

Benchmark records open derivative instruments at fair value as either commodity derivative assets or liabilities. Benchmark has not designated any derivative instruments as cash-flow hedges, but uses these instruments to reduce exposure to fluctuations in commodity prices related to production. Unrealized gains and losses, at fair value, are included in the consolidated balance sheets as prepaid expenses and other current assets or other non-current assets or liabilities based on the anticipated timing of cash settlements under the related contracts. Realized and unrealized changes in the fair value of our commodity derivative contracts are included in other income or (expense) in the consolidated statements of operations for the period as they occur. Refer to Note 11 for additional information.

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 6 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)

Oil and Natural Gas Properties

Benchmark follows the successful efforts method of accounting for oil and natural gas producing activities. Costs to acquire oil and gas product leaseholds, to drill and equip exploratory wells that find proved reserves, to drill and equip development wells and related asset retirement costs are capitalized. Costs to drill exploratory wells are capitalized pending determination of whether the wells have found proved reserves. If Benchmark determines that the wells do not find proved reserves, the costs are charged to expense. At December 31, 2023, Benchmark had no capitalized exploratory costs that were pending determination of economic reserves. Geological and geophysical costs, including seismic studies and costs of carrying and retaining unproved properties, are charged to expense as incurred. On the sale or retirement of a complete unit of a proved property, the cost and related accumulated depletion and depreciation are eliminated from the property accounts, and the resulting gain or loss is recognized. On the sale of a partial unit of proved property, the amount received is treated as a reduction of the cost of the interest retained. Capitalized costs of proved oil and natural gas properties are depleted based on the unit-of-production method over total estimated proved reserves, and capitalized costs of wells and related equipment and facilities are depreciated based on the unit-of-production method over the estimated proved developed reserves.

Capitalized costs related to proved oil, natural gas properties, including wells and related equipment and facilities, are evaluated for impairment based on an analysis of undiscounted future net cash flows. If undiscounted cash flows are insufficient to recover the net capitalized costs related to proved properties, then an impairment charge is recognized in income from operations equal to the difference between the net capitalized costs related to proved properties and their estimated fair values based on the present value of the related future net cash flows. Refer to Note 7 for additional information.

Goodwill

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 8 for additional information.

Leases

The Company determines if an arrangement is or contains a lease at inception by assessing whether the arrangement contains an identified asset and whether it has the right to control the identified asset. Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the lease term. ROU assets are based on the measurement of the lease liability and also include any lease payments made prior to or on lease commencement and exclude lease incentives and initial direct costs incurred, as applicable. The Company’s leases primarily consist of facility leases which are classified as operating leases. Lease expense is recognized on a straight-line basis over the lease term.

As the implicit rate in the Company's leases is generally unknown, the Company uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of future lease payments. The Company gives consideration to its credit risk, term of the lease, total lease payments and adjusts for the impacts of collateral, as necessary, when calculating its incremental borrowing rates. The Company evaluates renewal options at lease inception and on an ongoing basis, and includes renewal options that it is reasonably certain to exercise in its expected lease terms when classifying leases and measuring lease liabilities. Refer to Note 13 for additional information.

Impairment of Long-lived Assets

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 two to five years. Refer to Note 8 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 8 for additional information.

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 8 for additional information.

Series B Warrants

The fair value of the Series B Warrants was estimated using a Black-Scholes option-pricing model. Refer to Notes 10 and 11 for additional information related to 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 10 and 11 for additional information related to the embedded derivatives and their fair value measurements.

Revolving Credit Facility

On September 16, 2022, Benchmark entered into a credit agreement (the "Credit Agreement") for a revolving credit facility (the "Revolver") and a term loan with a bank. The Revolver has an initial borrowing base of $25,000,000 and $75,000,000 maximum borrowing capacity. The Revolver matures on September 16, 2025. The availability under the Credit Agreement is subject to the borrowing base, which is redetermined on April 1 and October 1 of each year. On April 11, 2023, the borrowing base was reduced to $20,075,000 and a letter of credit was issued for $2,500,000. Benchmark pledged substantially all of its oil and gas properties and other assets as collateral to secure amounts outstanding under the credit agreement. The term loan had funding of $3,500,000, which was paid in full between January 1 and April 28, 2023. Benchmark's outstanding balance on the term loan was zero as of December 31, 2023.

The Revolver contains customary financial and non-financial covenants, the most restrictive of which are (i) current assets to current liabilities of not less than 1.0 to 1.0 and (ii) total debt to EBITDAX (as defined in the Credit Agreement) of not greater than 3.5 to 1.0 for the rolling periods as defined in the Credit Agreement. As of December 31, 2023, Benchmark was in compliance with these financial covenants.

In general, the borrowings under the credit facility bear interest at either the Alternate Base Rate ("ABR") or Secured Overnight Financing Rate ("SOFR"). Either rate is adjusted upward by an applicable margin based on Benchmark's percentage of utilization of the credit facility. As of December 31, 2023, interest rate associated with the outstanding borrowings was 9.0% for the Revolver and 11.0% for the term loan. The credit facility provides for a commitment fee of 0.5 percent on the unused borrowings. As of December 31, 2023 the outstanding balance on the Revolver was $10.5 million.

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 13 for additional information.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivables, current liabilities and revolving credit facility and term loan approximates their fair values due to their short-term maturities or the fact that the interest rate of the revolving credit facility is based upon current market rates. Refer to Note 11 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 11 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 14 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 $636,000 and $315,000 during the years ended December 31, 2023 and 2022, 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. Compensation cost for an award with a performance condition shall be based on the probable outcome of that performance condition. Compensation cost shall be accrued if it is probable that the performance condition will be achieved and shall not be accrued if it is not probable that the performance condition will be achieved. The fair value of restricted stock awards ("RSAs"), restricted stock units ("RSUs") and performance based stock awards ("PSUs") 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 15 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 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 17 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 and Series B Warrants. Refer to Note 18 for additional information.

Recent Accounting Pronouncements

Recently 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 Company adopted the update on January 1, 2023. The adoption of the update did not have a material impact on the Company's financial position, results of operations or financial statement disclosures.

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 Company adopted the update on January 1, 2023. The adoption of the update did not have a material impact on the Company's financial position, results of operations or financial statement disclosures.

Not Yet Adopted

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.

3. ACQUISITION

In November 2023, we invested $10.0 million to acquire a 50.4% equity interest in Benchmark. Headquartered in Austin, Texas, Benchmark is an independent oil and gas company engaged in the acquisition, production and development of oil and gas assets in mature resource plays in Texas and Oklahoma. Acacia has made a control investment in Benchmark and intends to utilize its significant capital base to acquire predictable and shallow decline, cash-flowing oil and gas properties whose value can be enhanced via a disciplined, field optimization strategy, with risk managed through robust commodity hedges and low leverage. Through its investment in Benchmark, the Company, along with the Benchmark management team, will evaluate future growth and acquisitions of oil and gas assets at attractive valuations.

The following unaudited pro forma summary presents consolidated information, as if the business combination had occurred on January 1, 2022:

	Years Ended December 31,	
	2023	2022
	(Unaudited, in thousands)	
Pro forma:		
Revenues	$ 131,712	$ 64,195
Net income (loss) attributable to Acacia Research Corporation	66,755	(123,316)

We had material, nonrecurring pro forma adjustments directly attributable to the business combination included in the above pro forma revenues and net income. These adjustments included a decrease of $4.8 million in oil and natural gas properties related to the finalization of the valuations. In 2023, we incurred $1.7 million of acquisition-related costs. These expenses are included in general and administrative expenses for the year ended December 31, 2023.

The following table summarizes the consideration transferred to acquire Benchmark and the recognized amounts of identifiable assets acquired and liabilities assumed at the acquisition date (in thousands):

Fair value of consideration transferred:	
Cash	$ 10,000
Total consideration	$ 10,000
Identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	$ 10,556
Trade receivables	1,385
Prepaid expenses and other current assets	1,644
Oil and natural gas properties, net	25,276
Other assets	361
Trade and other payables	(2,349)
Revolving credit facility	(18,225)
Other long-term liabilities	(276)
Noncontrolling interest	(9,821)
Total identifiable net assets	$ 8,551
Goodwill	$ 1,449

Intangible Assets and Liabilities

As of December 31, 2023, management has preliminary assessed the valuations of all acquired assets and liabilities assumed in the acquisition. The fair value of the noncontrolling interest is based on contractual terms of the purchase agreement. Goodwill of $1.4 million represents the excess of the consideration transferred over the estimated fair values of assets acquired and liabilities assumed. None of the goodwill resulting from the acquisition is deductible for tax purposes. All of the goodwill acquired is allocated to the Benchmark reporting unit. Refer to Note 8 for additional information.

4. 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, 2023:				
Equity securities - Life Sciences Portfolio	$ 28,498	$ 28,600	$ (20)	$ 57,078
Equity securities - other common stock	4,925	1,080	(15)	5,990
Total	$ 33,423	$ 29,680	$ (35)	$ 63,068
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

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, 2023 and 2022, the total fair value of the remaining Life Sciences Portfolio investment was $82.8 million and $68.4 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. As of December 31, 2023 and 2022, the Company's investment in Arix was approximately 26% of Arix. In addition, two members of the Company's Board of Directors (the “Board”) had seats on the board of Arix, which is currently made up of six board members. Although the Company was 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, 2023, this investment did not meet the significance thresholds for additional summarized income statement disclosures, as defined by the SEC. As of December 31, 2023, the aggregate carrying amount of our Arix investment was $57.1 million, and is included in equity securities in the consolidated balance sheet.

On November 1, 2023, the Company, through a wholly owned subsidiary, entered into an agreement (the “Arix Shares Purchase Agreement”) with RTW Biotech Opportunities Ltd. (“RTW Bio”) to sell its shares of Arix to RTW Bio for a purchase price of $57.1 million in aggregate (representing £1.43 per share at an exchange rate of 1.2087 USD/GBP), conditioned solely upon RTW Bio receiving the necessary approval from the United Kingdom’s Financial Conduct Authority to acquire indirect control (as defined for the purposes of the UK change in control regime under the Financial Services and Markets Act 2000) in of Arix Capital Management Limited. The Company determined that the Arix Shares Purchase Agreement met the characteristics of a forward contract and the fair market value was adjusted by $4.0 million to reflect the purchase agreement of $57.1 million. The $4 million was recorded as other income or (expense) in "Change in fair value of equity securities" for the year ended December 31, 2023. On January 19, 2024, the Company completed such sale for $57.1 million. Following the completion of the share sale, the Company no longer owns any shares of Arix.

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,	
	2023	2022
	(In thousands)	
Change in fair value of equity securities of public companies	$ 14,383	$ (247,126)
Gain on sale of equity securities of public companies	—	111,717
Net realized and unrealized gain (loss)	$ 14,383	$ (135,409)

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, 2023 and 2022, 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, 2023 and 2022, our consolidated earnings on equity investment was $4.2 million and $42.5 million, respectively, included in the consolidated statements of operations. During the year ended December 31, 2023, MalinJ1 made distributions of $2.8 million to Acacia and $1.4 million to noncontrolling interests. During the year ended December 31, 2022, MalinJ1 made distributions of $28.4 million to Acacia and $14.1 million to noncontrolling interests.

5. INVENTORIES

Printronix's inventories consisted of the following:

	December 31,	
	2023	2022
	(In thousands)	
Raw materials	$ 3,961	$ 4,335
Subassemblies and work in process	1,882	3,045
Finished goods	5,578	7,340
	11,421	14,720
Inventory reserves	(500)	(498)
Total inventories	$ 10,921	$ 14,222

6. PROPERTY, PLANT AND EQUIPMENT, NET

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

	December 31,	
	2023	2022
	(In thousands)	
Machinery and equipment	$ 3,035	$ 3,057
Furniture and fixtures	395	585
Computer hardware and software	312	660
Leasehold improvements	1,018	1,025
	4,760	5,327
Accumulated depreciation and amortization	(2,404)	(1,790)
Property, plant and equipment, net	$ 2,356	$ 3,537

Total depreciation and amortization expense in the consolidated statements of operations was $1.4 million for the years ended December 31, 2023 and 2022. Our Intellectual Property Operations and parent company include depreciation and amortization in general and administrative expenses. For the years ended December 31, 2023 and 2022, our Industrial Operations allocated depreciation and amortization totaling $1.3 million to all applicable operating expense categories, including cost of sales of $421,000 and $474,000, respectively.

7. OIL AND NATURAL GAS PROPERTIES, NET

Oil and natural gas properties consisted of the following at December 31, 2023:

	December 31, 2023
	(In thousands)
Total proved properties costs	$ 25,276
Accumulated depletion and depreciation	(159)
Oil and natural gas properties, net	$ 25,117

Total depletion and depreciation expense in the consolidated statements of operations was $245,000 for the period from November 13, 2023 through December 31, 2023 and includes depletion and depreciation in cost of production. Benchmark determined no impairment to proved oil and natural gas properties was necessary as of December 31, 2023.

8. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Changes in the carrying amount of Printronix's goodwill consisted of the following:

	Years Ended December 31,	
	2023	2022
	(In thousands)	
Beginning balance	$ 7,541	$ 7,470
Acquisition of business	—	—
Tax adjustment	—	71
Impairment losses	—	—
Ending balance	$ 7,541	$ 7,541

Changes in the carrying amount of Benchmark's goodwill consisted of the following:

	Years Ended December 31, 2023
	(In thousands)
Beginning balance	$ —
Acquisition of business	1,449
Impairment losses	—
Ending balance	$ 1,449

The ending balance of goodwill includes no accumulated impairment losses to date. Refer to Note 3 for additional information related to the Benchmark acquisition.

Other intangible assets, net consisted of the following:

	December 31, 2023			
	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Book Value
			(In thousands)	
Patents:				
Intellectual property operations	6 years	$ 341,403	$ (316,114)	$ 25,289
Industrial operations	7 years	3,400	(1,083)	2,317
Total patents		344,803	(317,197)	27,606
Customer relationships - industrial operations	7 years	5,300	(1,689)	3,611
Trade name and trademarks - industrial operations	7 years	3,430	(1,091)	2,339
Total		$ 353,533	$ (319,977)	$ 33,556

	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

Total other intangible asset amortization expense in the consolidated statements of operations was $13.1 million and $12.1 million for the years ended December 31, 2023 and 2022, respectively. The Company did not record charges related to impairment of other intangible assets for the years ended December 31, 2023 and 2022. There was no accelerated amortization of other intangible assets for the years ended December 31, 2023 and 2022. 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,		
2024		14,830
2025		12,485
2026		3,173
2027		1,733
2028		1,335
Thereafter		—
Total	$	33,556

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 paid in 2023. The patent costs are included in prepaid expenses and other current assets in the consolidated balance sheet as of December 31, 2023. During the year ended December 31, 2023, ARG accrued certain patent and patent rights acquisition costs, of which $4.0 million is due January 31, 2024. As of December 31, 2023 and 2022, $4.0 million and $9.0 million was accrued, respectively, and included in accrued expenses and other current liabilities (see Note 9).

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following:

	December 31,			
	2023		2022	
	(In thousands)			
Accrued consulting and other professional fees	$	1,595	$	1,173
Income taxes payable		619		474
Product warranty liability, current		30		36
Service contract costs, current		169		280
Short-term lease liability		1,248		1,559
Accrued patent cost (see Note 8)		4,000		9,000
Other accrued liabilities		744		1,536
Total	$	8,405	$	14,058

10. STARBOARD INVESTMENT

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”), pursuant to which Starboard acquired (i) 350,000 shares of Series A Redeemable Convertible Preferred Stock with a stated value of $100 per share, (ii) Series A Warrants to purchase up to 5,000,000 shares of the Company's common stock (the “Series A Warrants”) and (iii) Series B Warrants to purchase up to 100,000,000 shares of the Company's common stock.

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 believed that the Company’s capital structure, with multiple different series of securities, made it difficult for investors to understand and value the Company and created an impediment to new public investment.

As a result, on October 30, 2022, and following the unanimous recommendation of the Special Committee of the Board, the Company entered into the Recapitalization Agreement with Starboard and the Investors in order to simplify the Company’s capital structure, pursuant to which, among other things, (1) effective as of November 1, 2022, the Investors exercised the Series A Warrants in full and received 5,000,000 shares of the Company’s common stock, (2) the Investors purchased 15,000,000 shares of the Company’s common stock pursuant to the Concurrent Private Rights Offering (as defined below) and the Unadjusted Series B Warrants (as defined below) were cancelled, and (3) on July 13, 2023, (a) Starboard converted 350,000 shares of Series A Redeemable Convertible Preferred Stock into 9,616,746 shares of the Company's common stock, and (b) Starboard exercised 31,506,849 of the Series B Warrants through a combination of a "Note Cancellation" and a "Limited Cash Exercise" (each as defined in the Series B Warrants), resulting in the receipt by Starboard of 31,506,849 shares of common stock, the cancellation of $60.0 million aggregate principal amount of the Company's senior secured notes held by Starboard (as described further below, the "Senior Secured Notes") and the receipt by the Company of aggregate gross proceeds of approximately $55.0 million. As a result, Starboard beneficially owned 61,123,595 shares of common stock as of July 13, 2023, representing approximately 61.2% of the common stock based on 99,886,322 shares of common stock issued and outstanding as of such date. Accordingly, no shares of Series A Redeemable Convertible Preferred Stock, no Series B Warrants, nor any Senior Secured Notes remain outstanding.

As applicable, the following discussion of Starboard's investments in the Company reflect the transactions effected pursuant to the Recapitalization Agreement.

Series A Redeemable Convertible Preferred Stock

Per its terms, the Series A Redeemable Convertible Preferred Stock could 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) and holders of the Series A Redeemable Convertible Preferred Stock could elect to convert the Series A Redeemable Convertible Preferred Stock into common stock at any time.

Further, the Series A Redeemable Convertible Preferred Stock accrued cumulative dividends quarterly at annual rate of 3.0% on the stated value. Upon consummation of the Printronix acquisition in October 2021, the dividend rate increased to 8.0% on the stated value. There were no accrued and unpaid dividends as of December 31, 2023 and 2022.

Under the Recapitalization Agreement, the Company and Starboard agreed to take certain actions related to the Series A Preferred Stock in connection with the Recapitalization, including submitting a proposal for stockholder approval to remove the "4.89% blocker" provision contained in the Company's Amended and Restated Certificate of Designations (the "Amendment to the Amended and Restated Certificate of Designations"). The Company's stockholders approved the Amendment to the Amended and Restated Certificate of Designations at the Company's annual meeting of stockholders held on May 16, 2023 which became effective on June 30, 2023. Subsequently, and in accordance with the terms of the Series A Redeemable Convertible Preferred Stock, as amended, and the Recapitalization Agreement, on July 13, 2023, Starboard converted an aggregate amount of 350,000 shares of Series A Redeemable Convertible Preferred Stock into 9,616,746 shares of common stock, which included 27,704 shares of common stock issued in respect of accrued and unpaid dividends.

