

ACACIA RESEARCH CORP
Form 424B5
October 10, 2006

FILED PURSUANT TO RULE 424(B)(5)
REGISTRATION NO. 333-133529

PROSPECTUS SUPPLEMENT

To Prospectus dated April 25, 2006

101,781 Shares

ACACIA RESEARCH CORPORATION
Acacia Research - CombiMatrix Common Stock

\$0.98 per share

· Acacia Research Corporation is offering 101,781 shares of its Acacia Research - CombiMatrix common stock.

· Trading symbol: Nasdaq National Market --CBMX

· The last reported sale price of our Acacia Research - CombiMatrix Common Stock on October 6, 2006 was \$0.96 per share.

This investment involves a high degree of risk. See “Risk Factors” beginning on page 4 of the accompanying prospectus.

	Per Share	Total
Public offering price	\$ 0.9825	\$ 100,000
Placement agency fees	\$ 0.0442	\$ 4,500
Proceeds, before expenses, to Acacia Research Corporation	\$ 0.9383	\$ 95,500

Delivery of the shares will be made on or about October 10, 2006. The cash proceeds will be delivered to Acacia Research Corporation. All funds received will be held in a non-interest bearing account.

Neither the Securities and Exchange Commission nor any state securities commission has approved of anyone's investment in these securities or determined if this prospectus supplement and the accompanying prospectus are truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is October 10, 2006.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus dated April 25, 2006, relate to the offer by us of 101,781 shares of our Acacia Research - CombiMatrix Common Stock. In the accompanying prospectus, we provide you with a general description of our securities that we are offering. These documents contain important information you should consider when making your investment decision. This prospectus supplement may add, update or change information in the accompanying prospectus. You should read both this prospectus supplement and the accompanying prospectus as well as the additional information described under “Information Incorporated by Reference” below and “Where You Can Find More Information” on page 24 of the accompanying prospectus before investing in our securities.

You should rely only on the information contained or incorporated by reference into this prospectus supplement and the accompanying prospectus. We have not authorized any other person to provide you with information different from that contained or incorporated in this prospectus supplement and the accompanying prospectus. We are offering to sell our securities only in jurisdictions where offers and sales are permitted. The information contained or incorporated into this prospectus supplement and the accompanying prospectus is complete and accurate only as of the date of such information, regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or of any sale of our securities.

In this prospectus supplement, unless the context otherwise indicates, the terms “we,” “our,” “us,” and “the company” refer to Acacia Research Corporation.

RISK FACTORS

Our AR-CombiMatrix stock has recently traded below the minimum bid price required by the Nasdaq Global Market continued listing requirements, and if this trend continues for thirty consecutive business days, we may be delisted from the Nasdaq Global Market if we are unable to achieve compliance within 180 days following notice from Nasdaq.

Since September 25, 2006, the lowest trading price of our AR-CombiMatrix stock has ranged from \$0.99 to \$0.88 per share. If our AR-CombiMatrix stock continues to trade below \$1.00 for thirty (30) consecutive business days, then we will fail to meet the continued listing requirements of the Nasdaq Global Market. If this occurs, we will receive notice from Nasdaq which will be publicly disclosed. Following receipt of such notice, we would have 180 days to achieve compliance with the minimum bid price standard of \$1.00 per share. If we were unable to achieve compliance within 180 days, then our AR-CombiMatrix stock would most likely be removed from trading on the Nasdaq Global Market and begin trading on the OTC Bulletin Board until we were able to meet the initial listing requirements of a Nasdaq market or another national exchange, such as Amex. If the AR-CombiMatrix stock is delisted, we would be unable to provide any assurance that we would be eligible for listing on any national exchange.

INFORMATION INCORPORATED BY REFERENCE

The Securities and Exchange Commission (the “SEC”) allows us to “incorporate by reference” the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus supplement or the accompanying prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until all of the securities that we may offer with this prospectus supplement and the accompanying prospectus are sold:

Our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2006;

Our Current Report on Form 8-K filed on June 15, 2006;

Our Current Report on Form 8-K filed on June 22, 2006;

Our Current Report on Form 8-K filed on July 18, 2006;

Our Current Report on Form 8-K filed on July 20, 2006;

Our Current Report on Form 8-K filed on July 25, 2006; and

Our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006;

You may request a copy of these filings at no cost, by writing or telephoning Chief Financial Officer, Acacia Research Corporation, 500 Newport Center Drive, 7th Floor, Newport Beach, CA 92660, (949) 480-8300.

