

ACACIA RESEARCH CORP
Form 10-Q
May 09, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2008

Commission File Number 0-26068

ACACIA RESEARCH CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	95-4405754 (I.R.S. Employer Identification No.)
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500 Newport Center Drive, Newport Beach, CA (Address of Principal Executive Offices)	92660 (Zip Code)
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Registrant's telephone number, including area code: (949) 480-8300

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days.

Yes No

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

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Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

As of May 6, 2008, 30,165,922 shares of Acacia Research-Acacia Technologies common stock were issued and outstanding.

ACACIA RESEARCH CORPORATION
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ACACIA RESEARCH CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share information)

(Unaudited)

	March 31, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 40,083	\$ 40,467
Short-term investments	3,005	10,966
Accounts receivable	4,273	1,409
Prepaid expenses and other current assets	1,525	1,356
Total current assets	48,886	54,198
Property and equipment, net of accumulated depreciation	309	323
Patents, net of accumulated amortization	16,530	16,307
Investments - noncurrent	2,737	-
Other assets	223	223
	\$ 68,685	\$ 71,051
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,354	\$ 3,462
Royalties and contingent legal fees payable	2,564	2,343
Deferred revenues	372	321
Total current liabilities	6,290	6,126
Other liabilities	141	121
Total liabilities	6,431	6,247
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock		
Acacia Research Corporation, par value \$0.001 per share; 10,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock		
Acacia Research - Acacia Technologies stock, par value \$0.001 per share; 100,000,000 shares authorized; 30,165,922 and 30,102,482 shares issued and outstanding as of March 31, 2008 and December 31, 2007, respectively	30	30
Additional paid-in capital	161,912	159,972
Accumulated comprehensive income	(4)	(3)
Accumulated deficit	(99,684)	(95,195)
Total stockholders' equity	62,254	64,804

\$ 68,685 \$ 71,051

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

ACACIA RESEARCH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(In thousands, except share and per share information)
(Unaudited)

	For the Three Months Ended	
	March 31, 2008	March 31, 2007
License fee revenues	\$ 9,048	\$ 25,185
Operating expenses:		
Marketing, general and administrative expenses (including non-cash stock compensation expense of \$1,829 and \$763 for the three months ended March 31, 2008 and 2007, respectively)	6,626	4,328
Inventor royalties and contingent legal fees expense - patents	4,731	14,122
Legal expenses - patents	1,016	1,367
Amortization of patents	1,335	1,316
Total operating expenses	13,708	21,133
Operating income (loss)	(4,660)	4,052
Other income (expense):		
Interest income	455	407
Loss on investments	(263)	-
Total other income (expense)	192	407
Income (loss) from continuing operations before income taxes	(4,468)	4,459
(Provision) benefit for income taxes	(21)	(24)
Income (loss) from continuing operations	(4,489)	4,435
Discontinued operations:		
Loss from discontinued operations - Split-off of CombiMatrix Corporation	-	(2,133)
Net income (loss)	(4,489)	2,302
Unrealized loss on short-term investments	(1)	(8)
Unrealized gain from discontinued operations - Split-off of CombiMatrix Corporation	-	9
Comprehensive income (loss)	\$ (4,490)	\$ 2,303
Income (loss) per common share:		
Acacia Research - Acacia Technologies stock:		
Net income (loss)	\$ (4,489)	\$ 4,435
Basic earnings (loss) per share	(0.15)	0.16
Diluted earnings (loss) per share	(0.15)	0.14

Acacia Research - CombiMatrix stock - Discontinued Operations -
Split-off of CombiMatrix Corporation:

Loss from discontinued operations - Split-off of CombiMatrix Corporation	\$	-	\$	(2,133)
Basic and diluted loss per share		-		(0.04)

Weighted average shares:

Acacia Research - Acacia Technologies stock:

Basic	29,217,636	27,841,286
Diluted	29,217,636	30,969,991

Acacia Research - CombiMatrix stock:

Basic and diluted	-	52,516,220
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The accompanying notes are an integral part of these consolidated financial statements.

ACACIA RESEARCH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	For the Three Months Ended	
	March 31, 2008	March 31, 2007
Cash flows from operating activities:		
Net income (loss)	\$ (4,489)	\$ 2,302
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities from continuing operations:		
Discontinued operations - Split-off of CombiMatrix Corporation	-	2,133
Depreciation and amortization	1,368	1,344
Non-cash stock compensation	1,829	763
Loss on investments	263	-
Other	-	(10)
Changes in assets and liabilities:		
Accounts receivable	(2,864)	(1,788)
Prepaid expenses and other assets	(169)	(171)
Accounts payable and accrued expenses	(90)	617
Royalties and contingent legal fees payable	221	2,205
Deferred revenues	51	40
Net cash provided by (used in) operating activities from continuing operations	(3,880)	7,435
Net cash provided by (used in) operating activities from discontinued operations	2	(3,945)
Net cash provided by (used in) operating activities	(3,878)	3,490
Cash flows from investing activities:		
Purchase of property and equipment	(19)	(51)
Purchase of available-for-sale investments	(265)	(1,741)
Sale of available-for-sale investments	5,225	1,234
Patent acquisition costs	(1,558)	(110)
Net cash provided by (used in) investing activities from continuing operations	3,383	(668)
Net cash provided by investing activities from discontinued operations	-	68
Net cash provided by (used in) investing activities	3,383	(600)
Cash flows from financing activities:		
Proceeds from the exercise of stock options	111	750
Net cash provided by financing activities from continuing operations	111	750
Net cash provided by financing activities from discontinued operations	-	332

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Net cash provided by financing activities	111	1,082
Increase (decrease) in cash and cash equivalents	(384)	3,972
Cash and cash equivalents, beginning (including cash and cash equivalents related to discontinued operations - split-off of CombiMatrix Corporation of \$7,829 at December 31, 2006)	40,467	40,044
Cash and cash equivalents, ending	40,083	44,016
Less: Cash and cash equivalents of discontinued operations, ending	-	(4,117)