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 were 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 classified 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 was probable that the Series A Redeemable Convertible Preferred Stock would become redeemable, the Company accreted the instrument to its redemption value using the effective interest method and recognized 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 was subject to the receipt of stockholder approval at the Company's next annual meeting of stockholders. Accordingly, the Series A Redeemable Convertible Preferred Stock continued to be classified as temporary equity and continued to be accreted to its redemption value to the earliest redemption date of November 15, 2024. Accretion for the years ended December 31, 2023 and 2022 was $3.2 million and $5.2 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 was 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 would continue to be bifurcated from the host Series A Redeemable Convertible Preferred Stock and accounted for separately as a compound derivative. Following Starboard's conversion of its of 350,000 shares of Series A Redeemable Convertible Preferred Stock into 9,616,746 shares of common stock, which included 27,704 shares of common stock issued in respect of accrued and unpaid dividends, on July 13, 2023, the Company no longer had any shares of Series A Redeemable Convertible Preferred Stock outstanding. As a result, as of December 31, 2023 and 2022, the fair value of the Series A embedded derivative was zero and $16.8 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 5,000,000 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. On November 1, 2022, the Series A Warrants were fully exercised, and 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, which resulted in a fair value of zero.

In accordance with the terms of the Recapitalization Agreement, effective as of November 1, 2022, the Investors consummated the Series A Warrants Exercise (exercising 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. As of December 31, 2023, no Series A Warrants were issued or outstanding.

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 100,000,000 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 the Notes (as defined below). The Company issued the Series B Warrants for an aggregate purchase price of $4.6 million. The Series B Warrants had an expiration date of 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 were 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”).

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 March 2023, the Unadjusted Series B Warrants were cancelled immediately following the completion of the Rights Offering (as described below). During the year ended December 31, 2023, the remaining 31,506,849 Series B Warrants were exercised.

As stated in Note 1 above, further to the terms of the Recapitalization Agreement and in accordance with the terms of the Series B Warrants, on July 13, 2023, Starboard completed the Series B Warrants Exercise. Pursuant to the Series B Warrants Exercise, the Company cancelled $60.0 million aggregate principal amount of Senior Secured Notes held by Starboard and received aggregate gross proceeds of approximately $55.0 million. At the closing of the Series B Warrants Exercise, the Company paid 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 was paid through a reduction in the exercise price of the Series B Warrants). The Recapitalization Payment effectively modified the exercise price of the Series B Warrants. Upon the Series B Warrants Exercise, the Investors exercised the Series B Warrants at a reduced price and the Company issued 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 Senior Secured Notes.

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 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, 2023, no Series B warrants were issued or outstanding. As of December 31, 2023 and 2022, the total fair value of the Series B Warrants was zero and $84.8 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 senior secured notes (the "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 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 bore interest at a rate of 6.00% per annum and had an initial maturity date of December 31, 2020. The New Notes were fully guaranteed by the Company and were 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) were deemed to be “Notes” for purposes of the Securities Purchase Agreement, (ii) were 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) were deemed to be “Notes” for the purposes of the Series B Warrants, and therefore could 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 could 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 would 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, as amended (as described below), were 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 zero and $450,000 of accrued and unpaid interest on the New Notes as of December 31, 2023 and 2022, 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 could not 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 (such remaining New Notes also referred to as the Senior Secured Notes). On July 13, 2023 pursuant to the Series B Warrants Exercise, the Company cancelled the remaining $60.0 million aggregate principal amount outstanding of the Senior Secured Notes. As of December 31, 2023, no Senior Secured Notes were issued or outstanding. As a result, the total principal amount outstanding of Senior Secured Notes as of December 31, 2023 and 2022 was zero and $60.0 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 were 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 year ended December 31, 2023, no amount was amortized to interest expense as the discount was fully amortized during the quarter ended September 30, 2022. For the year ended December 31, 2022, $90,000 was amortized to interest expense.

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 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").

The Investors received private subscription rights to purchase up to 28,647,259 shares of 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. In connection with the Rights Offering, Starboard purchased 15,000,000 shares of common stock.

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 and issued an aggregate of 15,068,753 shares of common stock.

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.

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.

Other Provisions of the Recapitalization Agreement

On February 14, 2023, the 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 Recapitalization Agreement also provided that, effective as of the later of the closing of the Recapitalization Transactions and the date on which no Senior Secured 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 (the "Governance Agreement"), would be automatically terminated and of no further force and effect without any further action by any party thereto. As a result of the closing of the Recapitalization Transactions, the Securities Purchase Agreement and the Governance Agreement have been terminated and are of no further force and effect.

Services Agreement

On December 12, 2023, the Company entered into a Services Agreement with Starboard (the "Services Agreement"), pursuant to which, upon the Company's request, Starboard will provide to the Company certain trade execution, research, due diligence and other services. Starboard has agreed to provide the services on an expense reimbursement basis and no separate fee will be charged by Starboard for the services. During the year ended December 31, 2023 the Company reimbursed Starboard $216,000 under the Services Agreement.

11. 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, 2023 and 2022:

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, 2023, the aggregate carrying amount of this investment was $57.1 million, and is included in equity securities, in the consolidated balance sheet (refer to Note 4 for additional information).

Commodity Derivative Instruments: Commodity derivative instruments are recorded at fair value using industry standard models using assumptions and inputs which are substantially observable in active markets throughout the full term of the instruments. These include market price curves, quoted market prices in active markets, credit risk adjustments, implied market volatility and discount factors. The fair value of these instruments are within Level 2 of the valuation hierarchy. During 2023, Benchmark executed derivative contracts with a single counterparty and also executed an International Swap Dealers Association Master Agreement ("ISDA") with its counterparty, the terms of which provide Benchmark and its counterparty with rights of offset. As of December 31, 2023, the aggregate fair value of the open commodity derivatives was $2.7 million and is included in prepaid expenses and other current assets and other non-current assets, in the consolidated balance sheet (refer to Note 2 for additional information).

Series B Warrants. Series B Warrants are recorded at fair value, using a Black-Scholes option-pricing model (Level 3). 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 10 for additional information). The fair value of the remaining Series B Warrants as of July 13, 2023 was estimated based on the following significant assumptions: volatility of 120 percent, risk-free rate of 5.24 percent, term of 0.04 years and a dividend yield of 0 percent. On July 13, 2023, further to the terms of the Recapitalization Agreement and in accordance with the terms of the Series B Warrants, the remaining Series B Warrants were exercised, which also resulted in a fair value of zero as of December 31, 2023 (refer to Note 10 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. 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 from a binomial lattice framework to an as-converted value (Level 3), based on an expected Series A Redeemable Convertible Preferred Stock conversion date on or prior to July 14, 2023 (refer to Note 10 for additional information).

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 fair value of the embedded derivative as of July 13, 2023 was estimated based on the following significant assumptions: coupon rate of 8.00 percent, conversion ratio of 27.40, conversion date of July 14, 2023 and a discount rate of 14.80 percent. On July 13, 2023, in accordance with the terms of the Series A Redeemable Convertible Preferred Stock, as amended, and the Recapitalization Agreement, Starboard converted the Series A Redeemable Convertible Preferred Stock into common stock, which resulted in a fair value of zero as of December 31, 2023 (refer to Note 10 for additional information). The fair value of the embedded derivative as of December 31, 2022 was estimated based on the following significant assumptions: 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.

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, 2023:				
Equity securities	$ 63,068	$ —	$ —	$ 63,068
Commodity derivative instruments	—	2,723	—	2,723
Total	$ 63,068	$ 2,723	$ —	$ 65,791
December 31, 2022:				
Equity securities	$ 61,608	$ —	$ —	$ 61,608
Liabilities				
December 31, 2023:				
Series A embedded derivative liabilities	$ —	$ —	$ —	$ —
Series B warrants	—	—	—	—
Total	$ —	$ —	$ —	$ —
December 31, 2022:				
Series A embedded derivative liabilities	$ —	$ —	$ 16,835	$ 16,835
Series B warrants	—	—	84,780	84,780
Total	$ —	$ —	$ 101,615	$ 101,615

Benchmark realized derivative gain of $396,000 and unrealized derivative gain of $781,000 for the period from November 13, 2023 through December 31, 2023 and the realized and unrealized derivative gain are included in other income or (expense) in the consolidated statements of operations. No amounts are netted under the terms of the ISDA.

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, 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
Exercise of warrants	—	—	(82,018)	(82,018)
Conversion of redeemable convertible preferred stock	—	(12,881)	—	(12,881)
Remeasurement to fair value	—	(3,954)	(2,762)	(6,716)
Balance at December 31, 2023	$ —	$ —	$ —	$ —

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.

12. RELATED PARTY TRANSACTIONS

The Company reimbursed an aggregate amount of $123,000 and $46,000 during the years ended December 31, 2023 and 2022, respectively, to a former executive officer in connection with legal fees incurred following such officer's departure from the Company.

During the year ended December 31, 2023 the Company entered into a Loan Facility ("Loan Facility") of $2.2 million with a private portfolio company. The Loan Facility bore an interest rate of 9.5% per annum. We recorded $97,000 in interest income during the year ended December 31, 2023. The receivable is included in other non-current assets in the consolidated balance sheets.

Refer to Note 10 for information about the Recapitalization Agreement and Services Agreement with Starboard.

13. COMMITMENTS AND CONTINGENCIES

Facility Leases

Acacia primarily leases office facilities under operating lease arrangements that will end in various years through July 2027.

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. On June 23, 2023, the Company notified the landlord of its election to early terminate the lease effective as of March 31, 2024, pursuant to the terms set forth in the lease. In connection with such early termination election, the Company paid the landlord a termination payment as set forth in the lease. During September 2023, we entered into a fourth amendment of the New York office lease, which provides for (among other things): (a) the surrender a portion of the premises (Unit 602) effective as of March 31, 2024; (b) the rescission of the early termination election as it relates to the remaining portion of the premises (Unit 601); (c) an extension of the lease term with respect to Unit 601 for 40 months commencing on April 1, 2024 and expiring on July 31, 2027; and (d) annual rent increases, with no right to early terminate or extend the lease.

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 July 26, 2023, Printronix entered into a lease agreement to renew the lease for another 24 months commencing on December 29, 2023.

- 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 it 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 $1.3 million and $1.5 million for the years ended December 31, 2023 and 2022, 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, 2023 (in thousands):

Years Ending December 31,		
2024	$	1,228
2025		932
2026		581
2027		243
Total minimum payments		2,984
Less: short-term lease liabilities		(1,248)
Long-term lease liabilities	$	1,736

Inventor Royalties and Contingent Legal Expenses

In connection with the investment in certain patents and patent rights, ARG and its 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.

ARG or its 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.

Subsidiaries of ARG are often required to engage in litigation to enforce their patents and patent rights. In connection with any such patent enforcement actions, it is possible that a defendant may request and/or a court may rule that a 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 ARG or its subsidiaries or award attorney's fees and/or expenses to a defendant(s), which could be material.

On September 6, 2019, Slingshot Technologies, LLC (“Slingshot”), filed a lawsuit in Delaware Chancery Court against the Company and ARG (collectively, the “Acacia Entities”), Monarch Networking Solutions LLC (“Monarch”), Acacia board member Katharine Wolanyk, and Transpacific IP Group, Ltd. (“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. 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. On April 19, 2023, the Chancery Court heard oral argument and took the summary judgment motions under advisement. On July 26, 2023, the Court held a telephonic hearing during which it delivered its ruling on the motions for summary judgment. The Court granted Transpacific’s motion and deferred ruling on the Acacia Entities’ motion pending further briefing as to whether the Court has subject matter jurisdiction. On September 14, 2023, the Acacia Entities and Slingshot filed a joint submission with the Chancery Court agreeing to proceed in Delaware Superior Court based on the Chancery Court’s apparent lack of subject matter jurisdiction over the remaining claims, and on September 21, 2023, the Chancery Court issued an order transferring the case to Delaware Superior Court. The case was subsequently assigned to Judge Eric M. Davis in the Complex Commercial Litigation Division of the Superior Court. On January 8, 2024, Judge Davis held an initial status conference, during which he instructed the Acacia Entities and Slingshot to refile their respective summary judgment briefs in Superior Court for the Court's consideration. The Court scheduled the oral argument on the Acacia Entities' motion for summary judgment to take place on March 28, 2024. In the event that the Court denies the motion, it will set the case for trial.

Guarantees and Indemnifications

Acacia and 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 material payments related to these guarantees and indemnities. Acacia estimates the fair value of its indemnification obligations to be immaterial based on this history and therefore, have not recorded any material 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 as of December 31, 2023.

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, 2023 and December 31, 2022, Printronix had approximately $100,000 of these bonds outstanding.

Environmental Cleanup

Energy Operations

Benchmark is engaged in oil and natural gas exploration and production and may become subject to certain liabilities as they relate to environmental cleanup of well production and may become subject to certain liabilities as they relate to environmental cleanup of well sites or other environmental restoration procedures as they relate to oil and natural gas wells and the operation thereof. In connection with Benchmark's acquisition of existing or previously drilled well bores, Benchmark may not be aware of what environmental safeguards were taken at the time such wells were drilled or during such time the wells were operated. Should it be determined that a liability exists with respect to any environmental cleanup or restoration, Benchmark would be responsible for curing such a violation. No claim has been made, nor is management aware of any liability that exists, as it relates to any environmental cleanup, restoration, or the violation of any rules or regulations relating thereto for the year ended December 31, 2023.

14. 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.

On November 9, 2023, the Board approved a stock repurchase program for up to $20.0 million, subject to a cap of 5,800,000 shares of common stock. The repurchase authorization has no time limit and does 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. There have been no stock repurchases under the above mentioned repurchase program for the year ended December 31, 2023.

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. The authorization to repurchase shares provides an opportunity to reduce the outstanding share count and enhance stockholder value.

Tax Benefits Preservation Charter Provision

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. 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.

15. 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 restricted stock units with respect to Acacia common stock to eligible individuals, which generally includes directors, officers, employees and consultants. The 2013 Plan expired in May 2023, therefore, Acacia exclusively grants awards under the 2016 Plan. Except as noted below, the terms and provisions of the Plans are identical in all material respects.

Acacia's compensation committee administers the Plans. The compensation committee determines which eligible individuals are to receive option grants, stock issuances or restricted stock units under the Plans, 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, stock issuance or restricted stock units and the maximum term for which any granted option is to remain outstanding. The exercise price of options is 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 years and restricted shares and restricted stock units with time-based vesting generally vest in full after one to three 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 under the 2016 Plan shall have full stockholder rights with respect to any shares of common stock issued to them under the Stock Issuance Program once those shares are vested, and under the 2013 Plan, had 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 was vested. Accordingly, once full stockholder rights are obtained, the eligible individuals shall have the right to vote such shares and to receive any regular cash dividends paid on such shares.

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 100% 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).

Discretionary Restricted Stock Unit Grant Program. Under the discretionary restricted stock unit program, Acacia's compensation committee may grant restricted stock units to eligible individuals, which vest upon the attainment of performance milestones or the completion of a specified period of service. During June 2023, Acacia's compensation committee adopted a long-term incentive program to incentivize and reward employees, including members of the Company's executive leadership team, for driving Acacia's performance over the longer-term and to align employees and shareholders. Under the long-term incentive program, Acacia's compensation committee granted RSUs subject to time-based vesting requirements and PSUs subject to performance-based vesting requirements to employees of the parent company, including the Company's Chief Executive Officer, interim Chief Financial Officer, Chief Administrative Officer and General Counsel. The grants are generally intended to cover two years of annual grants (fiscal years 2023 and 2024).

The number of shares of common stock initially reserved for issuance under the 2013 Plan was 4,750,000 shares. The 2013 Plan has expired, and while awards remain outstanding under the 2013 Plan, no new awards may be granted under the 2013 Plan. The stock issued, or issuable pursuant to still-outstanding awards, 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.

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, which were transferred into the 2016 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, 2023, there were 1,355,726 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 2016 Plan at any time, subject to any required stockholder approval. As of December 31, 2023, there are 5,853,868 shares of common stock reserved for issuance under the 2016 Plan.

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, 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
Granted	243,319	$ 4.27	$ —	
Exercised	(67,500)	$ 3.48	$ 57	
Forfeited/Expired	(378,049)	$ 4.76	$ 72	
Outstanding at December 31, 2023	1,108,187	$ 4.18	$ 187	7.9 years
Exercisable at December 31, 2023	309,999	$ 4.67	$ 51	6.4 years
Vested and expected to vest at December 31, 2023	1,108,187	$ 4.18	$ 187	7.9 years
Unrecognized stock-based compensation expense at December 31, 2023 (in thousands)	$ 771			
Weighted average remaining vesting period at December 31, 2023	1.9 years			

Stock options granted in 2023 are time-based and will vest in full after three years. During the year ended December 31, 2023, the Company granted 243,319 stock options at a weighted average grant-date fair value of $2.10 per share using the Black-Scholes option-pricing model. The fair value was estimated based on the following weighted average assumptions: volatility of 46 percent, risk-free interest rate of 3.67 percent, term of 6.00 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 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 (refer to Note 11 "*Embedded derivative liabilities"* for additional information). The risk-free rate is 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 years ended December 31, 2023 and 2022 was $309,000 and $235,000, respectively.

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

	RSAs		RSUs		PSUs	
	Shares	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value
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	—	$ —
Granted	—	$ —	1,116,875	$ 4.34	1,981,464	$ 4.61
Vested	(178,169)	$ 4.10	(327,684)	$ 4.62	—	$ —
Forfeited	(34,167)	$ 4.38	(223,002)	$ 4.38	—	$ —
Nonvested at December 31, 2023	193,665	$ 3.87	1,408,491	$ 4.31	1,981,464	$ 4.61
Unrecognized stock-based compensation expense at December 31, 2023 (in thousands)	$ 392		$ 4,095		$ —	
Weighted average remaining vesting period at December 31, 2023	1.1 years		2.0 years		zero years	

RSUs granted in 2023 are time-based and will vest in full after one to three years. The aggregate fair value of RSAs vested during the years ended December 31, 2023 and 2022 was $731,000 and $1.4 million, respectively. The aggregate fair value of RSUs vested during the years ended December 31, 2023 and 2022 was $1.5 million and $1.7 million, respectively. During the year ended December 31, 2023, RSAs and RSUs totaling 505,853 shares were vested and 142,759 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 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 for RSUs with market-based vesting conditions for the years ended December 31, 2023 and 2022, was zero and $143,000, respectively.

PSUs granted in 2023 can be earned based upon the level of achievement of the Company's compound annual growth rate of its adjusted book value per share, measured over a three-year performance period beginning on January 1, 2023 and ending on December 31, 2025. The number of PSUs granted in 2023 that can be earned ranges from 0% to 200% of the target number of PSUs granted (up to a maximum of 750,000 shares per recipient of Acacia's common stock). Such number of PSUs that are ultimately earned and eligible to vest will generally become vested on the third anniversary of the grant date subject to continued employment through such date. The Company has not recorded any expense related to the PSUs based on the probability assessment performed as of December 31, 2023.