CAPITALIZATION

The following table sets forth our actual capitalization as of June 30, 2006, and our capitalization as adjusted to give effect to the issuance of 101,781 shares of our Acacia Research-CombiMatrix common stock in this offering at an assumed offering price of \$0.98 per share, net of offering costs, plus the issuance of 2,019,646 shares of Acacia Research-CombiMatrix common stock sold since June 30, 2006, pursuant to registration statements of which this supplement is a part, at prices ranging from \$1.13 to \$1.16 per share, net of offering costs.

The information set forth in the following table should be read in conjunction with, and is qualified in its entirety by, the financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2005, and in our Quarterly Reports on Form 10-Q for the quarter ended March 31, 2006 and June 30, 2006 which are incorporated by reference into the accompanying prospectus.

AS OF JUNE 30, 2006

HISTORICAL AS ADJUSTED

(dollars in thousands)

REDEEMABLE STOCKHOLDERS' EQUITY:

Preferred stock -

Acacia Research Corporation, par value \$0.001
per
share; 10,000,000 shares authorized; no shares
outstanding

\$	-	\$	-
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Common stock -

Acacia Research-Acacia Technologies common
stock,
par value \$0.001 per share, 100,000,000
authorized;
27,899,920 shares issued and outstanding;
27,899,920

Shares issued and outstanding, as adjusted	28	28
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Acacia Research-CombiMatrix common stock,
par value
\$0.001 per share, 100,000,000 authorized;
39,336,152
shares issued and outstanding, 41,457,579 shares
issued
and outstanding, as adjusted

39	41
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Additional paid-in capital	317,716	319,885
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Accumulated comprehensive loss	(56)	(56)
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Accumulated deficit	(219,263)	(219,263)
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Total redeemable stockholders' equity	\$ 98,464	\$ 100,635
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DILUTION

Our net tangible book value on June 30, 2006, was as follows:

	Net Tangible Book Value (In Thousands)	Shares of Common Stock Outstanding	Net Tangible Book Value Purchase
CombiMatrix Group	\$13,049	39,336,152	\$0.33
Acacia Technologies Group	\$41,399	27,899,920	\$1.48
Acacia Research Corporation	\$54,448	N/A	N/A
Consolidated			

Without taking into account any other changes in the net tangible book value for the CombiMatrix group after June 30, 2006, other than to give effect to our receipt of the estimated net proceeds from the sale of the maximum number of shares issuable in this offering (101,781 shares of Acacia Research-CombiMatrix common stock) at an offering price of \$0.98 per share, less our estimated offering expenses, the net tangible book value of the CombiMatrix group as of June 30, 2006, after giving effect to the items above, would have been approximately \$13,138,000 or \$0.33 per share. This represents an immediate increase in the net tangible book value of \$0.00 per share to existing holders of Acacia Research-CombiMatrix common stock and an immediate dilution of \$0.65 per share to new investors.

The following table illustrates this per share dilution:

Offering price per share of Acacia Research-CombiMatrix common stock	\$	0.98
Net tangible book value per share as of June 30, 2006 (1)		0.33
Increase in net tangible book value per share attributable to the offering (1)		0.00
Pro forma net tangible book value per share as of June 30, 2006, after giving effect to the offering (1)		0.33
Dilution per share to new investors in the Offering	\$	0.65

(1) Per share amounts calculated using the net tangible book value of Acacia Research Corporation's CombiMatrix group.

The tables above are based on 27,899,920 shares of Acacia Research-Acacia Technologies common stock and 39,336,152 shares of Acacia Research-CombiMatrix common stock outstanding as of June 30, 2006, and exclude the shares of Acacia Research-Acacia Technologies common stock and Acacia Research-CombiMatrix common stock that may be issued upon the exercise of outstanding options granted and shares reserved for issuance under our 2002 Acacia Technologies Stock Incentive Plan and our 2002 CombiMatrix Stock Incentive Plan, as of June 30, 2006.

To the extent that any Acacia Research-CombiMatrix common stock options outstanding as of June 30, 2006, are exercised, new Acacia Research-CombiMatrix common stock options are issued under our stock incentive plans and exercised, or we issue additional shares of Acacia Research-CombiMatrix common stock in the future, there will be further dilution to new investors.

