

ACACIA RESEARCH CORP  
Form DEF 14A  
April 24, 2013

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**(Rule 14a-101)**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(A) of the Securities**

**Exchange Act of 1934 (Amendment No. \_\_\_\_)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission (as permitted by Rule 14A-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14A-11(c) or Rule 14A-12

**ACACIA RESEARCH CORPORATION**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

T No fee required.

£ Fee computed on table below per Exchange Act Rules 14A-6(i)(4) and 0-11.

- (1) Title of each class of securities to which transaction applies:
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- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

April 24, 2013

Dear Stockholder:

You are cordially invited to attend Acacia Research Corporation's 2013 Annual Meeting of Stockholders to be held on Thursday, May 16, 2013. The meeting will be held at our headquarters located at 500 Newport Center Drive, 7th Floor, in Newport Beach, California, beginning at 10:00 a.m., local time. The Notice of Annual Meeting of Stockholders and a Proxy Statement, which describes the formal business to be conducted at the meeting, are attached to this letter and are also available at <http://proxymaterial.acaciaresearch.com>. I urge you to read the Notice of Annual Meeting and Proxy Statement carefully.

At this year's meeting, stockholders are being asked to:

- (1) elect two Class I directors to serve on our Board of Directors for a term of three years expiring upon the 2016 Annual Meeting of Stockholders or until their respective successors are duly elected and qualified;
- (2) ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013;
- (3) approve, by non-binding, advisory vote, the compensation of our named executive officers as set forth in this proxy statement;
- (4) approve the adoption of the 2013 Acacia Research Corporation Stock Incentive Plan, which authorizes the issuance of a variety of equity awards, including stock options, stock appreciation rights and direct stock awards; and
- (5) transact such other business as may properly come before the meeting.

Whether or not you plan to attend the meeting, it is important that your shares be represented and voted at the meeting. Therefore, I urge you to complete, sign, date and promptly return the enclosed proxy card in the enclosed postage-paid envelope. Returning your completed proxy will ensure your representation at the meeting. If you decide to attend the meeting and wish to change your proxy vote, you may do so automatically by voting in person at the meeting.

We look forward to seeing you on May 16, 2013.

Sincerely,

/s/ Paul R. Ryan

Paul R. Ryan

*Chief Executive Officer*

**ACACIA RESEARCH CORPORATION**

**500 Newport Center Drive**

**Newport Beach, California 92660**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON MAY 16, 2013**

**TO OUR STOCKHOLDERS:**

NOTICE IS HEREBY GIVEN that the 2013 Annual Meeting of Stockholders (the "Annual Meeting") of Acacia Research Corporation will be held on Thursday, May 16, 2013, at 10:00 a.m., local time, at our headquarters located at 500 Newport Center Drive, 7th Floor, Newport Beach, California 92660, for the following purposes, as more fully described in the Proxy Statement accompanying this Notice of Annual Meeting:

1. To elect two Class I directors to serve on our Board of Directors for a term of three years expiring upon the 2016 Annual Meeting of Stockholders or until their respective successors are duly elected and qualified;
2. To ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013;
3. To approve, by non-binding, advisory vote, the compensation of our named executive officers;
4. To approve the adoption of the 2013 Acacia Research Corporation Stock Incentive Plan, which authorizes the issuance of a variety of equity awards, including stock options, stock appreciation rights and direct stock awards; and
5. To transact such other business as may properly come before the Annual Meeting or at any postponement or adjournment thereof.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 16, 2013: The Proxy Statement, proxy card and Annual Report on Form 10-K for the fiscal year ended December 31, 2012 are available at <http://proxymaterial.acaciaresearch.com>.**

Only stockholders of record at the close of business on March 20, 2013 are entitled to receive notice of and to vote at the Annual Meeting and any adjournment or postponement thereof.

Sincerely,

/s/ Edward J. Treska

Edward J. Treska

*Secretary*

**Newport Beach, California**

April 24, 2013

**All stockholders are cordially invited to attend the Annual Meeting in person. However, to assure your representation at the Annual Meeting, you are urged to submit your proxy or voting instruction card as soon as possible so that your shares can be voted at the Annual Meeting in accordance with your instructions. Any stockholder attending the Annual Meeting may vote in person even if he, she or it previously returned a proxy or voting instructions.**

**ACACIA RESEARCH CORPORATION**

**500 Newport Center Drive**

**Newport Beach, California 92660**

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**PROXY STATEMENT**

**FOR THE ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON MAY 16, 2013**

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**General**

The enclosed proxy is solicited on behalf of the Board of Directors of Acacia Research Corporation, or the Board, for use at our 2013 Annual Meeting of Stockholders to be held on Thursday, May 16, 2013, at 10:00 a.m., local time, and at any adjournment or postponement thereof. The Annual Meeting will be held at our headquarters located at 500 Newport Center Drive, 7th Floor, Newport Beach, California 92660. Only stockholders of record at the close of business on March 20, 2013 are entitled to receive notice of and to vote at the Annual Meeting and any adjournment or postponement thereof. These proxy solicitation materials and our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, including audited financial statements, were mailed on or about April 24, 2013, to all stockholders entitled to receive notice of and to vote at the Annual Meeting. In addition, these proxy solicitation materials, our Annual Report on Form 10-K and directions to attend the Annual Meeting, where you may vote in person, are available at <http://proxymaterial.acaciaresearch.com>.

**Questions and Answers**

The following are some commonly asked questions raised by our stockholders and answers to each of those questions.

**1. What may I vote on at the Annual Meeting?**

At the Annual Meeting, stockholders will consider and vote upon the following matters:

the election of two Class I directors to serve on our Board for a term of three years expiring upon the 2016 Annual Meeting of Stockholders or until their respective successors are duly elected and qualified;

the ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013;

- the compensation of our named executive officers as disclosed in this proxy statement;

approval of the adoption of the 2013 Acacia Research Corporation Stock Incentive Plan, which authorizes the issuance of a variety of equity awards, including stock options, stock appreciation rights and direct stock awards; and

such other matters as may properly come before the Annual Meeting or any adjournment or postponement thereof.

**2. How does the Board recommend that I vote on the proposals?**

The Board recommends a vote “FOR” each proposal.



**3. How can I vote my shares in person at the Annual Meeting?**

Shares held directly in your name as the stockholder of record may be voted in person at the Annual Meeting. If you choose to vote in person, please bring proof of identification. Even if you plan to attend the Annual Meeting, we recommend that you submit a proxy with respect to the voting of your shares in advance as described below so that your vote will be counted if you later decide not to attend the Annual Meeting. Shares held in street name through a brokerage account or by a broker, bank, or other nominee may be voted in person by you only if you obtain a valid proxy from your broker, bank, or other nominee giving you the right to vote the shares.

**4. How can I vote my shares without attending the Annual Meeting?**

Whether you hold shares directly as the stockholder of record or beneficially in street name, you may vote by proxy or submit a voting instruction form without attending the Annual Meeting. If you hold your shares directly as the stockholder of record, you may submit your proxy by completing and mailing your proxy card. If you hold your shares beneficially in street name, please refer to the voting materials delivered to you by your broker, bank or other nominee for details.

**5. Can I change my vote or revoke my proxy?**

If you are the stockholder of record, you may change your proxy instructions or revoke your proxy at any time before the Annual Meeting by: (1) notifying our Secretary in writing; (2) voting in person at the Annual Meeting; or (3) returning a later-dated proxy card. If your shares are held in a brokerage account by a broker, bank or other nominee, you should follow the instructions provided by your broker, bank or other nominee.

**6. Who will count the vote?**

A representative of Computershare will count the votes and act as the inspector of election.

**7. What does it mean if I get more than one proxy card or voting instruction form?**

If your shares are registered differently and are in more than one account, you will receive more than one proxy card or voting instruction form. Sign and return all proxy cards or voting instruction forms to ensure that all of your shares are voted. We encourage you to have all accounts registered in the same name and address (whenever possible). You can accomplish this by contacting our transfer agent, Computershare, or if your shares are held in "street name," by contacting the broker, bank or other nominee holding your shares.

**8. Who is entitled to vote at the Annual Meeting?**

Only holders of record of our common stock as of the close of business on March 20, 2013, or the Record Date, are entitled to receive notice of and to vote at the Annual Meeting.

**9. How many shares am I entitled to vote?**

You may vote all of the shares owned by you as of the close of business on the Record Date, and you are entitled to cast one vote per share of common stock held by you on the Record Date. These shares include shares that are held of record directly in your name, and held for you as the beneficial owner through a stockbroker, bank, or other nominee.

**10. How many votes may be cast?**

As of the Record Date, 49,208,693 shares of our common stock were issued and outstanding. Each outstanding share of our common stock as of the Record Date will be entitled to one vote on all matters brought before the Annual Meeting.

**11. What is a “quorum” at the Annual Meeting?**

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the shares of our common stock issued and outstanding as of the close of business on the Record Date will constitute a “quorum.” Votes cast by proxy or voting instruction card or in person at the Annual Meeting will be tabulated by the Inspector of Elections appointed for the Annual Meeting who will determine whether or not a quorum is present. Abstentions and broker non-votes are each included in the determination of the number of shares present and voting for the purpose of determining whether a quorum is present.

**12. What is the difference between holding shares as a stockholder of record and as a beneficial owner?**

Most of our stockholders hold their shares beneficially through a broker, bank, or other nominee rather than directly in their own name. There are some distinctions between shares held of record and shares owned beneficially, specifically:

*Shares held of record.* If your shares are registered directly in your name with our transfer agent, Computershare, you are considered the stockholder of record with respect to those shares, and these proxy materials are being sent directly to you. As a stockholder of record, you have the right to grant your voting proxy directly to us or to vote in person at the Annual Meeting. We have enclosed a proxy card for you to use.

*Shares owned beneficially.* If your shares are held in a stock brokerage account or by a broker, bank, or other nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your broker, bank, or other nominee, which is considered the stockholder of record with respect to those shares. As a beneficial owner, you have the right to direct your broker, bank, or other nominee on how to vote the shares in your account, and you are also invited to attend the Annual Meeting. However, because you are not the stockholder of record, you may not vote these shares in person at the Annual Meeting unless you request and receive a valid proxy from your broker, bank, or other nominee. Please refer to the voting instructions you received from your broker, bank, or other nominee for instructions on the voting methods they offer.

**13. What happens if I abstain?**

When an eligible voter attends the Annual Meeting but decides not to vote, his, her or its decision not to vote is called an “abstention.” Properly executed proxy or voting instruction cards that are marked “abstain” or “withhold authority” on any proposal will be treated as abstentions for that proposal. We will treat abstentions as follows:

abstention shares will be treated as not voting for purposes of determining the outcome on any proposal for which the minimum vote required for approval of the proposal is a plurality, majority or some other percentage of the votes actually cast, and thus will have no effect on the outcome; and  
abstention shares will have the same effect as votes “against” a proposal if the minimum vote required for approval of the proposal is a majority or some other percentage of (i) the shares present and entitled to vote, or (ii) all shares outstanding and entitled to vote.



**14. How do you treat “broker non-votes”?**

Broker non-votes occur when shares held by a broker, bank or other nominee in “street name” for a beneficial owner are not voted with respect to a particular proposal because the broker, bank or other nominee (i) does not receive voting instructions from the beneficial owner, and (ii) lacks discretionary authority to vote the shares with respect to a particular proposal.

A broker is entitled to vote shares held for a beneficial owner on “routine” matters, such as the ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013, without instructions from the beneficial owner of those shares. However, absent instructions from the beneficial owner of such shares, a broker is not entitled to vote shares held for a beneficial owner on “non-routine” matters, such as the election of directors, the vote, on an advisory basis, on the compensation of our named executive officers and the approval of the adoption of the 2013 Acacia Research Corporation Stock Incentive Plan. Broker non-votes are counted for purposes of determining whether or not a quorum exists for the transaction of business, but will not affect the outcome of the voting on a proposal the passage of which requires the affirmative vote of a plurality, majority or some other percentage of (i) the votes cast or (ii) the votes present or represented by proxy and entitled to vote on that proposal at the Annual Meeting. Broker non-votes will have the same effect as a vote against a proposal the passage of which requires an affirmative vote of the holders of a majority or some other percentage of the outstanding shares entitled to vote on such proposal. Thus, if you do not give your broker specific voting instructions, your shares will not be voted on the “non-routine” matters described above and will not be counted in determining the number of shares necessary for approval.

**15. What vote is required to approve each proposal?**

***Election of Directors: Proposal No. 1.*** In an uncontested election of directors, such as this election, each nominee for Class I director must be elected by the affirmative vote of a majority of the votes cast with respect to such director by the shares of common stock present in person or represented by proxy and entitled to vote. A “majority of votes cast” means that the number of votes “FOR” a director nominee must exceed the number of votes “AGAINST” that director nominee. If you are present at the Annual Meeting but do not vote for a particular nominee, or if you have given a proxy or voting instruction card and properly withheld authority to vote for a nominee, the shares withheld or not voted will not be counted as votes cast on such matter, although they will be counted for purposes of determining whether there was a quorum. Broker non-votes will not be taken into account in determining the election of directors.

***Ratification of Independent Registered Public Accounting Firm: Proposal No. 2.*** The approval of Proposal No. 2, ratifying the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013, requires the affirmative vote of a majority of the outstanding shares of our common stock present in person or by proxy at the Annual Meeting and entitled to vote on the proposal. Because the ratification of the independent registered public accounting firm is a discretionary matter, broker non-votes will likely not result for this proposal. Abstentions will have the same effect as votes against this proposal.

***Advisory Vote on the Compensation Paid of Our Named Executive Officers: Proposal No. 3.*** The approval of Proposal No. 3, regarding the compensation of our named executive officers, requires the affirmative vote of a majority of the outstanding shares of our common stock present in person or by proxy at the Annual Meeting and entitled to vote on the proposal. Abstentions will have the same effect as votes against this proposal. Broker non-votes will have no effect on this proposal.

***Approval of the 2013 Acacia Research Corporation Stock Incentive Plan: Proposal No. 4.*** The approval of Proposal No. 4, regarding the approval of the 2013 Acacia Research Corporation Stock Incentive Plan, requires the affirmative vote of a majority of the outstanding shares of our common stock present in person or by proxy at the Annual Meeting and entitled to vote on the proposal. Abstentions will have the same effect as votes against this proposal. Broker

non-votes will have no effect on this proposal.

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**16. How will voting on any other business be conducted?**

Although we do not know of any business to be considered at the Annual Meeting other than the proposals described in this Proxy Statement, if any other business is properly presented at the Annual Meeting, your signed proxy card gives authority to the proxy holders, Robert L. Harris and Edward J. Treska, to vote on such matters at their discretion.

**17. Who are the largest principal stockholders?**

For information regarding holders of more than 5% of the outstanding shares of our common stock, see “Security Ownership of Certain Beneficial Owners and Management” beginning on page 26 of this Proxy Statement.

**18. Who will bear the cost of this solicitation?**

We will bear the entire cost of this solicitation. We will reimburse brokerage firms and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses incurred in sending proxies and proxy solicitation materials to our stockholders. Proxies may also be solicited in person, by telephone, or by facsimile by our directors, officers and employees without additional compensation. We have retained Georgeson, Inc., a proxy solicitation firm, to perform various solicitation services. We will pay Georgeson, Inc. a fee of \$6,500 plus phone and other related expenses, in connection with their solicitation services.

**19. Who will bear the cost of this solicitation?**

We will announce preliminary voting results at the Annual Meeting and will publish final results in a Current Report on Form 8-K that we expect to file with the SEC within four business days of the Annual Meeting. If final voting results are not available to us in time to file a Form 8-K with the SEC within four business days after the Annual Meeting, we intend to file a Form 8-K to disclose preliminary voting results and, within four business days after the final results are known, we will file an additional Form 8-K with the SEC to disclose the final voting results.

## **MATTERS TO BE CONSIDERED AT THE ANNUAL MEETING**

### **PROPOSAL NO. 1:**

#### **ELECTION OF DIRECTORS**

##### **General**

Our Amended and Restated Bylaws, as amended, provide that the number of directors shall be set by our Board, but in any case shall not be less than five and not more than nine. The Board has set the number of directors at six. The Board is divided into three classes, with each class being as nearly equal in number of directors as possible. The term of a class expires, and their successors are elected for a term of three years, at each annual meeting of our stockholders.

The Board, on the recommendation of the Nominating and Governance Committee, has nominated Robert L. Harris, II, and Fred A. deBoom for election at the Annual Meeting to serve as Class I directors for a term of office expiring at our 2016 Annual Meeting of Stockholders. The nominees have agreed to serve if elected, and management has no reason to believe that the nominees will be unavailable for service. If any nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for such other nominees as may be designated by the present Board.

##### **Majority Vote Standard**

Our Bylaws require that each director be elected by the affirmative vote of a majority of the votes cast with respect to such director in uncontested elections such as this one (the number of shares cast “for” a nominee’s election exceeds the number of votes cast “against” that nominee). In a contested election, the standard for election of directors would be the affirmative vote of a plurality of the votes cast. A contested election is one in which the Board has determined that the number of nominees exceeds the number of directors to be elected at the meeting.

In accordance with our Bylaws, a nominee who does not receive the affirmative vote of a majority of the votes cast shall tender a written offer to resign to the Board within five business days of the certification of the stockholder vote. The Nominating and Governance Committee shall promptly consider the resignation offer and recommend to the full Board whether to accept the resignation. The Board will act on the Nominating and Governance Committee’s recommendation within 90 calendar days following certification of the stockholder vote. Thereafter, the Board will promptly disclose its decision whether to accept the director’s resignation offer and the reasons for rejecting the resignation offer, if applicable, in a current report on Form 8-K to be filed with the SEC within four business days of the Board’s determination. Any director who tenders his or her resignation pursuant to this provision shall not participate in the Nominating and Governance Committee recommendation or Board action regarding whether to accept the resignation offer.

##### **Required Vote**

If a quorum is present and voting, each nominee for Class I director for whom the number of shares cast “for” such nominee’s election exceeds the number of votes cast “against” that nominee will be elected to the Board. Shares withheld or not voted will not be counted as votes cast, although they will be counted for purposes of determining whether there was a quorum. Broker non-votes will not be taken into account in determining the election of directors.

**The Board of Directors recommends A vote “FOR” the two Class I nominees named HEREIn.**





The following table sets forth information as to the persons who serve as our directors.

<b>Name</b>	<b>Age</b>	<b>Director Since</b>	<b>Positions with the Company</b>
Paul R. Ryan	67	1995	Chief Executive Officer and Director
Robert L. Harris, II	54	2000	Executive Chairman
William S. Anderson* <sup>^</sup>	55	2007	Director
Fred A. deBoom* <sup>+^</sup>	77	1995	Director
Edward W. Frykman* <sup>+^</sup>	76	1996	Director
G. Louis Graziadio, III <sup>+^</sup>	63	2002	Director

\* *Member of the Audit Committee*

+ *Member of the Compensation Committee*

<sup>^</sup> *Member of the Nominating and Governance Committee*

Biographical information regarding the nominees for election as a director and each other person whose term of office as a director will continue after the Annual Meeting is set forth below.

#### ***Information Regarding the Nominees (Class I)***

**Robert L. Harris, II** has served as a director since April 2000 and as our President from July 2000 to January 2013. On January 12, 2013, Mr. Harris was appointed Executive Chairman. Mr. Harris previously served as President and a director of Entertainment Properties Trust, a publicly traded entertainment, recreation and specialty real estate company which Mr. Harris founded, from 1997 to July 2000. Mr. Harris led the International Division and served as Senior Vice President of AMC Entertainment, Inc., a publicly traded theatrical exhibition company, from 1993 to 1997, and served as President of Carlton Browne and Company, Inc., a holding company and trust with assets in real estate, insurance and financial services, from 1984 to 1992. Mr. Harris serves as a director of True Religion Apparel, Inc., a publicly traded clothing company. We believe that Mr. Harris's qualifications to serve on the Board include his long tenure as our President and as a member of the Board, during which time he has gained a unique and extensive understanding of our company, our business and our long term strategy, and his extensive business experience having held several senior management positions at both publicly traded and privately held companies.

**Fred A. deBoom** has served as a director since February 1995. Mr. deBoom has been a principal in Sonfad Associates, an Orange County-based firm which is involved in mergers and acquisitions, private debt and equity placements, strategic and financial business planning, bank debt refinance and asset based financing, since 1995. Previously, Mr. deBoom served for five years as a Vice President of Tokai Bank, for eight years as a Vice President of Union Bank, and for twenty-two years as a Vice President of First Interstate Bank. Mr. deBoom received a B.A. degree from Michigan State University and an M.B.A. degree from the University of Southern California. We believe that Mr. deBoom's qualifications to serve on the Board include his 16-year tenure as a member of our Board and extensive experience in the fields of finance and business transactions.