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

	Years Ended December 31,	
	2023	2022
	(In thousands)	
Options	$ 401	$ 488
RSAs	618	1,360
RSUs	2,278	1,972
Total compensation expense for share-based awards	$ 3,297	$ 3,820

Total unrecognized stock-based compensation expense as of December 31, 2023 was $5.3 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, 2023 and 2022, the PIUs totaled $1.0 million and $591,000, respectively, which was their fair value as of December 31, 2018 after termination of service including interest.

16. 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, 2023 and 2022, Acacia's total contribution to the plan was $155,000 and $173,000, respectively.

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 years ended December 31, 2023 and 2022, Printronix's total contribution to the plan was $61,000 and $46,000, respectively.

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 years ended December 31, 2023 and 2022, Printronix's total contribution overseas was $641,000 and $711,000, respectively.

Severance

During the years ended December 31, 2023 and 2022, 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, 2023 and 2022, Acacia's total severance expenses was a (credit) of $(580,000) due to a reversal of a prior period accrued expense and an expense of $3.2 million, respectively.

17. INCOME TAXES

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

	Years Ended December 31,	
	2023	2022
	(In thousands)	
Domestic	$ 70,912	$ (126,810)
Foreign	(3,486)	(340)
Total	$ 67,426	$ (127,150)

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

	Years Ended December 31,	
	2023	2022
Statutory federal tax rate - expense (benefit)	21 %	(21)%
Foreign rate differential	3 %	— %
Noncontrolling interests in operating subsidiaries	(1)%	(2)%
Nondeductible permanent items	(1)%	— %
Expired tax attributes	6 %	6 %
Foreign tax credits	(3)%	— %
Derivative fair value adjustment	(3)%	(2)%
Valuation allowance	(27)%	7 %
Other	1 %	(1)%
Effective income tax rate	(2)%	(13)%

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

	Years Ended December 31,	
	2023	2022
	(In thousands)	
Current:		
Federal	$ (215)	$ (54)
State	37	(482)
Foreign	(1,975)	(606)
Total current	(2,153)	(1,142)
Deferred:		
Federal	(14,041)	24,789
State	(925)	259
Foreign	593	(28)
Total deferred	(14,373)	25,020
Change in valuation allowance	18,030	(7,667)
Income tax benefit	$ 1,504	$ 16,211

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,	
	2023	2022
	(In thousands)	
Deferred tax assets:		
Net operating loss and capital loss carryforwards and credits	$ 34,595	$ 47,386
Unrealized gain on investments held at fair value	146	35
Compensation expense for share-based awards	1,095	607
Accrued liabilities and other	1,453	1,551
Lease liability	689	784
State taxes	37	94
Total deferred tax assets	38,015	50,457
Valuation allowance	(30,219)	(48,250)
Total deferred tax assets, net of valuation allowance	7,796	2,207
Deferred tax liabilities:		
ROU Asset	(680)	(782)
Fixed assets and intangibles	(1,841)	(2,166)
Basis of investment in affiliates	(2,360)	—
Other	—	—
Total deferred tax liabilities	(4,881)	(2,948)
Net deferred tax assets (liabilities)	$ 2,915	$ (742)

As of December 31, 2023 and 2022, 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, 2023 a valuation allowance of $30.2 million was needed for foreign tax credits and certain state tax attributes the Company estimates will expire prior to utilization. As of December 31, 2022, the Company recorded a full valuation allowance of $48.3 million. The valuation allowance decreased by $18.0 million for the year ended December 31, 2023 as a result of the use of tax attributes used against 2023 earnings and the release of valuation allowance on the remaining federal net operating losses for which positive evidence supported the realization as of December 31, 2023. The valuation allowance increased by $7.7 million for the year ended December 31, 2022 as a result of the changes in realized/unrealized gains and losses.

At December 31, 2023, Acacia had U.S. federal, foreign and state income tax net operating loss carryforwards (“NOLs”) totaling approximately $18.3 million, $3.0 million and $26.7 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. $706,000 of our foreign NOLs and all of our federal losses can be carried forward indefinitely. The remaining $3.0 million of foreign NOLs and $26.7 million of state NOLs will expire in varying amounts through 2040.

As of December 31, 2023, Acacia had approximately $28.3 million of foreign tax credits, expiring between 2024 and 2033. 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.

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

	Years Ended December 31,	
	2023	2022
	(In thousands)	
Beginning balance	$ 760	$ 887
Additions for current year tax positions	—	—
Additions included in purchase accounting for prior year positions	—	—
Reductions for prior year tax positions	(3)	(127)
Ending Balance (excluding interest and penalties)	757	760
Interest and penalties	—	—
Total	$ 757	$ 760

At December 31, 2023 and 2022, the Company had total unrecognized tax benefits of approximately $757,000 and $760,000, respectively. At December 31, 2023 and 2022, $757,000 and $760,000, respectively, of unrecognized tax benefits are recorded in other long-term liabilities. At December 31, 2023, if recognized, $757,000 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. The Company's 2019 through 2023 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 2022 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.

18. 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, 2023	Years Ended December 31, 2022
	(In thousands, except share and per share data)	
Numerator:		
Net income (loss) attributable to Acacia Research Corporation	$ 67,060	$ (125,065)
Dividend on Series A redeemable convertible preferred stock	(1,400)	(2,799)
Accretion of Series A redeemable convertible preferred stock	(3,230)	(5,171)
Return on settlement of Series A redeemable convertible preferred stock	(3,377)	—
Undistributed earnings allocated to participating securities	(3,913)	—
Net income (loss) attributable to common stockholders - Basic	55,140	(133,035)
Less: Change in fair value and gain on exercise of dilutive Series B warrants	(4,287)	—
Add: Interest expense associated with Starboard Notes, net of tax	1,518	—
Add: Undistributed earnings allocated to participating securities	3,913	—
Reallocation of undistributed earnings to participating securities	(3,076)	—
Net income (loss) attributable to common stockholders - Diluted	$ 53,208	$ (133,035)
Denominator:		
Weighted average shares used in computing net income (loss) per share attributable to common stockholders - Basic	75,296,025	42,460,504
Potentially dilutive common shares:		
Employee stock options and restricted stock units	163,738	—
Series B Warrants	16,952,055	—
Weighted average shares used in computing net income (loss) per share attributable to common stockholders - Diluted	92,411,818	42,460,504
Basic net income (loss) per common share	$ 0.73	$ (3.13)
Diluted net income (loss) per common share	$ 0.58	$ (3.13)
Anti-dilutive potential common shares excluded from the computation of diluted net income/loss per share:		
Equity-based incentive awards	2,098,747	2,558,720
Series B warrants	—	100,000,000
Total	2,098,747	102,558,720

19. SEGMENT REPORTING

As of December 31, 2023, the Company operates and reports its results in three reportable segments: Intellectual Property Operations, Industrial Operations and Energy Operations.

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 Company's Energy Operations segment generates operating income from its wells and engages in the acquisition, exploration, development, and production of oil and natural gas resources located in Roberts and Hemphill Counties in Texas. Benchmark seeks to acquire predictable and shallow decline, cash flowing oil and gas properties whose value can be enhanced via a disciplined, field optimization strategy, with risk managed through robust commodity hedges and low leverage. The Energy Operations reporting segment did not exist prior to the acquisition of Benchmark in November 2023, accordingly, the periods presented below include Benchmark's operations from November 13, 2023 through December 31, 2023. As of and for the year ended December 31, 2022, the consolidated results represented the results of the Company's two reporting segments: Intellectual Property Operations and Industrial Operations.

The Company's segment information, including Benchmark's operations from November 13, 2023 through December 31, 2023, is as follows:

	Year Ended December 31, 2023			
	Intellectual Property Operations	Industrial Operations	Energy Operations	Total
	(In thousands)			
Revenues:				
License fees	$ 89,156	$ —	$ —	$ 89,156
Printers and parts	—	12,513	—	12,513
Consumable products	—	19,091	—	19,091
Services	—	3,494	—	3,494
Oil sales	—	—	256	256
Natural gas sales	—	—	372	372
Natural gas liquids sales	—	—	220	220
Total revenues	89,156	35,098	848	125,102
Cost of revenues:				
Inventor royalties	1,025	—	—	1,025
Contingent legal fees	10,998	—	—	10,998
Litigation and licensing expenses	10,771	—	—	10,771
Amortization of patents	11,370	—	—	11,370
Cost of sales	—	18,009	—	18,009
Cost of production	—	—	656	656
Total cost of revenues	34,164	18,009	656	52,829
Segment gross profit	54,992	17,089	192	72,273
Other operating expenses:				
Engineering and development expenses	—	735	—	735
Sales and marketing expenses	—	6,908	—	6,908
Amortization of intangible assets	—	1,732	—	1,732
General and administrative expenses	7,402	6,990	264	14,656
Total other operating expenses	7,402	16,365	264	24,031
Segment operating income (loss)	$ 47,590	$ 724	$ (72)	48,242
Parent general and administrative expenses				27,306
Operating income				20,936
Total other income				46,490
Income before income taxes				$ 67,426

The Company's two reportable segment information for the year ended December 31, 2022 is as follows:

	Year Ended December 31, 2022		
	Intellectual Property Operations	Industrial Operations	Total
	(In thousands)		
Revenues:			
License fees	$ 19,508	$ —	$ 19,508
Printers and parts	—	16,118	16,118
Consumable products	—	19,314	19,314
Services	—	4,283	4,283
Total revenues	19,508	39,715	59,223
Cost of revenues:			
Inventor royalties	1,212	—	1,212
Contingent legal fees	2,444	—	2,444
Litigation and licensing expenses	3,970	—	3,970
Amortization of patents	10,403	—	10,403
Cost of sales	—	19,359	19,359
Total cost of revenues	18,029	19,359	37,388
Segment gross profit	1,479	20,356	21,835
Other operating expenses:			
Engineering and development expenses	—	626	626
Sales and marketing expenses	—	8,621	8,621
Amortization of intangible assets	—	1,732	1,732
General and administrative expenses	5,428	8,254	13,682
Total other operating expenses	5,428	19,233	24,661
Segment operating (loss) income	$ (3,949)	$ 1,123	(2,826)
Parent general and administrative expenses			37,266
Operating income loss			(40,092)
Total other expense			(87,058)
Loss before income taxes			$ (127,150)

The Company's reportable segment information as of December 31, 2023 and 2022 is as follows:

	December 31, 2023	December 31, 2022
	(In thousands)	
Equity securities investments:		
Equity securities	$ 63,068	$ 61,608
Equity securities without readily determinable fair value	5,816	5,816
Equity method investments	30,934	30,934
Total parent equity securities investments	99,818	98,358
Other parent assets	218,909	156,394
Segment total assets:		
Intellectual property operations	234,254	176,119
Industrial operations	47,854	52,057
Energy operations	$ 32,710	$ —
Total assets	$ 633,545	$ 482,928

The Company's revenues, including Benchmark's sales from November 13, 2023 through December 31, 2023, 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. Benchmark's sales are only attributed to the United States of America.

	Year Ended December 31, 2023			
	Intellectual Property Operations	Industrial Operations	Energy Operations	Total
	(In thousands)			
Revenues by geographic area:				
United States	$ 80,407	$ 14,128	$ 848	$ 95,383
Canada and Latin America	514	1,100	—	1,614
Total Americas	80,921	15,228	848	96,997
Europe, Middle East and Africa	—	8,935	—	8,935
China	8,200	3,512	—	11,712
India	—	2,849	—	2,849
Asia-Pacific, excluding China and India	35	4,574	—	4,609
Total Asia-Pacific	8,235	10,935	—	19,170
Total revenues	$ 89,156	$ 35,098	$ 848	$ 125,102

	Year Ended December 31, 2022		
	Intellectual Property Operations	Industrial Operations	Total
	(In thousands)		
Revenues by geographic area:			
United States	$ 18,882	$ 15,541	$ 34,423
Canada and Latin America	11	2,145	2,156
Total Americas	18,893	17,686	36,579
Europe, Middle East and Africa	589	9,298	9,887
China	—	5,207	5,207
India	—	2,957	2,957
Asia-Pacific, excluding China and India	26	4,567	4,593
Total Asia-Pacific	26	12,731	12,757
Total revenues	$ 19,508	$ 39,715	$ 59,223

	December 31, 2023			
	Intellectual Property Operations	Industrial Operations	Energy Operations	Total
	(In thousands)			
Long-lived tangible assets by geographic area:				
United States	$ 201	$ 92	$ 25,117	$ 25,410
Malaysia	—	1,949	—	1,949
Other foreign countries	—	114	—	114
Total	$ 201	$ 2,155	$ 25,117	$ 27,473

	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

20. SUBSEQUENT EVENTS

On November 1, 2023, Merton entered into an agreement (the “Arix Shares Purchase Agreement”) with RTW Biotech Opportunities Ltd. ("RTW Bio") to sell its shares of Arix to RTW Bio for a purchase price of $57.1 million in aggregate (representing £1.43 per share at an exchange rate of 1.2087 USD/GBP), conditioned solely upon RTW Bio receiving the necessary approval from the United Kingdom’s Financial Conduct Authority to acquire indirect control (as defined for the purposes of the UK change in control regime under the Financial Services and Markets Act 2000) in of Arix Capital Management Limited (the “Condition”). On January 19, 2024, Merton completed such sale for $57.1 million in aggregate (representing £1.43 per share at an exchange rate of 1.2087 USD/GBP). Following the completion of the share sale, Merton and the Company no longer own any shares of Arix.

On February 14, 2024, the Board appointed Mr. McNulty, the Company's Interim Chief Executive Officer, as Chief Executive Officer of the Company on a permanent basis. In addition, the Board expanded the size of the Board from six to seven directors and the Board appointed Mr. McNulty as a director of the Company to serve until the Company's 2024 annual meeting of stockholders and until his successor is duly elected and qualified.

On February 16, 2024, Benchmark entered into a Purchase and Sale Agreement (the "Purchase and Sale Agreement") with Revolution Resources II, LLC, Revolution II NPI Holding Company, LLC, Jones Energy, LLC, Nosley Assets, LLC, Nosley Acquisition, LLC, and Nosley Midstream, LLC (collectively, "Revolution"). Pursuant to the Purchase and Sale Agreement, Benchmark has agreed to purchase and Revolution has agreed to sell certain upstream assets and related facilities in Texas and Oklahoma, upon the terms and subject to the conditions of the Purchase and Sale Agreement (such purchase and sale, together with the other transactions contemplated by the Purchase Sale Agreement, the "Revolution Transaction"). Under the terms and conditions of the Purchase and Sale Agreement, which has an economic effective date of March 1, 2024, the aggregate consideration to be paid to Revolution in the Revolution Transaction will consist of $145.0 million in cash, subject to customary post-closing adjustments. Benchmark expects the Revolution Transaction to close in the second quarter of 2024 subject to customary closing conditions.

Exhibit 3.1

**THIRD AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION OF
ACACIA RESEARCH CORPORATION**

Acacia Research Corporation, a corporation organized and existing under the laws of the State of Delaware (the Corporation), certifies that:

A. The name of the Corporation is Acacia Research Corporation. The Corporations original Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on October 8, 1999.

B. This Third Amended and Restated Certificate of Incorporation was duly adopted in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware, and restated, integrates, and further amends the provisions of the Corporations Certificate of Incorporation.

C. The text of the Amended and Restated Certificate of Incorporation is amended and restated to read as set forth in EXHIBIT A attached hereto.

IN WITNESS WHEREOF, Acacia Research Corporation has caused this Third Amended and Restated Certificate of Incorporation to be signed by Jennifer Graff, a duly authorized officer of the Corporation, on May 16, 2022.

/s/ Jennifer Graff
Jennifer Graff
Secretary

EXHIBIT A

ARTICLE I
NAME

The name of the corporation is Acacia Research Corporation (the "Corporation").

ARTICLE II
ADDRESS OF REGISTERED OFFICE;
NAME OF REGISTERED AGENT

The address of the registered office of the Corporation in the State of Delaware 38 Walker Road, Suite 21-2, Dover, County of Kent, Delaware. The name of its registered agent at such address is Registered Agent Solutions, Inc.

ARTICLE III
PURPOSE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law (the "DGCL").

ARTICLE IV
CAPITAL STOCK

SECTION 1. AUTHORIZATION. The aggregate number of shares of stock which the Corporation shall have authority to issue is three hundred and ten million (310,000,000) shares, of which three hundred million (300,000,000) shares shall be shares of common stock having a par value of $0.001 per share (the "Common Stock"), and ten million (10,000,000) shares shall be shares of preferred stock having a par value of $0.001 per share (the "Preferred Stock") and issuable in one or more series as hereinafter provided.

SECTION 2. COMMON STOCK. The voting powers, preferences and relative, participating, optional or other special rights of the Common Stock, and the qualifications and restrictions thereon, shall be as follows in this Section 2.

2.1. Dividends. Subject to the rights, preferences, privileges, restrictions and other matters pertaining to the Preferred Stock that may at that time be outstanding, the holders of the Common Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of any assets of the Corporation legally available therefore, such dividends as may be declared from time to time by the Board of Directors.

2.2. Voting Rights. Except as otherwise required by law, or as otherwise fixed by resolution or resolutions of the Board of Directors with respect to one or more series of Preferred Stock, the entire voting power and all voting rights shall be vested exclusively in the Common Stock, and each stockholder of the Corporation who at the time possesses voting power for any purpose shall be entitled to one vote for each share of such stock standing in his or her name on the books of the Corporation.

2.3. Liquidation Rights. In the event of any liquidation, dissolution or winding up (either voluntary or involuntary) of the Corporation, the holders of shares of Common Stock shall be entitled to receive the assets and funds of the Corporation available for distribution after payments to creditors and to the holders of any Preferred Stock of the Corporation that may at the time be outstanding, in proportion to the number of shares held by them. Neither the merger nor consolidation of the Corporation into or with any other corporation, nor a sale, transfer or lease of all or any part of the assets of the Corporation, shall, alone, be deemed a liquidation or winding up of the Corporation or cause the dissolution of the Corporation, for purposes of this Section 2.3.

SECTION 3. PREFERRED STOCK. The Preferred Stock may be issued from time to time in one or more series, each with such distinctive designation as may be stated in the Certificate of Incorporation or in any amendment hereto, or in a resolution or resolutions providing for the issue of such stock from time to time adopted by the Board of Directors or a duly authorized committee thereof. The resolution or resolutions providing for the issue of shares of a particular series shall fix, subject to applicable laws and the provisions of the Certificate of Incorporation, for each such series the number of shares constituting such series and the designation and the voting powers, preferences and relative, participating, optional or other special rights and the qualifications, limitations or restrictions thereof, including, without limiting the generality of the foregoing, such provisions as may be desired concerning voting, redemption, dividends, dissolution or the distribution of assets, conversion or exchange, and such other subjects or matters as may be fixed by the Board of Directors or a duly authorized committee thereof under the DGCL.