PLAN OF DISTRIBUTION

This offer by us of 101,781 shares of our Acacia Research - CombiMatrix Common Stock is pursuant to a Standby Equity Distribution Agreement ("SEDA") that we entered into with Cornell Capital Partners, L.P. on June 14, 2006, as amended. Under the Standby Equity Distribution Agreement, Cornell committed to purchase up to \$50 million of our Acacia Research-CombiMatrix common stock, at a discount to fair market value price of 2.5%. For a period of 24 months from the date of the Agreement, we may sell shares to Cornell in maximum single advances of \$5,000,000, up to a total price of \$50,000,000 or up to, but not exceeding, a total of 13,024,924 shares, which represents less than 20% of the total outstanding shares of Acacia Research-CombiMatrix common stock on June 14, 2006. Since executing the SEDA with Cornell, we have sold a total of 2,019,646 shares of our Acacia Research-CombiMatrix Common Stock for net proceeds of \$2,207,000, exclusive of this offering.

Pursuant to the Standby Equity Distribution Agreement we have made certain covenants, including that we will use our best efforts to maintain the continuous effectiveness of our registration statement with the SEC, and that we will maintain a listing for our shares of Acacia Research-CombiMatrix common stock on the Nasdaq National Market, Nasdaq Capital Market, New York Stock Exchange, American Stock Exchange or the OTC Bulletin Board. We currently anticipate that the 101,781 shares of our Acacia Research - CombiMatrix Common Stock will continue to be listed on the Nasdaq National Market under the trading symbol "CBMX."

To date, we have received a total of \$2,300,000 in gross proceeds, exclusive of this offering. We paid a total of \$644,000 in fees to Cornell, exclusive of this offering, and we are required to pay additional advance fees of 4% of each future advance up to the first \$20 million of advances, and 5% of each future advance in excess of \$20 million.

We anticipate that the closing of the takedown of 101,781 shares of our Acacia Research - CombiMatrix Common Stock in accordance with the Standby Equity Distribution Agreement will close on or about October 10, 2006. On the scheduled closing date, we anticipate receipt of funds in the amount of the aggregate purchase price, less the advance fees.

LEGAL MATTERS

Certain legal matters in connection with the legality of the offering of the securities hereby will be passed upon for us by Greenberg Traurig LLP, Costa Mesa, California.

PROSPECTUS

\$75,000,000

ACACIA RESEARCH CORPORATION

**ACACIA RESEARCH - COMBIMATRIX COMMON STOCK
ACACIA RESEARCH - ACACIA TECHNOLOGIES COMMON STOCK
WARRANTS**

By this prospectus, we may offer, from time to time:

- shares of our Acacia Research - CombiMatrix common stock;
- shares of our Acacia Research - Acacia Technologies common stock;
- warrants to purchase shares of our Acacia Research - CombiMatrix common stock and our Acacia Research - Acacia Technologies common stock; or
- any combination of the foregoing.

We will provide specific terms of each issuance of these securities in supplements to this prospectus. You should read this prospectus and any supplement carefully before you decide to invest.

This prospectus may not be used to consummate sales of these securities unless it is accompanied by a prospectus supplement

Our Acacia Research - CombiMatrix common stock is traded on the Nasdaq National Market under the ticker symbol "CBMX." On April 21, 2006, the last reported sales price of our Acacia Research - CombiMatrix common stock was \$2.09 per share. Our Acacia Research - Acacia Technologies common stock is traded on the Nasdaq National Market under the ticker symbol "ACTG." On April 21, 2006, the last reported sales price of our Acacia Research - Acacia Technologies common stock was \$9.98 per share.

INVESTING IN OUR SECURITIES INVOLVES SUBSTANTIAL RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 3 TO READ ABOUT FACTORS YOU SHOULD CONSIDER BEFORE BUYING SHARES OF OUR COMMON STOCK.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE INFORMATION IN THIS PRELIMINARY PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED WITHOUT NOTICE. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PRELIMINARY PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES, AND WE ARE NOT SOLICITING OFFERS TO BUY THESE SECURITIES IN ANY JURISDICTION

WHERE THE OFFER OR SALE OF THESE SECURITIES IS NOT PERMITTED.

The date of this prospectus is April 25, 2006