#### ***Directors with Terms Expiring in 2014 (Class II)***

**Edward W. Frykman** has served as a director since April 1996. Mr. Frykman served as an Account Executive with Crowell, Weedon & Co. from 1992 to 2008 when he retired. Before joining Crowell, Weedon & Co., Mr. Frykman served as Senior Vice President of L.H. Friend & Co. Both Crowell, Weedon & Co. and L.H. Friend & Co. are investment brokerage firms located in Southern California. In addition, Mr. Frykman was a Senior Account Executive with Shearson Lehman Hutton, where he served as the manager of the Los Angeles Regional Retail Office of E. F. Hutton & Co. Mr. Frykman serves as a director of Arrowhead Research Corporation, a publicly traded development stage nanotechnology holding company. Mr. Frykman received a B.S.B.A. degree from the University of Florida. We believe Mr. Frykman's qualifications to serve on the Board include his 15-year tenure as a member of the Board, his deep understanding of our business and the industry in which we operate, and his extensive experience in the fields of finance and public company oversight.

**William S. Anderson** has served as a director since August 2007. Mr. Anderson currently serves as Founder and Chief Executive Officer of First Beverage Group, a privately held company founded by Mr. Anderson in 2005 which provides financial services to the beverage industry. Prior to founding First Beverage Group, Mr. Anderson served as Executive Vice-President of Topa Equities, Ltd., a diversified holding company and beer distributor group, from 1991 to 2004. Prior to joining Topa, Mr. Anderson was an attorney with O'Melveny & Myers in Los Angeles. Mr. Anderson has served on the board of directors of Topa Equities, Ltd. since 2008, the advisory board of Lineage Capital Partners, a private equity firm focused on partnering with family-controlled and owner-managed businesses, since 2005, and on the boards of directors of Purity Organic, LLC, an organic fruit juice company, WhistlePig, a craft rye whiskey, and Bottlenotes, Inc., an online media platform for the wine and craft beer industries, since 2012. Mr. Anderson received a B.A. degree from Bowdoin College in Brunswick, Maine and a J.D. degree from the University of California, Los Angeles School of Law. We believe Mr. Anderson's qualifications to serve on the Board include his legal training and experience and extensive business experience having held senior management positions at several different companies.

#### ***Directors with Terms Expiring in 2015 (Class III)***

**Paul R. Ryan** has served as a director since August 1995 and as our Chief Executive Officer since January 1997. He also served as our Chairman from April 2000 to January 2013 and as our President from January 1997 to July 2000 and from January 2013 to September 2013. Prior to 1997, Mr. Ryan served as our Executive Vice President and Chief Investment Officer from 1996 to 1997 and our Vice President, Capital Management, from 1995 to 1996. Mr. Ryan was formerly a co-founder and general partner of the American Health Care Fund, L.P., held positions with Young & Rubicam, Ogilvy & Mather, and Merrill Lynch and was a private venture capital investor. Mr. Ryan received a B.S. degree from Cornell University and attended the New York University Graduate School of Business. We believe that Mr. Ryan's qualifications to serve on the Board include his 14-year tenure as our Chief Executive Officer and his 16-year tenure as a member of the Board, during which time he has gained a unique and extensive understanding of our company, our business, our long term strategy and the industry in which we operate, and his extensive experience in the field of finance.

**G. Louis Graziadio, III** has been a director since February 2002. Mr. Graziadio is President and Chief Executive Officer of Second Southern Corp., the managing partner of Ginarra Partners, L.L.C., a closely-held California company involved in a wide range of investments and business ventures. Mr. Graziadio is also Chairman of the Board and Chief Executive Officer of Boss Holdings, Inc., a distributor of work and hunting gloves, rainwear, rain boots, industrial apparel, pet products, specialty merchandise, and wireless accessories for electronic and mobile devices. From 1984 to 2000, Mr. Graziadio served as a director of Imperial Bancorp, the parent company of Imperial Bank, a Los Angeles based commercial bank acquired by Comerica Bank in January 2001. Mr. Graziadio, and companies with which he is affiliated, are significant shareholders in numerous private and public companies in a number of different industries. Since 1978, Mr. Graziadio has been active in restructurings of both private and public companies, as well as corporate spin-offs and IPOs. Mr. Graziadio also serves as a director of True Religion Apparel, Inc., a publicly traded clothing company. We believe that Mr. Graziadio's qualifications to serve on the Board include his extensive business experience having held senior management positions at several different companies and his experience in serving on the boards of directors of public companies.

#### **Director Independence**

Our common stock is listed on The Nasdaq Global Select Market and, therefore, we are subject to the listing requirements of that market. Our board of directors has determined that Messrs. Anderson, deBoom, Frykman and

Graziadio are “independent” as defined in the Listing Rules of The Nasdaq Stock Market. Mr. Ryan was not deemed to be independent as he currently serves as our Chief Executive Officer and Mr. Harris was not deemed to be independent as he currently serves as our Executive Chairman.

## **Board Leadership Structure**

Our Amended and Restated Bylaws provide our Board with flexibility to combine or separate the positions of Chairman and Chief Executive Officer in accordance with its determination that utilizing one or the other structure is in the best interests of our company. Currently, the positions of Chairman and Chief Executive Officer are separate, with Mr. Ryan serving as Chief Executive Officer and Mr. Harris serving as Executive Chairman. Our Board does not currently have a lead independent director. Our Board has determined that this structure is the most effective leadership structure for our company at this time. The Board believes that Mr. Harris is the director best situated to identify strategic opportunities for our company and focus the activities of the Board due to his full-time commitment to the business and long tenure with our company. Our Board has determined that maintaining the independence of a majority of our directors helps maintain the Board's independent oversight of management. In addition, our Audit, Compensation and Nominating and Governance Committees, which oversee critical matters such as our accounting principles, financial reporting practices and system of disclosure controls and internal controls over financial reporting, our executive compensation program and the selection and evaluation of our directors and director nominees, each consist entirely of independent directors.

## **Risk Oversight**

The Board is actively involved in the oversight of risks, including credit risk, liquidity risk and operational risk that could affect our business. The Board does not have a standing risk management committee, but administers this oversight function directly through the Board as a whole, as well as through committees of the Board. For example, the Audit Committee assists the Board in its risk oversight function by reviewing and discussing with management our accounting principles, financial reporting practices and system of disclosure controls and internal controls over financial reporting. The Nominating and Governance Committee assists the Board in its risk oversight function by periodically reviewing and discussing with management important corporate governance principles and practices and by considering risks related to our director nominee evaluation process. The Compensation Committee assists the Board in its risk oversight function by considering risks relating to the design of our executive compensation programs and arrangements. The full Board considers strategic risks and opportunities and receives reports from the committees regarding risk oversight in their areas of responsibility as necessary. We believe our Board leadership structure facilitates the division of risk management oversight responsibilities among the Board committees and enhances the Board's efficiency in fulfilling its oversight function with respect to different areas of our business risks and our risk mitigation practices.

## **Board Meetings and Committees**

The Board held a total of nine meetings and Committees of the Board held a total of eleven meetings during the fiscal year ended December 31, 2012. During that period, no incumbent director except Mr. Anderson attended fewer than 75% of the sum of the total number of meetings of the Board and the total number of meetings of all committees of the Board on which that director served. The Board has an Audit Committee, a Compensation Committee, a Nominating and Governance Committee and a Disclosure Committee. The Board has adopted charters for each of these committees, each of which may be viewed on our website at [www.acaciaresearch.com](http://www.acaciaresearch.com).

**Audit Committee.** The Audit Committee currently consists of Messrs. deBoom, Frykman and Anderson, each of whom is independent under the listing standards of the Nasdaq Stock Market. The Audit Committee is responsible for retaining, evaluating and, if appropriate, recommending the termination of our independent registered public accounting firm and is primarily responsible for approving the services performed by our independent registered public accounting firm and for reviewing and evaluating our accounting principles, financial reporting practices and system of internal accounting controls. The Audit Committee held four meetings during the fiscal year ended

December 31, 2012. The Audit Committee is also responsible for maintaining communication between the Board and our independent registered public accounting firm.

The Board has determined that Mr. deBoom is an “audit committee financial expert” as defined by Item 407(d)(5)(ii) of Regulation S-K.

**Compensation Committee.** The Compensation Committee currently consists of Messrs. deBoom, Frykman and Graziadio, each of whom is independent under the listing standards of the Nasdaq Stock Market. The Compensation Committee held seven meetings during the fiscal year ended December 31, 2012.

Our executive compensation program is administered by the Compensation Committee. The Compensation Committee is responsible for approving the compensation package of each executive officer and recommending it to the Board as well as administering the Company's Stock Incentive Plan. In making decisions regarding executive compensation, the Compensation Committee considers the input of our management and other directors. In addition, the Compensation Committee establishes compensation programs that do not encourage excessive risk taking and we have determined that it is not reasonably likely that our compensation and benefit plans and policies would have a material adverse effect on our company.

For more information on the responsibilities and activities of the Compensation Committee, including the committee's processes for determining executive compensation, see "Compensation Discussion and Analysis" beginning on page 28 of this Proxy Statement.

**Nominating and Governance Committee.** The Nominating and Governance Committee currently consists of Messrs. Anderson, deBoom, Frykman and Graziadio, each of whom is independent under the listing standards of the Nasdaq Stock Market. The Nominating and Governance Committee recommended director nominees to the Board for election at the Annual Meeting. The charter for the Nominating and Governance Committee provides that, among its specific responsibilities, the Committee shall:

- Establish criteria and qualifications for Board membership, including standards for assessing independence; Identify and consider candidates, including those recommended by stockholders and others, to fill positions on the Board, and assess the contributions and independence of incumbent directors in determining whether to recommend them for reelection to the Board;
- Recommend to the Board candidates for election or reelection at each annual meeting of stockholders; Annually review our corporate governance processes, and our governance principles, including such issues as the Board's organization, membership terms, and the structure and frequency of Board meetings, and recommend appropriate changes to the Board;
- Administer our corporate Codes of Conduct and annually review and assess the adequacy of the corporate Codes of Conduct and recommend any proposed changes to the Board. Specifically, the Nominating and Governance Committee shall discuss with management their compliance with the corporate Codes of Conduct, including any insider and affiliated party transactions, and our procedures to monitor compliance with the corporate Codes of Conduct;
- Review periodically with our Chief Executive Officer and the Board, the succession plans relating to positions held by senior executives, and make recommendations to the Board regarding the selections of individuals to fill these positions;
- Oversee the continuing education of existing directors and the orientation of new directors;
- Monitor the functions of the Board and its committees, as set forth in their respective charters, and coordinate and oversee annual evaluations of the Board's performance and procedures, including an evaluation of individual directors, and of the Board's committees; and
- Assess annually the performance of the duties specified in the Nominating and Governance Committee Charter by the Nominating and Governance Committee and its individual members.

## Director Qualification Standards

There are no specific minimum qualifications that the Nominating and Governance Committee requires to be met by a director nominee recommended for a position on the Board, nor are there any specific qualities or skills that are necessary for one or more members of our Board to possess, other than as are necessary to meet the requirements of the rules and regulations applicable to us. The Nominating and Governance Committee considers a potential candidate's experience, areas of expertise, and other factors relative to the overall composition of the Board, including the following characteristics:

- the highest ethical standards and integrity;
- a willingness to act on and be accountable for Board decisions;
- an ability to provide wise, informed, and thoughtful counsel to top management on a range of issues;
- a history of achievement that reflects high standards for the director candidate and others;
- loyalty and commitment to driving our success;

the independence requirements imposed by the Securities and Exchange Commission, or the SEC, and the Nasdaq Stock Market; and

a background that provides a portfolio of experience, qualifications, attributes, skills and knowledge commensurate with our needs.

We do not have a written policy with respect to diversity of members of the Board. However, in considering nominees for service on the Board, the Nominating and Governance Committee takes into consideration, in addition to the criteria summarized above, the diversity of professional experience, viewpoints and skills of members of the Board. Examples of this include management experience, financial expertise and educational background. The Nominating and Governance Committee and the Board believe that a diverse board leads to improved performance by encouraging new ideas, expanding the knowledge base available to management and other directors and fostering a culture that promotes innovation and vigorous deliberation.

The Nominating and Governance Committee has the following policy with regard to the consideration of any director candidates recommended by security holders:

A stockholder wishing to nominate a candidate for election to the Board at the next annual meeting is required to give written notice addressed to the Secretary, Acacia Research Corporation, 500 Newport Center Drive, 7th Floor, Newport Beach, CA 92660, of his or her intention to make such a nomination. The notice of nomination must have been received by the Secretary at the address below no later than the close of business on February 16, 2014, in accordance with our Amended and Restated Bylaws, in order to be considered for nomination at the next annual meeting.



The notice of nomination must include information regarding the recommended candidate relevant to a determination of whether the recommended candidate would be barred from being considered independent under the Nasdaq Stock Market's Listing Qualifications or, alternatively, a statement that the recommended candidate would not be so barred. A nomination which does not comply with the above requirements will not be considered.

The Nominating and Governance Committee considers director candidates that are suggested by members of the Nominating and Governance Committee and the full Board, as well as management and stockholders. The Nominating and Governance Committee may, in the future, also retain a third-party executive search firm to identify candidates on terms and conditions acceptable to the Nominating and Governance Committee, in its sole discretion. The process by the Nominating and Governance Committee for identifying and evaluating nominees for director, including nominees recommended by stockholders, involves (with or without the assistance of a retained search firm), compiling names of potentially eligible candidates, conducting background and reference checks, conducting interviews with the candidate and others (as schedules permit), meeting to consider and approve the final candidates and, as appropriate, preparing and presenting to the full Board an analysis with regard to particular recommended candidates. The Nominating and Governance Committee endeavors to identify director nominees who have the highest personal and professional integrity, have demonstrated exceptional ability and judgment, and, together with other director nominees and members, are expected to serve the long term interest of our stockholders and contribute to our overall corporate goals.

**Disclosure Committee.** The Disclosure Committee currently consists of Clayton J. Haynes, our Chief Financial Officer, Robert Stewart, Sr., our Senior Vice President of Investor Relations, and Edward J. Treska, our Senior Vice President, General Counsel and Corporate Secretary. The Disclosure Committee is primarily responsible for oversight of the accuracy and timeliness of the disclosures made by us. The Disclosure Committee held four meetings during the fiscal year ended December 31, 2012.

### **Codes of Conduct**

We have adopted a corporate Code of Conduct and a Board of Directors Code of Conduct, both of which may be viewed on our website at [www.acaciaresearch.com](http://www.acaciaresearch.com). The corporate Code of Conduct applies to all of our officers, directors and employees, including our principal executive officer, principal financial and accounting officer and controller, or persons performing similar functions. The Board of Directors Code of Conduct specifically applies to the Board. Any waiver of these Codes of Conduct for any of our executive officers or directors may be made only by the Board and must be promptly disclosed to stockholders in the manner required by applicable law.

### **Stockholder Communications with Directors**

Stockholders wishing to communicate with the Board or with a particular member or committee of the Board should address communications to the Board, the particular member or committee of the Board, c/o Acacia Research Corporation, Attention: Secretary, 500 Newport Center Drive, 7th Floor, Newport Beach, California 92660. All communications addressed to the Board or a particular member or committee of the Board will be relayed to that addressee. From time to time, the Board may change the process through which stockholders communicate with the Board or its members or committees. Please refer to our website at [www.acaciaresearch.com](http://www.acaciaresearch.com) for changes in this process. The Board, the particular director or committee of the Board to which a communication is addressed will, if it deems appropriate, promptly refer the matter either to management or to the full Board depending on the nature of the communication.

### **Board Member Attendance at Annual Stockholder Meetings**

Although we do not have a formal policy regarding director attendance at annual stockholder meetings, directors are expected to attend these meetings absent extenuating circumstances. Each of our current directors attended last year's annual meeting of stockholders, either in person or by telephone.



## Director Compensation

Directors who are also our employees receive no separate compensation from us for their service as members of the Board. Each non-employee director receives an annual grant of restricted stock units that entitles the non-employee director to receive, upon vesting as described below, a number of shares determined by dividing the equity grant amount described below by the closing price of our common stock on the grant date. In addition, each new non-employee director receives a one-time grant of restricted stock units upon becoming a director for the number of shares determined by dividing the equity grant amount described below by the closing price of our common stock on the grant date. All restricted stock units vest in a series of twelve quarterly installments over the three year period following the grant date, subject to immediate acceleration upon a change in control.

Prior to March 2012, our non-employee directors received compensation in the amount of \$5,000.00 per month for their service as members of the Board and the equity grant amount was \$90,000 of restricted stock units. In addition, the chairman of the Audit Committee received compensation in the amount of \$833.00 per month for his services. On March 1, 2012, the compensation for non-employee directors was increased to \$6,667.00 per month, the additional compensation for the chairman of the Audit Committee was increased to \$1,110.00 per month and the equity grant amount was increased to \$120,000 of restricted stock units. The monthly retainer is subject to a pro rata deduction if a director fails to attend at least 75% of our Board meetings and committee meetings (combined), and all directors except Mr. Anderson attended at least 75% of such meetings during fiscal 2012. Directors are also reimbursed for expenses incurred in connection with attendance at meetings of the Board and committees of the Board and in connection with the performance of Board duties.

**2012 DIRECTOR COMPENSATION TABLE**

The following table provides information on 2012 compensation for our non-employee directors who served during 2012.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(4)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
William S. Anderson	76,670	90,000 (1)	-	-	-	-	166,670
	-	29,994 (2)	-	-	-	-	29,994
	-	121,500(3)	-	-	-	-	121,500
	-	-	-	-	-	-	318,164
Fred A. deBoom	89,446	90,000 (1)	-	-	-	-	179,446
	-	29,994 (2)	-	-	-	-	229,994
	-	121,500(3)	-	-	-	-	121,500
	-	-	-	-	-	-	330,940
Edward W. Frykman	76,670	90,000 (1)	-	-	-	-	166,670
	-	29,994 (2)	-	-	-	-	29,994
	-	121,500(3)	-	-	-	-	121,500
	-	-	-	-	-	-	318,164
G. Louis Graziadio, III	76,670	90,000 (1)	-	-	-	-	166,670
	-	29,994 (2)	-	-	-	-	29,994
	-	121,500(3)	-	-	-	-	121,500
	-	-	-	-	-	-	318,164

(1) Reflects annual grants of restricted stock units on the first business day of the 2012 calendar year. The number of restricted stock units was determined by dividing the annual \$90,000 equity grant amount by the closing price of our common stock on the grant date. The closing price of our common stock on the Nasdaq Global Select Market on January 3, 2012 was \$36.66.

(2) On March 1, 2012, the Board of Directors increased the equity grant amount for non-employee directors to \$120,000. Each non-employee director was also awarded an additional prorated grant of 763 restricted stock units. The number of restricted stock units was determined by dividing the \$120,000 equity grant amount by the closing price of our common stock on the grant date. The closing price of our common stock on the Nasdaq Global Select Market on March 1, 2012 was \$39.31.

(3) On December 11, 2012, the Board of Directors awarded each non-employee director an additional grant of 5,000 restricted stock units.

Amounts shown represent the aggregate grant date fair value of restricted stock unit awards granted to the directors during 2012, as determined pursuant to ASC Topic 718, "Compensation - Stock Compensation," or ASC Topic 718.

(4) The methodology used to calculate the value of restricted stock unit awards is set forth under Notes 2 and 11 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 filed with the SEC on February 29, 2013.

**PROPOSAL NO. 2:**

**RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Grant Thornton LLP, our independent registered public accounting firm for the fiscal year ended December 31, 2012, was recommended by the Audit Committee, and approved by the Board, to act in such capacity for the fiscal year ending December 31, 2013, subject to ratification by the stockholders.

If our stockholders do not ratify the selection of Grant Thornton LLP, or if such firm should decline to act or otherwise become incapable of acting, or if our engagement of Grant Thornton LLP should be discontinued, the Board, on the recommendation of the Audit Committee, will appoint a substitute independent registered public accounting firm. A representative of Grant Thornton LLP is expected to be present at the Annual Meeting, will be given the opportunity to make a statement if he or she so desires and will be available to respond to appropriate questions.

**Required Vote**

The affirmative vote of the holders of a majority of the outstanding shares of our common stock present in person or by proxy and entitled to vote at the Annual Meeting is required to ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013. Because the ratification of the independent registered public accounting firm is a discretionary matter, broker non-votes will likely not result for this proposal. Abstentions will be the equivalent of a vote against this proposal.

**The Board of Directors recommends A vote “FOR” the ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013.**

**Audit and Related Fees**

Grant Thornton LLP served as our independent registered public accounting firm for the years ended December 31, 2012 and 2011. Fees billed in connection with services rendered by Grant Thornton LLP were as set forth below (on a consolidated basis including Acacia Research Corporation and its subsidiaries).

Audit Fees – Total fees billed by Grant Thornton LLP for audit services relating to the fiscal years ended 2012 and 2011 were \$666,000 and \$800,000, respectively.