ARTICLE V
BOARD OF DIRECTORS

SECTION 1. NUMBER OF DIRECTORS AND THEIR ELECTION. The number of directors of the Corporation shall be fixed from time to time by a by-law of the Corporation or amendment thereof duly adopted by the Board of Directors. Except as otherwise provided for or fixed pursuant to the provisions of ARTICLE V of this Certificate of Incorporation or any resolution or resolutions of the Board of Directors providing for the issuance of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional directors under specified circumstances, the number of directors shall be determined by the Board of Directors in accordance with the By-laws of the Corporation. Election of directors need not be by written ballot, unless so provided in the By-laws of the Corporation.

SECTION 2. POWERS OF THE BOARD OF DIRECTORS. In furtherance, and not in limitation, of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized to adopt, alter, amend and repeal the By-laws of the Corporation, subject to the power of the stockholders of the Corporation to alter or repeal any by-law whether adopted by them or otherwise; provided, however, that the affirmative vote of a majority of the voting power of the capital stock of the Corporation entitled to vote thereon shall be required for stockholders to adopt, amend, alter or repeal any provision of the By-laws of the Corporation.

SECTION 3. TERM. The directors, other than those who may be elected by the holders of Preferred Stock or any other class or series of stock having a preference over the Common Stock as to dividends or upon liquidation pursuant to the terms of this Certificate of Incorporation or any resolution or resolutions providing for the issuance of such class or series of stock adopted by the Board of Directors, shall be elected by stockholders at each annual meeting of stockholders to hold office for a term expiring at the next annual meeting of stockholders and until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

SECTION 4. VACANCIES. Any newly-created directorship resulting from an increase in the authorized number of directors or any vacancies in the Board of Directors occurring by reason of death, resignation, retirement, disqualification or removal may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director. A director appointed in accordance with the preceding sentence shall hold office for the remainder of the full term expiring at the next annual meeting of the stockholders and until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

ARTICLE VI
STOCKHOLDER ACTIONS

SECTION 1. MEETINGS AND RECORDS. Meetings of stockholders may be held within or without the State of Delaware, as the By-laws of the Corporation may provide. The books of the Corporations may be kept (subject to the DGCL) outside of the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the By-laws of the Corporation.

SECTION 2. SPECIAL MEETINGS. Special meetings of stockholders may be called at any time by the Board of Directors or by the Chairman of the Board of Directors, or the President, or the Secretary of the Corporation upon the written request of one or more stockholders of record of the Corporation that hold at least twenty-five percent (25%) in voting power of the outstanding shares of stock of the Company and who have delivered such requests in accordance with and subject to the procedures and conditions and any other provisions set forth in the By-laws of the Corporation (as amended from time to time), including any limitations set forth in the By-laws of the Corporation on the ability to make such a request for such a special meeting.

SECTION 3. WRITTEN CONSENTS. Any action required to be taken at any annual or special meeting of stockholders, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted, and shall be delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation’s registered office shall be by hand or by certified or registered mail, return receipt requested. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE VII
LIMITATION ON LIABILITY OF DIRECTORS

No person shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, including without limitation for serving on a committee of the Board of Directors, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL as the same exists or hereafter may be amended. If the DGCL is amended after the date of the filing of this Certificate of Incorporation to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL as so amended. Any amendment, repeal or modification of this ARTICLE VII shall not adversely affect any right or protection of a director of the Corporation existing hereunder with respect to any act or omission occurring prior to such amendment, repeal or modification.

ARTICLE VIII
INDEMNIFICATION

SECTION 1. The Corporation may indemnify to the fullest extent permitted by law any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that such person, his or her testator or intestate is or was a director, officer or employee of the Corporation or any predecessor of the Corporation or serves or served at any other enterprise as a director, officer or employee at the request of the Corporation or any predecessor to the Corporation. No amendment, repeal or modification of this ARTICLE VIII by the stockholders shall adversely affect any right or protection of a director of the

Corporation existing by virtue of this ARTICLE VIII at the time of such amendment, repeal or modification.

ARTICLE IX
AMENDMENT OF CERTIFICATE OF INCORPORATION

The Corporation hereby reserves the right from time to time to amend, alter, change or repeal any provision contained in the Certificate of Incorporation, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by law, and all rights, preferences, and privileges of whatsoever nature conferred upon the stockholders, directors or any other persons whomsoever by or pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the right reserved in this ARTICLE IX.

ARTICLE X

SECTION 1. DEFINITIONS.

As used in this ARTICLE X, the following capitalized terms have the following meanings when used herein with initial capital letters (and any references to any portions of Treas. Reg. § 1.382-2T shall include any successor provisions):

(a) “4.899-percent Transaction” means any Transfer described in clause (a) or (b) of Section 2 of this ARTICLE X.

(b) “4.899-percent Stockholder” means a Person or group of Persons that is a “5-percent stockholder” of the corporation pursuant to Treas. Reg. § 1.382-2T(g), as applied by replacing “5-percent” with “4.899-percent” and “five percent” with “4.899 percent,” where applicable.

(c) “Agent” has the meaning set forth in Section 5 of this ARTICLE X.

(d) “Code” means the United States Internal Revenue Code of 1986, as amended. For the avoidance of doubt, Code also includes “An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018,” (PL 115-97).

(e) “Corporation Security” or “Corporation Securities” means (i) any Stock, (ii) shares of preferred stock issued by the Corporation (other than preferred stock described in § 1504(a)(4) of the Code), and (iii) warrants, rights, or options (including options within the meaning of Treas. Reg. § 1.382-2T(h)(4)(v) or Treas. Reg. § 1.382-4(d)(9)) to purchase securities of the Corporation.

(f) “Effective Date” means the date of filing of this Certificate of Incorporation of the Corporation with the Secretary of State of the State of Delaware.

(g) “Excess Securities” has the meaning set forth in Section 4 of this ARTICLE X.

(h) “Expiration Date” means the earliest of (i) the close of business on the date that is the third anniversary of the Effective Date, (ii) the repeal of Section 382 of the Code or any successor statute if the Board of Directors determines that this ARTICLE X is no longer necessary or desirable for the preservation of Tax Benefits, (iii) the close of business on the first day of a taxable year of the Corporation as to which the Board of Directors determines that no Tax Benefits may be carried forward, and (iv) such date as the Board of Directors shall fix in accordance with Section 12 of this ARTICLE X.

(i) “Percentage Stock Ownership” means the percentage Stock Ownership interest of any Person or group (as the context may require) for purposes of Section 382 of the Code as determined in accordance with Treas. Reg. § 1.382-2(a)(3), Treas. Reg. § 1.382-2T(g), (h), (j) and (k) and Treas. Reg. § 1.382-4, or any successor provisions and other pertinent Internal Revenue Service guidance.

(j) "Person" means any individual, partnership, joint venture, limited liability company, firm, corporation, unincorporated association or organization, trust or other entity or any group of such "Persons" having a formal or informal understanding among themselves to make a "coordinated acquisition" of shares within the meaning of Treas. Reg. § 1.382-3(a)(1) or who are otherwise treated as an "entity" within the meaning of Treas. Reg. § 1.382-3(a)(1), and shall include any successor (by merger or otherwise) of any such entity or group.

(k) "Prohibited Distributions" means any and all dividends or other distributions paid by the Corporation with respect to any Excess Securities received by a Purported Transferee.

(l) "Prohibited Transfer" means any Transfer or purported Transfer of Corporation Securities to the extent that such Transfer is prohibited and/or void under this ARTICLE X.

(m) "Public Group" has the meaning set forth in Treas. Reg. § 1.382-2T(f)(13).

(n) "Purported Transferee" has the meaning set forth in Section 4 of this ARTICLE X.

(o) "Remedial Holder" has the meaning set forth in Section 7 of this ARTICLE X.

(p) "Stock" means any interest that would be treated as "stock" of the Corporation pursuant to Treas. Reg. § 1.382-2T(f)(18).

(q) "Stock Ownership" means any direct or indirect ownership of Stock, including any ownership by virtue of application of constructive ownership rules, with such direct, indirect and constructive ownership determined under the provisions of Section 382 of the Code and the Treasury Regulations thereunder, including, for the avoidance of doubt, any ownership whereby a Person owns Stock pursuant to a "coordinated acquisition" treated as a single "entity" as defined in Treas. Reg. § 1.382-3(a)(1), or such Stock is otherwise aggregated with Stock owned by such Person pursuant to the provisions of Section 382 of the Code and the Treasury Regulations thereunder.

(r) "Tax Benefits" means the net operating loss carry forwards, capital loss carry forwards, general business credit carry forwards, alternative minimum tax credit carry forwards, foreign tax credit carry forwards, disallowed net business interest expense carry forwards under Section 163(j), any credits under Section 53, and any other item that may reduce or result in any credit against any income taxes owed by the Corporation or any of its subsidiaries or refundable credits, including, but not limited to, any item subject to limitation under Section 382 or Section 383 of the Code and the Treasury Regulations promulgated thereunder, and any loss or deduction attributable to a "net unrealized built-in loss" within the meaning of Section 382 of the Code and the Treasury Regulations promulgated thereunder.

(s) "Transfer" means, any direct or indirect sale, transfer, assignment, conveyance, pledge or other disposition, event or occurrence or other action taken by a Person, other than the Corporation, that alters the Percentage Stock Ownership of any Person or group, including, a transfer by gift or by operation of law. A Transfer also shall include the creation or grant of an option (including an option within the meaning of Treas. Reg. §1.382-4(d)). For the avoidance of doubt, a Transfer shall not include the creation or grant of an option by the Corporation, nor shall a Transfer include the issuance of Stock by the Corporation.

(t) "Transferee" means any Person to whom Corporation Securities are Transferred.

(u) "Treasury Regulations" or "Treas. Reg." means the regulations, including temporary regulations or any successor regulations, promulgated under the Code, as amended from time to time.

SECTION 2. TRANSFER AND OWNERSHIP RESTRICTIONS. In order to preserve the Tax Benefits, from and after the Effective Date any attempted Transfer of Corporation Securities prior to the Expiration Date and any attempted Transfer of Corporation Securities pursuant to an agreement entered into prior to the Expiration Date shall be prohibited and void ab initio to the extent that, as a result of such Transfer (or any series of Transfers of which such Transfer is a part), either (a) any Person or Persons would become a 4.899-percent Stockholder or (b) the Percentage Stock Ownership in the Corporation of any 4.899-percent Stockholder would be increased. The prior sentence is not intended to prevent Corporation Securities from being DTC-eligible and shall not preclude the settlement of any transaction in Corporation Securities entered into through the facilities of a national securities exchange; provided, however, that the Corporation Securities and parties involved in such transaction shall remain subject to the provisions of this ARTICLE X in respect of such transaction.

SECTION 3. EXCEPTIONS.

(a) Notwithstanding anything to the contrary herein, Transfers to a Public Group (including a new Public Group created under Treas. Reg. § 1.382-2T (j) (3) (i)) shall be permitted.

(b) The restrictions set forth in Section 2 of this ARTICLE X shall not apply to an attempted Transfer that is a 4.899-percent Transaction if the transferor or the Transferee obtains the written approval of the Board of Directors or a duly authorized committee thereof. As a condition to granting its approval pursuant to this Section 3 of this ARTICLE X, the Board of Directors may, in its discretion, require (at the expense of the transferor and/or Transferee) an opinion of counsel selected by the Board of Directors that the Transfer shall not result in a limitation on the use of the Tax Benefits as a result of the application of Section 382 of the Code; provided that the Board of Directors may grant such approval notwithstanding the effect of such approval on the Tax Benefits if it determines that the approval is in the best interests of the Corporation. The Board of Directors may grant its approval in whole or in part with respect to such Transfer and may impose any conditions that it deems reasonable and appropriate in connection with such approval, including, without limitation, restrictions on the ability of any Transferee to Transfer Stock acquired through a Transfer. Approvals of the Board of Directors hereunder may be given prospectively or retroactively. The Board of Directors, to the fullest extent permitted by law, may exercise the authority granted by this ARTICLE X through duly authorized officers or agents of the Corporation. Nothing in this Section 3 of this ARTICLE X shall be construed to limit or restrict the Board of Directors in the exercise of its fiduciary duties under applicable law.

SECTION 4. EXCESS SECURITIES.

(a) No employee or agent of the Corporation shall record any Prohibited Transfer, and the purported transferee of such a Prohibited Transfer (the "Purported Transferee") shall not be recognized as a stockholder of the Corporation for any purpose whatsoever in respect of the Corporation Securities which are the subject of the Prohibited Transfer (the "Excess Securities"). The Purported Transferee shall not be entitled, with respect to such Excess Securities, to any rights of stockholders of the Corporation, including, without limitation, the right to vote such Excess Securities and to receive dividends or distributions, whether liquidating or otherwise, in respect thereof, if any, and the Excess Securities shall be deemed to remain with the transferor unless and until the Excess Securities are transferred to the Agent pursuant to Section 5 of this ARTICLE X or until an approval is obtained under Section 3 of this ARTICLE X. After the Excess Securities have been acquired in a Transfer that is not a Prohibited Transfer, the Corporation Securities shall cease to be Excess Securities. For this purpose, any Transfer of Excess Securities not in accordance with the provisions of this Section 4 or Section 5 of this ARTICLE X shall also be a Prohibited Transfer.

(b) The Corporation may require as a condition to the registration of the Transfer of any Corporation Securities or the payment of any distribution on any Corporation Securities that the proposed Transferee or payee furnish to the Corporation all information reasonably requested by the Corporation with respect to its direct or indirect ownership interests in such Corporation Securities.

The Corporation may make such arrangements or issue such instructions to its stock transfer agent as may be determined by the Board of Directors to be necessary or advisable to implement this ARTICLE X, including, without limitation, authorizing such transfer agent to require an affidavit from a Purported Transferee regarding such Person's actual and constructive ownership of Stock and other evidence that a Transfer will not be prohibited by this ARTICLE X as a condition to registering any transfer.

SECTION 5. TRANSFER TO AGENT. If the Board of Directors determines that a Transfer of Corporation Securities constitutes a Prohibited Transfer, then, upon written demand by the Corporation sent within thirty days of the date on which the Board of Directors determines that the attempted Transfer would result in Excess Securities, the Purported Transferee shall transfer or cause to be transferred any certificate or other evidence of ownership of the Excess Securities within the Purported Transferee's possession or control, together with any Prohibited Distributions, to an agent designated by the Board of Directors (the "Agent"). The Agent shall thereupon sell to a buyer or buyers, which may include the Corporation, the Excess Securities transferred to it in one or more arm's-length transactions (on the public securities market on which such Excess Securities are traded, if possible, or otherwise privately); provided, however, that any such sale must not constitute a Prohibited Transfer and provided, further, that the Agent shall effect such sale or sales in an orderly fashion and shall not be required to effect any such sale within any specific time frame if, in the Agent's discretion, such sale or sales would disrupt the market for the Corporation Securities or otherwise would adversely affect the value of the Corporation Securities. If the Purported Transferee has resold the Excess Securities before receiving the Corporation's demand to surrender Excess Securities to the Agent, the Purported Transferee shall be deemed to have sold the Excess Securities for the Agent, and shall be required to transfer to the Agent any Prohibited Distributions and proceeds of such sale, except to the extent that the Corporation grants written permission to the Purported Transferee to retain a portion of such sale proceeds not exceeding the amount that the Purported Transferee would have received from the Agent pursuant to Section 6 of this ARTICLE X if the Agent rather than the Purported Transferee had resold the Excess Securities.

SECTION 6. APPLICATION OF PROCEEDS AND PROHIBITED DISTRIBUTIONS. The Agent shall apply any proceeds of a sale by it of Excess Securities and, if the Purported Transferee has previously resold the Excess Securities, any amounts received by it from a Purported Transferee, together, in either case, with any Prohibited Distributions, as follows: (i) first, such amounts shall be paid to the Agent to the extent necessary to cover its costs and expenses incurred in connection with its duties hereunder; (ii) second, any remaining amounts shall be paid to the Purported Transferee, up to the amount paid by the Purported Transferee for the Excess Securities (or the fair market value at the time of the Transfer, in the event the purported Transfer of the Excess Securities was, in whole or in part, a gift, inheritance or similar Transfer) which amount (or fair market value) shall be determined at the discretion of the Board of Directors; and (iii) third, any remaining amounts shall be paid to one or more organizations selected by the Board of Directors which is described under Section 501(c)(3) of the Code (or any comparable successor provision) and contributions to which are eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2552 of the Code. The Purported Transferee of Excess Securities shall have no claim, cause of action or any other recourse whatsoever against any transferor of Excess Securities. The Purported Transferee's sole right with respect to such shares shall be limited to the amount payable to the Purported Transferee pursuant to this Section 6 of this ARTICLE X. In no event shall the proceeds of any sale of Excess Securities pursuant to this Section 6 of this ARTICLE X inure to the benefit of the Corporation or the Agent, except to the extent used to cover costs and expenses incurred by Agent in performing its duties hereunder.

SECTION 7. MODIFICATION OF REMEDIES FOR CERTAIN INDIRECT TRANSFERS. In the event of any Transfer that does not involve a transfer of Corporation Securities within the meaning of Delaware law but that would cause a 4.899-percent Stockholder to violate a restriction on Transfers provided for in this ARTICLE X, the application of Sections 5 and 6 of this ARTICLE X shall be modified as described in this Section 7 of this ARTICLE X. In such case, no such 4.899-percent Stockholder shall be required to dispose of any interest that is not a Corporation

Security, but such 4.899-percent Stockholder and/or any Person whose ownership of Corporation Securities is attributed to such 4.899-percent Stockholder (such 4.899-percent Stockholder or other Person, a "Remedial Holder") shall be deemed to have disposed of and shall be required to dispose of sufficient Corporation Securities (which Corporation Securities shall be disposed of in the inverse order in which they were acquired) to cause such 4.899-percent Stockholder, following such disposition, not to be in violation of this ARTICLE X. Such disposition shall be deemed to occur simultaneously with the Transfer giving rise to the application of this provision, and such number of Corporation Securities that are deemed to be disposed of shall be considered Excess Securities and shall be disposed of through the Agent as provided in Sections 5 and 6 of this ARTICLE X, except that the maximum aggregate amount payable to a Remedial Holder in connection with such sale shall be the fair market value of such Excess Securities at the time of the purported Transfer. A Remedial Holder shall not be entitled, with respect to such Excess Securities, to any rights of stockholders of the Corporation, including, without limitation, the right to vote such Excess Securities and to receive dividends or distributions, whether liquidating or otherwise, in respect thereof, if any, following the time of the purported Transfer. All expenses incurred by the Agent in disposing of such Excess Securities shall be paid out of any amounts due such 4.899-percent Stockholder or such other Person. The purpose of this Section 7 of this ARTICLE X is to extend the restrictions in Sections 2 and 5 of this ARTICLE X to situations in which there is a 4.899-percent Transaction without a direct Transfer of Corporation Securities, and this Section 7 of this ARTICLE X, along with the other provisions of this ARTICLE X, shall be interpreted to produce the same results, with differences as the context requires, as a direct Transfer of Corporation Securities.

