



**Part II** Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ [See Appendix A](#)

Blank lines for listing applicable Internal Revenue Code sections.

18 Can any resulting loss be recognized? ▶ [See Appendix A](#)

Blank lines for providing information regarding resulting loss recognition.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ [See Appendix A](#)

Blank lines for providing other information necessary to implement the adjustment.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here  
 Signature ▶ Edward A. Imbrogno Date ▶ 11/13/2020  
 Print your name ▶ Edward Imbrogno Title ▶ Vice President, Chief Financial Officer

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶			Firm's EIN ▶	
	Firm's address ▶			Phone no.	

**PDL BioPharma, Inc.**  
**FEIN: 94-3023969**

**Form 8937**  
**Report of Organizational Action Affecting Basis of Securities**  
**Liquidating Distribution of LENSAR Shares to PDL Shareholders**  
**Appendix A**

The attached Form 8937 and this Appendix A are intended to constitute a public reporting under section 6045B of the Internal Revenue Code of 1986, as amended (the “Code”), and sections 1.6045B-1(a)(3) and (b)(4) of the Treasury Regulations relating to a potential adjustment to the basis of PDL BioPharma, Inc.’s (“PDL”) shares as a result of the distribution (described below) that was effective on October 1, 2020 (the “Distribution Date”). This Appendix A is intended to provide only a general summary of certain U.S. federal income tax consequences of the transaction and is not intended to provide a comprehensive analysis of all potential U.S. federal income tax consequences related to the transaction. PDL shareholders should consult their tax advisors to determine the tax consequences of them of the transaction.

**Line 14. Describe the organizational action and, if applicable, the date of the action or the date against which shareholders’ ownership is measured for the action.**

On the Distribution Date, PDL distributed its equity in LENSAR, Inc. (“LENSAR”). The distribution took place as a pro rata common stock liquidating distribution to each PDL shareholder of record on September 22, 2020 (the “Record Date”).

As of the Record Date, PDL had 114,226,566 shares of common stock, par value \$0.01 per share, outstanding. On the Record Date, PDL owned 8,658,694 shares of LENSAR common stock. PDL purchased an additional 8,703 shares of LENSAR common stock following the Record Date and prior to the Distribution Date. As of the Distribution Date, PDL owned 8,667,397 shares of LENSAR common stock (representing approximately 81.5 percent of LENSAR common stock outstanding). PDL stockholders received 0.075879 shares of LENSAR common stock for every one share of PDL common stock held as of Record Date. Fractional shares of LENSAR common stock were not distributed. Fractional shares of LENSAR common stock that would have otherwise been distributed to PDL stockholders were aggregated and sold in the public market by the transfer agent. The aggregate net proceeds of these sales were distributed ratably as cash payments to the stockholders who would otherwise have received fractional interests. On October 5, 2020, the second full day of trading, the average value of each share of LENSAR common stock was \$11.11 (average price of high value of \$12.71 and low value of \$9.51). In lieu of using the average of the high and low sales prices from October 2, 2020, the first full day of trading, PDL and LENSAR used October 5, 2020 as it was more representative of LENSAR’s value at distribution. PDL and LENSAR believe this date is a more accurate representation of LENSAR value as a result of anomalies that existed leading up to and on October 2 related to when-issued trading prior to the distribution and the high and low values on October 2. Shareholders may use other methods to compute fair market value and should consult their tax advisors.

This distribution is part of a series of liquidating distributions made pursuant to a plan of liquidation adopted by PDL in February 2020 (the “Plan”). The Plan calls for PDL to make a series of distributions in pursuit of the complete liquidation of PDL.

**Line 15. Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis.**

Since the distribution of shares of LENSAR common stock was made pursuant to a plan of complete liquidation of PDL, it is expected to decrease a U.S. shareholder’s basis in its shares of PDL common stock. Such shareholders must generally first apply liquidating distributions against, and reduce, the tax basis of each share of PDL common stock that it owns, but not below zero, before reporting gain or loss with respect to such share. Amounts received in excess of the basis of any share of PDL common stock will generally be reported as gain in the year received. Any basis with respect to a particular share of PDL common stock that remains after all liquidating distributions are received would generally result in a loss with respect to such share. Subject to certain exceptions, losses with respect to any share of PDL common stock may generally not be recognized until the final liquidating distribution is received. Shareholders should consult with their tax advisors for assistance in adjusting the basis of their shares of PDL common stock as well as in determining the amount and character of any gain or loss.

If an entity treated as a partnership for U.S. federal income tax purposes holds PDL common stock or LENSAR common stock, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding PDL common stock or LENSAR common stock and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

This discussion does not purport to be a complete analysis of all potential tax effects. The effects of other U.S. federal tax laws, such as estate and gift tax laws, and any applicable state, local or non-U.S. tax laws, are not discussed.

**Line 16. Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates.**

PDL adopted the plan of liquidation in February 2020. The distributions of shares of LENSAR common stock are expected to be characterized as return of capital transactions pursuant to Sections 331 and 346 of the Code, assuming that a shareholder’s adjusted basis in its PDL shares is at least equal to the value of the shares of LENSAR common stock distributed. In accordance with Section 331 of the Code, upon receipt of the shares of LENSAR common stock in a liquidating distribution, the basis of each share of PDL common stock would be reduced, but not below zero, by the amount of any liquidating distributions (i.e., the value of the shares of LENSAR common stock received on the date of the distribution).

A PDL shareholder who owns more than one block of PDL common stock must ratably allocate the value of the shares of LENSAR common stock among such shareholder’s blocks of

PDL common stock in proportion to the number of shares of PDL common stock in each particular block to the total number of shares of PDL common stock held by the taxpayer. Gain is recognized only after the adjusted basis of such block of PDL common stock has been recovered.

The distribution ratio for shares of LENSAR common stock to PDL shareholders was calculated by dividing the total number of shares of LENSAR common stock held by PDL by the number of shares of PDL common stock outstanding as of the close of business on the Record Date. PDL shareholders received 0.075879 shares of LENSAR common stock for every one share of PDL common stock held.

**Line 17. List the applicable internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based.**

Sections 331 and 346(a) of the Code.

**Line 18. Can any resulting loss be recognized?**

Loss generally cannot be recognized at this time. Subject to certain exceptions, losses with respect to any shares of PDL common stock may generally not be recognized until the final liquidating distribution is received.

**Line 19. Provide any other information necessary to implement the adjustment, such as the reportable tax year.**

PDL will provide its stockholders with tax information on an IRS Form 1099-DIV, informing them of the amount and character of distributions made during the taxable year, including the distribution of shares of LENSAR common stock.