Audit-Related Fees – Total fees billed by Grant Thornton LLP for audit related services relating to the fiscal years ended 2012 and 2011 were \$93,000 and \$53,000, respectively. These fees are for services rendered for accounting consultations in connection with an acquisition.

Tax Fees – Tax fees billed by Grant Thornton LLP for tax services relating to the fiscal years ended 2012 and 2011 were \$716,000 and \$354,000, respectively. These fees are for professional services rendered for tax compliance, tax consulting and transfer pricing study.

All Other Fees – Total fees billed by Grant Thornton LLP for other services relating to the fiscal years ended 2012 and 2011 were \$0.

**Audit Committee Pre-Approval Policy**

The Audit Committee has established policies and procedures regarding pre-approval of all services provided by the independent registered public accounting firm. At the beginning of the fiscal year, the Audit Committee pre-approves the engagement of the independent registered public accounting firm to provide audit services based on fee estimates. The Audit Committee also pre-approves proposed audit-related services, tax services and other permissible services, based on specified project and service details, fee estimates, and aggregate fee limits for each service category. The Audit Committee receives information on the status of services provided or to be provided by the independent registered public accounting firm and the related fees. All of the services in 2012 and 2011 were pre-approved.



## AUDIT COMMITTEE REPORT

The following is the report of the Audit Committee with respect to our audited financial statements for 2012, which include our consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2012, and the notes thereto.

*Composition.* The Audit Committee of the Board is comprised of three directors and operates under a written charter adopted by the Board. The charter was amended by the Board on October 19, 2004. The members of the Audit Committee are Fred A. deBoom, William S. Anderson and Edward W. Frykman. The Board determined that each member of the Audit Committee meets the independence requirements of the Nasdaq Stock Market and of Section 10A of the Exchange Act, that each member is able to read and understand financial statements, and that Mr. deBoom qualifies as an "audit committee financial expert" as defined by Item 407(d)(5)(ii) of Regulation S-K.

*Responsibilities.* The responsibilities of the Audit Committee include recommending to the Board an accounting firm to be engaged as our independent registered public accounting firm. Management has primary responsibility for preparing the financial statements and designing and assessing the effectiveness of internal control over financial reporting. Grant Thornton LLP, our independent registered public accounting firm, is responsible for performing an independent audit of our consolidated financial statements and internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States) and for issuing reports thereon. The Audit Committee's responsibility is to oversee these processes.

*Review with Management and Grant Thornton.* The Audit Committee has reviewed our consolidated audited financial statements and held discussions with management and Grant Thornton LLP. Management represented to the Audit Committee that our consolidated financial statements were prepared in accordance with generally accepted accounting principles. The Audit Committee discussed with Grant Thornton LLP matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communication with Audit Committees).

Grant Thornton LLP also provided to the Audit Committee the written disclosures and the letter required by the Public Company Accounting Oversight Board for independent auditor communications with audit committees concerning independence.

*Conclusion.* Based upon the Audit Committee's discussions with management and Grant Thornton LLP, the Audit Committee's review of the representations of management and the report of Grant Thornton LLP to the Audit Committee, the Audit Committee recommended that the Board include the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the SEC.

This report is submitted by the Audit Committee of the Board.

*Fred A. deBoom*

*William S. Anderson*  
*Edward W. Frykman*



**PROPOSAL NO. 3:**

**ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS**

**Background**

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2012, or the Dodd-Frank Act, enables our stockholders to vote to approve, on an advisory (nonbinding) basis, the compensation of our named executive officers as described in this Proxy Statement in accordance with the compensation disclosure rules of the SEC. The Dodd-Frank Act also enables our stockholders to indicate how frequently we should seek an advisory vote on the compensation of our named executive officers. Our stockholders previously voted to hold an advisory (nonbinding) vote to approve the compensation of our named executive officers every year.

**Summary**

We are asking our stockholders to provide advisory approval of the compensation of our named executive officers, as such compensation is described in the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosure set forth in this Proxy Statement, beginning on page 28. In addition to the information set forth below, we urge our stockholders to review the entire “Executive Compensation and Related Information” section of this Proxy Statement for more information regarding the compensation of our named executive officers.

Our executive compensation programs are designed to attract, motivate and retain our named executive officers, who are critical to our success. Under these programs, our named executive officers are rewarded for the achievement of long-term and strategic goals and the realization of increased stockholder value.

Our Compensation Committee continually reviews the compensation programs for our named executive officers to ensure that the compensation programs achieve the desired goals of aligning our executive compensation structure with our stockholders’ interests. We are asking our stockholders to indicate their support for our named executive officer compensation as described in this Proxy Statement. This proposal, commonly known as a “say-on-pay” proposal, gives our stockholders the opportunity to express their views on the compensation of our named executive officers. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and our compensation philosophy, policies and practices described in this Proxy Statement pursuant to the compensation disclosure rules of the SEC.

**Required Vote**

We believe that the information provided above and in the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosure set forth in this Proxy Statement demonstrates that our executive compensation program effectively ensures that the interests of our named executive officers are aligned with the interests of our stockholders interests and with our short- and long-term goals.

You have the opportunity to vote “for” or “against” or to “abstain” from voting on the following non-binding resolution relating to the compensation of our named executive officers:

“Resolved, that the stockholders approve, on an advisory basis, the compensation of the named executive officers of Acacia Research Corporation as disclosed in Acacia Research Corporation’s Definitive Proxy Statement for the 2013 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the Summary Compensation Table, and the other related tables and disclosure.”



The say-on-pay vote is advisory, and therefore not binding on us, our Compensation Committee or our Board. However, we value the opinions of our stockholders on executive compensation matters and to the extent there is a significant vote against the compensation of our named executive officers as disclosed in the Compensation Discussion and Analysis, the Summary Compensation Table, and the other related tables and disclosure set forth in this Proxy Statement, we will consider our stockholders' concerns and will evaluate whether any actions are necessary to address those concerns.

The affirmative vote of the holders of a majority of the outstanding shares of our common stock present in person or by proxy and entitled to vote at the Annual Meeting is required to approve the compensation of our named executive officers. Broker non-votes will have no effect on this proposal. Abstentions will be the equivalent of a vote against this proposal.

**The Board of Directors recommends a vote “FOR” approval of the compensation of our named executive officers, as disclosed in the Compensation Discussion and Analysis, compensation tables and narrative discussion set forth in this Proxy Statement.**

**PROPOSAL NO. 4:**

**APPROVAL OF THE 2013 ACACIA RESEARCH CORPORATION STOCK INCENTIVE PLAN**

On April 16, 2013, the Board of Directors adopted the 2013 Acacia Research Corporation Stock Incentive Plan, or the Plan, subject to the approval of our stockholders at the Annual Meeting. The following summary of the principal features of the Plan is qualified in its entirety by reference to the full text of the Plan which is attached to this proxy statement as Annex A.

**Summary of the Plan**

**Purpose of the Plan.** The purpose of the Plan is to promote our interests by providing eligible officers, directors, employees and other service providers with the opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest, in our company as an incentive for them to continue providing service to us.

**Shares Available.** The number of shares of our common stock initially reserved for issuance under the Plan shall be 4,750,000 shares.

If any shares of our common stock subject to an award under the Plan expire or terminate for any reason prior to exercise or vesting, the shares subject to the award may be used again for awards under the Plan to the extent of the expiration or termination. The shares of our common stock will be added back as one share for every share of our common stock if the shares were subject to options, restricted stock grants, restricted stock units or stock appreciation rights, or SARs, granted under the Plan. The following shares of our common stock will not be added to the shares authorized for grant as described above: (i) shares tendered by the participant or withheld by us in payment of the purchase price of an option, (ii) shares tendered by the participant or withheld by us to satisfy tax withholding with respect to an award, and (iii) shares subject to a SAR that are not issued in connection with the stock settlement of the SAR on exercise.

The maximum number of shares of common stock that may be issued under the Plan pursuant to the exercise of incentive stock options shall be equal to the number of shares of common stock authorized for issuance under the Plan.

**Eligibility.** Options, SARs, restricted stock units and direct stock awards may be granted under the Plan. Options may be either “incentive stock options,” as defined in Section 422 of the Internal Revenue Code of 1986, as amended, or the Code, or non-qualified stock options. Awards may be granted under the Plan to any employee, non-employee member of the Board of Directors, consultant or advisor who provides services to us or our subsidiaries, except for incentive stock options which may be granted only to our employees.

**Administration.** Generally, the Plan will be administered by either the entire Board or a committee of the Board, which shall consist of at least two members of the Board, each of whom must qualify as a “non-employee director” under Rule 16b-3 under the Exchange Act, an “outside director” under Section 162(m) of the Code and an “independent director” under the Nasdaq Listing Rules; provided that the committee shall have the sole authority to administer the Plan with respect to all our officers and directors subject to the short-swing profit liabilities of Section 16 of the Exchange Act. The Plan administrator shall have the authority to determine the terms and conditions of awards, and to interpret and administer the Plan.

**Awards to be Granted to Certain Individuals and Groups.** The Plan administrator, in its discretion, selects the persons to whom awards may be granted, determines the type of awards, determines the times at which awards will be made, determines the number of shares subject to each such award (or the dollar value of certain performance awards), and determines the other terms and conditions relating to the awards. For this reason, it is not possible to determine

the benefits or amounts that will be received by any particular person in the future.

***Limits on Awards to Participants.*** No one person participating in the Plan may receive stock options, separately exercisable stock appreciation rights, restricted stock units or direct stock awards for more than 500,000 shares of our common stock in the aggregate per calendar year.

**Discretionary Option Awards.** The Plan administrator may grant either non-qualified stock options or incentive stock options. A stock option entitles the recipient to purchase a specified number of shares of our common stock at a fixed price subject to terms and conditions set by the Plan administrator, including conditions for exercise that must be satisfied, which typically will be based on continued provision of services. The exercise price of stock options granted under the Plan cannot be less than 100% of the fair market value of our common stock on the date the option is granted. Fair market value of our common stock is generally equal to the closing price of our common stock on the principal securities exchange on which our common stock is traded on the date the option is granted (or if there was no closing price on that date, on the last preceding date on which a closing price was reported).

The Plan permits payment of the purchase price of stock options to be made by cash or cash equivalents, shares of our common stock previously acquired by the underlying optionee, any other form of legal consideration determined by the Plan administrator, or any combination of the foregoing. All options granted under the Plan expire no later than 10 years from the date of grant.

**Stock Appreciation Rights.** The Plan administrator is authorized to grant tandem and limited SARs in connection with stock options granted under the Plan. SARs are subject to terms and conditions set by the Plan administrator, including conditions for exercise that must be satisfied.

Upon exercise of an SAR, the participant will have the right to receive the excess of the fair market value of the shares covered by the corresponding SAR (or underlying option) on the date of exercise over the exercise price of such SAR (or underlying option) by cash or cash equivalents, shares of our common stock previously acquired by the participant, any other form of legal consideration determined by the Plan administrator, or any combination thereof. Shares issued upon the exercise of SARs are valued at their fair market value as of the date of exercise.

**Direct Stock Awards.** Direct stock awards may be issued under the Stock Issuance Program (as defined in the Plan) either alone or in addition to other awards granted under the Plan. The Plan administrator determines the terms and conditions of direct stock awards, including the number of shares of common stock granted, and the conditions for vesting that must be satisfied, if any, which typically will be based on continued provision of services but may include a performance-based component. Unless otherwise provided in the award agreement, the holder of a restricted direct stock award will have the rights of a stockholder from the date of grant of the award, including the right to vote the shares of common stock and the right to receive distributions on the shares. Except as otherwise provided in the award agreement, any shares or other property (other than cash) distributed with respect to the award will be subject to the same restrictions as the award.

**Automatic Restricted Stock Unit Grants.** The Plan provides that: (a) an individual who is first elected or appointed as a non-employee Board member at any time on or after the effective date of the Plan shall automatically be granted, on the date of such initial election or appointment, restricted stock units that entitle such non-employee director to receive, upon vesting, a number of shares of common stock determined in the discretion of the Plan administrator; and (ii) on the first business day in each calendar year following the effective date of the Plan and during the term of the Plan, each non-employee Board member then in office shall automatically be granted restricted stock units that entitle such non-employee board member to receive, upon vesting, a number of shares of common stock determined in the discretion of the Plan administrator. The restricted stock units vest in a series of twelve equal quarterly installments over the three year period following the grant date.

**Nontransferability of Awards.** No award under the Plan, and no shares subject to awards that have not been issued or as to which any applicable restriction, performance or deferral period has not lapsed, is transferable other than (i) to a participant's beneficiary upon death of such participant or (ii) by will or the laws of descent and distribution, except that non-statutory stock options, shares of restricted stock and restricted stock units may be assigned in whole or in



part during the participant's lifetime to one or more members of such participant's immediate family or to a trust established exclusively for such participant or one or more members of participant's immediate family. In addition, incentive stock options and corresponding SARs may be exercised during the participant's lifetime only by the participant, and other awards may be exercised during the participant's lifetime only by the participant or the participant's estate, guardian or legal representative.

***Adjustments upon Change in Control or Hostile Take-Over.*** In the event of a Change in Control (as defined in the Plan) or Hostile Take-Over (as defined by the Plan), unless otherwise determined by the Plan administrator pursuant to the Plan: (i) each option outstanding under the Plan at the time of a Change in Control or Hostile Take-Over but not otherwise exercisable for all the shares of common stock at that time subject to such option shall automatically accelerate so that each such option shall, immediately prior to the effective date of the Change in Control or Hostile Take-Over, become exercisable for all the shares of common stock at the time subject to such option and may be exercised for any or all of those shares as fully vested shares of common stock; (ii) notwithstanding (i) above, in the event that certain options are assumed in connection with a Change in Control, each such option shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities which would have been issuable upon consummation of such Change in Control had the option been exercised immediately prior to thereto; (iii) the portion of any incentive stock options accelerated in connection with a Change in Control or Hostile Take-Over shall remain exercisable as an incentive stock option only to the extent the applicable \$100,000 limitation is not exceeded, and to the extent such dollar limitation is exceeded, the accelerated portion of such option shall be exercisable as a non-statutory stock option under the Federal tax laws; (iv) all of our outstanding repurchase rights under direct stock awards shall automatically terminate, and all the shares of our common stock subject to such terminated rights shall immediately vest in full; and (v) the vesting of issued and outstanding restricted stock units shall automatically accelerate so that each such restricted stock unit shall, as of immediately following the Change in Control or Hostile Take-Over, vest and be delivered.

***Adjustments upon Changes in Capitalization.*** If any change is made to our common stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting our outstanding shares of common stock without our receipt of consideration, appropriate adjustments shall be made by the Plan administrator to: (i) the maximum number and/or class of securities issuable under the Plan; (ii) the maximum number and/or class of securities for which any one person may be granted stock options, direct stock issuances or share right awards under the Plan per calendar year; (iii) the number and/or class of securities for which grants are subsequently to be made under the Automatic Restricted Stock Unit Grant Program to new and continuing non-employee Board members; (iv) the number and/or class of securities and the exercise price per share in effect under each outstanding option under the Plan, (v) the number and/or class of securities and exercise price per share in effect under each outstanding option incorporated into the Plan, and (vi) the maximum number and/or class of securities by which the share reserve is to increase automatically each calendar year pursuant to the provisions of Section V.B. of Article I of the Plan. Such adjustments to the outstanding options are to be effected in a manner which shall preclude the enlargement or dilution of rights and benefits under such options. The adjustments determined by the Plan administrator shall be final, binding and conclusive.

***Termination of Employment.*** The Plan administrator will determine and set forth in the award agreement whether any awards will continue to be exercisable, and the terms of such exercise, on and after the date the participant ceases to be employed by, or to otherwise provide services to, us, whether by reason of death, disability, voluntary or involuntary termination of employment or service, or otherwise, but in no event shall any unvested awards vest after the date the participant ceases to be employed by, or otherwise provide services to, us.

***Amendment and Termination.*** The Plan may be amended or terminated by the Plan administrator, except to the extent that by applicable law, regulation or rule of a stock exchange requires shareholder approval for any amendment to the Plan, which shall not be effective without such approval. No amendment or termination may materially impair a participant's rights under an award previously granted under the Plan without the written consent of the participant.

The Plan will expire on the 10th anniversary of the date of its approval by shareholders, except with respect to awards then outstanding, and no further awards may be granted thereafter.

**Federal Income Tax Consequences.**

The following discussion summarizes certain federal income tax considerations of awards under the Plan. However, it does not purport to be complete and does not describe the state, local or foreign tax considerations or the consequences for any particular individual.

We intend, and this summary assumes, that all awards granted under the Plan either will be exempt from or will comply with the requirements of Section 409A of the Code, or Section 409A, regarding nonqualified deferred compensation such that its income inclusion and tax penalty provisions will not apply to the participants. The Plan and any awards made under the Plan will be administered consistently with this intent. In any case, a participant will be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on a participant in connection with awards (including any taxes and penalties under Section 409A) and we will have no obligation to indemnify or otherwise hold a participant harmless from any such taxes or penalties.

**Stock Options.** A participant does not realize ordinary income on the grant of a stock option. Upon exercise of a non-qualified stock option, the participant will realize ordinary income equal to the excess of the fair market value of the shares of common stock over the option exercise price. The cost basis of the shares acquired for capital gain treatment is their fair market value at the time of exercise. Upon exercise of an incentive stock option, the excess of the fair market value of the shares of common stock acquired over the option exercise price will be an item of tax preference to the participant, which may be subject to an alternative minimum tax for the year of exercise. If no disposition of the shares is made within two years from the date of granting of the incentive stock option or within one year after the transfer of the shares to the participant, the participant does not realize taxable income as a result of exercising the incentive stock option; the tax basis of the shares received for capital gain treatment is the option exercise price; any gain or loss realized on the sale of the shares is long-term capital gain or loss. If the participant disposes of the shares within the two-year or one-year periods referred to above, the participant will realize ordinary income at that time in an amount equal to the excess of the fair market value of the shares at the time of exercise (or the net proceeds of disposition, if less) over the option exercise price. For capital gain treatment on such a disposition, the tax basis of the shares will be their fair market value at the time of exercise.

Section 55 of the Code imposes an “alternative minimum tax” on an individual’s income to the extent the amount of the alternative minimum tax exceeds the individual’s regular tax for the year. For purposes of computing the alternative minimum tax, the excess of the fair market value (on the date of exercise) of the shares received upon the exercise of an incentive stock option over the exercise price paid is included in alternative minimum taxable income in the year the option is exercised. If the shares are sold in the same year that the option is exercised, the regular tax treatment and the alternative tax treatment will be the same. If the shares are sold during a year subsequent to that in which the option was exercised, the basis of the stock acquired will equal its fair market value on the date of exercise for purposes of computing alternative minimum taxable income in the year of sale. For example, assume that an individual pays an exercise price of \$10 to purchase stock having a fair market value of \$15 on the date of exercise. The amount included in alternative minimum taxable income is \$5, and the stock has a basis of \$10 for regular tax purposes and \$15 for alternative minimum tax purposes. If the individual sells the stock in a subsequent year for \$20, the gain recognized is \$10 for regular tax purposes and \$5 for alternative minimum tax purposes.

**Stock Appreciation Rights.** No ordinary income will be realized by a participant in connection with the grant of a SAR. When the SAR is exercised, the participant will realize ordinary income in an amount equal to the sum of the amount of any cash received and the fair market value of the shares of common stock or other property received upon the exercise.

**Restricted Stock Awards.** The participant will not realize ordinary income upon the grant of a restricted stock award (or a performance award if the shares of common stock are issued on grant), but will realize ordinary income when the shares subject to the award become vested in an amount equal to the excess of the fair market value of the shares on the vesting date over the purchase price, if any, paid for the shares. The participant may, however, elect under Section 83(b) of the Code to include as ordinary income in the year the shares are granted an amount equal to the excess of the fair market value of the shares on the date of issuance, over the purchase price, if any, paid for the shares. If the Section 83(b) election is made, the participant will not realize any additional taxable income when the shares become

vested. The participant will not realize ordinary income on the grant of a restricted stock unit award, but will recognize ordinary income on the vesting and transfer date, which are the same date, equal to the fair market value of the shares on the vesting and transfer date. Upon disposition of shares of common stock acquired under a restricted stock award, performance award or restricted stock unit award, the participant will realize a capital gain or loss equal to the difference between the selling price and the sum of the amount paid for the shares plus any amount realized as ordinary income upon grant or vesting of the shares. Upon disposition of shares of common stock acquired under a restricted stock award or performance award, the participant will realize a capital gain or loss equal to the difference between the selling price and the sum of the amount paid for the shares plus any amount realized as ordinary income upon grant or vesting of the shares.