SECTION 8. LEGAL PROCEEDINGS; PROMPT ENFORCEMENT. If the Purported Transferee fails to surrender the Excess Securities or the proceeds of a sale thereof, in either case, with any Prohibited Distributions, to the Agent within thirty days from the date on which the Corporation makes a written demand pursuant to Section 5 of this ARTICLE X (whether or not made within the time specified in Section 5 of this ARTICLE X), then the Corporation may take such actions as it deems appropriate to enforce the provisions hereof, including the institution of legal proceedings to compel the surrender. Nothing in this Section 8 of this ARTICLE X shall (i) be deemed inconsistent with any Transfer of the Excess Securities provided in this ARTICLE X being void ab initio, (ii) preclude the Corporation in its discretion from immediately bringing legal proceedings without a prior demand or (iii) cause any failure of the Corporation to act within the time periods set forth in Section 5 of this ARTICLE X to constitute a waiver or loss of any right of the Corporation under this ARTICLE X. The Board of Directors may authorize such additional actions as it deems advisable to give effect to the provisions of this ARTICLE X.

SECTION 9. LIABILITY. To the fullest extent permitted by law, any stockholder subject to the provisions of this ARTICLE X who knowingly violates the provisions of this ARTICLE X and any Persons controlling, controlled by or under common control with such stockholder shall be jointly and severally liable to the Corporation for, and shall indemnify and hold the Corporation harmless against, any and all damages suffered as a result of such violation, including but not limited to damages resulting from a reduction in, or elimination of, the Corporation's ability to utilize its Tax Benefits, and attorneys' and auditors' fees incurred in connection with such violation.

SECTION 10. OBLIGATION TO PROVIDE INFORMATION. As a condition to the registration of the Transfer of any Stock, any Person who is a beneficial, legal or record holder of Stock, and any proposed Transferee and any Person controlling, controlled by or under common control with the proposed Transferee, shall provide such information as the Corporation may request from time to time in order to determine compliance with this ARTICLE X or the status of the Tax Benefits of the Corporation.

SECTION 11. LEGENDS. The Board of Directors may require that any certificates issued by the Corporation evidencing ownership of shares of Stock that are subject to the restrictions on transfer and ownership contained in this ARTICLE X bear the following legend:

“THE CERTIFICATE OF INCORPORATION OF THE COMPANY CONTAINS RESTRICTIONS PROHIBITING THE TRANSFER (AS DEFINED IN THE CERTIFICATE OF INCORPORATION) OF STOCK OF THE COMPANY (INCLUDING THE CREATION OR GRANT OF CERTAIN OPTIONS, RIGHTS AND WARRANTS) WITHOUT THE PRIOR AUTHORIZATION OF THE BOARD OF DIRECTORS OF THE COMPANY (THE “BOARD OF DIRECTORS”) IF SUCH TRANSFER AFFECTS THE PERCENTAGE OF STOCK OF THE CORPORATION (WITHIN THE MEANING OF Section 382 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”) AND THE TREASURY REGULATIONS PROMULGATED THEREUNDER) THAT IS TREATED AS OWNED BY A 4.899-PERCENT STOCKHOLDER (AS DEFINED IN THE CERTIFICATE OF INCORPORATION). IF THE TRANSFER RESTRICTIONS ARE VIOLATED, THEN THE TRANSFER WILL BE VOID AB INITIO AND THE PURPORTED TRANSFEREE OF THE STOCK WILL BE REQUIRED TO TRANSFER EXCESS SECURITIES (AS DEFINED IN THE CERTIFICATE OF INCORPORATION) TO THE COMPANY’S AGENT. IN THE EVENT OF A TRANSFER WHICH DOES NOT INVOLVE SECURITIES OF THE COMPANY WITHIN THE MEANING OF THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE (“SECURITIES”) BUT WHICH WOULD VIOLATE THE TRANSFER RESTRICTIONS, THE PURPORTED TRANSFEREE (OR THE RECORD OWNER) OF THE SECURITIES THAT VIOLATE THE TRANSFER RESTRICTIONS WILL BE REQUIRED TO TRANSFER SUFFICIENT SECURITIES PURSUANT TO THE TERMS PROVIDED FOR IN THE CERTIFICATE OF INCORPORATION TO CAUSE THE 4.899-PERCENT STOCKHOLDER TO NO LONGER BE IN VIOLATION OF THE TRANSFER RESTRICTIONS. THE CORPORATION WILL FURNISH WITHOUT CHARGE TO THE HOLDER OF RECORD OF THIS CERTIFICATE A COPY OF THE CERTIFICATE OF INCORPORATION CONTAINING THE ABOVE-REFERENCED TRANSFER RESTRICTIONS UPON WRITTEN REQUEST TO THE CORPORATION AT ITS PRINCIPAL PLACE OF BUSINESS.”

The Board of Directors may also require that any certificates issued by the Corporation evidencing ownership of shares of Stock that are subject to conditions imposed by the Board of Directors under Section 3 of this ARTICLE X also bear a conspicuous legend referencing the applicable restrictions.

SECTION 12. AUTHORITY OF BOARD OF DIRECTORS.

(a) The Board of Directors shall have the power to determine all matters necessary for assessing compliance with this ARTICLE X, including, without limitation, (1) the identification of 4.899-percent Stockholders, (2) whether a Transfer is a 4.899-percent Transaction or a Prohibited Transfer, (3) the Percentage Stock Ownership in the Corporation of any 4.899-percent Stockholder, (4) whether an instrument constitutes a Corporation Security, (5) the amount (or fair market value) due to a Purported Transferee pursuant to Section 6 of this ARTICLE X, and (6) any other matters which the Board of Directors determines to be relevant; and the good faith determination of the Board of Directors on such matters shall be conclusive and binding for all the purposes of this ARTICLE X. In addition, the Board of Directors may, to the extent permitted by law, from time to time establish, modify, amend or rescind by-laws, regulations and procedures of the Corporation not inconsistent with the provisions of this ARTICLE X for purposes of determining whether any Transfer of Corporation Securities would jeopardize or endanger the Corporation’s ability to preserve and use the Tax Benefits and for the orderly application, administration and implementation of this ARTICLE X.

(b) Nothing contained in this ARTICLE X shall limit the authority of the Board of Directors to take such other action to the extent permitted by law as it deems necessary or advisable to protect the Corporation and its stockholders in preserving the Tax Benefits. Without limiting the generality of the foregoing, in the event of a change in law making one or more of the following actions necessary or desirable, the Board of Directors may, by adopting a written resolution, (1) accelerate the Expiration Date, (2) modify the ownership interest percentage in the Corporation or the Persons or groups covered by this ARTICLE X, (3) modify the definitions of any terms set forth in this

ARTICLE X or (4) modify the terms of this ARTICLE X as appropriate, in each case, in order to prevent an ownership change for purposes of Section 382 of the Code as a result of any changes in applicable Treasury Regulations or otherwise; provided, however, that the Board of Directors shall not cause there to be such acceleration or modification unless it determines, by adopting a written resolution, that such action is reasonably necessary or advisable to preserve the Tax Benefits or that the continuation of these restrictions is no longer reasonably necessary for the preservation of the Tax Benefits. Stockholders of the Corporation shall be notified of such determination through a filing with the Securities and Exchange Commission or such other method of notice as the Secretary of the Corporation shall deem appropriate.

(c) In the case of an ambiguity in the application of any of the provisions of this ARTICLE X, including any definition used herein, the Board of Directors shall have the power to determine the application of such provisions with respect to any situation based on its reasonable belief, understanding or knowledge of the circumstances. In the event this ARTICLE X requires an action by the Board of Directors but fails to provide specific guidance with respect to such action, the Board of Directors shall have the power to determine the action to be taken so long as such action is not contrary to the provisions of this ARTICLE X. All such actions, calculations, interpretations and determinations which are done or made by the Board of Directors in good faith shall be conclusive and binding on the Corporation, the Agent, and all other parties for all other purposes of this ARTICLE X. The Board of Directors may delegate all or any portion of its duties and powers under this ARTICLE X to a committee of the Board of Directors as it deems necessary or advisable and, to the fullest extent permitted by law, may exercise the authority granted by this ARTICLE X through duly authorized officers or agents of the Corporation. Nothing in this ARTICLE X shall be construed to limit or restrict the Board of Directors in its exercise of its fiduciary duties under applicable law.

SECTION 13. RELIANCE. To the fullest extent permitted by law, the Corporation and the members of the Board of Directors shall be fully protected in relying in good faith upon the information, opinions, reports or statements of the chief executive officer, the chief financial officer, the chief accounting officer or the corporate controller of the Corporation and the Corporation's legal counsel, independent auditors, transfer agent, investment bankers or other employees and agents in making the determinations and findings contemplated by this ARTICLE X. The members of the Board of Directors shall not be responsible for any good faith errors made in connection therewith. For purposes of determining the existence and identity of, and the amount of any Corporation Securities owned by, any stockholder, the Corporation is entitled to rely on the existence and absence of filings of Schedule 13D or 13G under the Securities and Exchange Act of 1934, as amended (or similar filings), as of any date, subject to its actual knowledge of the ownership of Corporation Securities.

SECTION 14. BENEFITS OF THIS ARTICLE X. Nothing in this ARTICLE X shall be construed to give to any Person other than the Corporation or the Agent any legal or equitable right, remedy or claim under this ARTICLE X. This ARTICLE X shall be for the sole and exclusive benefit of the Corporation and the Agent.

SECTION 15. SEVERABILITY. The purpose of this ARTICLE X is to facilitate the Corporation's ability to maintain or preserve its Tax Benefits. If any provision of this ARTICLE X or the application of any such provision to any Person or under any circumstance shall be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision of this ARTICLE X.

SECTION 16. WAIVER. With regard to any power, remedy or right provided herein or otherwise available to the Corporation or the Agent under this ARTICLE X, (i) no waiver will be effective unless expressly contained in a writing signed by the waiving party and (ii) no alteration, modification or impairment will be implied by reason of any previous waiver, extension of time, delay or omission in exercise or other indulgence.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "**Agreement**"), effective as of May 3, 2023 (the "**Effective Date**"), is entered into by and among Acacia Research Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "**Company**"), and Robert Rasamny ("**Executive**"), on the following terms and conditions.

BACKGROUND

WHEREAS, the Company and Executive desire to enter into this Agreement, subject to the terms and conditions as set forth below.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants set forth herein, the Company and Executive, intending to be legally bound, hereby agree as follows:

1. Position and Responsibilities. Beginning on May 9, 2023 (the "**Start Date**"), Executive shall be employed by the Company and serve as Chief Administrative Officer of the Company. Executive agrees that, at all times during his employment hereunder, Executive will be subject to and comply with the Company's personnel rules, policies and procedures, including but not limited to the Company's Insider Trading Policy (attached hereto as Exhibit A), Sexual Harassment Policy (attached hereto as Exhibit B), the Company's Employee Handbook (which has been provided to Executive) and Executive Officer Stock Ownership Guidelines (attached hereto as Exhibit C), in each case, as may be modified from time to time. Executive will devote his full working time and efforts to the Company's business to the exclusion of all other employment or active participation in other business interests, unless otherwise consented to in writing by the Company. This will not preclude Executive from (a) devoting time to personal and family endeavors or investments, (b) serving on community and civic boards, (c) participating in industry or trade associations, or (d) serving on a board of a public or private company that does not directly compete with the Company; provided, that (x) such activities do not materially interfere with Executive's duties to the Company or create a conflict of interest, and (y) the Board of Directors of the Company (the "**Board**") approves Executive's service on any board of directors.

2. Compensation. For all services rendered by Executive pursuant to this Agreement following the Start Date, the Company will pay Executive, or will cause to be paid to Executive, subject to his adherence to all of the terms of this Agreement, and Executive will accept as full compensation hereunder, the following:

a. Salary. The Company will pay Executive, or cause Executive to be paid, a base salary (the "**Base Salary**") at an annualized rate of $430,000. The Base Salary will be subject to tax withholding and permitted deductions, and will be payable bi-weekly in accordance with the normal payroll procedures of the Company. The Base Salary will be subject to an annual review by the Compensation Committee of the Board (the "**Compensation Committee**"). In the event of an adjustment to the Base Salary, the term "**Base Salary**" shall refer to the adjusted amount.

b. Annual Bonus. Executive will be eligible for annual cash incentive compensation (the "**Annual Bonus**") with a target value ranging from 75-100% of Base Salary, the ultimate amount that is earned of which, if any, will be determined by the Board in accordance with annual performance objectives established by the Board on an annual basis. The Annual Bonus, if any, will be paid to Executive in the same manner and at the same time that other senior-level executives of the Company receive their annual cash bonus awards, as determined by the Board or the Compensation Committee, provided, Executive will have the option to receive all or a portion of his Annual Bonus in stock of the Company (Nasdaq: ACTG). In order to be eligible for an Annual Bonus, Executive must be employed by and in good standing with the Company on the date the Annual Bonus is paid. The Annual Bonus will be subject to tax withholdings and permitted deductions. Notwithstanding the foregoing, for the 2023 calendar year, the Annual Bonus will be pro-rated based on Executive's Start Date; provided, that, subject to Executive remaining employed by and in good standing with the Company on the date the 2023 Annual Bonus is paid, Executive's Annual Bonus will be no less than $246,667.

c. Equity Grant. Executive will be eligible to receive equity award grants with a target annualized grant date fair value equal to $200,000, which grant will be subject to Compensation Committee approval and finalization a new equity incentive program.

d. Benefits and Perquisites. The Company will make or will cause to be made benefits available to Executive, including, but not limited to, vacation and holidays, sick leave, health insurance, bonus plans, and the like, to the extent and on the terms made available to other similarly situated senior executives of the Company. This provision does not alter the Company's right to modify or eliminate any employee benefit and does not guarantee the continuation of any kind or level of benefits. All such benefits shall cease upon the termination of Executive's employment under this Agreement.

e. Expenses; Travel. The Company will or will cause Executive to be reimbursed for all reasonable out-of-pocket business and travel expenses incurred in connection with the performance of Executive's duties or professional activities on behalf of the Company in accordance with the Company's reimbursement policies.

1. At-Will Employment; Termination of Employment. Executive acknowledges and agrees that employment with the Company is on an at-will basis and for an unspecified duration. Neither this Agreement nor any verbal representations will confer any right to continuing employment and Executive's at-will employment status can only be changed in a written agreement signed by the Company's Chief Executive Officer upon the approval of the Compensation Committee. Either Executive or the Company may terminate Executive's employment for any reason upon thirty (30) days' written notice; provided, however, that the Company, in its sole discretion, may waive Executive's requirement to provide thirty (30) days' written notice. For the duration of any such notice period, the Company may direct Executive to (a) transition some or all of Executive's duties to other Company employees and/or to perform other or different duties as the Company deems appropriate in connection with the transition. (b) refrain from communicating with any of the Company's employees, members, partners, principals, investors, potential investors, and counterparties, and/or refrain from entering the Company's premises. For the avoidance of doubt, during any such notice period, the Executive will remain a Company employee and will continue to receive his base salary, participate in the Company's health insurance plan, and be bound by the terms of this Agreement and the Company's other policies, including the Insider Trading Policy. However, during any such notice period the Executive will not be entitled to receive other benefits and perquisites, including any discretionary bonus or any additional compensation whatsoever. For the avoidance of doubt, the Company may terminate Executive's employment for cause immediately upon written notice. Executive is eligible to participate in the Company's Amended and Restated Executive Severance Policy (as it may be amended or replaced from time to time, the "**Severance Policy**"); provided, that, notwithstanding any terms of the Severance Policy to the contrary, payments or benefits under the Severance Policy to which Executive may otherwise become entitled will become payable only if Executive executes and does not subsequently revoke a release of claims in a form acceptable to the Company.

2. Confidentiality.

a. Confidential Information. The Company and Executive recognize that Executive will acquire, have access to, or develop confidential and proprietary information relating to the Company's business and the business of the Company's affiliates. Such confidential and proprietary information is information that derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy ("**Confidential Information**"). Confidential Information may include, without limitation, the following: business plans, projections, planning and strategies, marketing plans, materials, pricing, programs and related data, product information, services, budgets, acquisition plans, the names or addresses of any employees, independent contractors or customers, licensing strategy, statistical data, financial information or arrangements, manuals, forms, techniques, know-how, trade secrets, software, any method or procedure of the Company's business, whether developed by the Company or developed, or contributed to, by Executive during the course of Executive's employment, or made available to Executive by the Company or any of the Company's affiliates in the course of Executive's employment, or any market development, research or expansion projects, business systems and procedures and other confidential business and proprietary information. Confidential Information may be contained in written materials, verbal communications, the unwritten knowledge of employees, or any other medium, such as on a smartphone, USB drive, laptop, cloud storage, or other means of electronic storage of information.

b. Obligation of Confidentiality. Executive acknowledges and agrees that all Confidential Information constitutes special, unique and valuable assets of the Company, the disclosure of which would cause irreparable harm and substantial loss to the Company and its affiliates. In view of the foregoing, Executive agrees that at no time will Executive, directly or indirectly, and whether during or after his employment, use, reveal, disclose or make known any Confidential Information unless it is in the course of performing his job duties or with specific written authorization from or written direction by the Company. Executive further agrees that, immediately upon termination or expiration of his employment for any reason whatsoever, or at any time upon request by the Company, Executive will return to the Company all Confidential Information. In the event Executive is required by applicable law or legal process, or by any tribunal, state or federal court, administrative body or agency, by oral questions, subpoena, civil or criminal investigative demand, interrogatories, requests for information, or other similar process to disclose any Confidential Information, Executive agrees to provide the Company with prompt notice of such demand so that the Company may seek an appropriate protective order and/or waive compliance with such demand. Executive agrees to cooperate with the Company, at the Company's expense, in seeking such protective order and, if a protective order is not obtained, Executive agrees he will disclose only the portion of Confidential Information required by such law, legal process or tribunal, state or federal court, administrative body or agency and will use commercially reasonable efforts to obtain confidential treatment of such disclosure. Executive understands that all documents (including written documents, electronic documents, computer records, facsimile and e-mail) and materials created, received or transmitted by Executive while employed by the Company or in connection with his work or using Company facilities are presumptively Company property and subject to inspection by the Company at any time.

c. Immunity under the Defend Trade Secrets Act. Executive acknowledges that pursuant to 18 U.S.C. § 1833(b), he shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a Company trade secret that is made: (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Executive understands that nothing in this Agreement prevents him from reporting, in confidence, potential violations of law to relevant governmental authorities, to his attorney, or to a court.

d. Exceptions. Notwithstanding the foregoing, any restriction on Executive's use, disclosure, or conveyance of Confidential Information will not apply to (i) any Confidential Information that enters the public domain through no fault of Executive's or any person affiliated with Executive; (ii) any Confidential Information that Executive is required to disclose pursuant to applicable law or legal process, an order of a court of competent jurisdiction or a government agency having appropriate authority, in accordance with Section 4(b), solely to the extent necessary to comply with such order; and (iii) any use or disclosure, during the course of Executive's employment hereunder of Confidential Information made necessary by the proper conduct of the business of the Company and consistent with the instructions of the Company. Nothing herein shall prohibit Executive from providing information in connection with: (a) any disclosure of information required by law or legal process in accordance with Section 4(b); (b) reporting possible violations of federal or state law or regulation to any governmental agency, commission or entity or self-regulatory organization (collectively "Government Agencies") (c) filing a charge or complaint with Government Agencies; (d) making disclosures that are protected under the whistleblower provisions of federal or state law or regulation (collectively the "Whistleblower Statutes"); or (e) from responding to any inquiry from, or assisting in any inquiry, investigation or proceeding brought by Government Agencies in connection with (a) through (e).