**Restricted Stock Units.** The participant will not realize ordinary income upon the grant of a restricted stock unit award, but will realize ordinary income upon delivery of any shares underlying the award in an amount equal to the fair market value of such shares on the date of delivery thereof. A Section 83(b) election is not permitted for restricted stock unit awards because there is no transfer of shares prior to the vesting date. Upon disposition of shares of common stock acquired under a restricted stock unit award, the participant will realize a capital gain or loss equal to the difference between the selling price and the sum of the fair market value of such shares on the delivery date thereof plus any amount realized as ordinary income upon delivery of such shares.

**Company Tax Deduction.** We generally will be entitled to a tax deduction in connection with an award under the Plan, subject to the provisions of Section 162(m) and Section 280G of the Code, in an amount equal to the ordinary income realized by a participant at the time the participant realizes such income (for example, on the exercise of a nonqualified stock option). Section 162(m) of the Code may limit the deductibility of compensation paid to our Chief Executive Officer and to each of the next three most highly compensated executive officers. Under Section 162(m), the annual compensation paid to any of these executives will be deductible to the extent that it does not exceed \$1,000,000 or if the compensation is “performance-based compensation” under Section 162(m) of the Code. Compensation attributable to stock options and SARs under the Plan will qualify as performance-based compensation if the awards are made by the Plan administrator and the exercise or grant price of the award is no less than the fair market value of the common stock on the date of grant. Compensation attributable to restricted stock awards, restricted stock unit awards and performance awards will qualify as performance-based compensation if (i) the compensation is approved by the Plan administrator, (ii) the compensation is paid only upon the achievement of an objective performance goal established in writing by the Plan administrator while the outcome is substantially uncertain, and (iii) the Plan administrator certifies in writing prior to the payment of the compensation that the performance goal has been satisfied.

**Section 409A of the Code.** Any awards granted under the Plan, that are considered to be deferred compensation, must satisfy the requirements of Code Section 409A to avoid adverse tax consequences to participants, which include the current inclusion of deferred amounts into income, as well as interest and a surtax on any amount included in income. We intend to structure awards under the Plan to meet the requirements of Section 409A, or an applicable exemption, in order to avoid its adverse tax consequences. Incentive stock options are generally exempt from the requirements of Section 409A. Generally, for nonqualified stock options and stock appreciation rights to be exempt from the requirements of Section 409A, they must be granted with an exercise price at least equal to the fair market value of the underlying shares on the date of grant, and must not include any feature for the deferral of compensation. Restricted stock and restricted stock unit awards granted under the Plan are intended to be structured to be exempt from the requirements of Section 409A.

### **New Plan Benefits**

Except for automatic restricted stock unit grants, future awards to our employees and directors are discretionary. Therefore, the benefits that may be received by our employees and directors if our stockholders approve the Plan cannot be determined at this time. In addition, because the value of the common stock issuable under certain aspects of the Plan will depend upon the fair market value of our common stock at future dates, it is not possible to determine exactly the benefits that might be received by participants under the Plan.

## **Dilution**

We are sensitive to the concerns of our stockholders regarding dilution. Therefore, our Board of Directors commits to our stockholders that we will not grant a number of shares subject to options, stock appreciation rights or other stock awards to employees or non-employee directors at an annual average rate greater than 4.74% over the next three fiscal years (commencing on January 1, 2013). 4.74% is the 2012 as-published cap by Institutional Shareholder Services (ISS) for our Global Industry Classification Standard (GICS) group and represents their allowable burn rate level for our company. For purposes of calculating the annual average rate, the numerator for calculating the percentage for each fiscal year shall be the total number of shares granted in such fiscal year and the denominator shall be the weighted average number of common shares outstanding during the fiscal year. For this purpose, when determining the number of shares granted in a year, any full-value awards (these are restricted stock awards and restricted stock units, but not stock options) will count as equivalent to 1.5 shares.

## **OTHER MATTERS**

We know of no other matters to be submitted to the stockholders at the Annual Meeting. If any other matters properly come before the stockholders at the Annual Meeting, it is the intention of the persons named on the enclosed proxy card to vote the shares they represent as the Board may recommend.

**SECURITY OWNERSHIP OF CERTAIN****BENEFICIAL OWNERS AND MANAGEMENT**

The following tables set forth certain information known to us with respect to the beneficial ownership of our common stock as of March 20, 2013, by (i) all persons known to us to beneficially own five percent (5%) or more of our common stock, (ii) each of our directors, (iii) each of our named executive officers as identified in the “Summary Compensation Table” of the “Executive Compensation and Related Information” section of this Proxy Statement, and (iv) all directors and executive officers as a group.

Beneficial Owner	Amount and Nature of Beneficial Ownership of Common Stock	Percent of Class(1)
<b>Directors and Executive Officers<sup>(2)</sup></b>		
Paul R. Ryan	447,392	*
Robert L. Harris, II	271,598	*
Matthew Vella	164,545	*
Clayton J. Haynes <sup>(3)</sup>	93,611	*
Dooyong Lee	69,467	*
Edward J. Treska	41,334	*
William S. Anderson <sup>(4)</sup>	41,819	*
Fred A. deBoom <sup>(5)</sup>	100,049	*
Edward W. Frykman <sup>(6)</sup>	57,739	*
G. Louis Graziadio, III <sup>(7)</sup>	70,211	*
All Directors and Executive Officers as a Group	1,357,765	2.8%
(ten persons) <sup>(8)</sup>		

\* Less than one percent

(1) The percentage of shares beneficially owned is based on 49,208,693 shares of our common stock outstanding as of March 20, 2013. Beneficial ownership is determined under rules and regulations of the SEC. Shares of common stock subject to options that are currently exercisable, or exercisable within 60 days after March 20, 2013, are deemed to be outstanding and beneficially owned by the person holding such options for the purpose of computing the number of shares beneficially owned and the percentage ownership of such person, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. Except as indicated in the footnotes to this table, and subject to applicable community property laws, we believe that such persons have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them.

(2)



The address for each of our directors and executive officers is our principal office located at Acacia Research Corporation, 500 Newport Center Drive, Newport Beach, California 92660.

(3) Includes 21,940 shares of common stock issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days of March 20, 2013.

(4) Includes 28,602 restricted stock units issued to independent directors.

(5) Includes 15,000 shares of common stock issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days of March 20, 2013 and 28,602 restricted stock units issued to independent directors.

(6) Includes 28,602 restricted stock units issued to independent directors.

(7) Includes 30,000 shares of common stock issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days of March 20, 2013 and 28,602 restricted stock units issued to independent directors.

(8) Includes 66,940 shares of common stock issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days of March 20, 2013 and 114,408 restricted stock units issued to independent directors.

Beneficial Owner	Amount and Nature of Beneficial Ownership of Common Stock				Total	Percent of Class <sup>(1)</sup>
	Sole Voting Power	Shared Voting Power	Sole Dispositive Power	Shared Dispositive Power		
<b><u>5% Stockholders</u></b>						
Soros Fund Management LLC <sup>(2)</sup>	4,203,565	0	4,203,565	0	4,203,565	8.5%
George Soros <sup>(2)</sup>	0	4,203,565	0	4,203,565	4,203,565	8.5%
Robert Soros <sup>(2)</sup>	0	4,203,565	0	4,203,565	4,203,565	8.5%
FMR LLC <sup>(3)</sup>	0	0	4,553,595	0	4,553,595	9.3%
The Vanguard Group <sup>(4)</sup>	70,645	0	2,658,119	67,545	2,725,664	5.5%
Blackrock, Inc. <sup>(5)</sup>	2,555,405	0	2,555,405	0	2,555,405	5.2%

\*

Less than one percent

(1) The percentage of shares beneficially owned is based on 49,208,693 shares of our common stock outstanding as of March 20, 2013. Beneficial ownership is determined under rules and regulations of the SEC.

The same 4,203,565 shares of common stock are beneficially owned by Soros Fund Management LLC, George Soros and Robert Soros and are reported separately for each in accordance with Item 403 of Regulation S-K. The information reported is based solely on a Schedule 13G/A filed jointly with the SEC by Soros Fund Management LLC, George Soros and Robert Soros on February 14, 2013. According to the Schedule 13G/A, the address for Soros Fund Management LLC, George Soros and Robert Soros is 888 Seventh Avenue, 33<sup>rd</sup> Floor, New York, New York 10106.

The information reported is based solely on a Schedule 13G/A filed with the SEC by FMR LLC on February 13, 2012. According to the Schedule 13G/A, the address for FMR LLC is 82 Devonshire Street, Boston, Massachusetts 02109.

The information reported is based solely on a Schedule 13G/A filed with the SEC by The Vanguard Group on February 20, 2013. According to the Schedule 13G/a, the address for the Vanguard Group is 100 Vanguard Blvd., Malvern, PA 19355.

The information reported is based solely on a Schedule 13G filed with the SEC by Blackrock, Inc. on February 4, 2013. According to the Schedule 13G, the address for Blackrock, Inc. is 40 East 52<sup>nd</sup> Street, New York, New York 10022.

## **EXECUTIVE COMPENSATION AND RELATED INFORMATION**

### **Compensation Discussion and Analysis**

This section discusses the principles underlying our executive compensation policies and decisions and the most important factors relevant to an analysis of these policies and decisions. It provides qualitative information regarding the manner and context in which compensation is awarded to, and earned by, our principal executive officer, our principal financial officer, the three most highly compensated executive officers of our company other than our principal executive officer and principal financial officer, and any additional individuals for whom disclosure would have been provided but for the fact that the individual was not serving as an executive officer of our company at the end of the last completed fiscal year. We refer to these executive officers herein collectively as our named executive officers.

### **Current Compensation Philosophy and Objectives**

#### *Objectives of Compensation Program*

The objective of the compensation program for our named executive officers is to motivate and reward fairly those individuals who perform over time at or above the levels that we expect and to attract, as needed, and retain individuals with the skills necessary to achieve our objectives. Our compensation program is also designed to reinforce a sense of ownership and to link compensation to our performance.

#### *Compensation Elements*

Our compensation program currently has four primary components:

- base salary;
- cash bonuses;
- equity awards granted under our stock incentive plans; and
- employee benefits and perquisites.

#### *Determination of Our Compensation Program*

We have no public company peers with which to compare our compensation program. For our business, we rely on qualified, highly skilled and talented employees who have experience in the legal, intellectual property licensing and enforcement, and other technology-related industries to execute our business model. Thus, our compensation program is patterned in a manner similar to companies in these industries in order to attract and retain talented employees who may have other opportunities in these industry areas.

#### *Determining the Elements of Our Compensation Program*

Our compensation program consists of two general elements:

- a fixed portion of compensation to retain and provide a base level of compensation to our named executive officers;
- and
- a performance element to incentivize our named executive officers to achieve superior corporate performance.

The fixed portion of our compensation program consists of base salary and time-based equity awards under our stock incentive plans. The performance element of our compensation program consists of discretionary cash bonuses and the award of additional time-based equity awards under our stock incentive plans.

*Determining the Amounts of Each Element of Our Compensation Program*

In determining the total amount and mixture of the compensation for each of the named executive officers, the Compensation Committee subjectively considers the overall value to us of each named executive officer in light of numerous factors, including but not limited to the following:

- our competitive position;
- our financial performance;
- individual performance, including past and expected contribution to our corporate goals; and
- our long-term needs and operational goals, including attracting and retaining key management personnel.

The Compensation Committee and, where applicable, the Chief Executive Officer review the performance of each named executive officer annually in light of the above factors and determine whether the named executive officer should receive any increase in base salary or receive a discretionary cash bonus or equity award based on such evaluation. Neither the Compensation Committee nor, where applicable, the Chief Executive Officer adhere to formulas or other quantitative measures with respect to compensation but rather rely on qualitative and subjective evaluations to determine the appropriate levels of compensation for our named executive officers. In addition, since we do not have a peer group of comparable public companies in our industry, we do not determine compensation based on surveys of other companies' compensation programs.

*Role of Compensation Committee and Chief Executive Officer*

The Compensation Committee has the responsibility for reviewing, approving and determining the compensation of the named executive officers. Annually, the Compensation Committee evaluates the performance of our Chief Executive Officer and determines the Chief Executive Officer's compensation in light of the goals and objectives of our compensation program. The Chief Executive Officer assists the Compensation Committee in reaching compensation decisions with respect to the named executive officers other than the Chief Executive Officer. The other named executive officers do not play a role in their own compensation determination, other than discussing individual performance objectives with the Chief Executive Officer. If the Compensation Committee considers it appropriate, it may increase the other named executive officers' base salary or provide for additional stock awards. The Compensation Committee has not engaged a third-party compensation consultant to help determine or provide input regarding the determination of 2012 or 2013 compensation for the Chief Executive Officer or the other named executive officers.

*Tax Deductibility of Compensation*

Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code, imposes a \$1.0 million limit on the amount that a public company may deduct for compensation paid to its chief executive officer or any of the company's four other most highly compensated executive officers who are employed as of the end of the year. This limitation does not apply to compensation that meets the requirements under Section 162(m) for "qualifying performance-based" compensation, which is compensation paid only if the individual's performance meets pre-established objective goals based on performance criteria approved by the stockholders. Prior to 2010, the total compensation earned by our executive officers was always less than \$1.0 million and, consequently, the limitations imposed by Section 162(m) were not a factor. Although in 2012, our Chief Executive Officer and our other named executive officers each earned total compensation in excess of \$1.0 million, the Compensation Committee has determined not to modify the basic method of determining executive compensation. Generally, while we seek to maximize the deduction for compensation paid to our named executive officers, because we compensate our named executive officers in a manner designed to promote our varying corporate goals, the Compensation Committee has not adopted a policy requiring all compensation to be deductible. Consequently, we may not be able to deduct for federal income tax purposes certain

compensation earned by our named executive officers in 2012 in excess of \$1.0 million each.

## Base Salary

We pay base salaries to reward the named executive officers for performing the core responsibilities of their positions and to provide them with a level of security with respect to a portion of their compensation. The base salaries of all of the named executive officers are approved by the Compensation Committee. The primary factors considered by the Compensation Committee in establishing or adjusting base salaries are:

- individual and company performance;
- experience, position criticality and overall responsibility of the named executive officer;
- internal equity among positions; and
- changes in the named executive officer's duties and responsibilities.

In making salary decisions, the Compensation Committee exercises its discretion and judgment based on the above factors. No specific formula is applied to determine the weight of each of the above factors in determining base salary. Rather, the Compensation Committee uses qualitative and subjective evaluations of each named executive officer, taking into account, where appropriate, the above factors. During fiscal year 2012, as in the past several years, the Compensation Committee increased the base salaries of the named executive officers based on its evaluations of our named executive officers' performance and our overall company performance. In light of such factors, in fiscal year 2012, the Compensation Committee increased the base salaries of Messrs. Ryan, Harris, Lee and Treska by approximately 5%, Mr. Vella by approximately 28% and Mr. Haynes by approximately 21%.

At the end of fiscal year 2012, the base salaries of the named executive officers were:

Name of Executive:	Position	Base Salary:
Paul R. Ryan	Chief Executive Officer	\$525,000
Robert L. Harris, II	Executive Chairman	\$525,000
Matthew Vella	President	\$446,250
Clayton J. Haynes	Chief Financial Officer, Senior Vice President of Finance and Treasurer	\$367,500
Dooyong Lee <sup>(1)</sup>	Executive Vice President	\$458,878
Edward J. Treska	Senior Vice President, General Counsel and Secretary	\$345,188

<sup>(1)</sup> Dooyong Lee resigned from our company on December 31, 2012

## Discretionary Cash Bonuses

The employment agreements with each of our named executive officers were structured to provide for an annual discretionary cash bonus based on individual and overall company performance. The amount of the cash bonus is based upon a percentage, determined by the Compensation Committee in its discretion, of each named executive officer's base salary. Such cash bonus is discretionary and is based upon personal performance, overall company performance and any other factors the Compensation Committee and, if applicable, the Chief Executive Officer elect to consider. As with base salary adjustments, neither the Compensation Committee nor, where applicable, the Chief Executive Officer adhere to formulas, benchmarking or other quantitative measures with respect to the determination of cash bonus amounts for our named executive officers, but rather base their determination on qualitative and subjective evaluations of our named executive officers. Among the factors that the Compensation Committee and, where applicable, the Chief Executive Officer may consider in determining the amount, if any, of cash bonus compensation for each named executive officer are the number of our licensing programs that have produced revenue for us, the number and complexity of patent portfolios acquired by us during the fiscal year, our twelve-month trailing revenue stream, the scope of the responsibilities of each named executive officer, management experience and employment history, and long-term potential to add value to our company and our stockholders. The Compensation Committee and the Chief Executive Officer may assign relative weights to the above listed factors depending upon the specific circumstances for the bonus period. However, they are not required to adhere to any formulas in making their determinations.

In March 2012, the Compensation Committee reviewed our overall corporate performance and the individual performance of Paul Ryan, our Chief Executive Officer, for the 2011 fiscal year to determine the amount, if any, of the discretionary cash bonus payable to Mr. Ryan for such fiscal year. In making its subjective determination regarding the cash bonus compensation for Mr. Ryan for the 2011 fiscal year, the Compensation Committee assessed our financial performance and the growth of the patent licensing and enforcement businesses conducted by our operating subsidiaries during the 2011 fiscal year. The Compensation Committee considered that our trailing twelve month revenues for 2011 had increased by \$52.9 million, or by 40%, over the 2010 fiscal year to \$184.7 million and that we acquired 40 new patent portfolios during the fiscal year. The Compensation Committee also noted the continued growth in our new patent licensing programs, the expansion of our patent licensing and enforcement businesses into new industry sectors, including the medical technology industry sector, and the continued growth in potential partners for our programs. Following its evaluation, the Compensation Committee determined that Mr. Ryan should be awarded a cash bonus of \$500,000 for the 2011 fiscal year, representing 100% of his 2011 base salary.

In November 2012, the Compensation Committee reviewed our overall corporate performance and the individual performance of Mr. Ryan for the 2012 fiscal year to determine the amount, if any, of the discretionary cash bonus payable to Mr. Ryan for such fiscal year. In making its subjective determination regarding the cash bonus compensation for Mr. Ryan for the 2012 fiscal year, the Compensation Committee assessed our financial performance and the growth of the patent licensing and enforcement businesses conducted by our operating subsidiaries during the 2012 fiscal year. The Compensation Committee considered that our trailing twelve month revenues for 2012 were expected to increase over the 2011 fiscal year, including a significant increase in revenue generated from our patent portfolios in the medical technology industry sector, and that we acquired 55 new patent portfolios during the fiscal year. The Compensation Committee also noted the value generated by our acquisition of ADAPTIX, Inc., a pioneer in the development of 4G technologies for wireless systems with a portfolio of 230 issued and pending patents, in January 2012, the continued expansion of our patent licensing and enforcement businesses into new industry sectors, including the medical technology industry sector, and the continued growth in potential partners for our programs. Following its evaluation, the Compensation Committee determined that Mr. Ryan should be awarded a cash bonus of \$525,000 for the 2012 fiscal year, representing 100% of his 2012 base salary.



Mr. Ryan was responsible for recommending to the Compensation Committee the amount of any discretionary cash bonus payable to Robert Harris, our Executive Chairman, and Clayton Haynes, our Chief Financial Officer, for the 2011 fiscal year. In March 2012, Mr. Ryan reviewed our overall company performance and the individual performance of Messrs. Harris and Haynes for the 2011 fiscal year to determine the amount, if any, of the discretionary cash bonus payable to them for such fiscal year. As above, in making their subjective determinations regarding cash bonus compensation for the 2011 fiscal year, the Compensation Committee and Mr. Ryan assessed our financial performance and the growth of the patent licensing and enforcement businesses conducted by our operating subsidiaries during the 2011 fiscal year. The Compensation Committee and Mr. Ryan considered the 40% increase in our trailing twelve month revenues over the 2010 fiscal year and our acquisition of 40 new patent portfolios during the fiscal year. They also noted the continued growth in our new patent licensing programs, the expansion of our patent licensing and enforcement businesses into new industry sectors, including the medical technology industry sector, and the continued growth in potential partners for our programs. The Compensation Committee had the final authority to approve Mr. Ryan's recommendations regarding the amount of the discretionary cash bonus, if any, payable to each of Messrs. Harris and Haynes. Following their evaluations, Mr. Ryan recommended to the Compensation Committee, and the Compensation Committee approved, a discretionary cash bonus for Mr. Harris equal to \$500,000, or 100% of his 2011 base salary, and a cash bonus for Mr. Haynes equal to \$175,000, or 57% of his 2011 base salary.

In November 2012, Mr. Ryan reviewed our overall company performance and the individual performance of each of Messrs. Harris, Haynes, Lee and Treska for the 2012 fiscal year to determine the amount, if any, of the discretionary cash bonus payable to such named executive officers for such fiscal year. In making their subjective determinations regarding the cash bonus compensation for such named executive officers for the 2012 fiscal year, the Compensation Committee and Mr. Ryan assessed our financial performance and the growth of the patent licensing and enforcement businesses conducted by our operating subsidiaries during the 2012 fiscal year. The Compensation Committee and Mr. Ryan considered that our trailing twelve month revenues for 2012 were expected to increase over the 2011 fiscal year, including a significant increase in revenue generated from our patent portfolios in the medical technology industry sector, and that we acquired a significant number of new patent portfolios during the fiscal year. They also noted the value generated by our acquisition of ADAPTIX, Inc., a pioneer in the development of 4G technologies for wireless systems with a portfolio of 230 issued and pending patents, in January 2012, the continued expansion of our patent licensing and enforcement businesses into new industry sectors, including the medical technology industry sector, and the continued growth in potential partners for our programs. The Compensation Committee had the final authority to approve Mr. Ryan's recommendations regarding the amount of the discretionary cash bonus, if any, payable to each of Messrs. Harris, Haynes, Lee and Treska. Following their evaluations, Mr. Ryan recommended to the Compensation Committee, and the Compensation Committee approved, the following cash bonuses for our other named executive officers for the 2012 fiscal year:

- Robert Harris: \$525,000, or 100% of his 2012 base salary;
- Clayton Haynes: \$367,000, or approximately 100% of his 2012 base salary;
- Dooyong Lee: \$57,885, or approximately 13% of his 2012 base salary; and
- Edward Treska: \$290,965, or approximately 84% of his 2012 base salary.

As previously reported, the Board appointed Matthew Vella as our President, effective September 5, 2012. Prior to his appointment as our President, Mr. Vella held a number of positions with us and our operating subsidiaries and was actively involved in the licensing and enforcement businesses conducted by our operating subsidiaries. Although he is eligible to receive a discretionary cash bonus, Mr. Vella's bonus of \$883,381 for the 2012 fiscal year, which he earned prior to his appointment as our President, represents a percentage of the profits arising from business generated by Mr. Vella during such fiscal year.

In addition to the above described bonuses, all of our employees, including each of our named executive officers, received a year-end bonus equal to one week's salary. Thus, Messrs. Ryan, Harris, Vella, Haynes, Lee and Treska each received an additional non-discretionary bonus of \$10,096, \$10,096, \$8,582, \$7,067, \$8,825 and \$6,638, respectively, at the end of fiscal year 2012.

In February 2013, the Board, acting upon the recommendation of the Compensation Committee, approved changes to the discretionary cash bonus arrangements for the named executive officers such that the named executive officers will be entitled to receive quarterly, rather than annual, discretionary cash bonuses based upon an evaluation of individual and company performance by the Compensation Committee and, if applicable, the Chief Executive Officer following each completed fiscal quarter.

### **Equity Compensation**

We grant time-based equity awards to the named executive officers. These time-based equity awards vest over a one to three year period based on the award recipient's continued service to us. The Compensation Committee believes that the grant of equity awards is essential to aligning the interests of our named executive officers with the interests of our stockholders in enhancing the value of our company. Additionally, the use of time-based vesting schedules in our equity awards helps us to retain our named executive officers.

Historically, we have awarded stock options and restricted stock awards to our named executive officers and other employees. However, we have placed increased emphasis on grants of restricted stock in lieu of stock option grants after consideration of the following factors:

- the potential dilution of shares given the growth in the number of our employees;
- the volatility of our common stock, which causes a high expense value for a stock option, which could then create a situation in which the cost to us of issuing an option could exceed the value ultimately delivered to our employees;

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restricted stock awards have more retentive value in the event of a downturn in stock markets, and help align our executive officers' goals with maximizing stockholder value so that our executive officers not only have an interest in increasing the value of our common stock, but also have an interest in avoiding price declines; and the competitive marketplace is using restricted stock awards as at least a portion of the long-term incentive award and we want to ensure that our long-term incentive package remains competitive with the market. Decisions regarding the size of equity awards for the Chief Executive Officer are made by the Compensation Committee, after careful consideration of the following factors:

- our performance and the Chief Executive Officer's individual performance; and
- retention considerations.

Decisions regarding the size of equity awards for the other named executive officers are made by the Compensation Committee after careful consideration of the following factors:

- recommendations of the Chief Executive Officer;
- our performance and the individual performance of each other named executive officer;
- retention considerations;
- internal equity; and
- executive potential.

As with its determination of the discretionary cash bonuses described above, the Compensation Committee assessed our financial performance and the growth of the patent licensing and enforcement businesses conducted by our operating subsidiaries during the 2011 fiscal year. The Compensation Committee considered that our trailing twelve month revenues for 2011 had increased by \$52.9 million, or by 40%, over the 2010 fiscal year to \$184.7 million and that we acquired 40 new and complex patent portfolios during the fiscal year. The Compensation Committee also noted the continued growth in our new patent licensing programs, the expansion of our patent licensing and enforcement businesses into new industry sectors, including the medical technology industry sector, and the continued growth in potential partners for our programs. In fiscal year 2012, we did not grant any stock options to our named executive officers. In fiscal year 2012, we granted 90,000 restricted stock awards to the Chief Executive Officer, and the other named executive officers received restricted stock awards ranging from 40,500 to 130,000.

### **Benefits and Perquisites**

The named executive officers participate in the employee benefits that are available to all of our employees.

### **Severance and Change of Control Payments**

The Board is determined to provide our named executive officers with severance and change of control arrangements in order to mitigate some of the risk that exists for the named executive officers. These arrangements are intended to attract and retain qualified executives who have alternatives that may appear to them to be less risky absent these arrangements, and mitigate a potential disincentive for the named executive officers to pursue and execute an acquisition of our company, particularly where the services of these named executive officers may not be required by a potential acquirer.



## **Employment Agreements**

We have entered into employment agreements with each of the named executive officers. The employment agreements with Messrs. Ryan, Harris and Haynes commenced on March 31, 2008, the employment agreement with Mr. Vella commenced in November 2006 (prior to his appointment as our President effective September 5, 2012) and the employment agreement with Mr. Treska commenced in April 2004. Mr. Lee's employment agreement commenced in January 2005. Mr. Lee resigned from the Company on December 31, 2012.

All employment agreements with the named executive officers may be terminated by either party for any reason upon thirty-days advance notice. Upon termination without cause, the named executive officer will be eligible for payment pursuant to our then effective severance plan, if any. The current severance plan is described below under the heading "Potential Payments Upon Termination or Change in Control." In addition, the named executive officer is eligible for an annual discretionary cash bonus equal to a percentage of his base salary, payable at the discretion of the Compensation Committee. The cash bonus is based upon personal performance, overall company performance and any other factors the Compensation Committee and, if applicable, the Chief Executive Officer elect to consider.

On April 20, 2012, the Compensation Committee adopted a supplemental cash bonus plan for Dooyong Lee, or the Lee Bonus Plan, to provide a cash incentive for Mr. Lee to acquire patent portfolios for us. Under the terms of the Lee Bonus Plan, Mr. Lee was entitled to receive quarterly cash bonus awards of up to 7.5% of his annual base salary based upon Mr. Lee's business development activities and acquisitions of patent portfolios for us during each fiscal quarter. Mr. Lee resigned from the Company on December 31, 2012.

We do not have any agreement or arrangement with any named executive officer relating to a change in control of our company other than any provisions for the accelerated vesting of stock awards in their respective stock award agreements and the executive severance policy described below, which we refer to herein as the Executive Severance Policy. The agreements and arrangements are described in greater detail under the section "Potential Payments Upon Termination or Change in Control" below.

## **Potential Payments Upon Termination or Change in Control**

Under our Executive Severance Policy, as amended, full-time employees with the title of Senior Vice President and higher, which we refer to herein as the Officers, are entitled to receive certain benefits upon termination of employment. If we terminate the employment of an Officer for other than cause or other than on account of death or disability, we will (i) promptly pay to the Officer a lump sum amount equal to the aggregate of (a) accrued obligations (i.e., the Officer's annual base salary through the date of termination to the extent not theretofore paid and any compensation previously deferred by the Officer (together with any accrued interest or earnings thereon) and any accrued vacation pay, and reimbursable expenses, in each case to the extent not theretofore paid) and (b) three months of the Officer's base salary for each full year that the Officer was employed by us, which we refer to herein as the Severance Period, up to a maximum of twelve months of the Officer's base salary and (ii) provide to the Officer, COBRA coverage, paid by us, for the medical and dental benefits selected by the Officer in the year in which the termination occurs, for the duration of the Severance Period.

If we had terminated Messrs. Ryan, Harris, Vella, Haynes or Treska without cause on December 31, 2012, each of them would have received a lump sum payment equal to 12 months of their respective base salaries, in addition to the accrued obligations and COBRA coverage described above. The respective base salaries would have been \$525,000 for Mr. Ryan, \$525,000 for Mr. Harris, \$446,250 for Mr. Vella, \$367,500 for Mr. Haynes, \$345,188 for Mr. Treska and \$458,878 for Mr. Lee. There is no acceleration of the vesting of any outstanding equity awards upon termination of employment that would be triggered by any agreement or in accordance with the Executive Severance Policy. The

named executive officers do not receive severance or other payments in any other circumstances, including death or disability.

Upon a “change in control” or “hostile takeover” (each as defined in our 2002 Acacia Technologies Stock Incentive Plan and 2007 Acacia Technologies Stock Incentive Plan), all outstanding unvested equity awards will fully vest on the close of the “change in control” or “hostile takeover.” If the closing of a “change in control” had occurred as of December 31, 2012, the following equity awards would have vested with respect to each named executive officer:

Name	Stock Option Awards		Restricted Stock Awards		Total Value(\$)
	Number of Shares	Value(\$)	Number of Shares	Value(\$)	
Paul R. Ryan	0	0	90,001	\$2,309,426	\$2,309,426
Robert L. Harris, II	0	0	90,001	\$2,309,426	\$2,309,426
Matthew Vella	0	0	148,334	\$3,806,250	\$3,806,250
Clayton J. Haynes	0	0	41,334	\$1,060,630	\$1,060,630
Edward J. Treska	0	0	41,334	\$1,060,630	\$1,060,630

The determination of the value of the restricted stock that vested on this hypothetical “change in control” is determined by multiplying the shares that vested against the closing sales price of our common stock on the last trading day prior to December 31, 2012. The fair market value of a share of our common stock is assumed to be \$25.66 which was the closing price of the stock on December 31, 2012, the last trading day in 2012. We are not required to make any other payments in connection with a “change in control” of our company.

### Compensation Committee Interlocks and Insider Participation

The Compensation Committee of the Board currently consists of Messrs. deBoom, Frykman and Graziadio. During fiscal year 2012, no member of our Compensation Committee was an officer or employee, or a former employee, of our company. During fiscal year 2012, none of our executive officers (i) served as a member of the compensation committee of another entity, one of whose executive officers served on our Compensation Committee, (ii) served as a director of another entity, one of whose executive officers served on our Compensation Committee, or (iii) served as a member of the compensation committee of another entity, one of whose executive officers served as a director of ours.

### Compensation Committee Report

We have reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on our review and discussion with management, we have recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Submitted by: *Fred A. deBoom*  
*Edward W. Frykman*  
*G. Louis Graziadio, III*





**Summary Compensation**

The following table sets forth information concerning all cash and non-cash compensation earned for services rendered in all capacities to us during the last fiscal year for our named executive officers.

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)	Non-	Non-qualified	All	Total (\$)
						Equity Incentive Plan Compensation (\$)	Deferred Compensation Earnings (\$)	Other Compensation (\$)	
Paul R. Ryan Chief Executive Officer	2012	514,519	1,035,096(3)	2,949,600	–	–	–	–	4,499,215
	2011	494,373	544,615 (4)	3,346,500	–	–	–	–	4,385,488
	2010	380,351	116,103 (5)	758,700	–	–	–	–	1,255,154
Robert L. Harris, II Executive Chairman	2012	514,519	1,035,096(6)	2,949,600	–	–	–	–	4,499,215
	2011	494,024	544,615 (7)	3,346,500	–	–	–	–	4,385,139
	2010	373,512	114,015 (8)	758,700	–	–	–	–	1,246,227
Matthew Vella <sup>(21)</sup> President	2012	433,303	891,963 (9)	3,928,400	–	–	–	–	5,253,666
	2011	333,846	707,768 (10)	2,811,300	–	–	–	–	3,852,914
	2010	308,654	776,933 (11)	379,350	–	–	–	–	1,464,937
Clayton J. Haynes Chief Financial Officer	2012	357,544	549,067 (12)	1,327,320	–	–	–	–	2,233,931
	2011	297,900	130,858 (13)	699,000	–	–	–	–	1,127,758
	2010	284,777	86,929 (14)	379,350	–	–	–	–	751,056
Dooyong Lee Executive Vice President	2012	490,278(2)	66,710 (15)	2,123,712	–	–	–	–	2,680,700
	2011	427,422	136,390 (16)	1,398,000	–	–	–	–	1,961,812
	2010	377,560	247,869 (17)	1,011,600	–	–	–	–	1,637,029
	2012	338,297	297,603 (18)	1,327,320	–	–	–	–	1,963,220

Edward J. Treska Sr. Vice President, General Counsel and Secretary	2011	310,289	170,889	(19)	699,000	-	-	-	-	1,180,178
	2010	277,644	114,459	(20)	379,350	-	-	-	-	771,453

Stock awards consist only of restricted stock awards. Amounts shown do not reflect compensation actually received by the named executive officer. Instead, the amounts shown represent the aggregate grant date fair value related to restricted stock awards granted to the named executive officers during the years indicated, as determined pursuant to ASC Topic 718. The method used to calculate the aggregate grant date fair value of restricted stock awards is set forth under Notes 2 and 11 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

(2) Dooyong Lee resigned from the Company on December 31, 2012. Mr. Lee's annual compensation includes accrued vacation.

(3) Consists of a \$500,000 discretionary bonus earned in 2011 that was paid in 2012, a \$525,000 discretionary bonus earned and paid in 2012 and a non-discretionary bonus of \$10,096.

- (4) Consists of a discretionary bonus of \$535,000 and a non-discretionary bonus of \$9,615.
- (5) Consists of a discretionary bonus of \$108,652 and a non-discretionary bonus of \$7,451.
- (6) Consists of a \$500,000 discretionary bonus earned in 2011 that was paid in 2012, a \$525,000 discretionary bonus earned and paid in 2012 and a non-discretionary bonus of \$10,096.
- (7) Consists of a discretionary bonus of \$535,000 and a non-discretionary bonus of \$9,615.
- (8) Consists of a discretionary bonus of \$106,968 and a non-discretionary bonus of \$7,317.
- (9) Consists of a bonus of \$883,381, representing a percentage of the profits arising from business generated by Mr. Vella during such fiscal year, and a non-discretionary bonus of \$8,582.
- (10) Consists of a bonus of \$701,037, representing a percentage of the profits arising from business generated by Mr. Vella during such fiscal year, and a non-discretionary bonus of \$6,731.
- (11) Consists of a bonus of \$770,875, representing a percentage of the profits arising from business generated by Mr. Vella during such fiscal year, and a non-discretionary bonus of \$6,058.
- (12) Consists of a \$175,000 discretionary bonus earned in 2011 that was paid in 2012, a \$367,000 discretionary bonus earned and paid in 2012 and a non-discretionary bonus of \$7,067.
- (13) Consists of a discretionary bonus of \$125,000 and a non-discretionary bonus of \$5,858.
- (14) Consists of a discretionary bonus of \$81,350 and a non-discretionary bonus of \$5,579.
- (15) Consists of a discretionary bonus of \$57,885 and a non-discretionary bonus of \$8,825.
- (16) Consists of a discretionary bonus of \$127,986 and a non-discretionary bonus of \$8,404.
- (17) Consists of a discretionary bonus of \$239,865 and a non-discretionary bonus of \$8,004.
- (18) Consists of a discretionary bonus of \$290,965 and a non-discretionary bonus of \$6,638.
- (19) Consists of a discretionary bonus of \$164,567 and a non-discretionary bonus of \$6,322.
- (20) Consists of a discretionary bonus of \$108,906 and a non-discretionary bonus of \$5,553.
- (21) Mr. Vella was appointed President of our company effective September 5, 2012.

## Executive Officers

The table below provides information concerning our executive officers as of the date of this Proxy Statement.

<b>Name</b>	<b>Age</b>	<b>Positions with the Company</b>
Paul R. Ryan	67	Chief Executive Officer
Robert L. Harris, II	54	Executive Chairman
Matthew Vella	41	President
Clayton J. Haynes	43	Chief Financial Officer, Treasurer and Senior Vice President, Finance
Edward J. Treska	47	Senior Vice President, General Counsel and Secretary

The following is biographical information and a brief description of the capacities in which each of the executive officers has served during the past five years. Biographical information on Messrs. Ryan and Harris is set forth above under “Proposal No. 1: Election of Directors.”

**Matthew Vella** joined us in November 2006 as Vice President. He was appointed Senior Vice President in October 2007, appointed Executive Vice President in October 2011 and President in September 2012. Formerly, Mr. Vella was Senior Intellectual Property Counsel for ATI Research, Inc. Prior to joining ATI Research, Mr. Vella was Lead Patent License Counsel for Nortel Networks, Inc. and Counsel for Nortel Networks Corporation. Mr. Vella holds a B.S. degree in Electrical Engineering from Carleton University and a J.D. degree from the University of Toronto Law School.

**Clayton J. Haynes** joined us in April 2001 as Treasurer and Senior Vice President, Finance. In November 2001, Mr. Haynes was appointed our Chief Financial Officer. From 1992 to March 2001, Mr. Haynes was employed by PricewaterhouseCoopers LLP, ultimately serving as a Manager in the Audit and Business Advisory Services practice. Mr. Haynes received a B.A. degree from the University of California at Los Angeles and is a Certified Public Accountant (Inactive).

**Edward J. Treska** joined us in April 2004 as Vice President. He was appointed Secretary in March 2007, General Counsel in March 2010 and Senior Vice President in October 2011. Mr. Treska was previously General Counsel, Director of Patents and Licensing for SRS Labs, Inc., a technology licensing company specializing in audio enhancement, between 1996 and 2004. Prior to joining SRS Labs, Mr. Treska practiced law at the intellectual property law firm of Knobbe, Martens, Olson & Bear and prior to law school was a design engineer with the former TRW Space & Technology Group. Mr. Treska is a registered patent attorney who received a B.S. degree in Electrical Engineering from Colorado State University and a J.D. degree from the University of San Diego School of Law.

**GRANTS OF PLAN-BASED AWARDS TABLE FOR FISCAL 2012**

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock	All Other Option Awards: Number of Securities Underlying	Exercise or Base Price of Option	Grant Date Fair Value of Stock and Option
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	Units (#)	Options (#)	Awards (\$ / Sh)	Awards (\$)
Paul R. Ryan	1/31/12	-	-	-	-	-	-	50,000 <sup>(1)</sup>	-	-	2,058,000
Paul R. Ryan	11/15/12	-	-	-	-	-	-	40,000 <sup>(2)</sup>	-	-	891,600
Robert L. Harris, II	1/31/12	-	-	-	-	-	-	50,000 <sup>(1)</sup>	-	-	2,058,000
Robert L. Harris, II	11/15/12	-	-	-	-	-	-	40,000 <sup>(2)</sup>	-	-	891,600
Matthew Vella	1/31/12	-	-	-	-	-	-	50,000 <sup>(1)</sup>	-	-	2,058,000
Matthew Vella	8/23/12	-	-	-	-	-	-	40,000 <sup>(3)</sup>	-	-	978,800
Matthew Vella	11/15/12	-	-	-	-	-	-	40,000 <sup>(2)</sup>	-	-	891,600
Clayton J. Haynes	1/31/12	-	-	-	-	-	-	22,500 <sup>(1)</sup>	-	-	926,100
Clayton J. Haynes	11/15/12	-	-	-	-	-	-	18,000 <sup>(2)</sup>	-	-	401,220
Dooyong Lee	1/31/12	-	-	-	-	-	-	36,000 <sup>(4)</sup>	-	-	1,481,760
Dooyong Lee	11/15/12	-	-	-	-	-	-	28,800 <sup>(4)</sup>	-	-	641,952
Edward J. Treska	1/31/12	-	-	-	-	-	-	22,500 <sup>(1)</sup>	-	-	926,100
Edward J. Treska	11/15/12	-	-	-	-	-	-	18,000 <sup>(5)</sup>	-	-	401,220

- (1) This amount reflects grants of restricted stock under our 2002 Acacia Technologies Stock Incentive Plan. One-sixth of the shares vest every six months for a three year period
- (2) This amount reflects grants of restricted stock under our 2002 Acacia Technologies Stock Incentive Plan. One-third of the shares vest every six months for an 18 month period.
- (3) This amount reflects grants of restricted stock under our 2002 Acacia Technologies Stock Incentive Plan. One-fourth of the shares vest every six months for a two year period.
- (4) This amount reflects grants of restricted stock under our 2002 Acacia Technologies Stock Incentive Plan. Dooyong Yee resigned from the Company on 12/31/12. 24,000 shares from the 1/31/12 restricted stock grant and 28,800 shares from the 11/15/12 restricted stock grant were canceled upon his resignation
- (5) This amount reflects a grant of 13,918 shares of restricted stock under our 2002 Acacia Technologies Stock Incentive Plan and 4,082 shares of restricted stock under our 2007 Acacia Technologies Stock Incentive Plan. One-third of the shares vest every six months for an 18 month period.
- (6) Only restricted stock awards were granted to employees in 2012. The fair value of restricted stock awards is determined by the product obtained by multiplying the number of shares granted by the grant date market price of the underlying common stock. Regardless of the value placed on restricted stock awards on the grant date, the actual value of the award will depend on the market value of our common stock on such date in the future when the restricted stock award vests.