3. Intellectual Property. Executive 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 related to the Company's patent portfolios or any other intellectual property owned by the Company or its affiliates, whether patentable, copyrightable or not, which are made, developed, created, contributed to, reduced to practice, or conceived by Executive, whether solely or jointly with others, in connection with Executive's employment hereunder (collectively, the "**Intellectual Property**") shall be and 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 Executive's execution of this Agreement, Executive hereby irrevocably and unconditionally assigns to the Company all right, title and interest in any such Intellectual Property. Executive further agrees to take all such steps and all further action as the Company may reasonably 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. Executive 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 Executive and, upon termination, or expiration of his or her employment with the Company, to turn over to the Company all such Material. Any intellectual property which was developed by Executive prior to the Effective Date, or which is developed by Executive during or after the termination of this Agreement and is not in any way related to any of the Company's or any of its affiliates' intellectual property, shall be owned by Executive.

4. Covenants.

a. Exclusive Service. During Executive's employment, Executive agrees not to perform services for any other entity, group or individual if such service would conflict with or interfere in any way with the Company's business interests, in either case, as reasonably determined by the Company.

b. Non-Solicitation. During Executive's employment and for a period of 12 months after the termination of Executive's employment for any reason, Executive agrees not to: (i) solicit for employment or engagement, hire, or engage any Restricted Person, (ii) pursue or otherwise solicit any Customer or Investment Opportunity of the Company or any of its affiliates, or (iii) induce, attempt to induce or knowingly encourage any Customer or Investment Opportunity 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 negatively change the manner in which they are then doing business with the Company or any of its affiliates. The term "**Restricted Person**" means any person who is currently or was within the prior six months either employed by or engaged as an independent contractor by the Company or any of its affiliates. The term "**Customer**" means any individual or business firm that was or is a customer or client of, 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 Executive's efforts. The term "**Investment Opportunity**" means any opportunity in which the Company or any of its affiliates or subsidiaries at any time sought to invest, regardless of whether such opportunity was generated, in whole or in part, by Executive's efforts.

c. Return of the Company's Property. Upon the termination of Executive's employment in any manner, Executive shall immediately surrender to the Company all lists, books and records of, or in connection with, the Company's business, and all other property belonging to the Company, including all Confidential Information. Executive shall search for and delete all Confidential Information (other than the information that Executive may need to file tax returns or keep for financial records), including all Confidential Information, that may exist on Executive's personal electronic devices such as a smartphone, laptop, tablet, personal computer, USB drive, or any other electronic storage device and, if requested by the Company, certify to the return of such Confidential Information (and the deletion of Confidential Information from Executive's personal devices).

d. Cooperation. During the term of this Agreement and thereafter, Executive agrees to cooperate with the Company and its affiliates, agents, accountants and attorneys concerning any matter with which Executive was involved during Executive's employment. Such cooperation will include, but not be limited to, providing information to, meeting with and reviewing documents provided by the Company and its affiliates, agents, accountants and attorneys during normal business hours or other mutually agreeable hours upon reasonable notice and being available for depositions and hearings, if necessary and upon reasonable notice. If Executive's cooperation is required after the termination of Executive's employment, the Company will reimburse Executive for any reasonable out of pocket expenses incurred in performing Executive's obligations hereunder with the understanding the Executive is not being paid for testimony.

e. Non-Disparagement. During the term of this Agreement and thereafter, Executive shall not make any statements (whether written, electronic or oral) that disparage, denigrate, malign or criticize the Company or any of its affiliates, or any of their respective businesses, products, directors, officers or employees. Notwithstanding the foregoing, in no event shall the provisions of this Section 6(e) prohibit Executive from making truthful statements to the extent required by law or legal process.

5. General Provisions.

a. Successors and Assigns. The rights of the Company under this Agreement may, without the consent of Executive, be assigned by the Company, in its sole and unfettered discretion, to any person, firm, corporation or other business entity that at any time, whether by purchase, merger or otherwise, directly or indirectly, acquires all or substantially all of the assets or business of the Company. The Company will require any successor (whether direct or indirect, by purchase, merger or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and to agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place; provided, however, that no such assumption will relieve the Company of its respective obligations hereunder. As used in this Agreement, the "**Company**" means the Company, as the case may be, as hereinbefore defined and any successor to its business and/or assets as aforesaid that assumes and agrees to perform this Agreement by operation of law or otherwise. Executive is not entitled to assign any of Executive's rights or obligations under this Agreement. This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive should die while any amount is at such time payable to Executive hereunder, all such amounts, unless otherwise provided herein, will be paid in accordance with the terms of this Agreement to Executive's devisee, legatee, or other designee or, if there be no such designee, to Executive's estate.

b. Remedies. Each of the parties to this Agreement will be entitled to enforce its rights under this Agreement specifically, to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights existing in its favor. The parties agree and acknowledge that money damages may not be an adequate remedy for any breach of Sections 4, 5 or 6 and that any party may in its sole discretion apply to any court of law or equity of competent jurisdiction for injunctive relief without the need for an undertaking in order to enforce or prevent any violations of Sections 4, 5 or 6 of this Agreement outside of arbitration.

c. Severability and Reformation. The parties intend all provisions of this Agreement to be enforced to the fullest extent permitted by law. If, however, any provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future law, such provision shall be fully severable, and this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision were never a part hereof and the remaining provisions remain in full force and effect. Moreover, any provision so affected shall be limited only to the extent necessary to bring the Agreement within the applicable requirements of law.

d. Governing Law and Venue. This Agreement is to be governed by and construed in accordance with the laws of 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. Any suit brought and any and all legal proceedings to enforce this Agreement whether in contract, tort, equity or otherwise, shall be brought in the state or federal courts sitting in Manhattan, New York, the parties hereto hereby waiving any claim or defense that such forum is not convenient.

e. Arbitration of Disputes.

(i) *Agreement to Arbitrate*. The parties hereby agree that any and all disputes, claims or controversies arising out of or relating to this Agreement, the employment relationship between the parties, or the termination of the employment relationship, that are not resolved by their mutual agreement shall be resolved by final and binding arbitration by a neutral arbitrator. This agreement to arbitrate includes any claims that either the Company may have against Executive, or that Executive may have against the Company, and any of its affiliates or its or their officers, directors, employees, agents and representatives.

(ii) *Covered Claims*. The claims covered by this agreement to arbitrate include, but are not limited to, claims for: wrongful termination; breach of any contract or covenant, express or implied; breach of any duty owed to Executive by the Company or to the Company by Executive; personal, physical or emotional injury; fraud, misrepresentation, defamation, and any other tort claims; wages or other compensation due; penalties; benefits; reimbursement of expenses; discrimination or harassment, including but not limited to discrimination or harassment based on race, sex, color, pregnancy, religion, national origin, ancestry, age, marital status, physical disability, mental disability, medical condition, or sexual orientation; retaliation; violation of any local, state, or federal constitution, statute, ordinance or regulation (as originally enacted and as amended), including but not limited to Title VII of the Civil Rights Act of 1964, Age Discrimination in Employment Act of 1967, Americans With Disabilities Act, Fair Labor Standards Act, Executive Retirement Income Security Act, Immigration Reform and Control Act, Consolidated Omnibus Budget Reconciliation Act, Family and Medical Leave Act, California Fair Employment and Housing Act, California Family Rights Act, California Labor Code, California Civil Code, and the California Wage Orders or similar laws of other states. This Agreement shall not apply to any dispute if an agreement to arbitrate such dispute is prohibited by law.

(iii) *Arbitration Process*. The parties further agree that any arbitration shall be conducted before one neutral arbitrator selected by the parties and shall be conducted under the Employment Arbitration Rules of JAMS ("**JAMS Rules**") then in effect. Executive may obtain a copy of the JAMS Rules by accessing the JAMS website at https://www.jamsadr.com, or by requesting a copy from the Chief Executive Officer. By signing this Agreement, Executive acknowledges that he or she has had an opportunity to review the JAMS Rules before signing this Agreement. The arbitration shall take place in Manhattan, New York. The arbitrator shall have the authority to order such discovery by way of deposition, interrogatory, document production, or otherwise, as the arbitrator considers necessary to a full and fair exploration of the issues in dispute, consistent with the expedited nature of arbitration. The arbitrator is authorized to award any remedy or relief available under applicable law that the arbitrator deems just and equitable, including any remedy or relief that would have been available to the parties had the matter been heard in a court. Nothing in this Agreement shall prohibit or limit the parties from seeking provisional remedies under California Code of Civil Procedure section 1281.8 or similar state and local laws, including, but not limited to, injunctive relief from a court of competent jurisdiction. The arbitrator shall have the authority to provide for the award of attorney's fees and costs if such award is separately authorized by applicable law. Executive shall not be required to pay any cost or expense of the arbitration that she would not be required to pay if the matter had been heard in a court. The decision of the arbitrator shall be in writing and shall provide the reasons for the award unless the parties agree otherwise. The arbitrator shall not have the power to commit errors of law or legal reasoning and the award may be vacated or corrected on appeal to a court of competent jurisdiction for any such error.

(iv) *Federal Arbitration Act*. This agreement to arbitrate shall be enforceable under and subject to the Federal Arbitration Act, 9 U.S.C. Sections 1, et. seq.

f. Entire Agreement, Amendment and Waiver. This Agreement, together with its exhibits and the agreements referenced herein, contains the entire understanding and agreement between the parties and supersedes any other agreement between the Company and Executive, whether oral or in writing, with respect to the subject matter hereof. This Agreement may not be altered or amended, nor may any of its provisions be waived, except by a writing signed by both parties hereto or, in the case of an asserted waiver, by the party against whom the waiver is sought to be enforced. Waiver of any provision of this Agreement, or any breach thereof, shall not be deemed to be a waiver of any other provision or any subsequent alleged breach of this Agreement.

g. Clawback. Notwithstanding any other provision in this Agreement to the contrary, Executive will be subject to any policy the Company may implement or maintain at any time relating to recoupment or "clawback" of incentive compensation.

h. Survival and Counterparts. The provisions of Section 4 (Confidentiality), Section 5 (Intellectual Property), Section 6 (Covenants), and Section 7 (General Provisions) of this Agreement will survive the termination of this Agreement. This Agreement may be executed in counterparts, with the same effect as if both parties had signed the same document. All such counterparts shall be deemed an original, shall be construed together and shall constitute one and the same instrument. This Agreement supersedes any prior or other agreement governing the subject matter hereof.

i. Section 409A. To the extent (A) any payments to which the Executive becomes entitled under this Agreement, or any agreement or plan referenced herein, in connection with the Executive's termination of employment hereunder, constitute deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A") and (B) the Executive is deemed at the time of such termination of employment to be a "specified" employee under Section 409A, then such payment or payments shall not be made or commence until the earlier of (1) the expiration of the 6-month period measured from the date of the Executive's "separation from service" (as such term is at the time defined in regulations under Section 409A) hereunder and (2) the date of the

Executive's death following such separation from service. Upon the expiration of the applicable deferral period, any payments which would have otherwise been made during that period (whether in a single sum or in installments) in the absence of this paragraph shall be paid to the Executive or his beneficiary in one lump sum (without interest). To the extent that any provision of this Agreement is ambiguous as to its exemption or compliance with Section 409A, the provision will be read in such a manner so that (i) all payments hereunder are exempt from Section 409A to the maximum permissible extent and, (ii) for any payments where such construction is not tenable, so that those payments comply with Section 409A to the maximum permissible extent. Payments pursuant to this Agreement (or referenced in this Agreement), and each installment thereof, are intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the regulations under Section 409A. All references to termination of employment or similar terms shall be deemed to mean separation from service within the meaning of Section 409A to the extent necessary to comply with Section 409A. Notwithstanding anything to the contrary herein, except to the extent any expense, reimbursement or in-kind benefit provided pursuant to this Agreement does not constitute a "deferral of compensation" within the meaning of Section 409A: (x) the amount of expenses eligible for reimbursement or in-kind benefits provided to the Executive during any calendar year will not affect the amount of expenses eligible for reimbursement or in-kind benefits provided to the Executive in any other calendar year, (y) the Company or its affiliates will reimburse the Executive for expenses for which the Executive is entitled to be reimbursed on or before the last day of the calendar year following the calendar year in which the applicable expense is incurred or, if earlier, within 30 days after the Executive has substantiated the expense, and (z) the right to payment or reimbursement or in-kind benefits hereunder may not be liquidated or exchanged for any other benefit.

[*Remainder of Page Intentionally Left Blank; Signature Page Follows*]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

Company:

ACACIA RESEARCH CORPORATION

By: __ Name: Martin D. McNulty, Jr.
Title: Chief Executive Officer

Executive:

Robert Rasamny

<u>EXHIBIT A</u>

INSIDER TRADING POLICIES

See attached.

EXHIBIT B

SEXUAL HARASSMENT POLICIES

See attached.

EXHIBIT C

EXECUTIVE OFFICER STOCK OWNERSHIP GUIDELINES

See attached.

SERVICES AGREEMENT

This SERVICES AGREEMENT (this "Agreement") is entered into as of December 12, 2023 by and between Starboard Value LP, a Delaware limited partnership ("Starboard"), and Acacia Research Corporation, a Delaware corporation ("Acacia").

RECITALS

WHEREAS, Starboard and its affiliates[1] have extensive knowledge and insight regarding investing in publicly-traded U.S. equities;

WHEREAS, Acacia desires to avail itself of the experience, sources of information, assistance and resources available to Starboard, and desires to have Starboard perform for it various strategic advisory services, including trade execution, identification of strategic opportunities and due diligence services; and

WHEREAS, Starboard is willing to provide such services on the terms and subject to the conditions set forth in this Agreement.

NOW, **THEREFORE**, in consideration of the foregoing, the mutual covenants and agreements hereinafter set forth, and other good and valuable consideration, the parties hereto agree as follows:

1. Appointment; Services; Limitations on Starboard Authority.

(a) Appointment as Adviser. Acacia hereby appoints Starboard as its adviser on a non-discretionary basis with respect to the Services (as defined below), and Starboard hereby agrees to act as adviser, in each case subject to the terms and conditions set forth in this Agreement.

(b) Services. Starboard may provide to Acacia and certain of its subsidiaries identified by Acacia the following services (collectively, the "Services"); which, Services shall be performed at Acacia's request and in Starboard's discretion; provided that, Starboard may decline a request from Acacia if in Starboard's sole discretion such request would conflict with or be damaging to Starboard's business or if such request is unduly burdensome with respect to the amount of time and resources required to fulfill such request:

(i) assisting Acacia management with respect to the identification, consideration, due diligence and valuation of acquisition targets (whether or not such acquisition is consummated) and other actual or prospective investments (each, a "Portfolio Company");

(ii) to the extent applicable, coordinating and liaising with other advisors engaged by Acacia in connection with any Portfolio Company;

(iii) to the extent applicable, providing advice regarding the terms and conditions of, negotiations with respect to, and the capital structure approach and financing strategy for, Portfolio Companies;

(iv) to the extent applicable, seeking to source and provide recruiting assistance and due diligence on individuals to serve as directors or officers of Portfolio Companies, and the evaluation of the performance of such directors and officers following completion of any such transaction;

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[1] The term "affiliate", as used in this Agreement, shall have the meaning set forth in Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and shall be deemed to include any investment fund or account managed by Starboard.

(v) provide advice regarding the optimal pricing and timing to make trades in securities including common and preferred stock, derivatives, futures, warrants, rights, options, bonds, debentures and other debt obligations, whether such trades are long or short positions;

(vi) execute trades on behalf of Acacia in accordance with the Authorized Instructions (defined below) provided by Acacia; provided that trades made pursuant to the Services are expected to be ordered by Acacia, placed through brokers with which Acacia has established accounts, and held on Acacia's balance sheet; and provided, further, that such trades shall be made consistently with activities authorized under the federal securities laws to be performed by persons who are not registered as broker dealers with the Securities and Exchange Commission; and

(vii) performing such other services relating to investment research, due diligence and execution, evaluation of personnel, and any other services as may be reasonably requested by Acacia from time to time.

(c) Authorized Instructions. All directions and instructions to Starboard from Acacia regarding trade execution shall be in writing and approved by Acacia's Chief Executive Officer or other such authorized individuals (email being sufficient for these purposes) and transmitted as provided in Section 15 ("Authorized Instructions"). Starboard personnel trading on behalf of Acacia shall have discretion with respect to the specific timing of such trades except as otherwise set forth in the Authorized Instructions. Authorized Instructions shall only be considered received and valid upon written confirmation from Starboard's authorized traders, and Starboard shall only comply with such Authorized Instructions upon such acknowledged receipt of same. Starboard will comply with such Authorized Instructions except to the extent Starboard reasonably believes that such Authorized Instructions (i) are or may be contrary to applicable law or any applicable contractual or other restrictions to which Starboard or any of Acacia's assets are subject, (ii) would be inadvisable or would reasonably be expected to have an adverse impact on any fund or client advised by Starboard or (iii) could result in short-swing profit disgorgement under the Exchange Act. If Starboard elects not to comply with any Authorized Instruction for one or more of the foregoing reasons, Starboard shall notify Acacia of such election as soon as practicable.

(d) Limitations on Starboard Authority. Notwithstanding anything contained herein to the contrary, in connection with the performance of the Services, (i) Starboard shall not have the right to legally bind Acacia or any subsidiary thereof, except pursuant to Authorized Instructions, and, without limitation of the foregoing, any determination by Acacia or any subsidiary thereof to pursue, enter into or consummate any acquisition or investment shall be made solely by Acacia, (ii) at all times, Starboard shall be subject to the custody limitations set forth in Section 2, and (iii) Starboard may facilitate any investment with a group of buyers (including Acacia), which group may include affiliates of Starboard; provided that (x) any such group shall be governed by the terms of the applicable group agreement, (y) Starboard will not have the authority to bind Acacia to such a group, and (z) solely with respect to Acacia, all advice provided in connection with such group activity will be undertaken on a non-discretionary basis.

(e) Other Engagements. For the avoidance of doubt, nothing in this Agreement shall prohibit Acacia from engaging persons other than Starboard to provide the Services. Notwithstanding anything contained herein to the contrary, nothing in this Agreement shall prevent or otherwise restrict Acacia from seeking or consummating investments that Acacia, in its sole discretion, determines to pursue.

2. Custody of Assets. Acacia shall instruct the Custodian (as defined below) to take any and all actions required to maintain Acacia's custodial account (the "Account") in a manner that enables the Custodian to separately account for Acacia's assets covered by this Agreement, and transactions with respect thereto. Ownership of assets in the Account shall remain with Acacia. Except as expressly authorized in this Agreement, Starboard shall not, under any circumstances, take, or have the legal ability to take, possession, custody, title or ownership of any of Acacia's assets managed pursuant to this Agreement. Starboard shall not have the right to have securities in the Account registered in its own name or in the name or any of its affiliates, nor shall Starboard in any manner acquire or take possession of any income or proceeds distributable by reason of selling, holding or

controlling any of Acacia's assets in the Account. Accordingly, Starboard shall have no responsibility with respect to the collection of income, reclamation of withheld taxes, physical acquisition, or the safekeeping of Acacia's assets. All such duties of collection, physical acquisition, or safekeeping shall be the sole obligation of the Custodian. "Custodian" means any person charged with the safekeeping of Acacia's assets covered by this Agreement and having such powers, duties and rights as set forth in a custody agreement between Acacia and such person (on the date hereof, BTIG, LLC). Additionally, Acacia shall ensure that any current or future accounts (e.g., any prime brokerage or additional custodial accounts or any accounts used to hold over-the-counter securities) which have assets covered by this Agreement shall be maintained in a manner that enables the person managing such account to separately account for Acacia's assets covered by this Agreement, and transactions with respect thereto.

3. Starboard Activities; Investment Professionals; Board Designees.

(a) Starboard Investments. Acacia acknowledges that, when providing Services as set forth in this Agreement, Starboard may be subject to a number of conflicts of interest. When a conflict of interest arises, Starboard will endeavor to ensure the conflict is resolved in a fair and equitable manner. Starboard represents that it has in place policies and procedures that it believes are reasonably designed to identify and resolve actual and potential conflicts of interest. To the extent that Starboard or Acacia has actual knowledge that the other party is evaluating or considering an investment in the same Portfolio Company, the parties shall use commercially reasonable efforts to evaluate and resolve the potential conflict, which may include, but is not limited to, entering into a group agreement (if mutually agreed in each party's own discretion). As a result, Acacia acknowledges and agrees that it may not receive as great an allocation of executed trades as it otherwise would have. Notwithstanding the foregoing, Starboard is not obligated to present Acacia with any potential investment or to provide Acacia trade execution for any investment including where such investments would be suitable for Acacia. Depending on the circumstances, Starboard may allocate certain investments in a disproportionate basis and/or may allocate all of certain investments to other clients.

(b) Access to Starboard Investment Professionals. In connection with the Services, Starboard agrees to make its investment professionals reasonably available to Acacia (including for telephonic, electronic or in person meetings, as reasonably requested by Acacia) at mutually convenient times; provided that Starboard's inability to make an investment professional available to Acacia shall not be considered a material breach of this Agreement.

(c) Starboard Board Designees. The parties hereto acknowledge that, as of the date hereof, Jonathan Sagal is a member of the Board of Directors of Acacia (the "Acacia Board") and a member of the Acacia Board's Strategic Committee, which is responsible for reviewing and approving certain investments made by Acacia, and Gavin Molinelli serves as the Chair of the Acacia Board (Jonathan Sagal and Gavin Molinelli, and any present or future employee or partner of Starboard or its affiliates who provides services to the Acacia Board or its committees under this Agreement, a "Starboard Board Designee"). The terms and conditions set forth in this Agreement are not applicable to any actions taken or not taken by any Starboard Board Designees in their capacity as such, who shall continue to carry out their duties as members of the Acacia Board in accordance with applicable law, their fiduciary duties and the policies and procedures established by Acacia from time to time. The parties hereto acknowledge and agree that any actions taken or not taken by the Starboard Board Designees, in their capacity as members of the Acacia Board, including but not limited to the oversight of the business and operations of Acacia and its subsidiaries and participation in the consideration, evaluation, negotiation and execution of potential transactions (collectively, the "Director Activities"), shall not be imputed to or be deemed to be the responsibility of or supervised by Starboard or its affiliates and shall not be deemed to be Services performed hereunder.

(d) Other Starboard Activities. Nothing in this Agreement shall be construed to limit the ability of Starboard or its affiliates to pursue, investigate, analyze, invest in, or engage in investment advisory or any other business relationships with entities other than Acacia, notwithstanding that such entities may be engaged in a business which is similar to or competitive with the business of Acacia, and notwithstanding that such entities may have actual or potential operations, products, services, plans, ideas, customers or supplies similar or identical to Acacia, or may have been independently identified by Acacia as investments. Acacia agrees that Starboard may give advice and take action in the performance of its duties with respect to any of its other clients or with respect to its officers or employees which may differ from advice given or the timing and nature of action taken pursuant to this Agreement even though the investment programs or objectives may be the same or similar.

(e) Starboard Ownership Interest in Acacia. Nothing in this Agreement shall be construed to limit the ability of Starboard or its affiliates to invest in Acacia, manage their investment in Acacia or otherwise exercise their voting and other rights pursuant to their holdings in Acacia; provided that, for the avoidance of doubt, Starboard acknowledges and agrees that such investments, management thereof and exercise of voting and other rights pursuant thereto are subject to Acacia's governing documents, other agreements between Acacia and Starboard and applicable law.

4. No Fees. The Services shall be provided free of charge to Acacia, and neither Starboard nor any affiliate thereto shall be entitled to any separate or additional compensation for any such Services, except for such reimbursements as are set forth in Section 5 below.

5. Acacia Expenses.

(a) Acacia shall bear full responsibility for all reasonable out of pocket expenses incurred by Starboard or its affiliates arising directly out of the Services provided or to be provided hereunder. Acacia shall pay for such expenses directly; provided that to the extent that Starboard incurs such reasonable out of pocket expenses on Acacia's behalf or Starboard's or its affiliates' out-of-pocket expenses increase as a direct result of the Services, Acacia shall in each case reimburse Starboard on a monthly basis for such expenses (without markup); provided, that, Starboard sends reasonable supporting documentation for such expenses. Such expenses may include, but are not limited to, investment and trade-execution related expenses (including brokerage commissions, custodial fees, expenses relating to short sales, clearing and settlement charges, and bank service fees and interest expenses); legal and compliance expenses (including fees and expenses of external attorneys, to the extent such cost is attributable to work performed in connection with the Services); auditing and tax preparation expenses; insurance expenses; regulatory expenses and the costs of preparing and filing required regulatory filings related to or arising from the investments made for Acacia hereunder. With respect to expenses incurred in connection with each party's negotiation of this Agreement (including the costs of preparing and filing required regulatory filings related to or arising from this Agreement) (the "Initial Expenses"), Acacia shall (i) reimburse all of Starboard's reasonable out-of-pocket Initial Expenses and (ii) bear full responsibility for its own Initial Expenses. For the avoidance of doubt, under this Agreement, in no case will Acacia be responsible for any personnel, human capital or general overhead expenses of Starboard or its respective employees, officers, directors, consultants, auditors, advisers or other representatives, in each case who are subject to confidentiality obligations (collectively, "Representatives"). Any expenses charged pursuant to this Section 5 shall be reviewed and approved or ratified by Acacia's Audit Committee.

(b) At least annually, Starboard and Acacia shall review the scope of expenses incurred hereunder during the preceding calendar year to confirm such expenses (i) have been charged to the appropriate party, (ii) are reasonable in amount, (iii) are directly related to the Services and (iv) to estimate expenses to be incurred in the following calendar year. Any potential discrepancies will be promptly investigated, and to the extent necessary, improperly charged expenses will be reallocated appropriately. Starboard and Acacia may each consult with outside counsel or other consultants (at their own expense) to the extent necessary to determine whether a particular expense was appropriately charged.

6. Compliance Requirements. Each of Starboard and Acacia shall ensure that their respective personnel are subject to, and each of Starboard and Acacia shall implement, compliance policies and procedures reasonably designed to comply with the U.S. federal securities laws applicable to their respective business.

7. Representations and Warranties of Starboard. As of the date of this Agreement and continuing throughout the term of this Agreement, Starboard hereby represents and warrants to Acacia that:

(a) Starboard is duly formed, validly existing and in good standing under the laws of its jurisdiction of organization.

(b) This Agreement constitutes a legal, valid and binding obligation of Starboard, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or similar laws relating to or affecting creditors' rights generally and by general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(c) Starboard has full power and authority to do and perform all acts contemplated by this Agreement.

(d) Neither the execution and delivery of this Agreement, the fulfillment of, or compliance with, the terms and provisions hereof, nor the performance of Starboard's obligations hereunder will conflict with, or result in a breach of, any of the terms, conditions or provisions of (i) any federal, state or local law, regulation, order, regulatory guidance or agreement, or rule applicable to Starboard or any of its affiliates, (ii) organizational documents of Starboard or any of its affiliates or (iii) any agreement to which Starboard or its affiliates is a party or by which it or its affiliates may be bound, in each case under clauses (i)-(iii) that would reasonably be expected to materially impair the ability of Starboard or its affiliates to perform under this Agreement.

(e) There is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency, public board or body pending or, to the knowledge of Starboard, threatened against or contemplated by any governmental agency, which in each case could reasonably be expected to materially impair the ability of Starboard or its affiliates to perform under this Agreement.

8. Representations and Warranties of Acacia. As of the date of this Agreement and continuing throughout the term of this Agreement, Acacia hereby represents and warrants to Starboard that:

(a) Acacia is duly formed, validly existing and in good standing under the laws of its jurisdiction of organization.

(b) This Agreement constitutes a legal, valid and binding obligation of Acacia, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or similar laws relating to or affecting creditors' rights generally and by general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(c) Acacia has full power and authority to do and perform all acts contemplated by this Agreement.

(d) Neither the execution and delivery of this Agreement, the fulfillment of, or compliance with, the terms and provisions hereof, nor the performance of Acacia's obligations hereunder will conflict with, or result in a breach of, any of the terms, conditions or provisions of (i) any federal, state or local law, regulation, order, regulatory guidance or agreement, or rule applicable to Acacia or any of its affiliates, (ii) organizational documents of Acacia or any of its affiliates or (iii) any agreement to which Acacia or its affiliates is a party or by which it or its affiliates may be bound, in each case under clauses (i)-(iii) that would reasonably be expected to materially impair the ability of Acacia or its affiliates to perform under this Agreement.

(e) There is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency, public board or body pending or, to the knowledge of Acacia, threatened against or contemplated by any governmental agency, which in each case could reasonably be expected to materially impair the ability of Acacia or its affiliates to perform under this Agreement.

(f) Acacia acknowledges receipt of Part 2 of Form ADV of Starboard, on or before the date of this Agreement.

9. Exculpation and Indemnification.

(a) None of Starboard nor any of its affiliates, nor any of their respective members, managers, partners, directors, officers, or employees or the legal representatives of any of them (each, an "Indemnified Person") shall be liable to Acacia for any acts or omissions relating to, arising out of, or in connection with the Services or this Agreement, unless such action or inaction was found, in each case by a final, non-appealable judicial order, to have been made in bad faith or to have constituted fraud, willful misconduct or gross negligence by an Indemnified Person, or for any act or omission relating to the performance of the Services of any broker or agent of Starboard or Acacia, provided that such broker or agent was selected, engaged or retained by Starboard in the absence of fraud, willful misconduct or gross negligence.

(b) To the fullest extent permitted by law, Acacia shall indemnify the Indemnified Persons against any loss, cost or expense suffered or sustained by an Indemnified Person by reason of (i) any actual or threatened action, proceeding or claim brought by a third party arising out of any acts, omissions or alleged acts or omissions relating to, arising out of, or in connection with the Services or this Agreement, including, without limitation, any judgment, award, settlement, reasonable attorney's fees and other costs or expenses incurred, in connection with the defense of any such actual or threatened action, proceeding, or claim, unless such acts, omissions or alleged acts or omissions upon which such actual or threatened action, proceeding or claim are based are found by a final, non-appealable judicial order to be made in bad faith or to constitute fraud, willful misconduct or gross negligence by such Indemnified Person, (ii) any subpoena received from a third party by any Indemnified Person relating to the performance of the Services or this Agreement, including any attorney's fees or other costs or expenses incurred in connection therewith, and (iii) any actual or threatened action, proceeding or claim brought by a third party arising out of any acts or omissions, or alleged acts or omissions, of any broker or agent of any Indemnified Person taken in the performance of the Services, provided that such broker or agent was selected, engaged or retained by the Indemnified Person in the absence of fraud, willful misconduct or gross negligence. Each of Starboard and any Indemnified Person may consult with counsel and accountants in respect of matters relating to the Services and this Agreement, and be fully protected and justified in any action or inaction that is taken in accordance with the advice or opinion of such counsel and/or accountants, provided that they shall have been selected in the absence of fraud, willful misconduct or gross negligence.

(c) Acacia shall, in the sole discretion of Starboard, advance to an Indemnified Person reasonable attorney's fees and other costs and expenses incurred in connection with the defense of any actual or threatened action, proceeding or claim brought by a third party arising out of such performance or non-performance (each, individually, a "Claim"); *provided*, that Starboard agrees, and each other Indemnified Person shall agree as a condition to any such advance, that in the event it receives any such advance, it shall reimburse Acacia for such fees, costs and expenses to the extent that it shall be determined that it was not entitled to indemnification under this Section 9. Starboard shall assume and control the defense of an Indemnified Person against any Claim brought by a third party; *provided* that, in respect of any Claim for which Acacia may be required to indemnify such Indemnified Person under this Section 9, Starboard (i) shall consult with Acacia with respect to, and Acacia may participate in, the defense against such Claim, (ii) shall retain counsel reasonably acceptable to Acacia and (iii) must receive the written consent of Acacia (such consent not to be unreasonably withheld) before entering into a binding settlement in respect of such Claim; and *provided further* that, in the event Acacia provides notice to Starboard that it desires to accept a proposed settlement in respect of such Claim Acacia may enter into such settlement upon receipt of the written consent of Starboard (such consent not to be unreasonably withheld).

(d) As soon as reasonably practicable following its determination that an action, proceeding or claim is indemnifiable by Acacia under this Section 9, Starboard agrees to use its best efforts to notify its insurance provider in respect of such action, proceeding or claim and, if and to the extent (i) such claim is not covered by Acacia's Insurance, (ii) Starboard's indemnifiable loss, cost or expense by reason therefore is reasonably expected to exceed the retention amount under Starboard's applicable insurance policies, and (iii) Starboard, in its sole discretion, determines that it is commercially reasonable and is in Starboard's and its clients' best interests to do so, Starboard agrees to seek insurance coverage for such action, proceeding or claim. For the avoidance of doubt, any recovery under such Starboard policies shall reduce any loss, cost or expense otherwise indemnifiable by Acacia hereunder but amounts not recovered (including the retention under such policies) shall not affect Acacia's indemnification obligations hereunder. The parties further agree that an Indemnified Person's rights to indemnification under this Section 9 shall not be subrogated to any insurance provider or other third party.

(e) Notwithstanding any of the foregoing to the contrary, the federal securities laws of the United States impose liability under certain circumstances even on persons who act in good faith, and nothing in this Section 9 constitutes a waiver or limitation of any rights Acacia may have under such laws.

(f) Starboard makes no warranties with respect to any advice provided pursuant to this Agreement or Deliverables (as defined below), including any information, data, opinions or projections therein (except for the use of good faith and reasonable diligence in the preparation thereof), and Acacia acknowledges that such items are subject to error. While Starboard will endeavor to provide high quality Services to Acacia, it does not make any commitment as to the outcome of any investments, including that any investments will be completed or that any such investment will generate positive returns. Since the decision to pursue any investment rests solely with Acacia, Starboard shall have no liability or obligation in connection with any action taken or omitted to be taken by Acacia in reliance on the Services. In addition, Acacia acknowledges and agrees that Starboard does not provide any tax, legal or accounting advice to Acacia, and Acacia shall obtain any such advice on its own.

10. Best Execution. If Starboard executes trades on behalf of Acacia, Starboard shall seek to obtain the best execution for such trades. In selecting which brokers to place trades with, Starboard shall take into account factors that it deems appropriate, including, but not limited to, rates of commissions and other expenses. Notwithstanding the foregoing, Starboard shall not place orders with any broker-dealer who is, or is an affiliate of, Starboard.

11. Termination. This Agreement shall commence on the date hereof and shall continue until terminated by the parties. Either party may terminate this Agreement, for any or no reason, upon written notice to the other party not less than 30 days prior to such termination. Such termination shall take effect upon the date set forth in such notice, provided that Starboard shall be entitled to reimbursement of all expenses incurred through such termination date in accordance with Section 5.

12. Ownership of Work Product. Starboard will own all materials shared with Acacia in connection with the performance of the Services (the "Deliverables"). Acacia may use the Deliverables for its own internal business operations and analysis in connection with the Services only and agrees that all Deliverables shall be treated as Starboard Confidential Information (as such term is defined in the Letter Agreement (defined below)). To the extent legally permissible under applicable law, Acacia shall ensure that any Deliverables that are disclosed pursuant to the Letter Agreement or Section 13 hereof, as applicable, shall not reference Starboard (without the prior written consent of Starboard). For the avoidance of doubt and notwithstanding anything in this Agreement to the contrary, Acacia may use the Deliverables to independently develop work product (the "Acacia Deliverables"), provided that such Acacia Deliverables shall not reference Starboard. Acacia Deliverables shall not be subject to the confidentiality provisions of the Letter Agreement. Notwithstanding anything contained herein to the contrary, Starboard does not convey any ownership in any intellectual property or related rights owned or licensed by Starboard and used in the performance of the Services, or the frameworks, methodologies, analytical tools and industry data and insights that may be used or developed by Starboard in the performance of the Services (the "Starboard IP"). Subject to the terms and conditions of this Agreement, Starboard grants to Acacia and its subsidiaries a worldwide, non-exclusive, fully-paid, royalty-free license to use the Starboard IP embedded in the Deliverables for Acacia's and its affiliates and subsidiaries' own internal business operations and analysis in connection with the Services only. Acacia acknowledges and agrees that all advice (written, such as Starboard IP and Deliverables, or oral) given by Starboard to Acacia in connection with the Services is intended solely for the benefit and use of

Acacia in connection with its assessment of prospective investments in Portfolio Companies which are the subject of the Services hereunder (e.g., recommended by Starboard, or on which Starboard has provided advice pursuant to this Agreement) and shall not be utilized other than in connection with the Services. Other than to the extent required to be reflected in Acacia Board and committee meeting minutes or as required by applicable law, no advice (written or oral) of Starboard hereunder shall be used, reproduced, disseminated, quoted or referred to at any time, in any manner, or for any purpose not specified in this Agreement, nor shall any public references to Starboard be made without its consent.