**2012 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

The following table provides information, with respect to the named executive officers, concerning the outstanding equity awards of our common stock at the end of fiscal year 2012.

Name	Option Awards				Stock Awards				
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised	Option Exercise	Option	Number of Shares or Units of Stock That Have Not	Market Value of Shares or Units of Stock That Have Not	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not
	<b>Exercisable<sup>(1)</sup></b>	Unexercisable	Options (#)	Price (\$)	Expiration Date	Vested (#)	Vested (\$) <sup>(7)</sup>	Vested (#)	Vested (\$)
Paul R. Ryan	—	—	—	—	—	40,000 <sup>(2)</sup>	1,026,400	—	—
	—	—	—	—	—	33,334 <sup>(3)</sup>	855,350	—	—
	—	—	—	—	—	16,667 <sup>(4)</sup>	427,675	—	—
Robert L. Harris, II	—	—	—	—	—	40,000 <sup>(2)</sup>	1,026,400	—	—
	—	—	—	—	—	33,334 <sup>(3)</sup>	855,350	—	—
	—	—	—	—	—	16,667 <sup>(4)</sup>	427,675	—	—
Matthew Vella	—	—	—	—	—	40,000 <sup>(2)</sup>	1,026,400	—	—
	—	—	—	—	—	40,000 <sup>(5)</sup>	1,026,400	—	—
	—	—	—	—	—	33,334 <sup>(3)</sup>	855,350	—	—
	—	—	—	—	—	15,000 <sup>(6)</sup>	384,900	—	—
	—	—	—	—	—	20,000 <sup>(4)</sup>	513,200	—	—
Clayton J. Haynes	31,348	—	—	5.17	11/24/13	18,000 <sup>(2)</sup>	461,880	—	—
	—	—	—	—	—	15,000 <sup>(3)</sup>	384,900	—	—



	—	—	—	—	—	8,334 <sup>(4)</sup>	213,850	—	—
Edward									
J.	—	—	—	—	—	18,000 <sup>(2)</sup>	461,880	—	—
Treska									
	—	—	—	—	—	15,000 <sup>(3)</sup>	384,900	—	—
	—	—	—	—	—	8,334 <sup>(4)</sup>	213,850	—	—

- (1) This amount reflects options that were granted at an exercise price equal to the closing price of our common stock on the date of grant and have a term of ten years. The options are fully vested.
- (2) This amount reflects stock awards that were granted on November 15, 2012. Assuming continued employment, the restricted stock grant will become fully vested on May 15, 2014.
- (3) This amount reflects stock awards that were granted on January 25, 2012. Assuming continued employment, the restricted stock grant will become fully vested on January 25, 2013.
- (4) This amount reflects stock awards that were granted on January 20, 2011. Assuming continued employment, the restricted stock grant will become fully vested on January 20, 2014.
- (5) This amount reflects stock awards that were granted on August 23, 2012. Assuming continued employment, the restricted stock grant will become fully vested on August 23, 2014.
- (6) This amount reflects stock awards that were granted on April 22, 2011. Assuming continued employment, the restricted stock grant will become fully vested on April 22, 2014.
- (7) The fair market value of a share of our common stock is assumed to be \$25.66, which was the closing price of our common stock on the Nasdaq Global Select Market on December 30, 2012, the last trading day of 2012.

**2012 OPTION EXERCISES AND STOCK VESTED**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Paul R. Ryan	–	–	136,665	4,438,331
Robert L. Harris, II	–	–	136,665	4,296,765
Matthew Vella			79,165	2,507,551
Clayton J. Haynes	6,272	121,175	42,499	1,340,715
Dooyong Lee <sup>(1)</sup>	–	–	97,000	3,074,305
Edward J. Treska	–	–	42,499	1,340,715

<sup>(1)</sup> Dooyong Lee resigned from the Company on December 31, 2012.

### **Certain Relationships and Related Transactions**

We do not have a formal policy for review, approval or ratification of related party transactions required to be reported in this Proxy Statement. However, we have adopted a corporate Code of Conduct which applies to all of our employees, officers, and directors and a Board of Directors Code of Conduct which applies only to our directors. Each Code of Conduct provides obligations and prohibitions on any related party transactions which cause our employees, officers or directors to face a choice between what is in their personal interest and what is in our interest. The corporate Code of Conduct requires conflicts of interest which result from investments in companies doing business with us or in one of our competitors to be disclosed to our General Counsel and approved by our Board. The corporate Code of Conduct requires employees, officers, and directors that are conducting our business with family members to disclose such transactions to our General Counsel. Such transactions are generally prohibited unless approved by the Board. The Board of Directors Code of Conduct provides further obligations for director conflicts of interest. The Board of Directors Code of Conduct requires directors to disclose material conflicts of interest to our General Counsel. Our General Counsel must notify the Board, and the disinterested Board members must determine whether the situation represents a material conflict of interest. If the Board determines there is a material conflict of interest, the Board must determine the appropriate manner to address the conflict and may prohibit the interested director from approving the transaction, have the transaction approved by our Audit Committee, or have the transaction approved by another disinterested body of the Board.

We review the questionnaires completed by our directors and executive officers annually. If any related party transactions are reported, management reviews the transactions and consults with the Board. Since January 1, 2012, there has not been any transaction or series of similar transactions to which we were or are a party in which the amount involved exceeded or exceeds \$120,000 and in which any director, executive officer, holder of more than 5% of any class of our voting securities, or any member of the immediate family of any of the foregoing persons, had or will have a direct or indirect material interest.

*Indemnification Agreements with Directors and Officers.* In addition to the indemnification provisions contained in our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws, each as amended to date, we have entered into separate indemnification agreements with each of our directors and officers. These agreements require us, among other things, to indemnify each such director or officer against expenses (including attorneys' fees), damages, judgments, fines, penalties and settlements paid by such individual in connection with any action, suit or proceeding arising out of such individual's status or service as our director or officer (other than liabilities with respect to which such individual receives payment from another source, arising in connection with certain final legal judgments, arising from willful misconduct or conduct that is knowingly fraudulent or deliberately dishonest, or which we are prohibited by applicable law from paying) and to advance expenses incurred by such individual in connection with any proceeding against such individual with respect to which such individual may be entitled to indemnification by us.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors, executive officers and holders of more than 10% of our common stock to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. We believe that, based on the written representations of our directors and officers, and the copies of reports filed with the SEC during the fiscal year ended December 31, 2012, our directors, officers and holders of more than 10% of our common stock complied with the requirements of Section 16(a).

### **Form 10-K**

On February 29, 2013, we filed with the SEC an Annual Report on Form 10-K for the fiscal year ending December 31, 2012. A copy of our Annual Report on Form 10-K has been mailed concurrently with this Proxy Statement to all stockholders entitled to notice of and to vote at the Annual Meeting. The Annual Report on Form 10-K is not incorporated into this Proxy Statement and is not considered proxy solicitation material.

## **Householding**

We have adopted a procedure, approved by the SEC, called “householding.” Under this procedure, stockholders of record who have the same address and last name and do not participate in electronic delivery of proxy materials will receive only one copy of this Notice of Annual Meeting and Proxy Statement and our Annual Report on Form 10-K, unless we are notified that one or more of these stockholders wishes to continue receiving individual copies. This procedure will reduce our printing costs and postage fees. Stockholders who participate in householding will continue to receive separate proxy cards.

If you are eligible for householding, but you and other stockholders of record with whom you share an address currently receive multiple copies of this Notice of Annual Meeting and Proxy Statement and any accompanying documents, or if you hold our stock in more than one account, and in either case you wish to receive only a single copy of each of these documents for your household, please contact our Corporate Secretary at (949) 480-8300 or write to him at Acacia Research Corporation, 500 Newport Center Drive, Newport Beach, California 92660.

If you participate in householding and wish to receive a separate copy of this Notice of Annual Meeting and Proxy Statement and any accompanying documents, or if you do not wish to continue to participate in householding and prefer to receive separate copies of these documents in the future, please contact our Corporate Secretary as indicated above. Upon your written or oral request, we will promptly deliver you a separate copy of this Notice of Annual Meeting and Proxy Statement and accompanying documents.

If you are a beneficial owner, you can request information about householding from your broker, bank or other holder of record.

## **Stockholder Proposals for the 2013 Annual Meeting**

Under Rule 14a-8 of the Exchange Act, any stockholder desiring to include a proposal in our Proxy Statement with respect to the 2013 annual meeting should arrange for such proposal to be delivered to us at our principal place of business (500 Newport Center Drive, Newport Beach, California 92660) no later than December 20, 2013, in order to be considered for inclusion in our Proxy Statement relating to such annual meeting. Matters pertaining to such proposals, including the number and length thereof, and the eligibility of persons entitled to have such proposals included, are regulated by Rule 14a-8 of the Exchange Act, the rules and regulations of the SEC and other laws and regulations to which interested persons should refer.

In order for a stockholder proposal not intended to be subject to Rule 14a-8 (and thus not subject to inclusion in our Proxy Statement) to be considered “timely” within the meaning of Rule 14a-4 under the Exchange Act, and pursuant to our Amended and Restated Bylaws, notice of any such stockholder proposals must be delivered to our Secretary in writing at our principal place of business not less than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the 2013 Annual Meeting, after which a proposal is untimely. In the event that the date of the 2013 annual meeting is more than 30 days before or more than 70 days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the 120th day prior to the 2013 annual meeting and not later than the close of business on the later of the 90th day prior to the 2013 Annual Meeting or the 10th day following the day on which public announcement of the date of the 2013 Annual Meeting is first made by us. A stockholder’s notice to the Secretary must set forth for each matter proposed to be brought before the annual meeting (a) a brief description of the matter the stockholder proposes to bring before the meeting and the reasons for conducting such business at the meeting, (b) the name and address of the stockholder

proposing such business, (c) the number of shares of our common stock which are beneficially owned by the stockholder, and (d) any material interest of the stockholder in such business.

By Order  
of the  
April 24, 2013 Board of  
Directors,

/s/ Edward  
J. Treska  
Edward J.  
Treska  
*Secretary*

**ANNEX A**

**ACACIA RESEARCH CORPORATION**

**2013 ACACIA RESEARCH CORPORATION STOCK INCENTIVE PLAN**

ARTICLE One

GENERAL PROVISIONS

I. PURPOSE OF THE PLAN

This 2013 Acacia Research Corporation Stock Incentive Plan is intended to promote the interests of Acacia Research Corporation, a Delaware corporation, by providing eligible persons in the Corporation's Service with the opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest, in the Corporation as an incentive for them to remain in such Service.

Capitalized terms shall have the meanings assigned to such terms in the attached Appendix.

**II. STRUCTURE OF THE PLAN**

A. The Plan shall be divided into three separate equity incentive programs:

- the Discretionary Option Grant Program under which eligible persons may, at the discretion of the Plan Administrator, be granted options to purchase shares of Common Stock,
  
- the Stock Issuance Program under which eligible persons may, at the discretion of the Plan Administrator, be issued shares of Common Stock directly, either through the immediate purchase of such shares or as a bonus for services rendered to the Corporation (or any Subsidiary), and
  
- the Automatic Restricted Stock Unit Grant Program under which eligible non-employee Board members shall automatically receive Restricted Stock Unit grants at designated intervals over their period of continued Board Service.

B. The provisions of Articles One and Five shall apply to all equity incentive programs under the Plan and shall govern the interests of all persons under the Plan.

III. ADMINISTRATION OF THE PLAN

A. The Committee shall have sole and exclusive authority to administer the Discretionary Option Grant and Stock Issuance Programs with respect to Section 16 Insiders. Administration of the Discretionary Option Grant and Stock Issuance Programs with respect to all other persons eligible to participate in those programs may, at the Board's discretion, be vested in the Committee, or the Board may retain the power to administer those programs with respect to all such persons. However, any discretionary option grants or stock issuances to members of the Committee must be authorized and approved by a disinterested majority of the Board.

B. Members of the Committee shall serve for such period of time as the Board may determine and may be removed by the Board at any time.

C. The Plan Administrator shall, within the scope of its administrative functions under the Plan, have full power and authority (subject to the provisions of the Plan) to establish such rules and regulations as it may deem appropriate for proper administration of the Discretionary Option Grant and Stock Issuance Programs and to make such determinations under, and issue such interpretations of, the provisions of those programs and any outstanding options or stock issuances thereunder as it may deem necessary or advisable. Decisions of the Plan Administrator within the scope of its administrative functions under the Plan shall be final and binding on all parties who have an interest in the Discretionary Option Grant and Stock Issuance Programs under its jurisdiction or any stock option or stock issuance thereunder.



D. Service on the Committee shall constitute Service as a Board member, and members of the Committee shall accordingly be entitled to full indemnification and reimbursement as Board members for their service on the Committee. No member of the Committee shall be liable for any act or omission made in good faith with respect to the Plan or any option grants or stock issuances under the Plan.

E. Administration of the Automatic Restricted Stock Unit Grant Program shall be self-executing in accordance with the terms of the program, and no Plan Administrator shall exercise any discretionary functions with respect to any Restricted Stock Unit grants or stock issuances made under that program.

#### IV. ELIGIBILITY

A. The persons eligible to participate in the Discretionary Option Grant and Stock Issuance Programs are as follows:

- (i) Employees,
- (ii) non-employee members of the Board or the board of directors of any Subsidiary, and
- (iii) consultants and other independent advisors who provide services to the Corporation (or any Subsidiary).

B. The Plan Administrator shall, within the scope of its administrative jurisdiction under the Plan, have full authority to determine, (i) with respect to the option grants under the Discretionary Option Grant Program, which eligible persons are to receive such grants, the time or times when those grants are to be made, the number of shares to be covered by each such grant, the status of the granted option as either an Incentive Option or a Non-Statutory Option, the vesting schedule (if any) applicable to the option shares and the maximum term for which the option is to remain outstanding and (ii) with respect to stock issuances under the Stock Issuance Program, which eligible persons are to receive such issuances, the time or times when the issuances are to be made, the number of shares to be issued to each Participant, the vesting schedule (if any) applicable to the issued shares and the consideration for such shares.

C. The Plan Administrator shall have the absolute discretion either to grant options in accordance with the Discretionary Option Grant Program or to effect stock issuances in accordance with the Stock Issuance Program.

D. The individuals who shall be eligible to participate in the Automatic Restricted Stock Unit Grant Program shall be limited to (i) those individuals who first become non-employee Board members after the Plan Effective Date, whether through appointment by the Board or election by the Corporation's stockholders, and (ii) those individuals who continue to serve as non-employee Board members on the first business day in each calendar year following the Plan Effective Date and during the term of the Plan, including any individuals who first became non-employee Board members prior to such Plan Effective Date.

#### V. STOCK SUBJECT TO THE PLAN

A. The stock issuable under the Plan shall be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Corporation on the open market. The number of shares of Common Stock initially reserved for issuance under the Plan shall be 4,750,000 shares.

B. No one person participating in the Plan may receive stock options, separately exercisable stock appreciation rights, restricted stock units and direct stock issuances or share right awards for more than 500,000 shares of Common Stock in the aggregate per calendar year.

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C. Shares of Common Stock subject to outstanding options and/or Restricted Stock Units shall be available for subsequent issuance under the Plan to the extent those options or Restricted Stock Units, as applicable, expire or terminate for any reason prior to exercise or vesting of the underlying shares, as applicable. Unvested shares issued under the Plan and subsequently cancelled or repurchased by the Corporation at the original exercise or issue price paid per share, pursuant to the Corporation's repurchase rights under the Plan, shall be added back to the number of shares of Common Stock reserved for issuance under the Plan and shall accordingly be available for reissuance through one or more subsequent option grants or direct stock issuances under the Plan. In addition, should the exercise price of an option under the Plan be paid with shares of Common Stock or should shares of Common Stock otherwise issuable under the Plan be withheld by the Corporation in satisfaction of the withholding taxes incurred in connection with the exercise of an option or the vesting of a stock issuance under the Plan, then the number of shares of Common Stock available for issuance under the Plan shall be reduced only by the net number of shares of Common Stock issued to the holder of such option or stock issuance, and not by the gross number of shares for which the option is exercised or which vest under the stock issuance. However, shares of Common Stock underlying one or more stock appreciation rights exercised under Section IV of Article Two or Section II.D of Article Four of the Plan or Restricted Stock Units under the Automatic Restricted Stock Unit Grant Program shall not be available for subsequent issuance under the Plan.

D. If any change is made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, appropriate adjustments shall be made by the Plan Administrator to (i) the maximum number and/or class of securities issuable under the Plan, (ii) the maximum number and/or class of securities for which any one person may be granted stock options, separately exercisable stock appreciation rights and direct stock issuances or share right awards under the Plan per calendar year, (iii) the number and/or class of securities for which grants are subsequently to be made under the Automatic Restricted Stock Unit Grant Program to new and continuing non-employee Board members, and (iv) the number and/or class of securities and the exercise price per share in effect under each outstanding option under the Plan. Such adjustments to the outstanding options are to be effected in a manner which shall preclude the enlargement or dilution of rights and benefits under such options. The adjustments determined by the Plan Administrator shall be final, binding and conclusive.

## ARTICLE Two

### DISCRETIONARY OPTION GRANT PROGRAM

#### I. OPTION TERMS

Each option shall be evidenced by one or more documents in the form approved by the Plan Administrator; provided, however, that each such document shall comply with the terms specified below. Each document evidencing an Incentive Option shall, in addition, be subject to the provisions of the Plan applicable to such options.

##### A. EXERCISE PRICE.

(i) The exercise price per share shall be fixed by the Plan Administrator but shall not be less than one hundred percent (100%) of the Fair Market Value per share of Common Stock on the option grant date.

(ii) The exercise price shall become immediately due upon exercise of the option and shall be payable in one or more of the forms specified below as determined by the Plan Administrator and evidenced in the documents

memorializing the option grant:

- (i) cash or check made payable to the Corporation, or
- (ii) shares of Common Stock held for the requisite period necessary to avoid a charge to the Corporation's earnings for financial reporting purposes and valued at Fair Market Value on the Exercise Date, or

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- (iii) to the extent the option is exercised for vested shares, through a special sale and remittance procedure pursuant to which the Optionee shall concurrently provide irrevocable instructions to (a) a Corporation-designated brokerage firm to effect the immediate sale of the purchased shares and remit to the Corporation, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate exercise price payable for the purchased shares plus all applicable Federal, state and local income and employment taxes required to be withheld by the Corporation by reason of such exercise and (b) the Corporation to deliver the certificates for the purchased shares directly to such brokerage firm in order to complete the sale, or
- (iv) in the Corporation's sole discretion at the time the option is exercised, by cancellation of a number of the shares of Common Stock to be issued upon the exercise, where such cancelled number equals the largest number of whole shares that has a Fair Market Value that does not exceed the aggregate exercise price. Any remaining balance of the aggregate exercise price, may be paid either with cash or check or through a broker assisted exercise pursuant to Section 2(iii) above. The shares of Common Stock used to pay the exercise price of the option under this "net exercise" provision will be considered to have resulted from the exercise of the option, and accordingly, the option will not again be exercisable with respect to such shares, as well as any shares actually delivered to the Optionee, or
- (v) any other form of legal consideration determined by the Plan Administrator.

Except to the extent such sale and remittance procedure is utilized, payment of the exercise price for the purchased shares must be made on the Exercise Date.

#### B. EXERCISE AND TERM OF OPTIONS.

- (i) The period during which the right to exercise, in whole or in part, an option vests in the Participant shall be set by the Plan Administrator, in its sole and absolute discretion, and set forth in the documents evidencing the option. Options issued under the Discretionary Option Grant Program may, in the sole discretion of the Plan Administrator, be fully and immediately exercisable upon issuance or shall become exercisable in one or more installments over the Optionee's period of Service or upon attainment of specified performance objectives.
- (ii) Notwithstanding any other provision of the Plan, no option shall have a term in excess of ten (10) years measured from the option grant date.

#### C. EFFECT OF TERMINATION OF SERVICE.

- (i) The following provisions shall govern the exercise of any options held by the Optionee at the time of cessation of Service or death:
  - (i) Any option outstanding at the time of the Optionee's cessation of Service for any reason shall remain exercisable for such period of time thereafter as shall be determined by the Plan Administrator and set forth in the documents evidencing the option, but no such option shall be exercisable after the expiration of the option term.
  - (ii) Any option held by the Optionee at the time of death and exercisable in whole or in part at that time may be subsequently exercised by the personal representative of the Optionee's estate or by the person or persons to whom the option is transferred pursuant to the Optionee's will or the laws of descent and distribution or by the Optionee's designated beneficiary or beneficiaries of that option.

(iii) Should the Optionee's Service be terminated for Misconduct or should the Optionee otherwise engage in Misconduct while holding one or more outstanding options under this Article Two, then all those options shall terminate immediately and cease to be outstanding.

(iv) During the applicable post-Service exercise period, the option may not be exercised in the aggregate for more than the number of vested shares for which the option is exercisable on the date of the Optionee's cessation of Service. Upon the expiration of the applicable exercise period or (if earlier) upon the expiration of the option term, the option shall terminate and cease to be outstanding for any vested shares for which the option has not been exercised. However, the option shall, immediately upon the Optionee's cessation of Service, terminate and cease to be outstanding to the extent the option is not otherwise at that time exercisable for vested shares.

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(ii) The Plan Administrator shall have complete discretion, exercisable either at the time an option is granted or at any time while the option remains outstanding, to:

(i) extend the period of time for which the option is to remain exercisable following the Optionee's cessation of Service from the limited exercise period otherwise in effect for that option to such greater period of time as the Plan Administrator shall deem appropriate, but in no event beyond the expiration of the option term, and/or

(ii) permit the option to be exercised, during the applicable post-Service exercise period, not only with respect to the number of vested shares of Common Stock for which such option is exercisable at the time of the Optionee's cessation of Service but also with respect to one or more additional installments in which the Optionee would have vested had the Optionee continued in Service.

D. STOCKHOLDER RIGHTS. The holder of an option shall have no stockholder rights with respect to the shares subject to the option until such person shall have exercised the option, paid the exercise price and become a holder of record of the purchased shares.

E. REPURCHASE RIGHTS. The Plan Administrator shall have the discretion to grant options which are exercisable for unvested shares of Common Stock. Should the Optionee cease Service while holding such unvested shares, the Corporation shall have the right to repurchase, at the exercise price paid per share, any or all of those unvested shares. The terms upon which such repurchase right shall be exercisable (including the period and procedure for exercise and the appropriate vesting schedule for the purchased shares) shall be established by the Plan Administrator and set forth in the document evidencing such repurchase right.

F. LIMITED TRANSFERABILITY OF OPTIONS. During the lifetime of the Optionee, Incentive Options shall be exercisable only by the Optionee and shall not be assignable or transferable other than by will or the laws of descent and distribution following the Optionee's death. Non-Statutory Options shall be subject to the same limitation, except that a Non-Statutory Option may be assigned in whole or in part during the Optionee's lifetime to one or more of the Optionee's Immediate Family or to a trust established exclusively for the Optionee or one or more members of the Optionee's Immediate Family members or to Optionee's former spouse, to the extent such assignment is in connection with the Optionee's estate plan or pursuant to a domestic relations order. The assigned portion may only be exercised by the person or persons who acquire a proprietary interest in the option pursuant to the assignment. The terms applicable to the assigned portion shall be the same as those in effect for the option immediately prior to such assignment and shall be set forth in such documents issued to the assignee as the Plan Administrator may deem appropriate. Notwithstanding the foregoing, the Optionee may also designate one or more persons as the beneficiary or beneficiaries of his or her outstanding options under this Article Two, and those options shall, in accordance with such designation, automatically be transferred to such beneficiary or beneficiaries upon the Optionee's death while holding those options. Such beneficiary or beneficiaries shall take the transferred options subject to all the terms and conditions of the applicable agreement evidencing each such transferred option, including (without limitation) the limited time period during which the option may be exercised following the Optionee's death.

## II. INCENTIVE OPTIONS

The terms specified below shall be applicable to all Incentive Options. Except as modified by the provisions of this Section II, all the provisions of Articles One, Two and Six shall be applicable to Incentive Options. The maximum number of shares that can be issued pursuant to Incentive Options pursuant to this Plan shall be equal to the number of shares of Common Stock authorized for issuance under this Plan. Options which are specifically designated as Non-Statutory Options when issued under the Plan shall not be subject to the terms of this Section II.

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- A. **ELIGIBILITY.** Incentive Options may only be granted to Employees.
- B. **EXERCISE PRICE.** The exercise price per share shall not be less than one hundred percent (100%) of the Fair Market Value per share of Common Stock on the option grant date.
- C. **DOLLAR LIMITATION.** The aggregate Fair Market Value of the shares of Common Stock (determined as of the respective date or dates of grant) for which one or more options granted to any Employee under the Plan (or any other option plan of the Corporation or any Subsidiary) may for the first time become exercisable as Incentive Options during any one calendar year shall not exceed the sum of One Hundred Thousand Dollars (\$100,000). To the extent the Employee holds two (2) or more such options which become exercisable for the first time in the same calendar year, the foregoing limitation on the exercisability of such options as Incentive Options shall be applied on the basis of the order in which such options are granted.
- D. **FAILURE TO QUALIFY AS INCENTIVE OPTION.** To the extent that any option governed by this Plan does not qualify as an Incentive Option, by reason of the dollar limitation described in Section II.C of this Article Two or for any other reason, such option shall be exercisable as a Non-Statutory Option under the Federal tax laws.
- E. **10% STOCKHOLDER.** If any Employee to whom an Incentive Option is granted is a 10% Stockholder, then the exercise price per share shall not be less than one hundred ten percent (110%) of the Fair Market Value per share of Common Stock on the option grant date, and the option term shall not exceed five (5) years measured from the option grant date.

### III. CHANGE IN CONTROL/HOSTILE TAKE-OVER

- A. Unless otherwise determined by the Plan Administrator and expressly set forth in the documents evidencing the option, each option outstanding under the Discretionary Option Grant Program at the time of a Change in Control but not otherwise exercisable for all the shares of Common Stock at that time subject to such option shall automatically accelerate so that each such option shall, immediately prior to the effective date of the Change in Control, become exercisable for all the shares of Common Stock at the time subject to such option and may be exercised for any or all of those shares as fully vested shares of Common Stock, regardless of whether such options are assumed by the successor corporation or otherwise continued in force and effect pursuant to the Change in Control transaction.
- B. All of the Corporation's outstanding repurchase rights under the Discretionary Option Grant Program shall also terminate automatically, and the shares of Common Stock subject to those terminated rights shall immediately vest in full, in the event of any Change in Control, except to the extent such accelerated vesting is precluded by limitations imposed by the Plan Administrator at the time the repurchase right is issued.
- C. Immediately following the consummation of the Change in Control, all outstanding options shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) or otherwise expressly continued in full force and effect pursuant to the terms of the Change in Control transaction.
- D. Each option which is assumed in connection with a Change in Control or otherwise continued in effect shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities which would have been issuable to the Optionee in consummation of such Change in Control had the option been exercised immediately prior to such Change in Control. Appropriate adjustments to reflect such Change in Control shall also be made to (i) the exercise price payable per share under each outstanding option, provided the aggregate exercise price payable for such securities shall remain the same, (ii) the maximum number and/or class of securities

available for issuance over the remaining term of the Plan, (iii) the maximum number and/or class of securities by which the share reserve is to increase each calendar year pursuant to the automatic share increase provisions of the Plan and (iv) the maximum number and/or class of securities for which any one person may be granted options, separately exercisable stock appreciation rights and direct stock issuances or share right awards under the Plan per calendar year. To the extent the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control transaction, the successor corporation may, in connection with the assumption of the outstanding options under the Discretionary Option Grant Program, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control transaction.

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E. Unless otherwise determined by the Plan Administrator and expressly set forth in the documents evidencing the option, each option outstanding under the Discretionary Option Grant Program at the time of a Hostile Take-Over but not otherwise exercisable for all the shares of Common Stock subject to such option at that time shall, immediately prior to the effective date of a Hostile Take-Over, automatically vest and become exercisable for all the shares of Common Stock at that time subject to such options on an accelerated basis and may be exercised for any or all of such shares as fully vested shares of Common Stock. In addition, all of the Corporation's repurchase rights under the Discretionary Option Grant Program shall terminate automatically upon the consummation of such Hostile Take-Over, and the shares subject to those terminated rights shall thereupon immediately vest in full, except to the extent such accelerated vesting is precluded by limitations imposed by the Plan Administrator at the time the repurchase right is issued. Each option so accelerated shall remain exercisable for fully vested shares of Common Stock until the expiration or sooner termination of the option term.

F. The portion of any Incentive Option accelerated in connection with a Change in Control or Hostile Take-Over shall remain exercisable as an Incentive Option only to the extent the applicable One Hundred Thousand Dollar (\$100,000) limitation is not exceeded. To the extent such dollar limitation is exceeded, the accelerated portion of such option shall be exercisable as a Non-Statutory Option under the Federal tax laws.

G. The grant of options under the Discretionary Option Grant Program shall in no way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

#### IV. STOCK APPRECIATION RIGHTS

A. The Plan Administrator shall have full power and authority to grant to selected Optionees tandem stock appreciation rights and/or limited stock appreciation rights.

B. The following terms shall govern the grant and exercise of tandem stock appreciation rights:

(i) One or more Optionees may be granted the right, exercisable upon such terms as the Plan Administrator may establish, to elect between the exercise of the underlying option for shares of Common Stock and the surrender of that option in exchange for a payment from the Corporation in an amount equal to the excess of (a) the Fair Market Value (on the option surrender date) of the number of shares in which the Optionee is at the time vested under the surrendered option (or surrendered portion thereof) over (b) the aggregate exercise price payable for such shares.

(ii) No such option surrender shall be effective unless it is approved by the Plan Administrator, either at the time of the actual option surrender or at any earlier time. If the surrender is so approved, then the payment to which the Optionee shall be entitled may be made in shares of Common Stock valued at Fair Market Value on the option surrender date, in cash, or partly in shares and partly in cash, as the Plan Administrator shall in its sole discretion deem appropriate.

(iii) If the surrender of an option is not approved by the Plan Administrator, then the Optionee shall retain whatever rights the Optionee had under the surrendered option (or surrendered portion thereof) on the option surrender date and may exercise such rights at any time prior to the later of (a) five (5) business days after the receipt of the rejection notice or (b) the last day on which the option is otherwise exercisable in accordance with the terms of the documents evidencing such option, but in no event may such rights be exercised more than ten (10) years after the option grant date.

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C. The following terms shall govern the grant and exercise of limited stock appreciation rights:

(i) One or more Section 16 Insiders may be granted limited stock appreciation rights with respect to their outstanding options.

(ii) Upon the occurrence of a Hostile Take-Over, each individual holding one or more options with such a limited stock appreciation right shall have the unconditional right (exercisable for a thirty (30)-day period following such Hostile Take-Over) to surrender each such option (or any portion thereof) to the Corporation. In return for the surrendered option, the Optionee shall receive a cash payment from the Corporation in an amount equal to the excess of (A) the Take-Over Price of the shares of Common Stock at the time subject to such option (whether or not the option is otherwise vested and exercisable for those shares) over (B) the aggregate exercise price payable for those shares. Such cash payment shall be paid within five (5) days following the option surrender date.

(iii) At the time such limited stock appreciation right is granted, the Plan Administrator shall pre-approve any subsequent exercise of that right in accordance with the terms of this Paragraph C. Accordingly, no further approval of the Plan Administrator or the Board shall be required at the time of the actual option surrender and cash payment.

(iv) The balance of the option (if any) shall remain outstanding and exercisable in accordance with the documents evidencing such option.

#### V. PROHIBITION ON REPRICING

Except in connection with a corporation transaction involving the Corporation (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding Awards may not be amended to reduce the exercise price of outstanding Options or stock appreciation rights or cancel outstanding Options or stock appreciation rights in exchange for cash, other Awards or Options or stock appreciation rights with an exercise price that is less than the exercise price of the original Options or stock appreciation rights without stockholder approval.

### ARTICLE Three

#### STOCK ISSUANCE PROGRAM

##### I. STOCK ISSUANCE TERMS

Shares of Common Stock may be issued under the Stock Issuance Program through direct and immediate issuances without any intervening option grants. Each such stock issuance shall be evidenced by a Stock Issuance Agreement which complies with the terms specified below. Shares of Common Stock may also be issued under the Stock Issuance Program pursuant to share right awards which entitle the recipients to receive those shares upon the attainment of designated Service requirements or performance goals.

##### A. PURCHASE PRICE.

(i) The purchase price per share shall be fixed by the Plan Administrator, but shall not be less than one hundred percent (100%) of the Fair Market Value per share of Common Stock on the issuance date.

(ii) Shares of Common Stock may be issued under the Stock Issuance Program for any of the following items of consideration which the Plan Administrator may deem appropriate in each individual instance:

- (i) cash or check made payable to the Corporation, or

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- (ii) past services rendered to the Corporation (or any Subsidiary), or
- (iii) services to be rendered to the Corporation (or any Subsidiary) during a vesting period.

**B. VESTING PROVISIONS.**

(i) Shares of Common Stock issued under the Stock Issuance Program may, in the discretion of the Plan Administrator, be fully and immediately vested upon issuance or may vest in one or more installments over the Participant's period of Service or upon attainment of specified performance objectives. Shares of Common Stock may also be issued under the Stock Issuance Program pursuant to share right awards which entitle the recipients to receive those shares in one or more installments over the Participant's period of Service or upon attainment of designated performance goals. Upon the attainment of such Service requirements or performance goals, fully vested shares of Common Stock shall be issued in satisfaction of those share right awards. The elements of the vesting schedule applicable to any unvested shares of Common Stock issued or share right awards granted under the Stock Issuance Program shall be determined by the Plan Administrator and incorporated into the appropriate award agreement. The Plan Administrator may, in its discretion, determine that any Award granted hereunder shall be a Performance Award.

(ii) Any new, substituted or additional securities or other property (including money paid other than as a regular cash dividend) which the Participant may have the right to receive with respect to the Participant's unvested shares of Common Stock by reason of any stock dividend, stock split, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration shall be issued subject to (i) the same vesting requirements applicable to the Participant's unvested shares of Common Stock and (ii) such escrow arrangements as the Plan Administrator shall deem appropriate.

(iii) The Participant shall have full stockholder rights with respect to any shares of Common Stock issued to the Participant under the Stock Issuance Program, whether or not the Participant's interest in those shares is vested. Accordingly, the Participant shall have the right to vote such shares and to receive any regular cash dividends paid on such shares.

(iv) Should the Participant cease to remain in Service while holding one or more unvested shares of Common Stock issued under the Stock Issuance Program or should the performance objectives not be attained with respect to one or more such unvested shares of Common Stock, then those shares shall be immediately surrendered to the Corporation for cancellation, and the Participant shall have no further stockholder rights with respect to those shares. To the extent the surrendered shares were previously issued to the Participant for consideration paid in cash or cash equivalent (including the Participant's purchase-money indebtedness but not including services rendered by the Participant), the Corporation shall repay to the Participant the cash consideration paid for the surrendered shares and shall cancel the unpaid principal balance of any outstanding purchase-money note of the Participant attributable to the surrendered shares.

(v) The Plan Administrator may in its discretion waive the surrender and cancellation of one or more unvested shares of Common Stock which would otherwise occur upon the cessation of the Participant's Service or the non-attainment of the performance objectives applicable to those shares. Such waiver shall result in the immediate vesting of the Participant's interest in the shares of Common Stock as to which the waiver applies. Such waiver may be effected at any time, whether before or after the Participant's cessation of Service or the attainment or non-attainment of the applicable performance objectives.

(vi) Outstanding share right awards under the Stock Issuance Program shall automatically terminate, and no shares of Common Stock shall actually be issued in satisfaction of those awards, if the performance goals or Service

requirements established for such awards are not attained. The Plan Administrator, however, shall have the discretionary authority to issue shares of Common Stock under one or more outstanding share right awards as to which the designated performance goals or Service requirements have not been attained. Until the shares of Common Stock are issued with respect to share right awards, the Participant shall not have any rights as a stockholder of the Corporation.

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II. CHANGE IN CONTROL/HOSTILE TAKE-OVER

All of the Corporation's outstanding repurchase rights under the Stock Issuance Program shall terminate automatically, and all the shares of Common Stock subject to those terminated rights shall immediately vest in full, in the event of any Change in Control or Hostile Take-Over, except to the extent such accelerated vesting is precluded by other limitations imposed in the Stock Issuance Agreement.

III. SHARE ESCROW/LEGENDS

Unvested shares may, in the Plan Administrator's discretion, be held in escrow by the Corporation until the Participant's interest in such shares vests or may be issued directly to the Participant with restrictive legends on the certificates evidencing those unvested shares.

ARTICLE Four

AUTOMATIC RESTRICTED STOCK UNIT GRANT PROGRAM

I. RESTRICTED STOCK UNIT TERMS

A. GRANT OF RESTRICTED STOCK UNITS. Restricted Stock Unit grants shall be made on the dates specified below:

(i) Each individual who is first elected or appointed as a non-employee Board member at any time on or after the Plan Effective Date shall automatically be granted, on the date of such initial election or appointment, Restricted Stock Units that entitle such non-employee Board member to receive, upon vesting as described below, a number of shares of Common Stock determined by dividing the annual amount of such non-employee Board member's retainer, as set by the Plan Administrator from time to time, by the Fair Market value per share of Common Stock on the grant date.

(ii) On the first business day in each calendar year following the Plan Effective Date and during the term of the Plan, each non-employee Board member then in office, shall automatically be granted Restricted Stock Units that entitle such non-employee Board member to receive, upon vesting as described below, a number of shares of Common Stock determined by dividing the annual amount of such non-employee Board member's retainer, as set by the Plan Administrator from time to time, by the Fair Market Value per share of Common Stock on the first business day in each calendar year following the Plan Effective Date.

(iii) The grant of Restricted Stock Units under the Automatic Restricted Stock Units Grant Program shall in no way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

B. VESTING. The Restricted Stock Units shall vest in equal installments in a series of twelve quarterly installments over the three year period following the grant date.

C. DELIVERY OF SHARES.

- (i) The Corporation will deliver one unrestricted, fully transferable share of Common Stock for each vested Restricted Stock Unit within thirty (30) days after the first to occur of the following events (the “Delivery Date”):
- (i) The fifth (5<sup>th</sup>) anniversary of the grant date; and
  - (ii) The involuntary termination of the non-employee Director’s Service as a non-employee member of the Board.

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(ii) Notwithstanding the foregoing, a non-employee member of the Board may make an election to defer the delivery date of shares of Common Stock pursuant to an Award (a “Deferral Election”) if the following requirements are met:

(i) Such deferral election is made at least twelve (12) months prior to the then applicable Delivery Date; and

(ii) The Deferral Election defers the Delivery Date until a later date by at least five (5) years from the then applicable Delivery Date.

(iii) Participant is allowed to make no more than two Deferral Elections with respect to an Award.

D. **LIMITED TRANSFERABILITY OF RESTRICTED STOCK UNITS.** Each Restricted Stock Unit under this Article Four may be assigned in whole or in part during the Participant’s lifetime to one or more members of the Participant’s Immediate Family or to a trust established exclusively for the Participant’s or one or more members of the holder’s Immediate Family or to Participant’s former spouse, to the extent such assignment is in connection with the Participant’s estate plan or pursuant to domestic relations order. The terms applicable to the assigned portion shall be the same as those in effect for the Restricted Stock Unit(s) immediately prior to such assignment and shall be set forth in such documents issued to the assignee as the Plan Administrator may deem appropriate. The non-employee member may also designate one or more persons as the beneficiary or beneficiaries of his or her outstanding Restricted Stock Units under this Article Four, and those Restricted Stock Units shall, in accordance with such designation, automatically be transferred to such beneficiary or beneficiaries upon such Participant’s death while holding those Restricted Stock Units. Such beneficiary or beneficiaries shall take the transferred Restricted Stock Units subject to all the terms and conditions of the applicable agreement evidencing each such transferred Restricted Stock Unit.

E. **TERMINATION OF BOARD SERVICE.** At the time a non-employee Board member ceases to serve as a Board member for any reason, all unvested Restricted Stock Units held by such Participant shall be immediately cancelled and the Participant shall have no further rights with respect to such Restricted Stock Units. The Plan Administrator may in its discretion waive the cancellation of unvested Restricted Stock Units which would otherwise occur upon the cessation of the Participant’s service. Such waiver shall result in the immediate vesting of the Participant’s interest in the Restricted Stock Units to which the waiver applies. Such waiver may be effected at any time, whether before or after the Participant’s cessation of service as a Board member.