13. Confidentiality.

(a) Each party may be given access to Confidential Information from the other party in order to perform its obligations under this Agreement. The Receiving Party shall hold the Disclosing Party's Confidential Information in confidence (using at least the same degree of care as it employs in maintaining in confidence its own proprietary and confidential information, but in no event less than a reasonable degree of care) and not, directly or indirectly, make the other's Confidential Information available to any third party, or use the other's Confidential Information for any purpose other than the implementation of this Agreement without the Disclosing Party's prior written consent; provided that the Receiving Party may disclose such information to the Receiving Party's Representatives. The Receiving Party shall be responsible for any breach of this Agreement by its Representatives.

(b) The confidentiality obligations of each party shall continue in force and survive the termination or expiration of this Agreement for a period of three (3) years.

(c) "Confidential Information" means all non-public information, in whatever form, furnished by one party (the "Disclosing Party") to the other party (the "Receiving Party") orally or in writing and identified as confidential or proprietary at the time of disclosure, or that by its nature should reasonably be assumed to be confidential or proprietary, and shall be deemed to include all data, reports, models, interpretations, forecasts and records, financial or otherwise, reflecting information about or concerning such Disclosing Party or a Portfolio Company or its subsidiaries that is not available to the public (including any computations, forecasts or analyses produced by the Disclosing Party using or incorporating publicly available information in addition to information not publicly available) and that the Disclosing Party or its Representatives make available to the Receiving Party and/or its Representatives as well as all notes, analyses, reports, models, compilations, studies, interpretations or other documents prepared by the Receiving Party or its Representatives that contain, reflect or are based upon, in whole or in part, the information made available to the Receiving Party or its Representatives. In addition, the name of a Portfolio Company or any subsidiary thereof, in its capacity as a potential target for investment, as well as the fact that Acacia and/or Starboard, as applicable, is considering an investment in such entity or that discussions are taking place between the parties hereto with respect to such entity shall be considered the Confidential Information of Acacia and/or Starboard, as applicable. The term Confidential Information shall not include information which (i) is or becomes publicly available other than as a result of disclosure by the Receiving Party in breach of this Agreement, (ii) was disclosed to the Receiving Party on a non-confidential basis from a third-party source other than the Disclosing Party, which the Receiving Party reasonably believes is not prohibited from disclosing such information as a result of an obligation in favor of the Disclosing Party, (iii) is developed by or on behalf of the Receiving Party independently of any disclosure of such information made by the Disclosing Party, or (iv) was disclosed with the written consent of the Disclosing Party. For the avoidance of doubt and notwithstanding anything herein to the contrary, the Acacia Deliverables shall be the Confidential Information of Acacia and the Deliverables shall be the Confidential Information of Starboard subject to permitted use by Acacia in accordance with (and subject to the terms of) Section 12 hereof. Notwithstanding the foregoing, the Receiving Party may disclose Confidential Information of the Disclosing Party to the extent required to be disclosed by order of a court of competent jurisdiction, or by subpoena, summons or any other legal process, to reduce or eliminate withholding or other taxes or by applicable law; provided that, in the event that the Receiving Party is ordered by a court of competent jurisdiction, administrative agency or governmental body to disclose any Confidential Information, the Receiving Party shall (a) so long as legally permissible, promptly notify the Disclosing Party of such order (except in the case of routine exams, such as "sweeps") and (b) at the written request of the Disclosing Party, cooperate with the Disclosing Party, at the Disclosing Party's sole expense, to diligently contest such order or to obtain a protective order or other confidential treatment.

(d) Except as otherwise expressly provided above, any information, including Confidential Information, for which Starboard is the Disclosing Party in connection with the performance of Services hereunder shall be treated as Starboard Confidential Information (as such term is defined in the Letter Agreement) and shall be subject in all respects to the terms of such Letter Agreement.

14. Independent Contractor. Acacia acknowledges and agrees that it is a sophisticated business enterprise and that Starboard has (i) been retained pursuant to this Agreement solely with respect to the matters set forth herein and (ii) shall not have any duties or obligations to Acacia in respect of the Services except as expressly provided in this Agreement. Starboard shall act as an independent contractor, and any duties of Starboard arising out of its engagement pursuant to this Agreement shall be contractual in nature and shall be owed solely to Acacia.

15. Notice. Except as otherwise expressly provided in this Agreement, whenever any notice is required or permitted to be given under any provision of this Agreement, such notice shall be in writing, shall be signed by or on behalf of the party giving the notice and shall be emailed or sent via another electronic method (return receipt requested) to the address set forth below or to such other address as either party may from time to time specify to the other party by such notice hereunder.

To Starboard:

Starboard Value LP
c/o Starboard Value GP LLC
777 Third Avenue, 18th Floor
New York, New York 10017

All Matters
Attn: Lindsey Cara
Email: Compliance@starboardvalue.com

Authorized Instructions
Attn: Christian Mignone
Email: Trading@starboardvalue.com

Copy: Compliance@starboardvalue.com

To Acacia:

Acacia Research Corp.
767 Third Avenue, Suite 602
New York, New York 10017

Attn: Legal Department
Email: Compliance@acaciares.com

16. Miscellaneous.

(a) Assignment. No assignment (as that term is defined under the U.S. Investment Advisers Act of 1940, as amended) by either party of all or any portion of its rights, obligations or liabilities under this Agreement shall be permitted without the prior written consent of the other party to this Agreement.

(b) Governing Law. This Agreement and all rights and liabilities of the parties hereto shall be governed by and construed in accordance with the laws of the State of Delaware.

Each of the parties (a) consents to submit itself, and hereby submits itself, to the exclusive jurisdiction of the state and federal courts sitting in the State of Delaware, in the event of any dispute or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, or otherwise relating to this Agreement or the transactions contemplated hereby, (b) agrees that it will not attempt to deny or defeat such jurisdiction by motion or other request for leave from any such court, and irrevocably agrees not to plead or claim any objection to the laying of venue in any such court or that any judicial proceeding in any such court has been brought in an inconvenient forum, (c) agrees that it will not bring any proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, or otherwise relating to this Agreement or the transactions contemplated hereby in any court other than the state and federal courts sitting in the State of Delaware, (d) agrees that process in any such proceeding may be served on such party anywhere in the world, whether within or without the jurisdiction of any such court and (e) **IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A TRIAL BY JURY HEREUNDER**.

(c) Severability. If any provision of this Agreement is invalid or unenforceable under any applicable law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed amended to conform with such applicable law. Any provision hereof that is held invalid or unenforceable under any applicable law shall not affect the validity or enforceability of any other provisions hereof, and to this extent the provisions hereof shall be severable.

(d) Entire Agreement; Amendment; Waiver. This Agreement contains all of the terms agreed upon or made by the parties relating to the subject matter of this Agreement and supersedes all prior and contemporaneous agreements, negotiations, correspondence, undertakings and communications of the parties, oral or written, respecting such subject matter; *provided* that, for the avoidance of doubt, the letter agreement between Starboard and Acacia dated April 14, 2022 (the "Letter Agreement"), and the Amended And Restated Registration Rights Agreement among Acacia and the investors party thereto dated as of February 14, 2023 shall remain in effect and shall not be superseded by this Agreement (except as expressly set forth herein). No provision of this Agreement may be amended, modified, waived or discharged except as agreed to in writing by the parties. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by applicable law.

(e) Execution in Counterparts. This Agreement may be executed through the use of separate signature pages or in any number of counterparts with the same effect as if the parties executing such counterparts had all executed one counterpart. Each party understands and agrees that any portable document format (PDF) file, facsimile or other reproduction of its signature on any counterpart shall be equal to and enforceable as its original signature and that any such reproduction shall be a counterpart hereof that is fully enforceable in any court or arbitral panel of competent jurisdiction.

(f) Survival. The provisions of Sections 5, 9, 11, 12, 13, 14, 15 and 16 shall survive the termination of this Agreement in perpetuity (other than Section 13 which shall survive for three (3) years following such termination).

(g) Beneficiaries. This Agreement shall inure to the sole and exclusive benefit of the parties hereto and their permitted assigns. The obligations and liabilities under this Agreement shall be binding solely upon the parties hereto.

[*Remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

STARBOARD VALUE LP

By: ____________________
Name: ____________________
Title: ____________________

ACACIA RESEARCH CORPORATION

By: ____________________
Name: Martin D. McNulty, Jr.
Title: Interim Chief Executive Officer

EXHIBIT 21.1

SUBSIDIARIES OF THE REGISTRANT

The following is a listing of the significant subsidiaries of Acacia Research Corporation:

	Jurisdiction of Incorporation
Acacia Research Group, LLC, formerly Acacia Patent Acquisition, LLC and subsidiaries	Delaware
Merton Acquisition Holdco LLC	Delaware

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 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 14, 2024 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, 2023. We consent to the incorporation by reference of said report in the Registration Statements of Acacia Research Corporation on Form S-3 (No. 333-249984) and Forms S-8 (No. 333-189135 and No. 333-217878).

/s/ GRANT THORNTON LLP

New York, NY
March 14, 2024

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 14, 2024

/s/ Martin D. McNulty Jr.
Martin D. McNulty Jr.
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 14, 2024

/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, 2023, as filed with the Securities and Exchange Commission on March 14, 2024 (the “Report”), I, Martin D. McNulty Jr., 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 14, 2024

By: /s/ Martin D. McNulty Jr.
Martin D. McNulty Jr.
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, 2023, as filed with the Securities and Exchange Commission on March 14, 2024 (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 14, 2024

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.

ACACIA RESEARCH CORPORATION

POLICY FOR THE RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

1. Purpose. The purpose of this Policy is to describe circumstances in which the Company will recover Erroneously Awarded Compensation and the process for such recovery. This Policy is intended to comply with (a) Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as codified in Section 10D of the Exchange Act, and implemented by Rule 10D-1 thereunder adopted by the Commission and (b) Rule 5608 of the Nasdaq Stock Market LLC Rules. This Policy expressly supersedes the Clawback Policy adopted on April 12, 2021.

2. Administration. This Policy shall be administered by the Compensation Committee. Any determinations made hereunder shall be final and binding on all affected individuals.

3. Definitions. For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

   a. "***Audit Committee***" means the Audit Committee of the Board.

   b. "***Board***" means the Board of Directors of the Company.

   c. "***Commission***" means the Securities and Exchange Commission.

   d. "***Company***" means Acacia Research Corporation.

   e. "***Compensation Committee***" means the Compensation Committee of the Board.

   f. "***Compensation Eligible for Recovery***" means Incentive-based Compensation received by an individual:

      i. after beginning service as an Executive Officer,

      ii. who served as an Executive Officer at any time during the performance period for the applicable Incentive-based Compensation (regardless of whether such individual is serving as an Executive Officer at the time the Erroneously Awarded Compensation is required to be repaid to the Company),

      iii. while the Company had a class of securities listed on a national securities exchange or a national securities association,

iv. during the applicable Recovery Period, and

v.on or after the Effective Date.

g. "***Effective Date***" means October 2, 2023.

h. "***Erroneously Awarded Compensation***" means the Compensation Eligible for Recovery less the amount of such compensation as it would have been determined based on the restated amounts, computed without regard to any taxes paid.

i. "***Exchange Act***" means the Securities Exchange Act of 1934, as amended.

j. "***Executive Officer***" means the Company's principal executive officer, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice president of the Company in charge of a principal business unit, division, or function (such as sales, administration or finance) and any other officer who performs a significant policy-making function, and any other person who performs similar policy-making functions for the Company. For purposes of this Policy, Executive Officers would include, at a minimum, executive officers identified pursuant to 17 C.F.R. 229.401(b).

k. "***Financial Reporting Measure***" means measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return are considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented within the financial statements or included in a filing with the Commission.

l. "***Incentive-based Compensation***" means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

m. "***NASDAQ***" means the Nasdaq Stock Market LLC.

n. "***Policy***" means this Policy for the Recovery of Erroneously Awarded Compensation, as the same may be amended or amended and restated from time to time.

o. "***Recovery Period***" means the three completed fiscal years immediately preceding the Restatement Date and any transition period (that results from a change in the Company's fiscal year) of less than nine months within or immediately following those three completed fiscal years.

p. "***Restatement***" means an accounting restatement:

i. due to material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or

ii. that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

q. "***Restatement Date***" means the earlier of:

i. the date the Audit Committee concludes, or reasonably should have concluded, that the Company is required to prepare a Restatement, or

ii. the date a court, regulator, or other legally authorized body directs the Company to prepare a Restatement.

1. <u>Recovery of Erroneously Awarded Compensation</u>.

a. The Chief Financial Officer or Chief Accounting Officer of the Company shall promptly report to the Audit Committee any instance in which the Company is required to prepare a Restatement.

b. Upon learning of a required Restatement, the Audit Committee shall determine the Restatement Date and shall promptly report to the Compensation Committee such determination.

c. The Chief Financial Officer or Chief Accounting Officer (or another appropriate officer or third party designated by the Compensation Committee) shall promptly (but in any event within 90 days following the Restatement) calculate the Erroneously Awarded Compensation for each affected individual, which calculation shall be subject to Compensation Committee approval. For purposes of calculating Erroneously Awarded Compensation:

i. Incentive-based Compensation shall be deemed received in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if the payment or grant of the Incentive-based Compensation occurs after the end of that period.

ii. Incentive-based Compensation based on (or derived from) stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in a Restatement, shall be based on a reasonable estimate of the effect of the Restatement on the stock price or total shareholder return upon which the Incentive-based Compensation was received. The Company shall maintain documentation of the determination of such reasonable estimate and provide such documentation to NASDAQ.

d. Promptly following the Compensation Committee's approval of the Erroneously Awarded Compensation calculated by the Chief Financial Officer or Chief Accounting Officer (or another appropriate officer or third party designated by the Compensation Committee), the Company shall notify in writing each individual who received Erroneously Awarded Compensation of the amount of Erroneously Awarded Compensation received by such individual and shall demand payment or return, as applicable, of such Erroneously Award Compensation.

e. The Company shall demand recovery and recover Erroneously Awarded Compensation in compliance with this Policy except to the extent that the Compensation Committee (or, if the Compensation Committee is not comprised of independent directors, the Audit Committee) determines that (I) recovery of the Erroneously Awarded Compensation would be duplicative of compensation recovered by the Company from the individual pursuant to Section 304 of the Sarbanes-Oxley Act or pursuant to other recovery obligations (in which case, the amount of Erroneously Awarded Compensation shall be appropriately reduced to avoid such duplication), or (II) recovery would be impracticable, and one of the following conditions applies:

i. the direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Company must make a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to recover, and provide that documentation to NASDAQ;

ii. recovery would violate home country law where that law was adopted prior to November 28, 2022. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company must obtain an opinion of home country counsel, acceptable to NASDAQ, that recovery would result in such a violation, and must provide such opinion to NASDAQ; or

iii. recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

f. Except as provided in Section 4(e), in no event may the Company accept repayment from the affected individual of less than the full amount of the Erroneously Awarded Compensation received by such individual.

g. The Compensation Committee shall determine, in its sole discretion, the method of recovering any Erroneously Awarded Compensation pursuant to this Policy, taking into account all facts and circumstances (including the time value of money and the cost to shareholders of delayed recovery), so long as such method complies with the terms of Rule 5608 of the Nasdaq Stock Market LLC Rules. If the Compensation Committee determines that an appropriate method of recovery is one other than the prompt repayment by the affected individual in cash or property, the Company may offer to enter into a repayment agreement with the affected individual (in a form and with terms reasonably acceptable to the Compensation Committee).

h. If the affected individual fails to repay to the Company when due the full amount of the Erroneously Awarded Compensation received by such affected individual, the Company shall take all actions reasonable and appropriate to recover the full amount of the Erroneously Awarded Compensation from the affected individual.

2. Disclosure. The Company shall file all disclosures with respect to this Policy in accordance with the requirements of the securities laws, including the disclosure required by the applicable Commission filings.

3. No Indemnification. The Company shall not indemnify any current or former Executive Officer against the loss of Erroneously Awarded Compensation, and shall not pay, or reimburse any current or former Executive Officers for premiums for any insurance policy to fund such Executive Officer's potential recovery obligations.

4. Effective Date. This Policy shall be effective as of the Effective Date.

5. Amendment and Interpretation. The Compensation Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary or advisable to reflect the regulations adopted by the Commission and to comply with any rules or standards adopted by NASDAQ. The Compensation Committee may at any time in its sole discretion, supplement, amend or terminate any provision of this Policy in any respect as the Compensation Committee determines to be necessary or appropriate. The Compensation Committee shall interpret and construe this Policy and make all determinations necessary or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act and Rule 10D-1 thereunder and Rule 5608 of the Nasdaq Stock Market LLC Rules and any other applicable rules adopted by the Commission.

6. Other Recoupment Rights. The Compensation Committee intends that this Policy will be applied to the fullest extent of the law. The Compensation Committee may require that any employment agreement, equity award agreement or similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require the party thereto to agree to abide by the terms of this Policy or implement arrangements designed to facilitate the administration hereof. Although not a prerequisite to enforcement of this Policy, each Executive Officer shall be required to sign and return to the Company the Acknowledgment Form attached hereto as Exhibit A pursuant to which such Executive Officer will agree to be bound by the terms and comply with this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company pursuant to the terms of any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

7. Successors. This Policy shall be binding and enforceable against all current and former Executive Officers and their beneficiaries, heirs, executors, administrators or other legal representatives.

EXHIBIT A

ACACIA RESARCH CORPORATION

POLICY FOR THE RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

ACKNOWLEDGEMENT FORM

By signing below, the undersigned acknowledges and confirms the undersigned has received and reviewed a copy of the Acacia Research Corporation Policy for the Recovery of Erroneously Awarded Compensation (the "***Policy***"). Capitalized terms used but not otherwise defined in this Acknowledgement Form shall have the meanings ascribed to such terms in the Policy.

By signing this Acknowledgement Form, the undersigned acknowledges and agrees that the undersigned is and will continue to be subject to the Policy and that the Policy will apply both during and after the undersigned's employment with the Company. Further, by signing below, the undersigned agrees to abide by the terms of the Policy, including, without limitation, by returning any Erroneously Awarded Compensation (as defined in the Policy) to the Company to the extent required by, and in a manner permitted by, the Policy. For the avoidance of doubt, any recovery affected under the Policy shall not constitute grounds to terminate the undersigned's employment for "Good Reason" (or any term of similar meaning) under any employment or compensation arrangements, agreements, plans or programs.

____
Signed

____
Name (Printed)

____
Date