F. **NO RIGHTS AS A STOCKHOLDER.** A holder of Restricted Stock Units shall possess no incidents of ownership with respect to the shares of Common Stock represented by such Restricted Stock Units, unless and until the shares of Common Stock are transferred to such holder pursuant to the terms of this Plan.

## II. CHANGE IN CONTROL/ HOSTILE TAKE-OVER

A. In the event of any Change in Control while the non-employee Director remains a Board member, the vesting of issued and outstanding Restricted Stock Units shall automatically accelerate so that each such Restricted Stock Unit shall, as of immediately following the Change in Control, vest and be delivered as of immediately following such Change in Control.

B. In the event of a Hostile Take-Over while the non-employee Director remains a Board member, the vesting of issued and outstanding Restricted Stock Units shall, as of immediately following the Hostile Take-Over, vest and be delivered as of immediately following such Hostile Take-Over.

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ARTICLE Five

MISCELLANEOUS

I. NO FRACTIONAL SHARES

No fractional shares of Common Stock shall be issued or delivered pursuant to the Plan, and the Plan Administrator shall determine whether cash shall be paid in lieu of any fractional shares or whether such fractional shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

II. TAX WITHHOLDING

A. Whenever shares of Common Stock are to be issued upon the exercise of an option or the grant or vesting of a shares pursuant to an Award, the Corporation shall have the right to require the Participant or Optionee, as applicable, to remit to the Corporation in cash an amount sufficient to satisfy Withholding Taxes attributable to such exercise, grant or vesting prior to the delivery of any certificate or certificates for such shares or the effectiveness of the lapse of such restrictions. In addition, upon the exercise or settlement of any Award in cash, the Corporation shall have the right to withhold from any cash payment required to be made pursuant thereto an amount sufficient to satisfy the Withholding Taxes, if any, attributable to such exercise or settlement.

B. The Plan Administrator may, in its discretion, permit (i) the Corporation to withhold shares of Common Stock from the award in satisfaction of all or part of the Withholding Taxes which may become payable in connection with the an award granted under the Plan (pursuant to the terms of Article Five Section II.B.1.) and (ii) any or all Optionees or Participants under the Plan with the right to use shares of Common Stock in satisfaction of all or part of the Withholding Taxes to which such Participants or Optionees may become subject in connection with the grant or exercise of their options or stock appreciation rights or the issuance or vesting of their shares. The withholding of shares in order to satisfy the Withholding Taxes described in this Section shall not exceed the minimum statutory amount required to be withheld for each of the Withholding Taxes. Such right may be provided to any such Participant or Optionee in either or both of the following formats:

(i) **Stock Withholding:** The Corporation withholds, from the shares of Common Stock otherwise issuable upon the exercise of such option or stock appreciation right or the issuance or vesting of shares of Common Stock, a portion of those shares with an aggregate Fair Market Value equal to the amount of the Withholding Taxes (not to exceed one hundred percent (100%) of such Withholding Taxes) to be satisfied in such manner as designated by the holder in writing.

(ii) **Stock Delivery:** The election by the Participant or Optionee to deliver to the Corporation, at the time the option or stock appreciation right is exercised or the shares vest or are issued, one or more shares of Common Stock previously acquired by such Participant or Optionee (other than in connection with the option exercise or share vesting triggering the Withholding Taxes) with an aggregate Fair Market Value equal to the amount of the Withholding Taxes (not to exceed one hundred percent (100%) of such Withholding Taxes) to be satisfied in such manner as designated by the holder in writing.

III. EFFECTIVE DATE AND TERM OF THE PLAN

A. The Plan shall become effective immediately upon the Plan Effective Date. No options granted under the Plan may be exercised, and no shares shall be issued under the Plan, until the Plan is approved by the Corporation's stockholders. If such stockholder approval is not obtained within twelve (12) months after the Plan Effective Date,

then all options previously granted under this Plan shall terminate and cease to be outstanding, and no further options shall be granted and no shares shall be issued under the Plan.

B. The Plan shall terminate upon the earliest of (i) the tenth anniversary of the Plan Effective Date, (ii) the date on which all shares available for issuance under the Plan shall have been issued as fully-vested shares or (iii) the termination of all outstanding options in connection with a Change in Control. Upon such Plan termination, all option grants and unvested stock issuances outstanding at that time shall thereafter continue to have force and effect in accordance with the provisions of the documents evidencing such grants or issuances.

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IV. AMENDMENT OF THE PLAN

A. The Plan Administrator shall have complete and exclusive power and authority to amend or modify the Plan in any or all respects; provided, however, that to the extent any applicable law, regulation or rule of a stock exchange requires stockholder approval in order for any such amendment or modification to be effective, such amendment or modification shall not be effective without such approval; provided further, no such amendment or modification shall adversely affect the rights and obligations with respect to stock options or unvested stock issuances at the time outstanding under the Plan unless the Optionee or the Participant consents to such amendment or modification.

B. Options to purchase shares of Common Stock may be granted under the Discretionary Option Grant Program and shares of Common Stock may be issued under the Stock Issuance Program that are in each instance in excess of the number of shares then available for issuance under the Plan, provided any excess shares actually issued under those programs shall be held in escrow until there is obtained stockholder approval of an amendment sufficiently increasing the number of shares of Common Stock available for issuance under the Plan. If such stockholder approval is not obtained within twelve (12) months after the date the first such excess issuances are made, then (i) any unexercised options granted on the basis of such excess shares shall terminate and cease to be outstanding and (ii) the Corporation shall promptly refund to the Optionees and the Participants the exercise or purchase price paid for any excess shares issued under the Plan and held in escrow, together with interest (at the applicable Short Term Federal Rate) for the period the shares were held in escrow, and such shares shall thereupon be automatically cancelled and cease to be outstanding.

V. USE OF PROCEEDS

Any cash proceeds received by the Corporation from the sale of shares of Common Stock under the Plan shall be used for general corporate purposes.

VI. REGULATORY APPROVALS

A. The implementation of the Plan, the granting of any stock option under the Plan and the issuance of any shares of Common Stock (i) upon the exercise of any granted option or (ii) under the Stock Issuance Program shall be subject to the Corporation's procurement of all approvals and permits required by regulatory authorities having jurisdiction over the Plan, the stock options granted under it and the shares of Common Stock issued pursuant to it.

B. No shares of Common Stock or other assets shall be issued or delivered under the Plan unless and until there shall have been compliance with all applicable requirements of Federal and state securities laws, including the filing and effectiveness of the Form S-8 registration statement for the shares of Common Stock issuable under the Plan, and all applicable listing requirements of any stock exchange on which Common Stock is then listed for trading.

VII. NO EMPLOYMENT/SERVICE RIGHTS

Nothing in the Plan shall confer upon any Optionee or Participant any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation (or any Subsidiary employing or retaining such person) or of any Optionee or Participant, which rights are hereby expressly reserved by each, to terminate such person's Service at any time for any reason, with or without cause.

VIII. SECTION 162(M)

It is the intent of the Corporation that any Awards granted under the Plan to a “covered employee” (as that term is defined in Section 162(m) of the Code) shall qualify as “qualified performance-based compensation” (within the meaning of Treas. Reg. § 1.162-27(e)) and the Plan shall be interpreted consistently with such intent. In furtherance of the foregoing, if and to the extent that the Corporation intends that an Award granted under the Plan to any covered employee shall qualify as qualified performance-based compensation, all decisions regarding the grant of such Award shall be made only by members of the Committee who qualify as “outside directors” within the meaning of Treas. Reg. § 1.162-27(e)(3). If an Award is intended to be a Performance Award, the following "Qualifying Performance Criteria" may be used under the Plan, either individually, alternatively or in any combination, applied to either the Corporation as a whole or to a business unit or subsidiary, either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Plan Administrator: (a) cash flow, (b) earnings per share, (c) earnings before interest, taxes and amortization, (d) return on equity, (e) total stockholder return, (f) share price performance, (g) return on capital, (h) return on assets or net assets, (i) revenue, (j) income or net income, (k) operating income or net operating income, (l) operating profit or net operating profit, (m) operating margin or profit margin, (n) return on operating revenue, or (o) return on invested capital. The Committee may appropriately adjust any evaluation of performance under a Qualifying Performance Criteria to exclude any of the following events that occurs during a performance period: (i) asset write-downs, (ii) litigation or claim judgments or settlements, (iii) the effect of changes in or provisions under tax law, accounting principles or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs and (v) any extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Corporation's annual report to stockholders for the applicable year. Notwithstanding satisfaction of any completion of any Qualifying Performance Criteria, to the extent specified at the time of grant of an Award, the number of Shares, Stock Options, SARs, or other benefits granted, issued, retainable and/or vested under an Award on account of satisfaction of such Qualifying Performance Criteria may be reduced by the Committee on the basis of such further considerations as the Committee in its sole discretion shall determine.

IX. SECTION 409A

A. To the extent that the Plan Administrator determines that any Award granted under the Plan is subject to Section 409A of the Code, the Plan and document evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and any agreement evidencing an Award shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Plan Effective Date. Notwithstanding any provision of the Plan to the contrary, in the event that following the Plan Effective Date the Plan Administrator determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Plan Effective Date), the Plan Administrator may adopt such amendments to the Plan and the applicable Award agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Plan Administrator determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance and thereby avoid the application of any penalty taxes under such Section. The Corporation shall not be responsible for any additional tax imposed pursuant to Section 409A of the Code, nor will the Corporation indemnify or otherwise reimburse an Optionee for any liability incurred as a result of Section 409A of the Code.



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B. A termination of Service shall not be deemed to have occurred for purposes of any provision of this Plan providing for the payment of any amounts or benefits that the Plan Administrator determines may be considered nonqualified deferred compensation under Section 409A of the Code upon or following a termination of Service unless such termination is also a “separation from service” within the meaning of Section 409A of the Code, and, for purposes of any such provision of this Plan, references to a “termination,” “termination of Service” or like terms shall mean such a separation from service. The determination of whether and when a separation from service has occurred for purposes of this Plan shall be made in accordance with the presumptions set forth in Section 1.409A-1(h) of the Treasury Regulations.

C. A Change in Control or Hostile Take-Over shall not be deemed to have occurred for purposes of any provision of this Plan providing for the payment of any amounts or benefits that the Plan Administrator determines may be considered nonqualified deferred compensation under Section 409A of the Code upon or following a Change in Control or Hostile Take-Over unless such Change in Control or Hostile Take-Over also results in the occurrence of a “change in control event” within the meaning of Section 409A of the Code, and Section 1.409A-3(i)(5) of the Treasury Regulations, and, for purposes of any such provision of this Plan, references to a “Change in Control” or “Hostile Take-Over” or like terms shall mean such occurrence of a change in control event. The determination of whether and when a change in control event has occurred for purposes of this Plan shall be made in accordance with Section 409A of the Code and the applicable Treasury Regulations thereunder.

D. Any provision of this Plan to the contrary notwithstanding, if at the time of a Participant’s separation from service, the Plan Administrator determines that such Participant is a “specified employee,” within the meaning of Section 409A of the Code, based on an identification date of December 31, then to the extent any payment or benefit that such Participant becomes entitled to under this Plan on account of such separation from service would be considered nonqualified deferred compensation under Section 409A of the Code, such payment or benefit shall be paid or provided at the date which is the earlier of (i) six (6) months and one day after such separation from service, and (ii) the date of Participant’s death. Upon the expiration of such period, all payments and benefits so delayed shall be paid or provided in a lump-sum, and any remaining payments and benefits due under this Plan shall be paid or provided in accordance with the normal payment dates specified for them herein.

## APPENDIX

The following definitions shall be in effect under the Plan:

A. AUTOMATIC OPTION GRANT PROGRAM shall mean the automatic option grant program in effect under Article Four of the Plan.

B. AWARD shall mean any (i) options issued under the Discretionary Option Grant Program, or (ii) any shares issued under the Stock Issuance Program, or (iii) any shares issued under the Automatic Restricted Stock Grant Program.

C. BOARD shall mean the Corporation's Board of Directors.

D. CERTIFICATE OF INCORPORATION shall mean the Restated Certificate of Incorporation of Acacia Research Corporation filed with the Delaware Secretary of State on the Plan Effective Date and all subsequent amendments, supplements, modifications and replacements thereof.

E. CHANGE IN CONTROL shall mean a change in ownership or control of the Corporation effected through any of the following transactions:

(i) A stockholder-approved merger or consolidation in which securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities are transferred to a person or persons acting as a group (within the meaning of Section 409A of the Code) different from the persons holding those securities immediately prior to such transaction. In accordance with Section 1.409A-3(i)(5)(v) of the Treasury Regulations, incremental increases in ownership by a person or persons acting as a group that already own or owns more than fifty percent (50%) of the combined voting power of the Corporation's outstanding securities will not result in a Change in Control under this clause (i).

(ii) A sale, transfer or other disposition of all or substantially all of the Corporation's assets to an entity which is not a Subsidiary of the Corporation over a twelve (12) month period ending on the date of the most recent sale, transfer or other disposition by such entity. In accordance with Section 1.409A-3(i)(5)(vii) of the Treasury Regulations, no Change in Control results pursuant to this clause (ii) if the assets are sold, transferred or disposed of to certain entities controlled directly or indirectly by the shareholders of the Corporation.

(iii) The acquisition, directly or indirectly by any person or related group of persons (other than the Corporation or a person that directly or indirectly controls, is controlled by, or is under common control with, the Corporation), of beneficial ownership (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities pursuant to a tender or exchange offer made directly to the Corporation's stockholders. In accordance with Section 1.409A-3(i)(5)(v) of the Treasury Regulations, incremental increases in ownership by a person or related group of persons acting as a group that already own or owns fifty percent (50%) of the combined voting power of the Corporation's outstanding securities will not result in a Change in Control under this clause (iii).

F. CODE shall mean the Internal Revenue Code of 1986, as amended.

G. COMMITTEE shall mean a committee of two (2) or more non-employee Board members appointed by the Board.

H. COMMON STOCK shall mean the Corporation's Common Stock, par value \$0.001.

I. CORPORATION shall mean Acacia Research Corporation, a Delaware corporation, and any corporate successor to all or substantially all of the assets or voting stock of Acacia Research Corporation, which shall by appropriate action adopt the Plan.

J. DISCRETIONARY OPTION GRANT PROGRAM shall mean the discretionary option grant program in effect under Article Two of the Plan.

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K. EMPLOYEE shall mean an individual who is in the employ of the Corporation (or any Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

L. EXERCISE DATE shall mean the date on which the Corporation shall have received written notice of the option exercise.

M. FAIR MARKET VALUE per share of Common Stock on any relevant date shall be determined in accordance with the following provisions:

(i) If the Common Stock is at the time traded on the Nasdaq National Market, then the Fair Market Value shall be the closing selling price per share of Common Stock on the date in question, as such price is reported on the Nasdaq National Market. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(ii) If the Common Stock is at the time listed on any Stock Exchange, then the Fair Market Value shall be the closing selling price per share of Common Stock on the date in question on the Stock Exchange determined by the Plan Administrator to be the primary market for the Common Stock, as such price is officially quoted in the composite tape of transactions on such exchange. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(iii) If the Common Stock is at the time not traded on the Nasdaq National Market or listed on any Stock Exchange, but is regularly traded in any over-the-counter market, then the Fair Market Value shall be the average of the bid and asked prices per share of Common Stock in such over-the-counter market on the date in question. If there are no bid and asked prices on the date in question, then the Fair Market Value shall be the average of the bid and asked prices in such over-the-counter market on the last preceding date for which such prices exist.

(iv) If the Common Stock is at the time not traded as described in (i), (ii) or (iii) above, then the Fair Market Value of a share of Common Stock shall be determined by the Plan Administrator, after taking into account such factors as it deems appropriate.

N. HOSTILE TAKE-OVER shall mean either of the following events effecting a change in control or ownership of the Corporation:

(i) The acquisition, directly or indirectly, by any person or related group of persons (other than the Corporation or a person that directly or indirectly controls, is controlled by, or is under common control with, the Corporation) of beneficial ownership (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities pursuant to a tender or exchange offer made directly to the Corporation's stockholders which the Board does not recommend such stockholders to accept. In accordance with Section 1.409A-3(i)(5)(v) of the Treasury Regulations, incremental increases in ownership by a person or related group of persons acting as a group that already own or owns more fifty percent (50%) of the combined voting power of the Corporation's outstanding securities will not result in a Hostile Take-Over under this clause (i).

(ii) A change in the composition of the Board over a period of twelve (12) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such

period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination.

O. IMMEDIATE FAMILY shall mean any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law and shall include adoptive relationships.

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- P. INCENTIVE OPTION shall mean an option which satisfies the requirements of Code Section 422.
- Q. MISCONDUCT shall mean the commission of any act of fraud, embezzlement or dishonesty by the Optionee or Participant, any unauthorized use or disclosure by such person of confidential information or trade secrets of the Corporation (or any Subsidiary), or any other intentional misconduct by such person adversely affecting the business or affairs of the Corporation (or any Subsidiary) in a material manner. The foregoing definition shall not be deemed to be inclusive of all the acts or omissions which the Corporation (or any Subsidiary) may consider as grounds for the dismissal or discharge of any Optionee, Participant or other person in the Service of the Corporation (or any Subsidiary).
- R. 1934 ACT shall mean the Securities Exchange Act of 1934, as amended.
- S. NON-STATUTORY OPTION shall mean an option not intended to satisfy the requirements of Code Section 422.
- T. OPTIONEE shall mean any person to whom an option is granted under the Discretionary Option Grant Program.
- U. PARTICIPANT shall mean any person who is (i) issued shares of Common Stock under the Stock Issuance Program, or (ii) granted Restricted Stock Units under the Automatic Restricted Stock Unit Grant Program.
- V. PERFORMANCE AWARD means an Award the grant, issuance, retention, vesting and/or settlement of which is subject to satisfaction of one or more of the Qualifying Performance Criteria specified in Section VIII.
- W. PERMANENT DISABILITY OR PERMANENTLY DISABLED shall mean the inability of the Optionee or the Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of continuous duration of twelve (12) months or more. However, solely for purposes of the Automatic Restricted Stock Unit Grant Program, Permanent Disability or Permanently Disabled shall mean the inability of the non-employee Board member to perform his or her usual duties as a Board member by reason of any medically determinable physical or mental impairment expected to result in death or to be of continuous duration of twelve (12) months or more.
- X. PLAN shall mean the Corporation's 2013 Acacia Research Corporation Stock Incentive Plan, as set forth in this document.
- Y. PLAN ADMINISTRATOR shall mean the particular body, whether the Committee or the Board, which is authorized to administer the Discretionary Option Grant and Stock Issuance Programs with respect to one or more classes of eligible persons, to the extent such entity is carrying out its administrative functions under those programs with respect to the persons under its jurisdiction.
- Z. PLAN EFFECTIVE DATE shall mean April 16, 2013, which is the date of its adoption by the Board, subject to approval of the Plan by the stockholders of the Company.
- AA. RESTRICTED STOCK UNIT shall mean a right to receive a share of Common Stock during specified time periods granted pursuant to Article Four.
- BB. SECTION 16 INSIDER shall mean an officer or director of the Corporation subject to the short-swing profit liabilities of Section 16 of the 1934 Act.

CC. SERVICE shall mean the performance of services for the Corporation (or any Subsidiary) by a person in the capacity of an Employee, a non-employee member of the board of directors or a consultant or independent advisor, except to the extent otherwise specifically provided in the documents evidencing the option grant or stock issuance.

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DD. SHORT TERM FEDERAL RATE shall mean the federal short-term rate in effect under Section 1274(d) of the Code for the period the shares were held in escrow.

EE. STOCK EXCHANGE shall mean either the American Stock Exchange, the New York Stock Exchange or the Nasdaq Stock Market.

FF. STOCK ISSUANCE AGREEMENT shall mean the agreement entered into by the Corporation and the Participant at the time of issuance of shares of Common Stock under the Stock Issuance Program.

GG. STOCK ISSUANCE PROGRAM shall mean the stock issuance program in effect under Article Three of the Plan.

HH. SUBSIDIARY shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

II. TAKE-OVER PRICE shall mean the greater of (i) the Fair Market Value per share of Common Stock on the date the option is surrendered to the Corporation in connection with a Hostile Take-Over or, if applicable, (ii) the highest reported price per share of Common Stock paid by the tender offeror in effecting the Hostile Take-Over through the acquisition of such Common Stock. However, if the surrendered option is an Incentive Option, the Take-Over Price shall not exceed the price per share described in clause (i) above.

JJ. 10% STOCKHOLDER shall mean the owner of stock (as determined under Code Section 424(d)) possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Corporation (or any Subsidiary).

KK. WITHHOLDING TAXES shall mean the Federal, state and local income and employment withholding taxes to which the holder of options, stock issuances or share right awards may become subject in connection with such options, stock issuances or share right awards.



